



*Castle House  
Great North Road  
Newark  
NG24 1BY*

*Tel: 01636 650000*

[www.newark-sherwooddc.gov.uk](http://www.newark-sherwooddc.gov.uk)

Dear Councillor

**AUDIT & ACCOUNTS COMMITTEE - WEDNESDAY, 24TH JULY, 2019**

I now enclose, for consideration the following reports that were unavailable when the agenda was published.

**Agenda No    Item**

6.    **External Audit Annual Governance Report 2018/19 (Pages 2 - 32)**
  
7.    **Statement of Accounts 2018/19 and Annual Governance Report (Pages 33 - 179)**

## **AUDIT AND ACCOUNTS COMMITTEE**

**24 JULY 2019**

### **EXTERNAL AUDITORS' ANNUAL AUDIT COMPLETION REPORT**

#### **1.0 Purpose of Report**

1.1 To present the External Auditors Annual Audit Completion Report, this is attached at Appendix A.

#### **2.0 Background Information**

2.1 The external auditor issues an Annual Audit Completion Report in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Audit Completion Report, together with the action taken in respect of these findings. The report also gives the auditor's opinion on the Statement of Accounts and the Value for Money conclusion.

#### **3.0 Statement of Accounts**

3.1 The Council's Statement of Accounts for 2018/19 is considered elsewhere on this agenda.

3.2 The report confirms that the external auditor has issued an unqualified opinion of the 2018/19 Statement of Accounts.

3.3 The report asks the Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements included in the report;
- approve the letter of representation on behalf of the Council (Appendix B).

#### **4.0 Value for Money**

4.1 The Annual Governance Report includes the external auditor's conclusion on whether the Council has satisfactory corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion. The auditor considers whether the Council has proper arrangements for financial resilience

4.2 The external auditor is satisfied that the Value for Money criterion has been met.

#### **5.0 RECOMMENDATIONS that:-**

- (a) **the Committee receives the External Auditors Annual Audit Completion Report for 2018/19;**
- (b) **the Committee notes the adjustments to the financial statements set out in the report; and**
- (c) **the letter of representation signed by the Director of Resources – S151 Officer and the chair of the committee, be approved.**

Background Papers

Nil

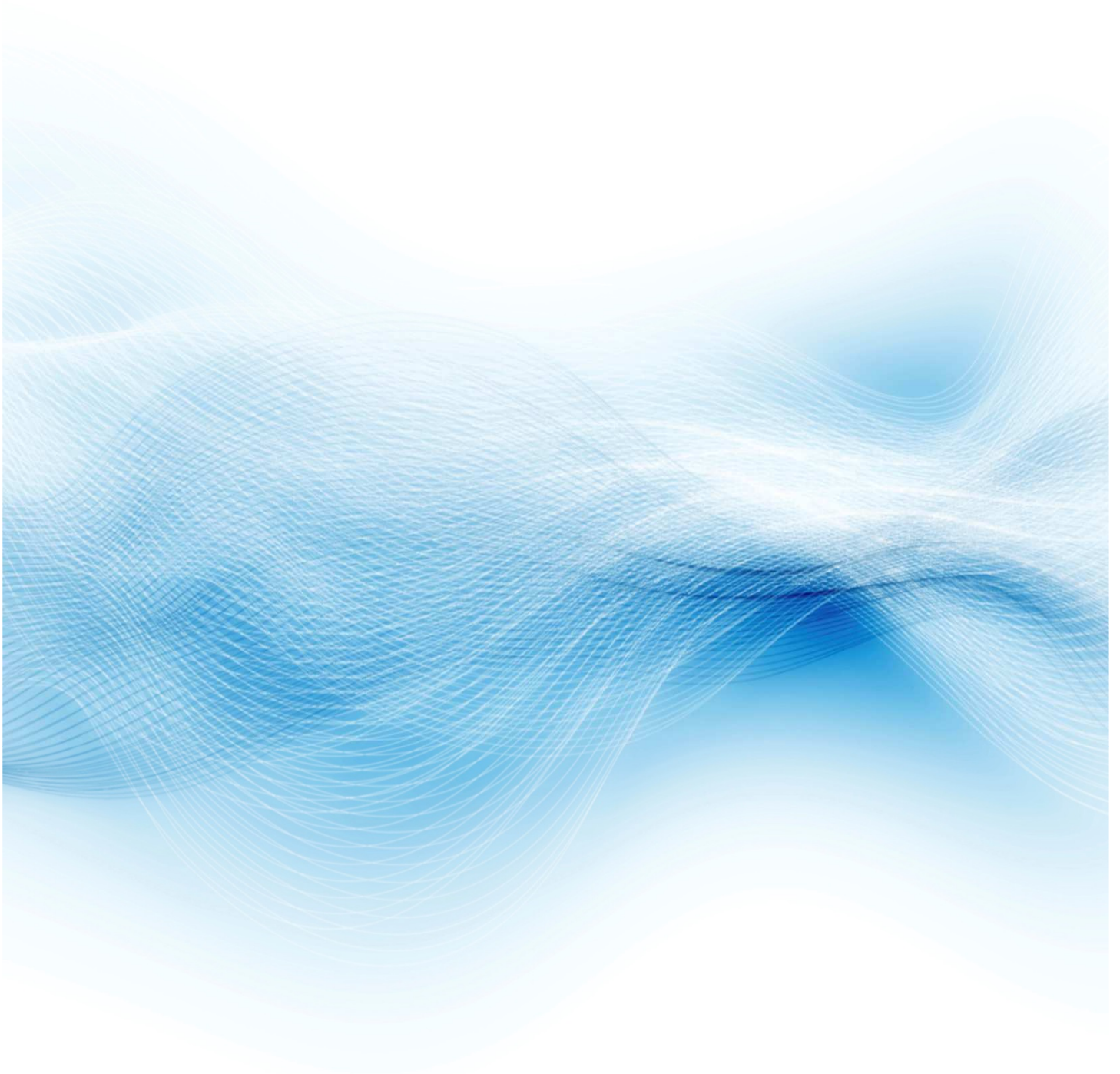
For further information please contact Nick Wilson, Business Manager - Financial Services on extension 5317.

Nick Wilson  
Business Manager - Financial Services



# Audit Completion Report

Newark and Sherwood District Council  
Year ending 31 March 2019





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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Audit and Accounts Committee  
Newark and Sherwood District Council  
Castle House  
Great North Road  
Newark  
Nottinghamshire  
NG24 1BY

24 July 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 24 April 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate .

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0115 964 4744.

Yours faithfully

**David Hoose**  
Mazars LLP

Mazars LLP – Park View House, 58 The Ropewalk, Nottingham, NG1 5DW  
Tel: +44 (0) 115 964 4744 – Fax: +44 (0) 115 964 4755 – [www.mazars.co.uk](http://www.mazars.co.uk)

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VAT number: 839 8356 73



# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Newark and Sherwood District Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Accounts Committee meeting on 24 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

### Significant Audit Risks:

- Management override of controls
- Valuation of property, plant and equipment, investment properties and assets held for sale
- Valuation of net defined benefit liability

### Key Judgement Areas:

- Debt impairment
- Provision for business rate appeals against the rating list
- Minimum revenue provision (MRP)

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following items are outstanding

- Completion of work on the Council Tax analytical review;
- Addressing any residual audit queries arising from our completion procedures;
- General audit file completion and review procedures;
- Final review of amended accounts; and
- Final audit Partner review.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £1,351k using a benchmark of 2% of the Council's 2017/18 Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors was increased to £1,831k, recognising an adjustment for the revaluation movement on council dwellings. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Accounts Committee), at the planning stage of the audit at £41k, and again our final assessment was adjusted for the revaluation movement on council dwellings to £55k.

# 1. EXECUTIVE SUMMARY

## Key findings of our work

As we outline below, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, which has a deadline of 13 September 2019. The Authority is below the threshold requiring a detailed review of your WGA submission, and we expect to be able to provide the information required by NAO at the conclusion of our audit work, well ahead of the formal deadline.

### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions from local electors.

## Misstatements and internal control recommendations

Section 3 sets out any internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. There were a number of audit adjustments to the accounts and one uncorrected misstatements above our trivial threshold.

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## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit that include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 10 we have concluded that the financial statements have been prepared in accordance with the financial reporting framework and provide commentary on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration and reported these to you in our Audit Strategy Memorandum. Our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

#### How we addressed this risk

We addressed this risk by:

- Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walking through those processes and controls to confirm our understanding;
- Testing the appropriateness of journal entries recorded in the general ledger and other material adjustments made in the preparation of the financial statements;
- Evaluating the business rationale for any significant transactions outside the normal course of the business;
- Understanding the oversight given by those charged with governance of management processes over fraud; and
- Considering whether the Council's accounting policies are consistent with industry standards;

#### Clarification from the Audit Strategy Memorandum

In our Audit Strategy Memorandum we also said we would:

- Review the calculation of management's material accruals, estimates and provisions for evidence of management bias;
- Sample test accruals and provisions based on established testing thresholds; and
- Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

This work has been performed, with no issues arising. However, we wish to clarify that this testing was not to address this Significant Risk, they formed part of our standard audit procedures.

#### Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of property, plant and equipment, investment properties and assets held for sale

### Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

### Relevant account balances

- Property, plant and equipment
- Investment properties (note that these have been reclassified as PPE so that investment properties are no longer material)
- Assets held for sale

### How we addressed this risk

We addressed this risk through performing the following audit work:

- Critically assessing the Council's valuers' scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assessing whether valuation movements are in line with market expectations by using our own valuation expert to provide information on regional valuation trends;
- Critically assessing the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and
- Testing a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

### Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of net defined pension liability

### Description of the risk

The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.

### How we addressed this risk

There has been no change in our planned audit strategy. We do however, wish to clarify our approach, which results in minor changes of how the tests performed are described versus our Audit Strategy Memorandum. We addressed this risk through performing the following audit work:

- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition, we

- Critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham;
- Liaised with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Performed a walkthrough of payroll transactions at the Council to understand how pension contributions which are deducted and paid to the Pension Fund by the Council (note, our Audit Strategy Memorandum implied we would perform detailed tests, which was an incorrect transposition from our Audit file);

### Audit conclusion

Whilst the majority of our work on the Council's defined benefit pension liability has not identified any issues, we do wish to bring the following to Members' attention.

All local authorities have been affected by an accounting issue that impacts the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) have created uncertainty over whether pension liabilities are fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council, as with nearly all local authorities in England, prepared the financial statements on this basis. In our view, these cases give rise to at least a constructive obligation, which is required to be recognised under IAS 19. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

The Council has updated the financial statements for the changes.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

**Key area of management judgment**

Debt impairment

**Description of the judgment**

Uncertainty exists that, in the current economic climate, the Council's provision for the impairment of doubtful debts would be sufficient.

**How we addressed this management judgement**

We addressed this judgment through performing the following audit work:

- Reviewing the level of reported debt as at the 31 March and considering the implications for any material change;
- Ensuring that managements methodology for calculating the provision has been consistently applied and is in line with the requirements of the Code;
- Testing the collectability of both significant and a sample of other non-significant debtor balances; and
- Re-performing the basis of the calculation for the impairment of debtors.

**Audit conclusion**

Our audit procedures relating to the Council's provision for the impairment of doubtful debts have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

**Key area of management judgment**

Provision for business rate appeals against the rating list

**Description of the judgment**

The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.

**How we addressed this management judgement**

We addressed this judgment through performing the following audit work:

- Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy;
- Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability; and
- Assessing whether the reconciliation of movements during the period and description of the nature of the provision have been adequately disclosed in the financial statements.

**Audit conclusion**

Our audit procedures relating to the Council's provision for business rate appeals have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

**Key area of management judgment**

Minimum Revenue Provision (MRP)

**Description of the judgment**

Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.

**How we addressed this management judgement**

We addressed this judgment through performing the following audit work:

- Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's policy;
- Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and
- Confirming that any charge has been accounted for in accordance with the Code.

**Audit conclusion**

Our audit procedures have not identified any material errors or uncertainties in the financial statements in relation to the Council's MRP, and there are no matters that we wish to bring to Members' attention.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Opening balances

We have performed relevant audit procedures on the Council's opening balances. We have no observations or matters to report relating to the opening financial position as at 1 April 2018.

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in advance of the 31 May deadline and were of a good quality. This represents a significant achievement by the finance team. We received positive cooperation from the finance team throughout the course of the audit.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

We have not received any questions or objections.

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

#### Description of deficiency

##### Fixed asset additions

Our testing of fixed asset additions identified capital expenditure of £42k against one asset that had been recognised in both 2017/18 and 2018/19. This was due to an address duplication of the information provided by Newark and Sherwood Homes in 2018/19, as the second amount of £42k should have been allocated to a different property address. While this is a control deficiency, there is no financial impact as the works have been included in the asset register and then revalued down to nil.

#### Potential effects

Assets could be overstated where assets are not revalued to nil.

#### Recommendation

The Council should ensure that fixed asset additions are recognised in the correct year.

#### Management response

While there is no overall financial impact of this recommendation, a comparison will be completed with the information provided by Newark and Sherwood Homes at the end of the financial year to make sure no properties are duplicated as above.



## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £55k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2018/19

The Council has adjusted the financial statements for the impact of the McCloud judgement as detailed below. However, it has not adjusted the group accounts in respect of its subsidiaries, Newark and Sherwood Homes and Active4Today, since the accounts of these entities have already been audited and the resulting changes are not material. The impact of this would have been:

- a reduction in Gains and Losses on the Cost of Services of £337k
- a reduction in Past Service Costs of £389k
- an increase in the Pension Liability of £726k

### Adjusted misstatements 2018/19

We identified the following misstatements, one of which exceeds our audit materiality, that management has agreed to amend. For completeness we report all of these in the table below:

	Before £'000	After £'000
1 Balance Sheet - Net Pension Liability	63,820	65,937
Comprehensive Income and Expenditure Statement – Cost of Services: Service Costs	3,332	4,354
Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure: Net interest expense	1,751	1,755
Total re-measurements recognised in Other Comprehensive Income and Expenditure	7,429	6,338
Updated figures as a result of a revised actuarial valuation, taking into account assumptions for the McCloud judgement and actual performance of the pension fund to 31 March 2019. There are also additional consequential changes to the Pension Fund note as well as connected notes, but none of these items impact the Council's General Fund.		
Balance sheet reserves	163,719	163,134
Balance sheet – tangible assets	353,416	352,831
This is the adjustment to correctly reflect the value of Newark Livestock Market as a result of using the incorrect estimated income, thus over-stating the asset's value.		

### Disclosure amendments

In addition to the above numerical errors that relate directly to the primary statements or the related notes, our audit also identified a small number of errors in relation to other disclosures. These have been discussed with management who have agreed to the amendments and includes:

- Annual Governance Statement – the draft statement did not reflect the final Head of Internal Audit's opinion and needed to be revised
- Narrative Report – some minor adjustments were suggested which management agreed to adjust.
- Leases Note 26 was understated by £1.1 million – management have agreed to adjust this disclosure note.
- There was a discrepancy of £285k in the figures for gains/losses between Note 45 and Note 16 – management has agreed to adjust the disclosure in Note 45.

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## 5. VALUE FOR MONEY CONCLUSION

### Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

### Our Approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we have identified one significant risks to our VFM conclusion around financial resilience, as shown in the table below.

Our detailed findings are set out on the following page. Based on the work performed, we we are satisfied that the Council's arrangements are adequate.

### Matters kept under review

Before drawing our conclusion, we have:

- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports
- Reviewed the Council's Annual Governance Statement for any significant issues
- Considered the Council's financial outturn position as presented in the financial statements.

From the work performed, no new significant VFM risks were identified and we have no matters to report.

### Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified a single significant Value for Money risk. The work we carried out in relation to this significant risk is outlined below.

Risk	Work undertaken	Conclusion
<b>Financial resilience</b>		
<p>The Authority has been successful in reducing its net budget requirement significantly over the previous seven years and has set a balanced budget for 2018/19. Projections show an underspend against budget of around £600k for the financial year. In response to falling central government funding levels and increases in service demands, the Authority has established an efficiency programme which has delivered savings of almost £6 million since 2010/11. The medium term financial plan, covering the period to 2022/23, shows a balanced budget for each of the years covered by the plan. However, this is based on a number of assumptions around inflation, business rates income and council tax increases. Sensitivity analysis against the assumptions indicates that there will be a need to make savings of up to £2.6 million over the period of the medium term financial plan. The Council's budget gap in future years will be partly met from savings on ongoing schemes but there is also a need to develop new revenue streams. The Authority has developed a Commercialisation Strategy and an Investment Strategy which aim to drive the generation of new income and the initiatives which derive from these strategies will be crucial in bridging the budget gap whilst meeting the Authority's strategic priorities.</p>	<p>We have critically reviewed whether the Council has:</p> <ul style="list-style-type: none"> <li>Used reasonable assumptions in the development of its medium term financial plan;</li> <li>Considered any changes in the accounting and regulatory environment within any sensitivity analysis conducted as part of its investment decision making process; and</li> <li>Ensured that Members have sufficient expertise to understand the process and decisions that they have ultimate responsibility for approving.</li> </ul>	<p>Having completed our planned procedures, we are satisfied that the Council has adequate arrangements for securing economy, efficiency and effectiveness in its use of resources. It has a robust Medium Term Financial Plan (MTFP) and has clearly presented the financial challenges facing the organisation and the sector. It has laid out plans for the next three years, including potential budget gaps. Specifically, the MTFP details the assumptions which have been made in developing the Plan and these are reasonable and well-articulated. These include:</p> <ul style="list-style-type: none"> <li>Salary and inflationary increases</li> <li>Council tax</li> <li>Business rates and levels of provision for appeals</li> <li>Levels of Government funding including Revenue Support Grant, Business Rates Retention and New Homes Bonus</li> </ul> <p>The MTFP includes a sensitivity analysis which models the effect of any changes in assumptions on major areas of income and expenditure for example council tax, business rates, fees and charges and salaries. It also highlights areas where outcomes are still unknown such as changes in national and local policy and the results of the Fair Funding review. The MTFP also shows where the budget reductions have come from in 2018/19 and 2019/20.</p>

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
		<p>The Council has a well-established decision making structure and arrangements for Member involvement in the financial and investment decisions of the organisation. Reports to Members include clear information on future plans, in year financial performance, treasury management activities and performance, investment decisions and plans. There is no evidence to suggest that Members have not been given the relevant information to make informed decisions on financial and investment issues. The Council's Investment Strategy confirms its commitment to ensuring that Officers and Members are provided with the right capacity, skills and information to make investment decisions.</p> <p>The 2018/19 year end position was a £0.323 million surplus against service budgets, with a total underspend variance of £1.957 million, enabling the Council to make a transfer to usable reserves of £3.375 million. This further strengthened the Council's already strong position with regard to reserves, taking usable reserves to £53 million overall with general fund reserves of £1.5 million and earmarked reserves of £25 million within this balance. The Council is therefore in a good position but will need to keep the emphasis on its commercialisation and investment decisions in order to bridge the gap in funding for future years.</p>

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### **Our overall Value for Money conclusion**

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.

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# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

24<sup>th</sup> July 2019

Dear Sirs

### **Newark and Sherwood District Council - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (and Group) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council (and Group) you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

#### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council (and Group) in making accounting estimates, including those measured at current or fair value, are reasonable.

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## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council (and Group) have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council (and Group) has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council (and Group) involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's (and Group's) financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law.

I have disclosed identity of the Council's (and Group's) related parties and all related party relationships and transactions of which I am aware.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

# APPENDIX A DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

## Going concern

To the best of my knowledge there is nothing to indicate that the Council (and Group) will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Chief Finance Officer

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of Newark and Sherwood District Council

#### Report on the financial statements

##### Opinion

We have audited the financial statements of Newark and Sherwood District Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Council and Group Movement in Reserves Statement, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Newark and Sherwood District Council as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on Newark and Sherwood District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2018, we are satisfied that, in all significant respects, Newark and Sherwood District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2018, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Use of the audit report

This report is made solely to the members of Newark and Sherwood District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

### Certificate

We certify that we have completed the audit of Newark and Sherwood District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

**David Hoose** For and on behalf of Mazars LLP

Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW  
24 July 2019

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# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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## CONTACT

### **David Hoose**

Partner

Phone: +44 (0) 115 964 4744

Email: [david.hoose@mazars.co.uk](mailto:david.hoose@mazars.co.uk)

### **Helen Brookes**

Manager

Phone: +44 (0) 0115 964 4796

Email: [helen.brookesj@mazars.co.uk](mailto:helen.brookesj@mazars.co.uk)

Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Telephone: 01636 655303  
Email: [Sanjiv.Kohli@newark-sherwooddc.gov.uk](mailto:Sanjiv.Kohli@newark-sherwooddc.gov.uk)

Date 24<sup>th</sup> July 2019

Dear Sirs,

**Newark and Sherwood District Council - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (and Group) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council (and Group) you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council (and Group) in making accounting estimates, including those measured at current or fair value, are reasonable.

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are contingent assets in relation to VAT claims against HMRC that are disclosed within the accounts.

All material matters, including unasserted claims, that may result in litigation against the Council (and Group) have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council (and Group) has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- all knowledge of fraud or suspected fraud affecting the Council (and Group) involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's (and Group's) financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed identity of the Council's (and Group's) related parties and all related party relationships and transactions of which I am aware.

### **Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Going concern**

To the best of my knowledge there is nothing to indicate that the Council (and Group) will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## **Unadjusted misstatements**

The Council has adjusted the financial statements for the impact of the McCloud judgement on its Pension liability. However, it has not adjusted the group accounts in respect of its subsidiaries, Newark and Sherwood Homes and Active4Today, since the accounts of these entities have already been audited and the resulting changes are not material. The impact of this would have been:

- a reduction in Gains and Losses on the Cost of Services of £337k
- a reduction in Past Service Costs of £389k
- an increase in the Pension Liability of £726k

Yours faithfully

Sanjiv Kohli  
Deputy Chief Executive and  
Director of Resources

Councillor Sylvia Michael  
Chair – Audit and Accounts Committee



## **AUDIT AND ACCOUNTS COMMITTEE**

**24 JULY 2019**

### **APPROVAL OF THE STATEMENT OF ACCOUNTS**

#### **1.0 Purpose of Report**

- 1.1 To obtain approval by an appropriate Committee of the Council's Statutory Accounts for the financial year ended 31 March 2019.

#### **2.0 Introduction**

- 2.1 In accordance with the Accounts and Audit Regulations 2015 there is a legal requirement that the Statement of Accounts for the Council receive approval by an appropriate Committee by the 31 July following the end of the financial year to which the Accounts relate. In accordance with the Council's Constitution and the remit of this Committee, the Statement of Accounts is brought to this Committee for approval. Any changes arising after the distribution of the agenda will be advised at the meeting. If these are significant they will be notified to Members as soon as they become apparent in order to allow Members to consider them prior to the meeting.
- 2.2 The statutory audit of the accounts has been substantially completed and no additional matters from those identified in the Auditor's report are expected to arise.

#### **3.0 Approval of the Accounts**

- 3.1 Although the regulations require the accounts to be approved by a resolution of a Committee it should be noted that approval in this context has, to some extent, a different meaning from other Committee resolutions. The Responsible Financial Officer (RFO) for the District Council, the Director of Resources – S151 Officer, retains responsibility for the preparation of the annual accounts and is required to certify that they present a true and fair view of the financial position of the Council at 31 March 2019.
- 3.2 The aim of the Regulations is for Members to demonstrate ownership of the accounting statements. The Statement of Accounts for the District Council has been sent to Members of the Committee with this Agenda. A training session was held on 5<sup>th</sup> June 2019 to aid Members' understanding of the statement and to address any initial comments.
- 3.3 There is a statutory requirement for the accounts of Newark and Sherwood Homes Ltd and Active4Today Ltd, the Council's two subsidiary companies, to be combined with the District Council's accounts to produce Group accounts which also have to be approved by the 31 July.

#### **4.0 Changes made to the Statements**

There is a requirement that the external auditor, Mazars, provides details of all of the errors in the financial statements that need amendment within the Report. Their full Audit Completion Report can be found under agenda item 'External Auditors Governance Report' and Appendix A, section 4 of the appendix fully details the summary of misstatements.

The audit identified two significant misstatements. The first misstatement was due to the requirement of a revised actuarial valuation report from the pension fund as there was a national judgement which affected the assumptions used within the original actuarial valuation report.

The second misstatement was due to the incorrect rental income figure used on the calculation of the valuation of Newark Livestock Market.

All relevant notes were adjusted for the above misstatements.

### **Annual Governance Statement**

- 5.0 The Audit and Account Regulations 2015 require the Council to carry out an annual review of the effectiveness of its system of internal control. Having considered the findings of the review members are then required to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement has been reviewed and updated for 2018/2019 and is included in the Statement of Accounts. It is reproduced at Appendix A for ease of reference.

### **Letter of Representation**

- 6.0 The Council's letter of representation to the external auditor attests to the accuracy of the financial statements submitted to the auditors for their analysis. In essence the letter states that all of the information submitted is accurate and that all material information has been disclosed to the auditors. The letter must be signed by the Chairman of the Audit and Accounts Committee and the Responsible Financial Officer. A copy of the letter is attached for information at Appendix B.

### **7.0 RECOMMENDATIONS that:**

- (a) Members approve the Annual Governance Statement for the financial year ended 31 March 2019;**
- (b) Members approve the Statement of Accounts for the financial year ended 31 March 2019; and**
- (c) Members note that as per the previous report the s151 Officer and the Chairman have signed the Letter of Representation.**

### **Background Papers**

Nil.

For further information contact Nick Wilson on extension 5317 or Andrew Snape, Assistant Business Manager Financial Services on extension 5523.

**ANNUAL GOVERNANCE STATEMENT**

**1 Scope of responsibility**

Newark and Sherwood District Council is responsible for ensuring that the Authority's own and, (with the addition of Newark and Sherwood Homes, Active4Today Ltd and Arkwood Developments Ltd), its Group business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newark and Sherwood District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Newark and Sherwood District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

**2 The purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. The framework also includes activities through which the authority accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Newark and Sherwood District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2019. Since May 2013 the Council has operated governance arrangements through the use of a Committee system.

**3 The governance framework**

The key elements of the District Council's governance framework are as follows:

The District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is subject to periodic change either through national legislation or local decision and the Governance Framework may be amended accordingly. Within the Constitution, the Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, which was revised in 2016. The Council's Code of Corporate Governance

was also reviewed during 2016 to ensure it complied with the requirements of the revised Framework.

The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of *Regulation 6(1)(a) of the Accounts and Audit Regulations 2015* which require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (*England*).

The Council's strategic priorities during the year were: Prosperity; People; Place; and Public Service. A process to review and refresh these priorities started after the election in May 2015 and these were agreed by full Council in July 2016. The delivery of these priorities is being conducted in accordance with the Governance framework.

During 2018/19 the Council facilitated policy and decision-making through a Committee system. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

The District Council has a cross-departmental Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this, a Fraud Risk Register is in place and a full refresh took place during 2018/19 facilitated by the Council's Internal Audit contractors Assurance Lincolnshire.

Through reviews by external auditors, external agencies, internal auditors, and its performance team the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme.

During April 2018, the Council appointed a new Chief Executive (who commenced work during July 2018), replacing the previous Chief Executive who left during February 2018. During the interim time the Deputy Chief Executive was appointed as interim Chief Executive.

Since the appointment, the Council has restructured its Senior Management tier in order to clearly create lines of responsibility. The new Senior Management structure is:

# Chief Executive

## Director of Communities & Environment

Housing, Health & Community Relations

Parks & Open Spaces

Public Protection

Transport & Waste Services

## Deputy Chief Executive and Director of Resources (s151 Officer)

Asset Management & Car Parks

Commercialisation & Major Projects

Financial Services

ICT

Revenues & Benefits

## Director of Governance & Organisational Development (Monitoring Officer)

Administrative Services

Customer Services & Communications

Elections & Democratic Services

HR & Organisational Development

Legal Services

## Director of Growth & Regeneration

Heritage, Culture & Visitors

Housing Strategy & Development

Planning Development

Planning Policy

Tourism

Town Centre Development

This structure deletes two vacant positions (Deputy Chief Executive and Director of Communities) and creates a new Director of Growth and Regeneration. Other service responsibilities have been re-designated throughout the new Senior Leadership Team.

The responsibility for the statutory role of Monitoring Officer has been designated to the Director of Governance and Organisational Development, post the implementation of this restructure. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The standards of behaviour for members and employees are defined through Codes of Conduct and the Code of Corporate Governance. The Council also has an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy that enables concerns to be raised confidentially by employees or persons doing business with the Council. Both of these documents were refreshed during the year. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

The Director of Resources post is combined with the Deputy Chief Executive position and has the s151 Officer responsibilities attached to it. The s151 Officer is responsible for the proper administration of the Council's financial affairs including maintenance of financial records, presentation of statutory accounts and budgets, provision of effective internal audit and financial advice to Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council communicates with the community and its stakeholders by means of a periodic publication, "Voice", through its website and through social media and by specific consultation.

#### **4 Review of effectiveness**

Newark and Sherwood District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Business managers provide assurance to the s151 officer that service areas are compliant with the Council's governance arrangements.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution through a dedicated working party comprising, inter alia, all the group leaders, on a regular basis, and has formed a Councillors' Commission to consider any changes resulting from recent legislation and to consider changes to facilitate more effective governance of the Council.

During 2018/19 the overview & scrutiny function was undertaken through Committees with overview & scrutiny principles being embedded in the remits of the Policy and

Finance Committee and the three functional committees as well as the Audit and Accounts Committee.

Internal Audit is responsible for reviewing the quality and effectiveness of systems of internal control. An annual audit plan is approved by the s151 Officer together with the Senior Leadership Team and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and Business Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council's Senior Leadership Team. The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. For the 2018/19 financial year, the opinion of the Head of Internal Audit is that the Council is performing well across the areas of Risk and Financial Control and performing adequately across the areas of Governance and Internal Control. Some improvements were identified in the arrangements for the area of Internal Control. Three reports gave limited assurance (five during 2017/18) relating to:

- Cyber Security – The Council was assessed against the NCSS/NAO Cyber Security Steps. This review highlighted a number of areas of improvement in order to further mitigate itself against a cyber-attack;
- Business Continuity – Business Continuity should be embedded as part of business as usual within the organisation and should be reviewed by SLT every 6 months. Business Impact Assessments should be completed for each service area to ensure that business continuity arrangements have been identified at service levels;
- Procurement Cards – There are a number of controls that should be added to the process for procurement cards in order to further mitigate the potential for fraudulent activity.

Additionally a report for Emergency Planning was issued as substantial borderline limited.

Recommendations are being implemented to address the weaknesses identified by Internal Audit.

To build and further improve on this performance it is intended to undertake a Governance Review in conjunction with the Council's internal auditors, Assurance Lincolnshire, towards the end of the financial year 2019/20. Assurance Lincolnshire have developed a "maturity model" which tests the extent to which ethics and good governance is having a positive effect on the organisation, recognising that good ethical governance is not achieved by rules and procedures alone.

Within the Annual Governance Statement for 2017/18 it was reported that an internal review conducted by the Deputy s151 Officer revealed that almost 40% of the Council's orders for goods and services in the 2017/18 financial year were raised retrospectively. The s151 Officer reminded all staff that orders should be raised at point of order, rather than retrospectively. A further review in 2018/19 showed that this percentage had increased to 58.79% of all orders. A further communication will be sent through to all officers responsible for authorising orders to remind them of their responsibilities. Should this prove ineffective then a report will be brought to the Audit and Accounts Committee to inform Members of those officers who do not comply with these regulations.

The internal audit function is carried out by Assurance Lincolnshire. During 2016, an independent external review of Assurance Lincolnshire was undertaken by CIPFA and no areas of non-compliance with the Public Sector Internal Audit Standards were identified.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

### Conclusion

The Council has assessed the governance arrangements in place throughout 2017/18 and whilst it is considered that the current arrangements provide a satisfactory level of assurance, work is continuously underway to ensure that the arrangements remain fit for purpose in an ever changing external environment.

## 5 Significant governance issues

Issue	Action	Responsible Officer
<p><b>Organisational Change</b></p> <p>In common with all local authorities, the Council will need to continue to make significant changes to its budget to meet changing financial circumstances as a result of the national economic position.</p>	<p>The Council has planned for the continual reduction of central government funding and has actions in place to address the removal of revenue support grant in 2020/21.</p> <p>Following consultation with residents and elected members a new Community Plan has been established which includes the key objectives of the Council. The Strategic Leadership Board have carried out an exercise to allocate future resources to enable delivery of the objectives.</p> <p>The objectives in the Community Plan will be included in the forward plans for each Committee and in the forward plan for the Strategic Leadership Team. These objectives will also form a framework for business plans and personal appraisals.</p> <p>The MTFP will be updated and presented to full Council for approval in March 2020.</p> <p>Following approval of the Commercialisation Strategy and Investment Plan, a Commercials Group has been established, supported by the creation of a Commercialisation and Major Projects</p>	<p>Sanjiv Kohli</p> <p>Deputy Chief Executive, s151 Officer</p>



	<p>service team with Key Business Managers from the Council and led by the Deputy Chief Executive/Director of Resources. The Commercials Group has agreed a programme of service reviews. These reviews are underway and individual options appraisals and outline business cases are being prepared.</p>	
<p><b>Development Company</b></p> <p>The Council has approved the formation of a wholly owned development company, Arkwood Developments Limited. The Company's primary objective is to develop Market Housing for sale or rent. The Company may also bring forward commercial build.</p>	<p>The Company has been formed and robust governance arrangements are in place.</p> <p>The Company is currently working on its Business Plan and a Business case for its first development site on land at Bowbridge Road. Once prepared these will be submitted to the Council, via the Shareholders' Committee for scrutiny and forward approval the of Policy and Finance Committee in order to release the equity capital and loan funding into the Company.</p> <p>Progress of the company in meeting the objectives set out in the Shareholders Agreement will be monitored by the Shareholders' Committee which has delegated powers granted by full Council and by the Policy and Finance Committee.</p>	<p>Karen White Director- Governance and Organisational Development</p>
<p><b>Estate Regeneration Programme</b></p> <p>The Council has been awarded capacity and enabling funding from CLG to consider the next steps in a project to redevelop the Yorke Drive estate and Lincoln Road Playing Fields</p>	<p>Planning permission has been granted on the site on 2<sup>nd</sup> April 2019.</p> <p>A focussed project team has been established and the consultancy support to the project has been extended in order to further develop the business case for the site, working in partnership with an external developer once appointed.</p> <p>The project sits across the Council's Housing Revenue Account and the General Fund. External funding continues to be sought through conversations with Homes England and value engineering will conducted with the appointed developer in order to reduce the existing deficit of</p>	<p>Karen White  Director – Governance and Organisational Development</p>

	funding within the project.	
<p><b>Emergency Planning</b></p> <p>Emergency Planning received a substantial borderline limited rating in the recent audit, highlighting that whilst significant progress has been made in the last 12 months, several improvements are required for it to reach a level that the Council requires for complete confidence.</p>	<p>The Emergency Planning Officer and Business Manager Public Protection have agreed to implement the following action points;</p> <ul style="list-style-type: none"> <li>• Keep up to date written logs showing all recommendations identified following an exercise/incident.</li> <li>• Report to Senior Leadership Team (SLT) every 6 months regarding current state of Emergency Planning, recommendation progress and the progress of the 12 month action plan.</li> <li>• Keep all relevant staff regularly trained and keep a written log for scrutiny.</li> <li>• Develop a notification system and increase staff awareness of all Council alarms.</li> <li>• Train staff and test the lockdown procedure to highlight weaknesses.</li> <li>• Regularly review the flood plan to keep up to date and refresh the current plan in line with guidance from the Multi-Agency in early 2020.</li> </ul>	<p>Matt Finch</p> <p>Director – Communities and Environment</p>
<p><b>Business Continuity</b></p> <p>Business Continuity received a limited rating for the 2<sup>nd</sup> follow up audit in two years. It found slow progress and exposes significant gaps that require immediate resolution. It is important to note that Emergency Planning has taken priority over the last 18 months due to its outward facing/public nature.</p>	<p>The Emergency Planning Officer and Business Manager Public Protection have agreed to implement the following action points;</p> <ul style="list-style-type: none"> <li>• Provide service managers with realistic completion dates for the Business Impact Assessments and their Service Plans.</li> <li>• If deadlines are missed, the issue will be escalated to Senior Leadership Team (SLT).</li> <li>• Maintain an 18 month plan showing how it will be integrated into business as usual.</li> <li>• Report to SLT every 6 months and to most monthly Business</li> </ul>	<p>Matt Finch</p> <p>Director – Communities and Environment</p>

	<p>Manager Meetings.</p> <ul style="list-style-type: none"> <li>• Continue to liaise with NSDC partners regarding immediate actions and Health and Safety.</li> <li>• Develop and carry out a plan for testing and report to SLT on progress.</li> </ul>	
<p><b>Re-integration of Housing Management Function</b></p> <p>During 2018/19 the Council reviewed its arrangements regarding the Housing Management function, culminating in the “in principle” decision to bring the service in-house for direct service provision by the Council, subject to tenant consultation.</p>	<p>Tenants must be consulted prior to any decision to ratify the re-integration of housing services to the Council, and hence an independent organisation will be engaged to assist with the consultation.</p> <p>Should the decision to re-integrate be taken post this consultation there are a number of actions that must be taken to mitigate this risk further, namely:</p> <ul style="list-style-type: none"> <li>• Design and implement a revised structure for the Council to include the housing landlord service and associated support services;</li> <li>• Engage temporary housing/project management resource and support to provide additional capacity and expertise for the Council, to ensure the smoothest service transfer;</li> <li>• Develop the necessary HR plan to manage the transfer of staff from the current company to the Council on the transfer date in accordance with the requirements set out under the Transfer of Undertakings (Protection of Employment) Regulations 2006.</li> </ul> <p>In order to support this, a project team will be established, which will span the services that will be affected by this, to enable the smooth integration of the service.</p>	<p>Karen White</p> <p>Director - Governance and Organisational Development</p>
<p><b>Business Continuity Arrangements.</b></p> <p>The Council’s Business Continuity Plan has been</p>	<p>The Plan will be subjected to testing in order that it remains relevant to the Council’s working arrangements and that those with responsibilities within</p>	<p>Karen White</p> <p>Director - Governance and</p>

fully revised and was subsequently approved by Senior Leadership Team on the 6 <sup>th</sup> March 2018. The plan was subjected to live testing during the bad weather during winter 2018. The Plan has also been shared with partners within Castle House.	the plan are aware and fully trained.	Organisational Development
<b>Counter-fraud arrangements</b>  As the Council has no dedicated fraud investigators (due to the transfer to the DWP of that team during December 2015) the Council must look at its arrangements to combat fraud.	Consideration is being given to what proactive counter-fraud work could be carried out.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer
<b>Compliance with Financial Regulations re. authorisation of goods, works and services.</b>  A review by the deputy s151 Officer found that 58.79% of all orders raised during 2018/19 were raised post the date of the invoice.	The s151 Officer has sent a reminder to all senior managers, business managers and budget holders reminding of the procedure for raising orders for goods, works and services.  Continued failure to raise orders before goods and services are received will be appropriately addressed.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

### Signed

S. Kohli  
Deputy Chief Executive and  
Director of Resources  
24<sup>th</sup> July 2019

D. Lloyd  
Leader of the Council

24<sup>th</sup> July 2019

Mazars LLP  
Park View House  
58 The Ropewalk  
Nottingham  
NG1 5DW

Telephone: 01636 655303  
Email: [Sanjiv.Kohli@newark-sherwooddc.gov.uk](mailto:Sanjiv.Kohli@newark-sherwooddc.gov.uk)

Date 24<sup>th</sup> July 2019

Dear Sirs,

**Newark and Sherwood District Council - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (and Group) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council (and Group) you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by the Council (and Group) in making accounting estimates, including those measured at current or fair value, are reasonable.

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are contingent assets in relation to VAT claims against HMRC that are disclosed within the accounts.

All material matters, including unasserted claims, that may result in litigation against the Council (and Group) have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council (and Group) has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- all knowledge of fraud or suspected fraud affecting the Council (and Group) involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's (and Group's) financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed identity of the Council's (and Group's) related parties and all related party relationships and transactions of which I am aware.

### **Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Going concern**

To the best of my knowledge there is nothing to indicate that the Council (and Group) will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

## **Unadjusted misstatements**

The Council has adjusted the financial statements for the impact of the McCloud judgement on its Pension liability. However, it has not adjusted the group accounts in respect of its subsidiaries, Newark and Sherwood Homes and Active4Today, since the accounts of these entities have already been audited and the resulting changes are not material. The impact of this would have been:

- a reduction in Gains and Losses on the Cost of Services of £337k
- a reduction in Past Service Costs of £389k
- an increase in the Pension Liability of £726k

Yours faithfully

Sanjiv Kohli  
Deputy Chief Executive and  
Director of Resources

Councillor Sylvia Michael  
Chair – Audit and Accounts Committee



# Statement of Accounts, Narrative Report and Annual Governance Statement 2018/19



## Contact Us

01636 650000

customerservices@nsdc.info

Castle House  
Great North Road  
Newark  
Notts  
NG24 1BY

Our telephones and office are open 9am to 5pm Monday to Friday

Most of our services are available online:  
[www.newark-sherwooddc.govuk](http://www.newark-sherwooddc.govuk)



Castle House, Newark

Cover photo: Major Oak, Sherwood Forest

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## Foreword



Welcome to our new look Statement of Accounts, intended to be a more user friendly presentation of our financial performance. In keeping with all local authorities and the public sector more generally, our operating environment continues to be characterised by ongoing financial restraint alongside increasing demand for many services. However, rather than dwelling on budget reductions, I hope this report demonstrates our relentless pursuit to generate new and additional sources of funding and to seek out more efficient and effective ways to serve the people and businesses of Newark and Sherwood.

Over the past year, our sound financial management and flexible use of resources has enabled us to increase investment in the things that matter the most to our local community, such as tackling crime and anti-social behaviour, improving the image and appearance of the local environment, re-vitalising the High Street and increasing the supply of new homes.

In addition, prudent yet also creative management of our finances gives us confidence and resilience for the future and has enabled us to develop an exciting capital programme and revenue budget that is aligned to our new Community Plan. I'm extremely grateful to our excellent financial services team and the the Audit and Accounts Committee who play a key role in ensuring effective financial governance.

John Robinson  
Chief Executive of Newark and Sherwood District Council



Newark and Sherwood District Council has adopted a series of values which guide, and drive, the way we design and deliver our services. We are increasing our community engagement, evidenced by a residents' survey which generated a significant and meaningful response.

Taken together, these values and the priorities that our communities have directed, enable the council to ensure that spend and investments are aligned to what residents want and need. In my role as chairman of the council's Audit and Accounts Committee, I am aware of the future challenges that the council faces. We have listened to what our residents have said and that is what gives this administration its driving ambition - to tackle those challenges and continue delivering and maintaining high quality services. Key to all this is robust financial judgement and a skilled and dedicated finance team; we are fortunate in Newark and Sherwood to have such highly professional staff.

As can be shown in this report, the council can demonstrate value for money, spend linked to priorities and performance, and a sound financial landscape going forward.

Councillor Sylvia Michael  
Chairman Audits and Accounts Committee  
Newark and Sherwood District Council

# Introduction by S151 Officer

DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF RESOURCES (S151 OFFICER)



I am pleased to introduce our Statement of Accounts for 2018/19. 2018 saw the conclusion of our Corporate Plan and the introduction of our new Community Plan which we will be working to over the next four years.

This report represents the financial results of the delivery of the fourth year of our 2016-2020 Corporate Plan. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the financial year.

This narrative report is set out in six parts.

1. An introduction to Newark and Sherwood to set the context for the content within the Statement of Accounts.
2. How the council works in terms of governance arrangements and operational service delivery.
3. Our non-financial performance which sets out the priorities the council were working to during 2018/19 and the performance against these.
4. Financial performance for the year 2018/19 summarising the information within the main Statement of Accounts document.
5. Looking forward at the newly adopted Community Plan, the financial context that this will work within and the corporate risks identified.
6. Explanation of the Financial Statements to help navigate through what is at times quite a technical document. This level of information is required to ensure proper accounting practices and meet strict reporting requirements laid out in the International Financial Reporting Standards (IFRS).

In considering this report, it should be noted that the favourable variance reported against service budgets which we use internally to monitor our financial performance is not directly comparable to the surplus disclosed in the Statement of Accounts. This is mainly due to the accounting adjustments required to comply with reporting requirements, which do not impact on the amount of our spending to be met by local taxpayers. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry-forwards. Each of these items is explained further in our accounting policies or the glossary.

Anjiv Kohli  
Deputy Chief Executive and Director Of Resources (S151 Officer)  
Newark and Sherwood District Council

# 1. Introduction to Newark and Sherwood NEWARK AND SHERWOOD IN NUMBERS



## Our area



Newark Town is split into the wards of:

- Beacon
- Bridge
- Castle
- Devon

Home to the legendary Robin Hood and ancient Sherwood Forest, the district of Newark and Sherwood is rich in history and community. Vibrant market towns, former mining areas and dozens of picturesque villages all have their unique stories to tell.

The cities of Nottingham (to the West) and Lincoln (to the East) are within half an hour's travel. The A1 national highway runs through the district and there is an East Coast Main Line railway station at Newark, with regular trains to London taking just over an hour to reach the capital. The neighbouring areas of Yorkshire, the Peak District and the east coast resorts are also easily accessible.

With low cost housing, excellent communication links and an enviable range of local attractions, including Newark Castle, Palace Theatre, Sherwood Forest and the National Civil War Centre, Newark and Sherwood is a popular place in which to live and invest, and is a perfect base for exploring more of the Heart of England.

## About Newark and Sherwood District Council

Newark and Sherwood District Council serves 120,965 people, covering more than 65,134 hectares of land, which contains 84 civil parishes and 21 wards. 39 elected members represent the district and work in collaboration with 412 employees to deliver high quality services to residents.

## Our purpose - what we're here for

Newark and Sherwood already has much to be proud of. With its captivating history, beautiful countryside, characterful market towns, world renowned businesses and an enviable location at the crossroads of the country's transport network. We want to do all we can to enable local residents and businesses to flourish and fulfil their potential as well as encouraging more visitors to enjoy all that Newark and Sherwood has to offer. In order to achieve these, we will be locally focused and nationally connected - driven by what matters most to the people we serve and with a perspective and relationships stretching well beyond our boundaries.

## At a glance

120,965 residents and 54,506 households on the electoral role

19% of the population are over 65, this will rise to 39% by 2036

51% female and 49% male

42 is the mean age. The most prominent age group is 50-54 (8% or residents)

28% of households have dependent children

Life expectancy for men is 80 and for women 83

## 2. How the council works

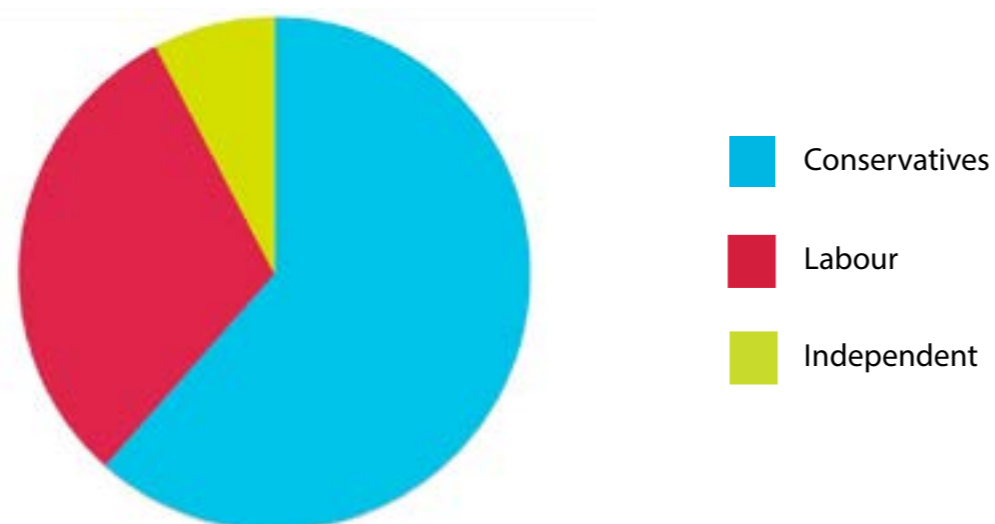
Newark and Sherwood District Council operates a committee system. The council is made up of 39 councillors who are elected every four years.

Up until 2 May 2019 the council comprised:

Conservative: 24

Labour: 12

Independent: 3



Councillors are responsible for making decisions on behalf of the local community about a wide range of local services. The work of a councillor includes helping and supporting individuals and local organisations, campaigning on local issues and representing the interests of Newark and Sherwood at a county, regional and national level.

Councillors appoint a Leader and Deputy Leader to provide political leadership and direction for the council as a whole. Significant decisions are taken by a number of committees, for example, dealing with planning, housing or environmental matters. Each year, councillors appoint a Chairman to undertake civic responsibilities on behalf of the whole council.

On 2 May 2019 a district wide election took place which has subsequently changed the make up of the council to 27 Conservative, 7 Labour, 3 Independents and 2 Liberal Democrats.

The council's governance arrangements are reviewed each year and an Annual Governance Statement is produced, this document can be found on page 138.

## How the council works

All councillors meet together as the Full Council and these meetings are open to the public.

Each year the council appoints Committees to discharge certain functions on behalf of the council. There is also a Scheme of Delegation to Officers.

### Policy and Finance Committee

Makes key decisions (other than those which must be determined by the council) including all decisions which have a major impact on a number of council services or on the council as a whole.

### Economic Development Committee

Assists with policy development, implementation and review in respect of all areas falling within its remit, including Economic Regeneration and Transport, Fuel Poverty Strategy, Home Energy Conservation and Energy Conservation Plan, Energy management, Climate change including Mitigation (CO2 reduction), and Land Use Planning.

### Leisure and Environment Committee

Assists with policy development, implementation and review in respect of all areas falling within its remit including developing and adopting policies and procedures in accordance with the council's Cleaner, Safer and Greener strategy, leisure centres, refuse collection, sports development, environmental health, arts and animal control.

### Homes and Communities Committee

Assists with policy development, implementation and review in respect of all areas falling within its remit, including developing and adopting policies and procedures in accordance with the council's Community Safety Strategy, the Council's Emergency Plan and Responses to Flooding, and in relation to Housing.

The council also has five Regulatory Committees:

### Planning

Considers all planning applications, appeals and planning contraventions. It also discharges all other functions relating to town and country planning and development control.

### General Purposes

Considers applications for hackney carriage and private hire licences. It also deals with licensing functions, other than those falling within the remit of the Licensing Committee and functions relating to parishes, elections and electoral registration.

### Licensing

Required under the Licensing Act 2003 to discharge licensing functions such as issuing licences for the sale of alcohol and late night refreshments.

### Audit and Accounts

Oversees the council's internal control framework and approves the council's published accounts.

### Joint Economic Prosperity Committee

For all authorities covering the City of Nottingham and County of Nottinghamshire. The purpose of the committee is to drive future investment in jobs and growth within the area.

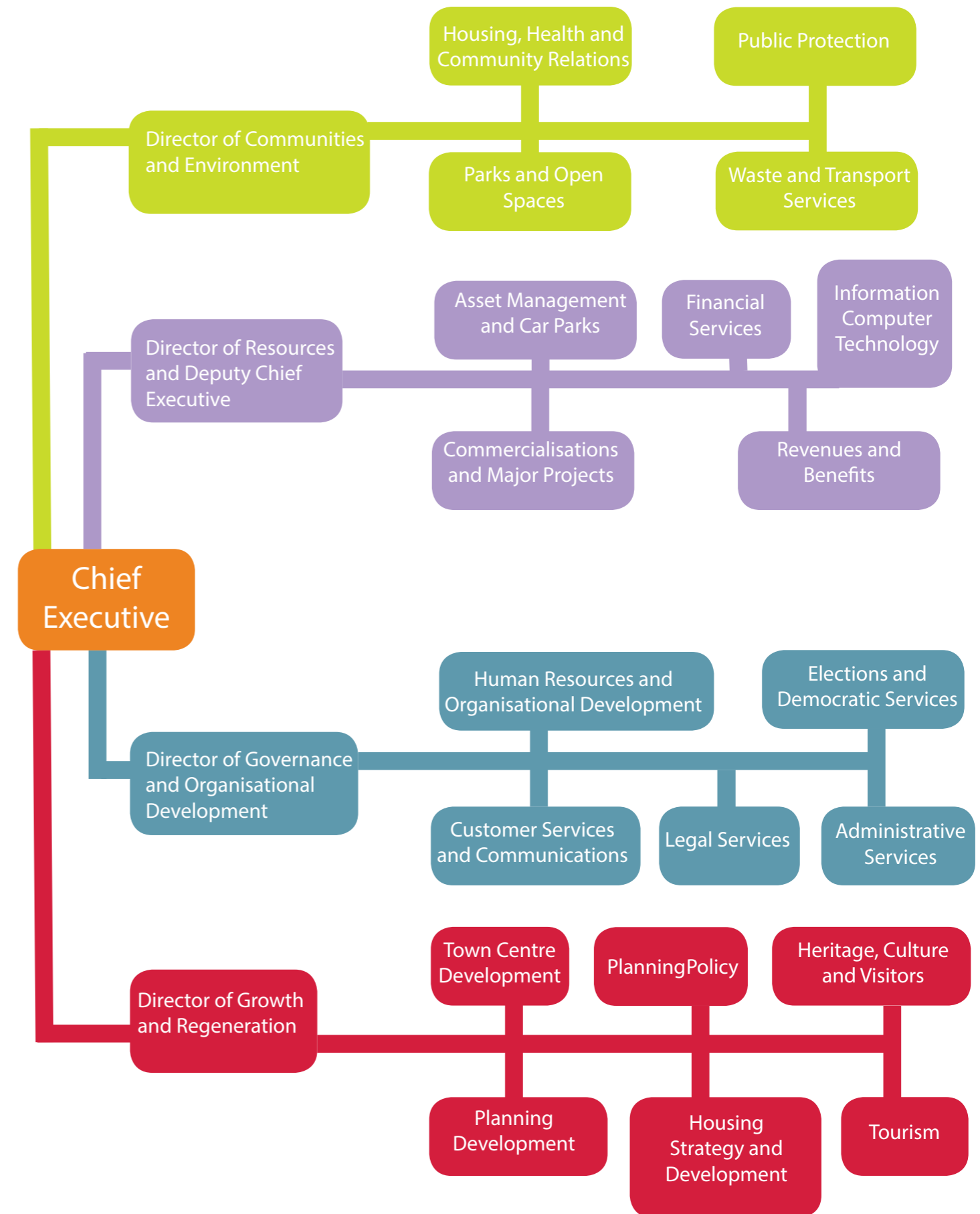
# Our services

Newark and Sherwood District Council provides a range of services as highlighted in the image below. Some of these services are universal, for the benefit of everyone and are highly visible. Examples include refuse collection, street cleaning and parks and playgrounds.

Other services we provide are more targeted, for the benefit of specific individuals or groups of individuals. Examples include providing temporary accommodation for people who are homeless and housing adaptations for people with disabilities. It is also important to emphasise that the services we provide directly are just one aspect of our role. Very often, we work in partnership with others to commission and influence services that benefit local people and local businesses.



# How the council works - structure



# 3. Our performance

The Corporate Plan 2016 – 2020 identifies four strategic priorities Homes, Economy, Safety and Cleanliness and Healthiness.

These priorities have guided development of our policies and budgets, as well as how we deliver our services.



## Homes

We will provide and support housing growth that meets the existing and emerging needs of Newark and Sherwood.

Maintain the high standard of housing stock in Newark and Sherwood.

Grow the supply of housing.



## The Economy

We will support the economic and employment growth of Newark and Sherwood.

Support business growth and employment in Newark and Sherwood.

Encourage investment in Newark and Sherwood.



# Our performance

## Safety and Cleanliness

We will protect the natural and built environment in Newark and Sherwood.

Maintain an excellent standard of environment across the district.

Help local communities to provide strong and safe places to live.

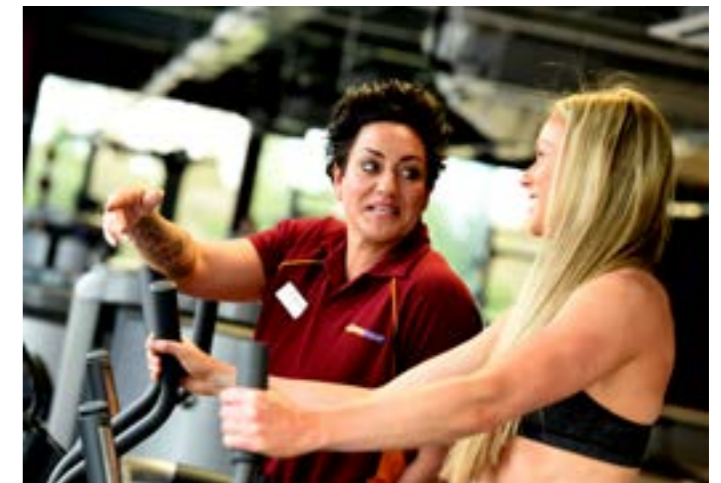


## Healthiness

We will encourage and support the wellbeing and healthier lifestyles of the communities within Newark and Sherwood.

Increase participation in leisure and wellbeing activities in the District.

Support health promotion and illness prevention activities.



Rufford Abbey Country Park, Rufford



# Homes

We said...

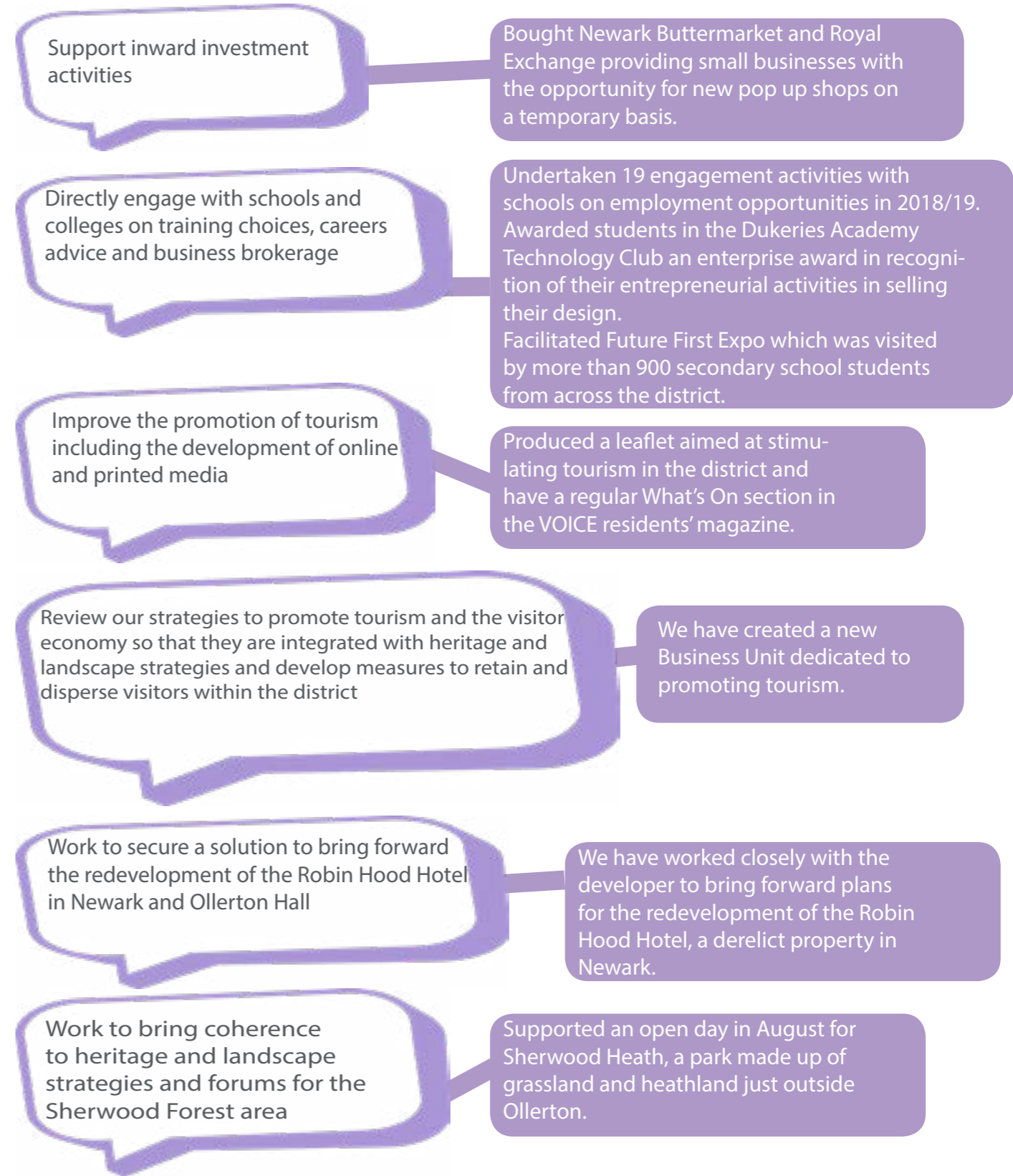
We did...



# Economy

We said...

We did...



# Awards

Gladstone House - Project of the Year  
 Newark and Sherwood Homes Health and Safety - Gold Award from RosPA  
 Newark and Sherwood Homes Chief Executive - named a Top 50 Power Player by 24 Housing Magazine

# Awards

Park Mark Award for the council's car parks  
 Best Public Service building at the Local Authority Building Control Building Excellence Awards for Castle House

# Safety and Cleanliness

We said...

We did...

Actively support community litter-picks, reporting of litter nuisance and replace bins where they can help reduce littering

Cleaner, Safer, Greener campaign launched to maintain and make the district a cleaner, safer and greener place to live, work and visit:

- Three days of action where we collected a total of 45 tonnes of rubbish
- Three fixed penalty notices for dog-fouling
- Investigated illegal dumping of 15 fridges
- Graffiti-ridden underpass transformed following a four-day project with a local artist and young people
- School children designed posters to highlight the hazards and dangers of dog fouling.

Tackle fly-tipping and dog fouling and encourage reporting and a robust approach to prosecuting offenders

Counter and reduce anti-social behaviour

In 10 out of 12 months in 2018/19 ASB across the district reduced compared to the same period the previous year. Community Alcohol Partnership launched in Ollerton, Boughton and Edwinstowe to tackle underage drinking and anti-social behaviour. Partnership approach to tackling ASB in Balderton has led to significant reduction of nuisance reports and banning letters issued.

Roll-out a garden waste collection service across the district

A garden waste service is now available across the district.

Develop a programme of Neighbourhood Studies to support community renewal

Neighbourhood study completed for Yorke Drive ahead of the proposed regeneration programme.

Review Conservation Area Character Appraisals and Management Plans and update where necessary

Started three Conservation Area Character Appraisals in Newark, Edwinstowe and Ollerton with two more planned in Laxton and Southwell

## Awards

Green Flag Awards awarded to Devon Park in Newark, Vicar Water Country Park in Clipstone, Newark Castle and Gardens in Newark and Sherwood Heath in Ollerton

# Healthiness

We said...

We did...

Engage with and scrutinise the effectiveness of the Clinical Commissioning Groups and NHS Trusts which serve the district

VOICE residents' newsletter produced in partnership with Newark and Sherwood Clinical Commissioning Group.

Develop the district's leisure centres managed through Active4Today to encourage sustainable activity and increase leisure activity across the district

Phase 1 of the YMCA Newark and Sherwood Community and Activity Village, supported by NSDC and other partners was launched in November 2018, supplementing the facilities offered at Newark and Sherwood Fitness Centre by NSDC through Active4Today on the adjacent site.

250 people across the district attended sessions who were referred to Active4Today by a health professional.



Newark Sports and Fitness Centre, Newark-on-Trent

## 4. Financial performance

### Overall outturn

The Comprehensive Income and Expenditure Statement (shown on **page 35**) shows the council's outturn for the authority on an accounting basis (to include notional entries such as depreciation and revaluations). The Expenditure Funding Analysis (shown on **page 60**) shows the actual increase in the General reserve (held for unforeseen circumstances) and the Housing Revenue Account reserve.

The Expenditure Funding Analysis shows an increase in the overall General and HRA reserves of **£3.375m**. This has then been appropriated into the following reserves:

Reserve	Balance at 31st March 2018	Increase+/ Decrease- in year	Balance at 31st March 2019
General Fund	£1.737m	-£0.237m	£1.500m
General Fund Earmarked Reserves	£21.512m	£3.612m	£25.124m
HRA	£2.000m	£0.000m	£2.000m
<b>TOTAL</b>	<b>£25.249m</b>	<b>£3.375m</b>	<b>£28.624m</b>



Sherwood Forest Arts and Crafts Centre, Edwinstowe

## General Fund Revenue

The General Fund supports the day to day running of the council's services (excluding Housing). The council set its General Fund budget for the 2018/19 Financial Year on 8 March 2018. This can be seen at: <https://bit.ly/2VPPpxh>

This shows a total budget of £14.695m of which £12.690m was to deliver core services.

The increase in budget for net cost of services amounted to £2.571m. This is mainly related to increases in pension in year costs (£2.072m) and to additional depreciation and revaluations. The financial standing of the council is very robust, with sound and improving financial management and practices. From the table below the council's general fund shows an increase in reserves of £3.375m. This has been identified as being generated due to:

Favourable variances on services	£0.323m
Additional investment interest income	£0.221m
NSDC share of business rates pooled income	£1.419m
Additional grant income	£0.046m
Budgeted movements as identified in revenue budget approved on 8 March 2018	£1.925m
Usage of reserve for purchase of Buttermarket	-£0.559m
<b>Total increase in reserves</b>	<b>£3.375m</b>

This increase has been allocated in the following way:

Funds set aside as identified in the medium term financial plan approved on 7 March 2019	£0.880m
Funds set aside to fund short fall in renewable energy allocation of business rates	£0.205m
Allocation towards future organisational development initiatives	£0.924m
Budgeted movements as identified in revenue budget approved on 8 March 2018	£1.925m
Usage of reserve for purchase of Buttermarket	-£0.559m
<b>Total</b>	<b>£3.375m</b>

### Overall Outturn Report

The overall Outturn report was presented to the Policy and Finance Committee on 27 June, which provides further information on the council's year-end financial position. A link to the document can be found here <http://bit.ly/2xjgjz4>

## Economic development

Lorry parking income short of budgeted level	£0.017m
Car park income in Newark higher than budgeted	-£0.045m
Development company underspend due to timing difference	-£0.093m
Valuation Office increased the rateable value of the National Civil War Centre	£0.025m
Spend on Local Development Framework	£0.051m
Other variances	£0.027m
<b>Total</b>	<b>-£0.018m</b>

## Homes and communities

ICT increased income, primarily from recharging service	-£0.019m
Other variances	£0.016m
<b>Total</b>	<b>-£0.003m</b>

## Leisure and Environment

Increase in waste collection income (incl. garden and trade waste)	-£0.074m
Increased income from Environmental Health fees and charges and licences	-£0.037m
Increased income from the Livestock market	-£0.016m
Other variances	-£0.059m
<b>Total</b>	<b>-£0.186m</b>

## Policy and finance

Council wide vacancy provision	£0.320m
Reduction in bank charges	-£0.036m
Savings within central telephone and postages	-£0.022m
Reduction in insurance premiums	-£0.160m
Costs in relation to rateable value increases in business rates	£0.054m
Net savings on rent allowance	-£0.159m
Net savings on rent rebates	-£0.082m
HB admin reduced income and increased computer maintenance costs	£0.034m
Overall efficiencies from Castle House budgets	-£0.063m
Reduction in charge to capital for Asset management service	£0.070m
Corporate printers contract tendered and reduced	-£0.022m
Other variances	-£0.050m
<b>Total</b>	<b>-£0.116m</b>

<b>Total from all committees</b>	<b>-£0.323m</b>
----------------------------------	-----------------

## Housing Revenue Account (HRA)

The HRA is a ring-fenced landlord's account for the running of the council's housing stock. Day-to-day management of the housing stock and the long term responsibility for maintenance and investment in the stock has been outsourced to Newark and Sherwood Homes, the council's arms-length management company. Newark and Sherwood Homes manage, as of 31 March 2019, 5,447 dwellings, an increase of 72 properties from 31 March 2018, mainly due to the opening of Gladstone House. During 2018/19 the HRA reported an operating surplus of £0.459m.

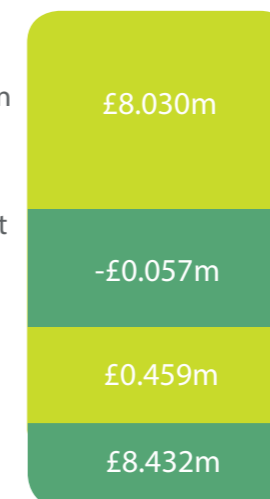
The budget was approved on 13 February 2018 <http://bit.ly/HousingRevenue2018>. This shows the generation of £3.883m in income over and above expenditure that is ring-fenced to be spent on the council's housing stock. This over achievement of income will be re-invested into the council's housing stock as part of the council's 5-year development programme which seeks to deliver 335 additional homes to meet the housing needs of

Budgeted Gross Movement to Major Repair Reserves approved on 13 February 2018 (Depreciation £4.147m and MRR movement £3.883m)

Usage of reserve for management fee variation for Yorke Drive Regeneration

Total increase of movement of transfer to Major Repairs Reserve

Total actual 2018/19 transfer to Major Repairs Reserve



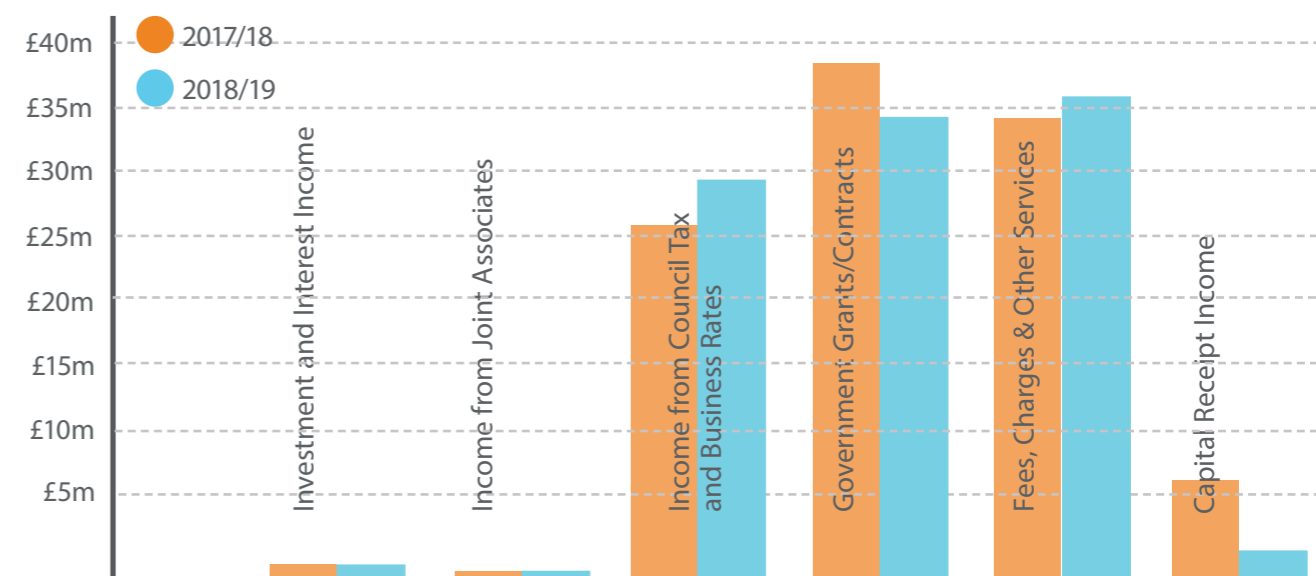
The increase of the transfer to Major Repairs Reserve, £0.459m, has arisen mainly due to:

Reduction in interest payable	-£0.270m
Increase in provision for bad debt	£0.100m
Increase in income from service charges	-£0.185m
Increase in other income	-£0.102m
Other minor variances	-£0.002m

## Analysis of total income

The graph below shows the income that has been recognised on the comprehensive income and expenditure statement. This shows that income has fallen in year by £5.249m between 2017/18 and 2018/19. The change in income recognised relates to:

- A £3.750m reduction in capital income as the council disposed of its main office building when relocating to Castle House during 2017/18
- A £3.697m reduction in government grants and contributions mainly due to the council recognising a £3.200m contribution towards Gladstone House from Nottinghamshire County Council during 2017/18.
- A £1.694m increase in income from council tax and business rates mainly due to the returning of pooled funds held by Nottinghamshire County Council relating to growth in business rates.
- An increase of £0.538m in fees and charges across all service areas including the housing revenue account.



# Capital Spending

Capital monies are spent on building or enhancing the council's asset base. There are rules and regulations regarding what can be classed as capital expenditure and this spend must be financed separately from the day-to-day running costs of the council. During 2018/19 the council spent £19.574m on capital works.

The key projects were:

- Annually, Newark and Sherwood Homes plan investment in existing council properties to maintain a decent standard. Costs incurred in 2018/19 was £5.043m.
- The council is progressing a 5 year council housing development programme to deliver 335 additional homes across the district to meet the housing needs of local residents. The council is working with Newark and Sherwood Homes, which is managing the project. Phase 1 reached practical completion during 2018/19 and all units are now let, with phase 2 well under way. In 2018/19 overall spend of £7.55m was incurred.
- £0.833m spend on Disabled Facilities Grants following referrals from an occupational therapist.
- The council has bought back the long leasehold interest in the Buttermarket in Newark town centre in January 2019 for £0.559m with a view to transforming the historic building into a lynchpin site, reflected in the wider aspirations to revitalise Newark town centre.
- Section 106 funds held by the district council of £0.316m were passported to the YMCA to contribute to the Community and Activity Village on Bowbridge Road, Newark along with £1m held by Nottinghamshire County Council in respect of the land. Both funds were released in stages, as per the unilateral undertaking.

# Balance Sheet

## Provisions

The council's most significant provisions relate to the Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the council has had to set aside a provision for any future successful ratepayer appeals against rateable valuations. The council currently has 80 appeals outstanding. For the 2017 valuation list a new check, challenge and appeal process was introduced in order to create a structured way of allowing ratepayers to appeal against their valuation. The council currently has 325 challenges outstanding. The table below shows the year-end balance of the provision together with the amount of the provision used in the year in respect of the successful appeals:

	2017/18	2018/19
Opening business rates provision for appeals	£3.585m	£2.851m
Business rates provision used based on successful appeal	-£0.734m	-£0.860m
Provisions made	-£0.000m	£1.414
Closing business rates provision for appeals	-£2.851m	£3.405m



Buttermarket, Newark-on-Trent

## Cash flow

Cash and Cash Equivalents have increased by £17.308m throughout the year to £32.538m which relates to several large receipts of capital grants which were due and the timing of payments of invoices.

## Property, Plant and Equipment (PPE)

Property, Plant & Equipment increased by £6.308m. £17.039m has been added through the capital programme, economic use of assets has reduced the value by £6.648m, £3.373m has met the criteria to be transferred to assets held for sale, the council has also disposed of assets to the value of £1.065m.

## Short term debtors

Short Term Debtors has decreased from £12.190m to £7.987m (a change of £4.203m) mainly relating to the receipt of an invoice to Notts County Council, which related to its contribution to Gladstone House (£3.200m).

## Pension Liability

The Pension liability decreased by £3.037m from £68.974m to £65.937m culminating mainly from an expected increase in the council's return of its portion of the pension fund assets in excess of interest.

## 5. Looking forward Community Plan

The Newark and Sherwood District Council Community Plan was agreed by councillors on 7 March 2019.

The plan sets out what the council intends to achieve over the next four years to improve residents' quality of life and enable those who live, work and invest in Newark and Sherwood to prosper and fulfil their potential.

The Community Plan can be found online at:

[www.newark-sherwooddc.gov.uk/councilpriorities](http://www.newark-sherwooddc.gov.uk/councilpriorities)

The Community Plan highlights the council's focus on the needs of the Newark and Sherwood community. There are 11 objectives that underpin the council's work.



The key objectives of the Community Plan are:

Improve the cleanliness and appearance of the local environment

Reduce crime and anti-social behaviour, and increase feelings of safety in the community

Improve transport infrastructure to reduce congestion and facilitate growth

Accelerate the supply of new homes including associated facilities

**OUR OBJECTIVES**

Increase visits to the district and the use of visitor attractions by local residents

Protect, promote and enhance the district's natural environment

Enhance and sustain town centres

Reduce levels of deprivation in target areas and remove barriers to social mobility

Improve the health and wellbeing of local residents

Increase participation with the council and within local communities

Generate more income, improve value for money and increase satisfaction with the council

## Looking forward Medium term financial plan

The year 2019/20 is the final year of the four-year financial settlement provided by the Government. This settlement was awarded on publishing an efficiency strategy during October 2016 and gave some certainty over funding for the four year period from 2016/17. This has assisted with future planning of funding up to 2019/20, but looking further than that is still difficult due to a lack of clarity nationally around local government funding. With the end of the current year spending review period due in 2020 together with the reform of the Business Rates retention system and the fair funding review, estimates of funding are uncertain.

Settlement Funding Assessment	2016/17	2017/18	2018/19	2019/20
Revenue support grant	£1.737m	£1.048m	£0.592m	£0.082m
Retained business rates	£3.365m	£3.434m	£3.537m	£3.618m
Total settlement funding assessment	£5.142m	£4.483m	£4.130m	£3.701m
Reduction in funding from 2016/17		12.8%	19.7%	28.0%
Original services budget	£12.262m	£11.640m	£12.650m	£13.482m
Percentage of services budget funded by settlement funding assessment	41.94%	38.51%	32.65%	27.46%

Over the medium term, many uncertainties still exist over the local government financing landscape. The Comprehensive Spending Review is due during autumn 2019, to begin in the 2020/21 financial year, but due to the protracted Ministerial time taken over Brexit, this has taken priority over other parliamentary business. Comprehensive spending Reviews set national control totals for government departments for a set period, to dictate national policy and how public funds are spent. This process will determine the level of funding that local government as a sector will receive from national resources, but also sets guidelines around how local council tax must be administered.

This review is set in the context of two other large scale influences over local government finance with the Fair Funding Review looking to change how funding is allocated between authorities in order to make simpler the distribution of national totals, and the impact of the implementation of 75% Business Rates retention. The latter will result in, potentially, a full reset of the business rates bases for each authority, meaning that growth generated since the last reset will then be redistributed to authorities with a greater need for funding.

The Medium Term Financial Plan was built on the back of the production of the Community Plan and was ratified at the meeting of council on 7 March: <http://bit.ly/medtermfinancialplan>. This portrays the resources required to deliver the Community Plan over its term, set against the forecast impacts of the national decisions taken regarding the issues discussed in the paragraphs above. The table overleaf shows the forecast position:

	2019/20	2020/21	2021/22	2022/23
Net service expenditure (less capital charges)	£11.130m	£11.034m	£11.269m	£11.571
Total other expenditure	£1.791m	£1.591m	£1.282m	£1.871m
Total expenditure	£12.921m	£12.625m	£13.097m	£13.442m
Total business rates	£6.952m	£4.660m	£4.741m	£4.815m
Council tax	£6.729m	£6.946m	£7.176m	£7.379m
Other grants	£0.120m	£0.000m	£0.000m	£0.000m
Allocation of previous year surplus	£0.000m	£0.880m	£0.000m	£0.000m
In-year savings and additional income generation	£0.000m	£0.139m	£0.000m	£0.000
Cnts (to)/From reserves	£0.880m	£0.000	£1.189m	£1.230m

This shows that currently there is a budget gap between the expenditure forecast to be incurred in order to meet the council's objectives as part of the Community Plan, and the income that it expects to receive through the national funding formula and to generate through local council tax. The budget gap of £1.230m up to 2022/23 will be met by a combination of initiatives.

- Additional business rates income from the change in national policy to 75% retention growth
- Return from Arkwood Limited (minimum £0.500m)
- Commercial and Investment income (minimum £0.200m)
- Service reviews (minimum £0.150m)

The council will continue to monitor the national position going forward to feed into the budget process. This is in order to ensure that resources, that are required to provide valuable services to residents, are available to meet the growing needs of the district.



## Corporate risks

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat, and the likely impact. The risk management processes are subject to regular review and updating. Set out below are the key risks from the council's corporate risk register.

Risk	Description	Summary of Mitigation
Financial Sustainability	Uncertain changes in central government funding increased and demand in service resulting in lack of financial resilience.	Annual review of Budgets and Medium Term Financial Plan. Council approved Capital Programme. Member communication to manage expectations and inform future financial planning. Consultation & Communication plan to manage political and public expectations.
Supply chain failures and contract management	Failure of key suppliers, key service providers to deliver contracted or agreed services or poor contract management, leading to failure to achieve Council priorities and outcomes.	Business continuity insurance where required. Legal Services assesses all contracts. Senior Management Team oversight of large contracts. Named contract manager highlighted for each contract. Regular monitoring of key contracts
Facilitating and enabling growth	The inability of the council to facilitate and enable the market to deliver the council's growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore, impacting on communities and businesses.	Lobby central government for a bypass for the A46 Establishment of Arkwood Housing Growth strategy put in place HRA 5 year programme Working in partnership with Registered Providers, Homes and Communities Agency and other bodies to develop new build housing schemes across the district Prosperity Agenda is the main priority for the council including funding scheme for new business development

Risk	Description	Summary of Mitigation
Organisational development	Ensuring that the council, its members and its workforce have the skills, resources, ability and capacity to adequately respond to current and future organisational change meaning the council is able to deliver its services in the most efficient and effective manner.	<p>Approved community plan and priorities</p> <p>Workforce is established at operating in an agile working environment.</p> <p>Continual development through an established training and development programme.</p> <p>The council's Commercial Projects Development Team has been created to develop and implement commercial opportunities for the council.</p>
Sustainable Communities	<p>The risk of various communities within the district feeling excluded, disengaged or being unable to access available services and opportunities including, rural, deprived, minority and vulnerable communities and local businesses etc.</p> <p>NB. Services and opportunities to include health and wellbeing, early intervention and prevention.</p>	<p>National monitoring of all tensions through police forces - updated through local residence forums whenever necessary and actions then dealt with by Nottinghamshire local resilience forum (LRF) with representatives from district councils.</p> <p>Equality Strategy, Equality Impact Assessments, Quarterly Equality Steering Group.</p> <p>Community leadership role of councillors.</p> <p>Regular meetings are held by the Community Safety Partnership where issues of vulnerability and community tensions may be raised by a variety of partner agencies in attendance. Actions to address any identified tensions are then taken.</p>
Arkwood development company	Managing the performance relationship between the council and Arkwood Developments in line with the governance agreement	<p>Established a shareholder committee and agreed membership.</p> <p>Approval to release funds for Arkwood sought with shareholder committee report to the Policy and Finance committee.</p> <p>Adoption of business plans for development sites agreed by shareholder committee.</p>

Risk	Description	Summary of Mitigation
Impact welfare changes	Impact of welfare reform changes on residents and registered providers	<p>Regular liaison meetings with the DWP</p> <p>Creation of joint office space in the council's new headquarters at Castle House to enable partnership working with DWP</p> <p>Briefings for stakeholders and landlords delivered by DWP.</p>
Corporate Governance	The risk of failures in systems of governance within the council, within council owned/influenced organisations and partnerships and other collaboration arrangements, leading to governance issues, fraud and corruption, failures in management systems, poor policy and decision making.	<p>Internal Audit work including risk based Audit Plan.</p> <p>Officer code of conduct.</p> <p>Member induction at the start of each new council cycle.</p> <p>Peer Challenge undertaken which included a focus on governance with recommendations to review and action plan developed.</p>
Brexit	Inadequate processes in place for the identification and management of Brexit implications	<p>Work with the National Farmers' Union to understand the implications of Brexit.</p> <p>An internal audit report on Brexit preparation given substantial assurance.</p> <p>In liaison with all local and national agencies through active membership of the Local Resilience Forum.</p>
Data Management & Security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of Information Governance Legislation	<p>External Audit on ICT security annually.</p> <p>Cryptshare for encrypting secure emails and large files for email.</p> <p>Airwatch MDM (Mobile Device Management) implementation for mobile devices.</p> <p>Encryption for laptops.</p>



## Risk

## Description

## Summary of Mitigation

Continuity of Service  
(Civil contingency/  
Emergency)

The council's ability to effectively respond to a major emergency and maintain that response without affecting essential day to day service delivery.

The risk is to both the council as a business continuity issue and to our at risk communities.

Emergency plans in place with county council support.

Agile working arrangements.

Local Resilience Forum and annual risk assessment.

Facilitation of government grant scheme in flood affected areas to enhance future resilience.



Southwell Minster, Southwell

# 6. Explanation of Financial Statements

The Statement of Accounts sets out the council's income and expenditure for the year, and its financial position at 31 March 2019. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which in turn is underpinned by International Financial Reporting Standards;

A Glossary of key terms is in The Statement of Accounts document which can be found at <https://www.newark-sherwooddc.gov.uk>

The Core Statements are:

The Comprehensive Income and Expenditure Statement records all of the council's income and expenditure for the year. The top half of the statement provides an analysis by the council's internal management structure. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- Services and activities that the council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and,
- Discretionary expenditure focussed on local priorities and needs.

The Movements in Reserves Statement which shows the movement in the year on the different reserves held by the authority, analysed into "usable reserves" (ie those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves" which must be set aside for specific purposes.

The Balance Sheet is a "snapshot" of the council's assets, liabilities, cash balances and reserves at the year end date.

The Cash Flow Statement shows the reason for the changes in the council's cash balances during the year, and whether the change is due to operating activities (day to day costs), new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements are:

The Annual Governance Statement which sets out the governance structures of the council and its key internal controls.

The Housing Revenue Account which separately identifies the council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The Collection Fund Account summarises the collection of council tax and business rates, and the redistribution of some of that money to other organisations on whose behalf the council collects these taxes.

The Group Accounts which consolidate the council's accounts together with Newark and Sherwood Homes Ltd. and Active4Today Ltd, which are both wholly owned by the District Council.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### 1 The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, the Chief Financial Officer during the financial year was the Deputy Chief Executive and Director of Resources and at the date of signing the statement of accounts, the Chief Financial Officer is the Deputy Chief Executive and Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### 2 Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### Certificate of the Chief Financial Officer

This statement of accounts is that upon which the auditor should enter their opinion. It presents a true and fair view of the financial position of the authority at 31st March 2019 and its income and expenditure for the year then ended.

**Signed:**

**Sanjiv Kohli, CPFA**  
**Director of Resources, S151 Officer**

**Date 24 July 2019**

**Signed:**

**Councillor Sylvia Michael**  
**Chair - Audit and Accounts Committee**

**Date 24 July 2019**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2017/18				2018/19		
Gross Expend- iture £'000	Gross Income £'000	Net Expend- iture £'000		Gross Expend- iture £'000	Gross Income £'000	Net Expend- iture £'000
7,253	-5,183	2,070	Economic Development	6,515	-5,049	1,466
5,067	-2,593	2,474	Homes and Communities	5,170	-2,544	2,626
7,215	-2,771	4,444	Leisure and Environment	8,009	-1,914	6,095
34,824	-28,334	6,490	Policy and Finance	32,221	-26,448	5,773
13,963	-22,543	-8,580	Housing Revenue Account	15,326	-23,144	-7,818
-27,069	0	-27,069	- Revaluation Movement on Council Dwellings	13,303	0	13,303
<b>41,253</b>	<b>-61,424</b>	<b>-20,171</b>	<b>Cost of Services</b>	<b>80,544</b>	<b>-59,099</b>	<b>21,445</b>
9,141	-6,147	2,994	Other Operating Income and Expenditure Note 15	7,567	-2,374	5,193
6,029	-581	5,448	Financing and Investment Income and Expenditure Note 16	5,586	-570	5,016
11,141	-37,711	-26,570	Taxation and Non Specific Grant Income Note 17	12,181	-38,571	-26,390
<b>67,564</b>	<b>-105,863</b>	<b>-38,299</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>105,878</b>	<b>-100,614</b>	<b>5,264</b>
		-28,043	Surplus(-) or Deficit on Revaluation of Non Current Assets			-12,649
		-5,774	Remeasurements of the Net Defined Benefit Liability (Asset)			-6,338
		<b>-33,817</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-18,987</b>
		<b>-72,116</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-13,723</b>

## MOVEMENT IN RESERVES STATEMENT

	Earmarked								
	General Fund Balance	General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
<b>Movement in reserves 2018/19</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2018 carried forward</b>	<b>1,737</b>	<b>21,512</b>	<b>2,000</b>	<b>6,573</b>	<b>5,424</b>	<b>7,631</b>	<b>44,877</b>	<b>155,878</b>	<b>200,755</b>
Total Comprehensive Income and Expenditure	2,089	0	-7,353	0	0	0	-5,264	18,987	13,723
Adjustment between accounting basis & funding basis under regulations (Note 13)	1,286	0	7,353	3,534	1,567	108	13,848	-13,848	0
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>	<b>3,375</b>	<b>0</b>	<b>0</b>	<b>3,534</b>	<b>1,567</b>	<b>108</b>	<b>8,584</b>	<b>5,139</b>	<b>13,723</b>
Transfers to/from(-) Earmarked Reserves(Note 14)	-3,612	3,612	0	0	0	0	0	0	0
<b>Increase/Decrease(-) in 2018/19</b>	<b>-237</b>	<b>3,612</b>	<b>0</b>	<b>3,534</b>	<b>1,567</b>	<b>108</b>	<b>8,584</b>	<b>5,139</b>	<b>13,723</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>1,500</b>	<b>25,124</b>	<b>2,000</b>	<b>10,107</b>	<b>6,991</b>	<b>7,739</b>	<b>53,461</b>	<b>161,017</b>	<b>214,478</b>

	Earmarked								
	General Fund Balance	General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
<b>Movement in reserves 2017/18</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2017 carried forward</b>	<b>1,746</b>	<b>20,909</b>	<b>2,000</b>	<b>9,709</b>	<b>5,088</b>	<b>3,847</b>	<b>43,299</b>	<b>85,340</b>	<b>128,639</b>
Total Comprehensive Income and Expenditure	154	0	38,145	0	0	0	38,299	33,817	72,116
Adjustment between accounting basis & funding basis under regulations (Note 13)	440	0	-38,145	-3,136	336	3,784	-36,721	36,721	0
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>	<b>594</b>	<b>0</b>	<b>0</b>	<b>-3,136</b>	<b>336</b>	<b>3,784</b>	<b>1,578</b>	<b>70,538</b>	<b>72,116</b>
Transfers to/from(-) Earmarked Reserves(Note 14)	-603	603	0	0	0	0	0	0	0
<b>Increase/Decrease(-) in 2017/18</b>	<b>-9</b>	<b>603</b>	<b>0</b>	<b>-3,136</b>	<b>336</b>	<b>3,784</b>	<b>1,578</b>	<b>70,538</b>	<b>72,116</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>1,737</b>	<b>21,512</b>	<b>2,000</b>	<b>6,573</b>	<b>5,424</b>	<b>7,631</b>	<b>44,877</b>	<b>155,878</b>	<b>200,755</b>

<b>BALANCE SHEET</b>
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<b>RESTATED</b> <b>31 March</b> <b>2018</b> <b>£'000</b>	Notes	<b>31 March</b> <b>2019</b> <b>£'000</b>
347,108 Property, Plant & Equipment	24	352,831
1,954 Heritage Assets	28	2,035
0 Investment Properties	29	0
318 Intangible Assets	31	288
492 Long Term Debtors	33	461
<b>349,872 TOTAL LONG TERM ASSETS</b>		<b>355,615</b>
9,906 Short Term Investments	44	9,908
103 Inventories		89
12,190 Short Term Debtors	33	7,987
0 Assets Held For Sale	30	1,120
15,230 Cash and Cash Equivalents	27	32,538
<b>37,429 TOTAL CURRENT ASSETS</b>		<b>51,642</b>
-8,563 Short Term Borrowings	44	-11,249
-11,993 Short Term Creditors	34	-15,666
-1,524 Provisions Short Term	35	-1,457
-812 Grants Receipts in Advance	22	-786
<b>-22,892 TOTAL CURRENT LIABILITIES</b>		<b>-29,158</b>
-5,235 Long Term Creditors	34	-4,839
-1,327 Provisions Long Term	35	-1,948
-224 Long Term Finance Lease Liability	46	-224
-81,580 Long Term Borrowing	44	-84,556
-68,974 Pensions Liability	42	-65,937
-6,314 Grants Receipts in Advance	22	-6,117
<b>-163,654 TOTAL LONG TERM LIABILITIES</b>		<b>-163,621</b>
<b>200,755 TOTAL NET ASSETS</b>		<b>214,478</b>
44,877 Usable Reserves	36	53,461
155,878 Unusable Reserves	37	161,017
<b>200,755 TOTAL RESERVES</b>		<b>214,478</b>

<b>CASH FLOW STATEMENT</b>
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2017/18 £'000	Notes	2018/19 £'000
<b>38,299</b>	<b>Net Surplus/Deficit(-) on the Provision of Services</b>	<b>-5,264</b>
-21,044	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements 39A	26,498
-15,360	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities 39A	-10,346
<b>1,895</b>	<b>Net Cash Flows from Operating Activities</b>	<b>10,888</b>
-6,101	Investing Activities 39C	-5,953
2,402	Financing Activities 39D	12,373
<b>-1,804</b>	<b>Net Increase or Decrease(-) in Cash and Cash Equivalents</b>	<b>17,308</b>
17,034	Cash and Cash Equivalents at the Beginning of the Reporting Period	15,230
<b>15,230</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b> 27	<b>32,538</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other Notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £2,000 in any single case.

### 1 ACCOUNTING POLICIES

#### 1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/2019 financial year and its position at the year-end of 31 March 2019. It has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2018/2019 (the Code) supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified firstly by the revaluation of certain categories of non-current assets, and secondly as regards the valuation of stocks. Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and concepts set out in IAS 8, specifically the qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

and pervasive accounting concepts:

- Accruals
- Going Concern
- Primacy of legislative requirements

#### 1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### 1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. The Council classifies the following as cash equivalents:

- Overdrawn balances on the Council's bank accounts. Bank overdrafts are an integral part of the Council's cash management and bank balances fluctuate on a regular basis from being positive to overdrawn.
- Short term investments with immediate call back or instant access. Any short term investment which is for a fixed term, regardless of the remaining length of that term, is accounted for as a financial instrument. Interest follows the related investment.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### 1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

The preparation of IFRS accounts requires the use and calculation of estimates. It also requires management to exercise its judgement in applying the use of the Council's accounting policies. The areas involved in a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

### 1.5 Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore



replaced by the contribution in the General Fund Balance in the form of the Minimum Revenue Provision (MRP). This charge is based on the Asset Life method of calculation as per the Council's approved MRP Policy, and will commence in the financial year after the asset becomes operational.

## 1.6 Council Tax and Non-Domestic Rates

The Council is a billing authority and acts as an agent collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors, including government for NDR, and as principals collecting Council Tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund i.e. the Collection Fund for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted. The council is part of a pool arrangement for NDR with its neighbouring Nottinghamshire councils.

### Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item through the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balance in respect of Council Tax and NDR relating to the arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

## 1.7 Employee Benefits

### Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and time in lieu earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable at the year end. The accrual is charged to the Surplus/Deficit on Provision of Services but is then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Policy and Finance line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. Through the Movement in Reserve Statement, appropriations are

required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

#### Post-employment Benefits

The Council fully complies with the requirements of IAS 19 Employee Benefits and recognises the cost of retirement benefits in the revenue account when employees earn them rather than when the benefits are eventually paid as pensions.

Employees of the Council are members of the Local Government Pensions Scheme, administered by Nottinghamshire County Council (the pension fund). The scheme provides defined benefits to members (retirement lump sums and pensions), which have been earned by members in the time they worked as employees of the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price.
  - unquoted securities - professional estimate.
  - unitised securities - current bid price.
  - property - market value.

The change in the net pensions liability is analysed into the following components:

#### Service Cost comprising

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the (Surplus)/Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Policy and Finance.
- net interest on the net defined benefit liability or asset i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments

#### Re-measurements comprising

- the return on plan assets – excluding amounts included in net interest on the defined benefit liability or asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the pension fund - cash paid as employer's contributions to the pension

fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Through the Movement in Reserves Statement on the General Fund Balance, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

#### Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### 1.8 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### 1.9 Financial Instruments

#### Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The Council's financial liabilities comprise:

- long term loans from the Public Works Loan Board
- long term LOBO loans from the money market (Lender Option Borrower Option)
- short term loans from the Council's subsidiary companies and other related companies

Financial liabilities are recognised on the Balance Sheet where the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective annual interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings held by the Council this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited

to (Surplus)/Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, if the Council decides to make a loan to a voluntary organisation at less than market rate (soft loan). When the soft loan is made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

#### Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### 1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance through the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and

contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue administrative expenditure.

### 1.11 Heritage Assets

The Council's heritage assets are held in the Council's museum. The museum has an extensive collection comprising of art, Civil war, artefacts, clock, coins and tokens of heritage assets which are held in support of the primary objective of the Council's museum, i.e. increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council's collections of heritage assets are accounted for as follows.

- Ceramics, Jewellery, Regalia, Statues, Art Collection and Samplers together with Machinery, Equipment and Furniture – these are measured at insurance valuation, based on market value, which is increased annually for inflation. As they are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

#### Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note 1.17 in this summary of significant accounting policies. The trustees of the Council's museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1.17 in this summary of significant accounting policies).

### 1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating

Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance through the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### 1.13 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as investments i.e. at cost less any provision for losses.

Newark and Sherwood Homes Ltd is a wholly owned subsidiary of the Council which manages the housing stock, owned by the Council, under an arm's length arrangement and the company's accounts are consolidated with the Council's in accordance with IAS 27.

Active4Today Ltd is a wholly owned subsidiary of the Council which manages the provision of leisure services from the Council's leisure premises and its accounts are consolidated with the Council's in accordance with IAS 27.

Mansfield Crematorium has been recognised as a joint arrangement between Mansfield District Council, Ashfield District Council and Newark and Sherwood District Council. The Council accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held arising from the operations of the crematorium.

Arkwood Developments Ltd is a wholly owned subsidiary of the Council and is a housing development company, their accounts are currently not significant enough to be consolidated into the Council's accounts under IAS 27.

### 1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance through the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 1.15 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

## 1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two.



Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

**The Council as Lessor**Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve through the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve through the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance through the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**1.17 Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. Expenditure under the value of £15,000 is treated as de-minimis. All capital expenditure will be depreciated in the following financial year of acquisition.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred while assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Community Assets, Infrastructure and Assets Under Construction – measured at historical cost
- Other Land and Buildings, Vehicles, Plant and Equipment – fair value or, where there is no market based evidence of fair value, depreciated historical cost

Valuation

Assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the CIPFA Code of Practice on Local Council Accounting.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Community Assets, Infrastructure Assets and Assets Under Construction are held at historical cost and are not revalued. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

Asset	Depreciation Method	Useful Life in Years
Council Dwellings	Straight line allocation over the life of the property as estimated by the Valuer	35-50
Other Buildings	Straight line allocation over the life of the property as estimated by the Valuer	20-100
Vehicle, Plant and Equipment	Straight line allocation, taking into account any residual value, over their useful life as advised by a suitably qualified officer	5-10
Infrastructure	Straight line	10-50
Community Assets	Straight line	100
Surplus Assets	Straight line	10-100
Land	No depreciation charged	
Assets Under Construction	No depreciation charged	
Assets Held for Sale	No depreciation charged	
Investment Properties	No depreciation charged	

Where an asset has major components with different estimated useful lives these are depreciated separately. Land and buildings are separate assets and are accounted for separately, even when they are acquired together.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation

Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance through the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance through the Movement in Reserves Statement.

## 1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### 1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### 1.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer through the Movement in Reserves Statement from the General Fund Balance to the Capital

Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

### 1.21 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

### 1.22 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## 2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice requires that, where new or amended accounting standards have been issued but not adopted by 31st March 2019, the Council discloses the impact that this change would have had on the current year's financial statements had it already been adopted. The following changes to accounting standards will be applicable to the Council's accounts from 1 April 2019:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property.
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

It is not anticipated there will be any significant changes to the accounts as a result of these amendments.

## 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council is a trustee of Southwell Leisure Centre Trust which operates the leisure centre at Southwell. It has been determined that the Council does not have control of the Trust and it is therefore, not a subsidiary of the Council.
- The Council uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Assumptions are based, on observable data as far as possible, but this is not always available. In such a case the best information available would be used. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there may be a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured, based on quoted prices in active markets (i.e. domestic Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.
Provision - Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013 local authorities are liable for successful appeals against business rates charged to businesses in 2018/19 and earlier financial years in their proportionate share. A provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2019. Estimation of backdated appeals was provided by Analyse Local. This assumes that various amounts of appeals are received, and then subsequently agreed.	Decrease in collection amount of NNDR, leaving the Council with a reduced amount of funding for Services. 40% of any reduction would impact upon the Council.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways. During 2018/19, the Council's actuaries advised that the net pensions liability had decreased by £7.4m attributable to updating of the assumptions.



Arrears	At 31 March 2019, the Council had a balance of short term debtors totalling £7.987m. A review of significant balances suggested that a loss allowance of £1.458m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the loss allowance would require an additional £1.173m to set aside as an allowance.
Britain leaving the European Union: asset values and pension liability	There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

## 5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2018/2019 there were no material transactions, which are not disclosed separately.

## 6 MATERIAL INTEREST IN JOINT BODIES

The Council appoints six of the nine Trustees of the Southwell Leisure Centre Trust and provides grant aid which amounted to £0.147m in 2018/2019 (2017/2018 £0.149m). The Trust is administered in accordance with the Scheme of Administration established 24th October 1974 as amended by the Charity Commissioners on the 29th December 1983. The object of the Trust is to establish and maintain leisure facilities for the inhabitants of Southwell and district and to achieve a breakeven position on operations.

The Council has a joint interest in Mansfield Crematorium. The annual net surplus from the running of the crematorium amounts to £0.044m (2017/2018 £0.053m) and is included within Other Operating Income and Expenditure. The Council also includes its share of the assets and liabilities of the crematorium in its Balance Sheet. For a more detailed breakdown please see Note 41.

## 7 POST BALANCE SHEET EVENT

The final Audited Statement of Accounts will be authorised for issue by the Deputy Chief Executive and Director of Resources S151 Officer on 24 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On the 4th April at the Policy and Finance Committee, a report was presented titled 'Housing Management Review'. The recommendation within the report was to 'agree in principle the decision to bring the housing management services in-house for the direct service provision by the Council, such decision to involve the consequential winding up of Newark and Sherwood Homes Ltd'.

This decision in principle also requires the Council to undertake an independent consultation exercise with its tenants and leaseholders to take into account their views on the future of the housing service.

## 8 TRUST FUNDS

The Council acts as sole trustee for two Trusts:

### The W.E. Knight Trust

A permanently endowed charity established by an indenture dated 6 January 1920 as varied by a conveyance of 6 July 1933 by the Trustees to the Mayor, Aldermen and Burgesses of the Borough of Newark-on-Trent. Separate accounts for this Charity have been maintained since 1 April 1984. Up to that date the costs of administering the Trust and any income received had been included in the accounts of the Borough and District Councils. The Trustees resolved at their meeting on the 22 July 2013 to retain the income earned by the endowment until a significant sum had been accrued at which time a decision on distribution would be taken.

### The Gilstrap Endowment

The history of the Gilstrap charity is that in 1883 Sir (then Mr) William Gilstrap gave land in Castlegate on trust to the Borough of Newark for the purposes of a library. In 1884 the former Borough of Newark made a "one-off" payment to the Trust of £1,200 to be invested in compensation of loss of income, to enable the whole of the Castle Grounds to be laid out as "public walks and pleasure grounds". The accounts in respect of the Endowment were maintained by Nottinghamshire County Council until 31 March 1987 when Newark and Sherwood District Council took over as Trustees consequent upon the County Council acquiring a new site for a Central Library. The District Council agreed a new scheme of administration which was sealed by the Charity Commissioners on the 28 August 1990 and applied the income of the Endowment to the upkeep and use of the Gilstrap building. From 1 April 2013, the Gilstrap building was leased to Nottinghamshire County Council with the rental income being applied in fulfilment of the Trust objectives. The new arrangements were approved by the Charity Commission prior to agreement of the lease.

## 9 PRIOR PERIOD ADJUSTMENT

During the financial year 2018/19 management reviewed the Council's investment properties to identify if the Code of Practice definition of investment property was relevant to those assets. The definition defines an investment property as below;

“property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- a) use in the production or supply of goods or services or for administrative purposes, or
- b) sale in the ordinary course of operations.”

Following the review it was decided that the assets should have been classified and accounted for under Property, Plant and Equipment rather than investment property. This is due to the fact that the rental income received is just an outcome of the regeneration policy that is implemented in order to benefit and help local businesses and the community prosper.

2018/2019 figures correctly reflect the appropriate accounting for investment properties.

	Balance Sheet Adjustment	
	Property, Plant and Equipment £'000	Investment Properties £'000
<b>Closing Balance 2016/17</b>	<b>280,126</b>	<b>1,994</b>
Adjustment for movement of investment properties	1,994	-1,994
<b>Adjusted Closing Balance 2016/17</b>	<b>282,120</b>	<b>0</b>
<b>Opening Balance 2017/18</b>	<b>282,120</b>	<b>0</b>

	Comprehensive Income and Expenditure Adjustment 2017/18		
	Gross Expenditure £'000	Gross Income £'000	Net Expend- iture £'000
Economic Development	7,337	-5,183	2,154
Adjustment for investment properties	-84	0	-84
<b>Adjusted Economic Development</b>	<b>7,253</b>	<b>-5,183</b>	<b>2,070</b>
Rest of Services	34,000	-56,241	-22,241
<b>Adjusted Cost of Services</b>	<b>41,253</b>	<b>-61,424</b>	<b>-20,171</b>
Financing and Investment Income and Expenditure	5,945	-581	5,364
Adjustment for investment properties	84	0	84
<b>Adjusted Financing and Investment Income and Expenditure</b>	<b>6,029</b>	<b>-581</b>	<b>5,448</b>
Other Operating Income and Expenditure	9,141	-6,147	2,994
Taxation and Non Specific Grant Income	11,141	-37,711	-26,570
<b>Adjusted Surplus (-) or Deficit on Provision of Services</b>	<b>67,564</b>	<b>-105,863</b>	<b>-38,299</b>
<b>Other Comprehensive Income and Expenditure</b>			<b>-33,817</b>
<b>Adjusted Total Comprehensive Income and Expenditure</b>			<b>-72,116</b>

## 10 EXPENDITURE AND FUNDING ANALYSIS

This note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

RESTATED 2017/18			2018/19			
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
983	1,087	2,070	Economic Development	1,316	150	1,466
1,999	475	2,474	Homes and Communities	2,274	352	2,626
3,239	1,205	4,444	Leisure and Environment	3,540	2,555	6,095
4,946	1,544	6,490	Policy and Finance	4,338	1,435	5,773
-12,758	-22,891	-35,649	Housing Revenue Account	-12,622	18,107	5,485
<b>-1,591</b>	<b>-18,580</b>	<b>-20,171</b>	<b>Net Cost of Services</b>	<b>-1,154</b>	<b>22,599</b>	<b>21,445</b>
997	-19,125	-18,128	Other Income and Expenditure	-2,221	-13,960	-16,181
<b>-594</b>	<b>-37,705</b>	<b>-38,299</b>	<b>Surplus(-)/Deficit</b>	<b>-3,375</b>	<b>8,639</b>	<b>5,264</b>

General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000		General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000
-22,655	-2,000	-24,655	Opening Balance	-23,249	-2,000	-25,249
-594	0	-594	Surplus(-) or Deficit on Balances in Year	-3,375	0	-3,375
<b>-23,249</b>	<b>-2,000</b>	<b>-25,249</b>	<b>Closing Balance at 31 March</b>	<b>-26,624</b>	<b>-2,000</b>	<b>-28,624</b>
Closing Balances Split by Reserve:						
-1,737	-2,000	-3,737	Working Reserve	-1,500	-2,000	-3,500
-21,512	0	-21,512	Earmarked Reserve	-25,124	0	-25,124
<b>-23,249</b>	<b>-2,000</b>	<b>-25,249</b>	<b>Closing Balance at 31 March</b>	<b>-26,624</b>	<b>-2,000</b>	<b>-28,624</b>

## 11 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

**Adjustments between Funding and Accounting Basis 2018/19**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	-60	210	0	150
Homes and Communities	190	162	0	352
Leisure and Environment	2,298	257	0	2,555
Policy and Finance	263	1,172	0	1,435
Housing Revenue Account	18,367	-260	0	18,107
<b>Net Cost of Services</b>	<b>21,058</b>	<b>1,541</b>	<b>0</b>	<b>22,599</b>
Other income and expenditure from the Expenditure and Funding Analysis	-15,369	1,758	-349	-13,960
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>5,689</b>	<b>3,299</b>	<b>-349</b>	<b>8,639</b>

**Adjustments between Funding and Accounting Basis 2017/18**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	842	245	0	1,087
Homes and Communities	286	189	0	475
Leisure and Environment	904	301	0	1,205
Policy and Finance	1,270	274	0	1,544
Housing Revenue Account	-22,631	-260	0	-22,891
<b>Net Cost of Services</b>	<b>-19,329</b>	<b>749</b>	<b>0</b>	<b>-18,580</b>
Other income and expenditure from the Expenditure and Funding Analysis	-19,159	1,936	-1,902	-19,125
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-38,488</b>	<b>2,685</b>	<b>-1,902</b>	<b>-37,705</b>

The following headings of other operating expenditure, financing and investment income and expenditure and taxation and non-specific grant income and expenditure all relate to the comprehensive income and expenditure statement. The Expenditure and Funding Analysis groups all the headings under 'Other income and expenditure'.

### **Note 1 Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### **Note 2 Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### **Note 3 Other Differences**

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## 12 EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income 2018/19	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-4,993	-1,616	-1,831	-2,476	-23,144	-1,123	<b>-35,183</b>
Income on Joint Associates	0	0	0	0	0	-132	<b>-132</b>
Interest and Investment Income	0	0	0	0	0	-559	<b>-559</b>
Income from Council Tax	0	0	0	0	0	-9,331	<b>-9,331</b>
Income from Non Domestic Rates	0	0	0	0	0	-19,106	<b>-19,106</b>
Government Grants and Contributions	-56	-928	-83	-23,971	0	-9,012	<b>-34,050</b>
Disposal of Assets	0	0	0	0	0	-2,253	<b>-2,253</b>
<b>Total Income</b>	<b>-5,049</b>	<b>-2,544</b>	<b>-1,914</b>	<b>-26,447</b>	<b>-23,144</b>	<b>-41,516</b>	<b>-100,614</b>
Employee Expenses	3,117	2,379	3,587	5,584	0	0	<b>14,667</b>
Other Service Expenses	3,571	2,601	3,504	26,373	10,245	323	<b>46,617</b>
Expenditure on Joint Associates	0	0	0	0	0	88	<b>88</b>
Developers Contribution Payment	0	0	0	0	0	504	<b>504</b>
Depreciation, Amortisation and Impairment	-173	190	918	263	18,308	0	<b>19,506</b>
Interest Payments	0	0	0	0	76	5,584	<b>5,660</b>
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	11,678	<b>11,678</b>
Precepts and Levies	0	0	0	0	0	3,344	<b>3,344</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	<b>443</b>
Disposal of Assets	0	0	0	0	0	3,371	<b>3,371</b>
<b>Total Operating Expenses</b>	<b>6,515</b>	<b>5,170</b>	<b>8,009</b>	<b>32,220</b>	<b>28,629</b>	<b>25,335</b>	<b>105,878</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>1,466</b>	<b>2,626</b>	<b>6,095</b>	<b>5,773</b>	<b>5,485</b>	<b>-16,181</b>	<b>5,264</b>

Expenditure/Income 2017/18	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total
RESTATED	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-5,127	-1,611	-2,272	-3,091	-22,543	0	<b>-34,644</b>
Income on Joint Associates	0	0	0	0	0	-156	<b>-156</b>
Interest and Investment Income	0	0	0	0	0	-569	<b>-569</b>
Income from Council Tax	0	0	0	0	0	-9,229	<b>-9,229</b>
Income from Non Domestic Rates	0	0	0	0	0	-17,514	<b>-17,514</b>
Government Grants and Contributions	-56	-982	-499	-25,243	0	-10,968	<b>-37,748</b>
Disposal of Assets	0	0	0	0	0	-6,003	<b>-6,003</b>
<b>Total Income</b>	<b>-5,183</b>	<b>-2,593</b>	<b>-2,771</b>	<b>-28,334</b>	<b>-22,543</b>	<b>-44,439</b>	<b>-105,863</b>
Employee Expenses	2,943	2,247	3,476	4,859	0	0	<b>13,525</b>
Other Service Expenses	3,552	2,586	2,835	28,694	9,693	-815	<b>46,545</b>
Expenditure on Joint Associates	0	0	0	0	0	102	<b>102</b>
Developers Contribution Payment	0	0	0	0	0	146	<b>146</b>
Depreciation, Amortisation and Impairment	758	234	904	1,271	-22,832	0	<b>-19,665</b>
Interest Payments	0	0	0	0	33	6,021	<b>6,054</b>
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	10,995	<b>10,995</b>
Precepts and Levies	0	0	0	0	0	3,233	<b>3,233</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	475	<b>475</b>
Disposal of Assets	0	0	0	0	0	6,154	<b>6,154</b>
<b>Total Operating Expenses</b>	<b>7,253</b>	<b>5,067</b>	<b>7,215</b>	<b>34,824</b>	<b>-13,106</b>	<b>26,311</b>	<b>67,564</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>2,070</b>	<b>2,474</b>	<b>4,444</b>	<b>6,490</b>	<b>-35,649</b>	<b>-18,128</b>	<b>-38,299</b>



## 13 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid into and which all liabilities of the Council are to be met from, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities however, the balance is not available to be applied to funding HRA services.

### Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

### Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources, limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the yearend.

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the yearend.

2018/19 Usable Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Movement Unusable Reserves £'000
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	-3,560	260	0	0	0	<b>3,300</b>
Financial instruments (transferred to the Financial Instruments Adjustments	4	0	0	0	0	<b>-4</b>
Council tax and NDR (transfers to (or from) Collection Fund)	345	0	0	0	0	<b>-345</b>
Holiday pay (transferred to the Accumulated Absences Reserve)	0	0	0	0	0	<b>0</b>
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital):	884	-18,072	0	-2,200	0	<b>19,388</b>
<b>Total Adjustments to Revenue Resources</b>	<b>-2,327</b>	<b>-17,812</b>	<b>0</b>	<b>-2,200</b>	<b>0</b>	<b>22,339</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	179	2,072	0	0	-2,251	<b>0</b>
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	-46	0	0	46	<b>0</b>
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-443	0	0	0	443	<b>0</b>
Posting of HRA resources from revenue to the Major Repairs Reserve	0	8,433	-8,433	0	0	<b>0</b>
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	492	0	1,022	0	0	<b>-1,514</b>
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	813	0	0	0	0	<b>-813</b>
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,041</b>	<b>10,459</b>	<b>-7,411</b>	<b>0</b>	<b>-1,762</b>	<b>-2,327</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	1,654	<b>-1,654</b>
Use of the Major Repairs Reserve to finance capital expenditure	0	0	3,877	0	0	<b>-3,877</b>
Application of capital grants to finance capital expenditure	0	0	0	633	0	<b>-633</b>
Cash payments in relation to deferred capital receipts	0	0	0	0	0	<b>0</b>
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>3,877</b>	<b>633</b>	<b>1,654</b>	<b>-6,164</b>
<b>Total Adjustments</b>	<b>-1,286</b>	<b>-7,353</b>	<b>-3,534</b>	<b>-1,567</b>	<b>-108</b>	<b>13,848</b>

2017/18 Usable Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Movement Unusable Reserves £'000
<b>Adjustments to the Revenue Resources</b>						
<b>Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with</b>						
Pensions costs (transferred to (or from) the Pensions Reserve)	-2,943	260	0	0	0	2,683
Financial instruments (transferred to the Financial Instruments Adjustments	4	0	0	0	0	-4
Council tax and NDR (transfers to or from Collection Fund)	1,898	0	0	0	0	-1,898
Holiday pay (transferred to the Accumulated Absences Reserve)	0	0	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital):	-6,160	27,192	0	-465	0	-20,567
<b>Total Adjustments to Revenue Resources</b>	<b>-7,201</b>	<b>27,452</b>	<b>0</b>	<b>-465</b>	<b>0</b>	<b>-19,786</b>
<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	3,857	2,146	0	0	-6,299	296
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	-40	0	0	40	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-475	0	0	0	475	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	8,587	-8,587	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	421	0	11,723	0	0	-12,144
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,958	0	0	0	0	-2,958
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,761</b>	<b>10,693</b>	<b>3,136</b>	<b>0</b>	<b>-5,784</b>	<b>-14,806</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	2,000	-2,000
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	0
Application of capital grants to finance capital expenditure	0	0	0	129	0	-129
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
<b>Total Adjustments to Capital Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>129</b>	<b>2,000</b>	<b>-2,129</b>
<b>Total Adjustments</b>	<b>-440</b>	<b>38,145</b>	<b>3,136</b>	<b>-336</b>	<b>-3,784</b>	<b>-36,721</b>

**14 TRANSFERS TO/FROM(-) EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure during the financial year.

	Balance as at 31st March 2017 £'000	Movement in Year £'000	Balance as at 31st March 2018 £'000	Movement in Year £'000	Balance as at 31st March 2019 £'000
<b>Revenue Reserves</b>					
Investment Realisation	92	0	92	0	92
Election Expenses	163	57	220	-70	150
Insurance	400	-1	399	-62	337
Renewal and Repairs	2,500	-89	2,411	-31	2,380
Land Charges	-9	9	0	0	0
Building Control	-66	59	-7	22	15
Museum Purchases	11	0	11	0	11
Training Provision	200	-47	153	0	153
Community Safety Fund	231	33	264	-70	194
Restructuring & Pay	100	0	100	0	100
Court Costs	45	14	59	0	59
Change Management	10,957	-1,912	9,045	3,702	12,747
Planning Costs	400	-130	270	-69	201
Unlawful Occupation of Land	10	-1	9	0	9
Fly tipping	100	0	100	-45	55
Homelessness Fund	243	85	328	128	456
Fuel and Energy Reserve	100	-30	70	0	70
Refuse Bin Purchase	30	-15	15	0	15
Energy and Home Support	142	-26	116	5	121
Growth and Prosperity	1,152	648	1,800	-1,287	513
Emergency Planning Reserve	50	0	50	0	50
Welfare Reform Reserve	60	0	60	-2	58
Sports Development	54	0	54	-54	0
Other Earmarked Reserves	412	-390	22	0	22
Management Carry Forward	0	224	224	119	343
Requests					
Development Company	0	4,000	4,000	0	4,000
Mansfield Crematorium	161	-21	140	-1	139
CSG/Enforcement Reserve	0	0	0	95	95
Flood Defence Reserve	0	0	0	250	250
MTFP Reserve	0	0	0	1,085	1,085
Unapplied Revenue Grants and Contributions	118	67	185	107	292
	<b>17,656</b>	<b>2,534</b>	<b>20,190</b>	<b>3,822</b>	<b>24,012</b>
<b>Capital Reserves</b>					
Capital Provision	3,253	-1,931	1,322	-210	1,112
	<b>3,253</b>	<b>-1,931</b>	<b>1,322</b>	<b>-210</b>	<b>1,112</b>
<b>Total Earmarked Reserves</b>	<b>20,909</b>	<b>603</b>	<b>21,512</b>	<b>3,612</b>	<b>25,124</b>

Renewal and Repairs - all sections of the Council who are responsible for assets contribute to this fund to ensure that planned maintenance is delivered in the future when it is due. For example buildings are redecorated every three years and software is upgraded as necessary. This flattens out the cost to ensure that tax levels do not fluctuate unnecessarily. All available funds are allocated to specific schemes.

Change Management – a reserve for uncommitted funds held for future requirements and for support of transformational change.

Growth and Prosperity – financing for the Council's loans to local business and enterprises.

Development Company - a reserve to finance the purchase of share capital to establish a housing development company.

Medium Term Financial Plan (MTFP) - this reserve has been created in order to mitigate the financial implications identified within the MTFP.

Capital Provision – to support future capital projects.

**15 OTHER OPERATING INCOME AND EXPENDITURE**

2017/18 £'000	2018/19 £'000
2,710 Parish Council Precepts	2,810
523 Levies	534
475 Payments to the Government Housing Capital Receipts Pool	443
151 Gains(-)/losses on the disposal of non-current assets	1,118
-815 Provision for Doubtful Debt	323
-50 Mansfield Crematorium - Net Cost of Service	-35
<b>2,994 Total</b>	<b>5,193</b>

**16 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

RESTATED	
2017/18 £'000	2018/19 £'000
4,085 Interest payable and similar charges	3,831
1,936 Net interest on the net defined benefit liability (asset)	1,753
-569 Interest receivable and similar income	-559
0 Income and expenditure in relation to investment properties and changes in their fair value	0
-4 Mansfield Crematorium - Financing and Investment Income and Expenditure	-9
<b>5,448 Total</b>	<b>5,016</b>

**17 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE**

2017/18 £'000	2018/19 £'000
-9,229 Council tax income	-9,331
-6,519 Non-Domestic Rates income and expenditure	-7,428
-3,061 Non ring-fenced Government grants	-2,157
-1,078 Developers grants & contributions	-4,319
-6,683 Capital grants and contributions	-3,155
<b>-26,570 Total</b>	<b>-26,390</b>

## 18 OFFICIALS' EMOLUMENTS

Amounts payable to senior employees in 2018/2019 are disclosed below.

	2018/19 £	2017/18 £
<b><u>Chief Executive - Started in July 2018 (Previous left January 2018)</u></b>		
Salary	84,561.29	97,854.03
Expenses, Allowances and Other Benefits	0.00	707.10
Employer's Contribution to Pension	11,832.00	14,188.84
% Employee's Contribution to Pension	11.4%	11.4%
<b><u>Deputy Chief Executive - Left December 2018</u></b>		
Salary (includes redundancy payment of £102,613*)	179,460.31	95,421.96
Expenses, Allowances and Other Benefits	61.90	80.71
Employer's Contribution to Pension	11,066.39	14,077.65
% Employee's Contribution to Pension	10.5%	10.5%
<b><u>Deputy Chief Executive &amp; Director of Resources</u></b>		
Salary	100,608.00	64,208.07
Expenses, Allowances and Other Benefits	802.05	0.00
Employer's Contribution to Pension	14,588.18	9,310.21
% Employee's Contribution to Pension	10.5%	10.5%
<b><u>Director of Governance &amp; Organisational Development</u></b>		
Salary	83,864.34	80,657.12
Expenses, Allowances and Other Benefits	295.78	347.40
Employer's Contribution to Pension	12,160.31	11,695.31
% Employee's Contribution to Pension	9.9%	9.9%
<b><u>Director of Communities &amp; Environment</u></b>		
Salary	85,829.34	79,788.03
Expenses, Allowances and Other Benefits	377.05	285.70
Employer's Contribution to Pension	12,445.22	11,569.26
% Employee's Contribution to Pension	9.9%	9.9%
<b><u>Director of Growth &amp; Regeneration - Promoted January 2019</u></b>		
Salary	72,991.39	
Expenses, Allowances and Other Benefits	0.00	
Employer's Contribution to Pension	10,583.77	
% Employee's Contribution to Pension	9.9%	

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table.

\* the redundancy payment included in the following exit packages table has been split between compulsory payment (£64k) and non-compulsory payment (£38k).

Exit Package Cost Band	No of Compulsory Redundancies		No of Other Agreed Departures		Total No of Exit Packages		Total Cost of Exit Packages	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
							£'000	£'000
£0 to £20,000	5	4	0	5	5	9	38	59
£20,001 to £40,000	1	0	1	0	2	0	65	0
£40,001 to £60,000	0	0	0	0	0	0	0	0
£60,001 to £80,000	1	0	0	0	1	0	64	0
£80,001 plus	0	0	0	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>8</b>	<b>9</b>	<b>167</b>	<b>59</b>

The number of employees, including senior employees as disclosed above, whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:-

	Number of Employees 2018/2019	Employees Included in 2018/19 leaving in same year	Number of Employees 2017/2018
£50,000 to £54,999	4	0	5
£55,000 to £59,999	3	0	2
£60,000 to £64,999	1	0	2
£65,000 to £69,999	1	0	0
£70,000 to £74,999	1	0	0
£75,000 to £79,999	0	0	2
£80,000 to £84,999	3	0	1
£85,000 to £89,999	0	0	0
£90,000 to £94,999	0	0	0
£95,000 to £99,999	0	0	2
£100,000 to £104,999	1	0	0
£105,000 to £174,999	0	0	0
£175,000 to £179,999	1	1	0
<b>Total</b>	<b>15</b>	<b>1</b>	<b>14</b>

## 19 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows an assessment of the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Most transactions with related parties are disclosed elsewhere in the Statement of Accounts as follows:

Party	Disclosure	Page
•Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties.	Comprehensive Income and Expenditure Statement	35
	Cash Flow Statement	38



•Members of the council have direct control over the council's financial and operating policies.	Note 21 Members Allowances	74
•Precepts from other Local Authorities.	Collection Fund Accounts	110-111
•Newark and Sherwood Homes Ltd is a wholly owned subsidiary of the Council.	Group Accounts	112-128
•Active4Today Ltd is a wholly owned subsidiary of the Council.	Group Accounts	112-128
•The Council has joint control of Mansfield Crematorium.	Note 38 Joint Crematorium Committee	94
•The Council appoints the majority of trustees of the Southwell Leisure Centre Trust.	Note 6 Material Interests in Joint Bodies	57

During 2018/2019 the following transactions occurred with companies and organisations in which Members, Officers and their close family members, had an interest.

	Receipts £'000	Payments £'000
TPM Compliance Training Solutions Ltd	0	1
Newark on Trent Twinning Association	0	3
Gilstrap Trust	9	0

## 20 TRADING OPERATIONS

The Council undertakes a small number of Trading Operations. Any forecast surplus or deficit as a result of these services is included in the Council's annual budget and within Continuing Operations in the Comprehensive Income and Expenditure Statement where appropriate.

2017/18			2018/19			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Trading Operations	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
779	-1,034	<b>-255</b>	Industrial Estates	274	-1,127	<b>-853</b>
1,943	-1,148	<b>795</b>	Heritage and Cultural Centre	1,916	-1,027	<b>889</b>
634	-1,125	<b>-491</b>	Car Parks	351	-1,166	<b>-815</b>
<b>3,356</b>	<b>-3,307</b>	<b>49</b>	<b>Net Surplus(-)/Deficit applicable to Net Cost of Service</b>	<b>2,541</b>	<b>-3,320</b>	<b>-779</b>

Car Parks - the Council is a member of the Nottinghamshire Parking Partnership which administers all on street and off street parking fines for the county. Included in the surplus figure above is the sum of £2k in respect of off street parking fine income owed to the Council by the Partnership as detailed below:

	Gross Expenditure £'000	Gross Income £'000	Net Income £'000
Off Street Parking - amount due to Newark and Sherwood	61	-63	<b>-2</b>
On Street Parking - retained by Partnership to fund future highways expenditure	143	-146	<b>-3</b>
<b>Total</b>	<b>204</b>	<b>-209</b>	<b>-5</b>

## 21 MEMBERS ALLOWANCES

2017/18 £'000	2018/19 £'000
57 Special Responsibility Payments	57
181 Basic Allowances	186
12 Travel and Subsistence	8
<b>250 Total</b>	<b>251</b>

## 22 GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

2017/18 £'000	2018/19 £'000
-1,049 Revenue Support Grant	-592
-1,911 New Homes Bonus Grant	-1,491
-1,166 Non Domestic Rates s31 Grant	-1,585
-60 Capacity Funding	0
-10 Council Tax s31 Grant	-10
-30 Rural Services Delivery Grant	-38
-43 Section 106	-559
<b><u>Capital Related:</u></b>	
-2,200 Supported Housing	-2,024
-1,181 Developers Contributions	-4,263
-4,484 Other Grants and Contributions	-1,131
0 Central Government Grants	0
<b>-12,134 Total</b>	<b>-11,693</b>
<b><u>Credited to Services</u></b>	
-13,778 Housing Benefits Subsidy	-12,778
-10,875 Council Tax Support	-9,969
-448 Housing Benefits Grant	-414
-206 Other Housing Grants	-175
-12 New Burdens Grant	-143
0 Cleaner, Safer, Greener	-21
-17 Electoral Registration	-14
0 Welfare Reform	-4
-60 Neighbourhood Planning	0
0 Custom Build Grant	-30
-94 DWP Grant	0
-50 OPE Grant	0
0 Land Charges	-11
<b><u>Capital Related:</u></b>	
-523 Private Sector Disabled Facilities	-922
-233 Flooding Grant	0
<b>-26,296 Total</b>	<b>-24,481</b>

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the year-end are as follows:

### CURRENT LIABILITIES - GRANTS RECEIPTS IN ADVANCE

2017/18 £'000	2018/19 £'000
<u>Capital Related:</u>	
-661 Government	-765
-46 Other Third Parties	0
-64 Section 106	0
<u>Revenue Related:</u>	
-22 Government	-21
0 Other Third Parties	0
-19 Section 106	0
<b>-812</b>	<b>-786</b>

### LONG TERM LIABILITIES - GRANTS RECEIPTS IN ADVANCE

2017/18 £'000	2018/19 £'000
<u>Capital Related:</u>	
-6,140 Government	-6,000
0 Nottinghamshire County Council	0
0 Other Third Parties	0
<u>Revenue Related:</u>	
-65 Government	-63
-39 Nottinghamshire County Council	0
-70 Other Third Parties	-54
<b>-6,314</b>	<b>-6,117</b>

## 23 AUDITS FEE

For 2018/2019 Newark and Sherwood District Council incurred the following fee in relation to the audit of the Statement of Accounts:

2017/18 £'000	2018/19 £'000
<b>Fees Payable to Mazars LLP in respect of:</b>	
48 External Audit Services	37
6 Other Services	0
<b>54 Total</b>	<b>37</b>

In addition, audit fees of £2,397 (£4,637 2017/18) were paid which related to work undertaken in prior financial years.

Note 2017/18 actuals relate to the audit contract with KPMG.

## 24 PROPERTY PLANT AND EQUIPMENT

Movements in 2018/19								
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
<b>Cost or Valuation</b>								
<b>At April 2018</b>	<b>268,584</b>	<b>63,566</b>	<b>9,512</b>	<b>202</b>	<b>317</b>	<b>0</b>	<b>11,997</b>	<b>354,178</b>
Additions	4,528	1,894	1,246	246	11	0	9,114	17,039
Revaluation increases/decreases(-) to Revaluation Reserve	5,966	6,365	0	0	0	238	0	12,569
Revaluation increases/decreases(-) to Surplus/Deficit on the Provision of Services	-16,980	-693	0	0	0	0	0	-17,673
Derecognition - Disposals	-55	-617	-156	0	0	-133	0	-961
Derecognition - Other	-625	0	0	0	0	0	0	-625
Assets reclassified to(-)/from Held for Sale	-3,032	-341	0	0	0	0	0	-3,373
Reclassifications - Other	19,095	-1,045	0	0	7	80	-18,137	0
<b>At 31 March 2019</b>	<b>277,481</b>	<b>69,129</b>	<b>10,602</b>	<b>448</b>	<b>335</b>	<b>185</b>	<b>2,974</b>	<b>361,154</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
<b>At April 2018</b>	<b>863</b>	<b>2,416</b>	<b>3,724</b>	<b>0</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>7,070</b>
Depreciation charge	4,512	1,194	920	12	9	1	0	6,648
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-3,743	-1,225	0	0	0	0	0	-4,968
Impairment losses/reversals(-) to Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals(-) to Surplus/Deficit on the Provision of Services	94	0	0	0	0	0	0	94
Derecognition - Disposals	-50	-337	-133	0	0	-1	0	-521
Reclassifications	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>1,676</b>	<b>2,048</b>	<b>4,511</b>	<b>12</b>	<b>76</b>	<b>0</b>	<b>0</b>	<b>8,323</b>
<b>Net Book Value</b>								
<b>at 31 March 2019</b>	<b>275,805</b>	<b>67,081</b>	<b>6,091</b>	<b>436</b>	<b>259</b>	<b>185</b>	<b>2,974</b>	<b>352,831</b>
<b>at 31 March 2018</b>	<b>267,721</b>	<b>61,150</b>	<b>5,788</b>	<b>202</b>	<b>250</b>	<b>0</b>	<b>11,997</b>	<b>347,108</b>

Please note the closing balance on depreciation for Council Dwellings relates to the Council's componentisation policy which states that itemised components such as the kitchen and bathroom will continue to be depreciated until the end of their economic useful life and not be revalued in year.

Comparative Movements in 2017/18								Assets Under Construction	Total
RESTATED	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	
<b>Cost or Valuation</b>									
<b>At April 2017</b>	<b>215,399</b>	<b>56,116</b>	<b>10,344</b>	<b>0</b>	<b>317</b>	<b>0</b>	<b>6,765</b>	<b>288,941</b>	
Additions	5,295	4,770	456	202	0	0	12,686	23,409	
Revaluation increases/decreases(-) to Revaluation Reserve	25,784	2,148	0	0	0	0	0	27,932	
Revaluation increases/decreases(-) to Surplus/Deficit on the Provision of Services	24,108	-2,308	0	0	0	0	0	21,800	
Derecognition - Disposals	-1,551	-17	-1,758	0	0	0	0	-3,326	
Derecognition - Other	-625	0	0	0	0	0	0	-625	
Assets reclassified to(-)/from Held for Sale	0	-3,953	0	0	0	0	0	-3,953	
Reclassifications - Other	174	6,810	470	0	0	0	-7,454	0	
<b>At 31 March 2018</b>	<b>268,584</b>	<b>63,566</b>	<b>9,512</b>	<b>202</b>	<b>317</b>	<b>0</b>	<b>11,997</b>	<b>354,178</b>	
<b>Accumulated Depreciation &amp; Impairment</b>									
<b>At April 2017</b>	<b>0</b>	<b>2,295</b>	<b>4,468</b>	<b>0</b>	<b>58</b>	<b>0</b>	<b>0</b>	<b>6,821</b>	
Depreciation charge	3,723	992	988	0	9	0	0	5,712	
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	
Depreciation written out to the Surplus/Deficit on the Provision of Services	-2,804	-867	0	0	0	0	0	-3,671	
Impairment losses/reversals(-) to Revaluation Reserve	0	0	0	0	0	0	0	0	
Impairment losses/reversals(-) to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	
Derecognition - Disposals	-56	-4	-1,732	0	0	0	0	-1,792	
Reclassifications	0	0	0	0	0	0	0	0	
<b>At 31 March 2018</b>	<b>863</b>	<b>2,416</b>	<b>3,724</b>	<b>0</b>	<b>67</b>	<b>0</b>	<b>0</b>	<b>7,070</b>	
<b>Net Book Value</b>									
<b>at 31 March 2018</b>	<b>267,721</b>	<b>61,150</b>	<b>5,788</b>	<b>202</b>	<b>250</b>	<b>0</b>	<b>11,997</b>	<b>347,108</b>	
<b>at 31 March 2017</b>	<b>215,399</b>	<b>53,821</b>	<b>5,876</b>	<b>0</b>	<b>259</b>	<b>0</b>	<b>6,765</b>	<b>282,120</b>	

## DEPRECIATION

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 2-75 years
- Other Land and Buildings - 9-75 years
- Vehicles, Plant, Furniture and Equipment - 3-25 years
- Infrastructure - 10-190 years
- Surplus - 20-98 years

## CAPITAL COMMITMENTS

The Council has a Capital Programme for 5 years of which £40.2m is contractually committed as at 31 March 2019. Similar commitments at 31 March 2018 were £40.3m.

2017/18 £'000	2018/19 £'000
34,462 New Council House Build	31,927
105 Newark Castle Gatehouse	35
5,168 Council House Planned Maintenance	5,114
0 Works to Sherwood Forest Arts & Craft Centre	250
305 New Council Offices	289
0 Newark Lorry Park	592
42 Newark Business Innovation Centre	0
0 Vehicles & Plant	1,072
233 Southwell Flood Grant	453
0 Museum Improvements	434
<b>40,315 Total</b>	<b>40,166</b>

## REVALUATIONS

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All 2018/2019 valuations were carried out by the Council's Asset Management team, who are suitably qualified and experienced for this purpose. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Plant and machinery is included implicitly in the valuation of the buildings. Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value.

The significant assumptions applied in estimating the fair values are:

- Good title can be shown and all valid planning permissions and statutory approvals are in place.
- The property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted.
- An inspection of those parts not inspected would not reveal defects that would affect the valuation.
- The testing of electrical or other services would not reveal defects that would cause the valuation to alter.
- There are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

The following statement shows the progress of the Council's rolling programme for the revaluation of non current assets.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-Structure £'000	Community Assets £'000	Assets Under Construction £'000	Surplus £'000	Total £'000
Valued at Historical Cost	0	0	9,512	202	317	11,997	0	<b>22,028</b>
Valued at Current Value in:								
2018/2019	275,805	12,463	0	0	0	0	318	<b>288,586</b>
2017/2018	0	17,696	0	0	0	0	0	<b>17,696</b>
2016/2017	0	18,594	0	0	0	0	0	<b>18,594</b>
2015/2016	0	12,612	0	0	0	0	0	<b>12,612</b>
2014/2015	0	640	0	0	0	0	0	<b>640</b>
	<b>275,805</b>	<b>62,005</b>	<b>9,512</b>	<b>202</b>	<b>317</b>	<b>11,997</b>	<b>318</b>	<b>360,156</b>
Non Revaluation adjustments	1,676	7,124	1,090	246	18	-9,023	-133	<b>998</b>
<b>Gross Book Value</b>	<b>277,481</b>	<b>69,129</b>	<b>10,602</b>	<b>448</b>	<b>335</b>	<b>2,974</b>	<b>185</b>	<b>361,154</b>

Note - non revaluation adjustments relates to all movements in Gross Book Value that don't relate to a revaluation .i.e. acquisitions and disposals.

## 25 LEASES - DISCLOSURE AS LESSEE

### Finance Leases

The Council has just one finance lease which is a 125 year lease on Clipstone Holding Centre. The asset is included on the Balance Sheet under Property, Plant and Equipment.

The net carrying amounts of the asset as at 31st March 2019 was:

2017/18 £'000	2018/19 £'000
98 Land and Buildings	95
<b>98 Total</b>	<b>95</b>

The Council is committed to making minimum payments under the leases comprising settlement of the long term liability for the interest in the property acquired by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2017/18 £'000	2018/19 £'000
224 Finance Lease Liabilities (net present value of minimum lease payments)	224
2,483 Finance costs payable in future years minimum lease payments	2,457
<b>2,707 Total</b>	<b>2,681</b>

The minimum lease payments will be payable over the following periods:

2017/18			2018/19	
Minimum Lease Payments	Finance Lease Liabilities (NPV)		Minimum Lease Payments	Finance Lease Liabilities (NPV)
£'000	£'000		£'000	£'000
25	0	Not later than one year	25	0
100	0	Later than one year and not later than five years	100	0
2,582	224	Later than five years	2,557	224
<b>2,707</b>	<b>224</b>	<b>Total</b>	<b>2,682</b>	<b>224</b>

The Council has sub-let Clipstone Holding Centre units held under the finance lease. The annual minimum payments expected to be received is £0.053m (£0.053m in 2017/2018).

### Operating Leases

Vehicles, Plant, Furniture and Equipment – the Council now only has a tractor financed under the terms of operating leases.

Land and Buildings - the Authority leases several items of land. The leasing arrangements for each being accounted for as operating leases.

Future minimum lease payments due in future years are:

2017/18		2018/19
£'000		£'000
31	Not later than one year	31
116	Later than one year and not later than five years	116
2,089	Later than five years	2,060
<b>2,236</b>	<b>Total Operating Lease Costs</b>	<b>2,207</b>

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2017/18		2018/19
£'000		£'000
149	Minimum lease payments	40
<b>149</b>	<b>Total Operating Lease Costs</b>	<b>40</b>

## 26 DISCLOSURE AS LESSOR

### Finance Leases

With effect from April 2015, under the Devolution agreement with Newark Town Council, the Council has leased Newark Market Place and the Arena toilets and retail unit, Tolney Lane, Newark to Newark Town Council. The leases are for a peppercorn rent and therefore there will be no lease payments receivable from these arrangements. The leases have been accounted for as finance leases and the asset values have transferred to Newark Town Council.



	Fair Value at inception of lease April 2015	Lease Term
Newark Market Place	£56,450	99 years
Arena toilets and retail unit, Tolney Lane, Newark	£209,186	25 years

### Operating Leases

The Council has granted leases in respect of a range of industrial units, in addition to a livestock market, lorry wash and other commercial land and buildings. A number of village halls are also included. All arrangements are accounted for as operating leases with the village halls being charged peppercorn rents. All the leases as lessor are land and buildings. The Council does not currently lease any vehicle, plant or equipment.

Aggregate rentals received by the Authority in its capacity as lessor for 2018/2019 was £1.223m (£1.049m 2017/2018).

The total future lease commitments are:

2017/18 £'000	2018/19 £'000
544 Not later than one year	1,053
1,541 Later than one year and not later than five years	2,135
992 Later than five years	1,066
<b>3,077 Total Operating Lease Costs</b>	<b>4,254</b>

## 27 CASH AND CASH EQUIVALENTS

2017/18 £'000	2018/19 £'000
4 Cash held by the Council	4
-29 Cash in transit	28
677 Bank current accounts	1,015
14,578 Short-term deposits with Money Market Funds	31,491
<b>15,230 Total Cash and Cash Equivalents</b>	<b>32,538</b>

## 28 HERITAGE ASSETS

The following table shows the reconciliation of the carrying value of the heritage assets held by the Council.

	Museum Collection £'000	Other Assets £'000	Total Assets £'000
<b>Cost or Valuation</b>			
<b>At 1 April 2018</b>	<b>1,860</b>	<b>94</b>	<b>1,954</b>
Additions	0	0	0
Revaluations	77	4	81
<b>At 31 March 2019</b>	<b>1,937</b>	<b>98</b>	<b>2,035</b>
<b>Cost or Valuation</b>			
<b>At 1 April 2017</b>	<b>1,753</b>	<b>91</b>	<b>1,844</b>
Additions	0	0	0
Revaluations	107	3	110
<b>At 31 March 2018</b>	<b>1,860</b>	<b>94</b>	<b>1,954</b>

The Council's heritage assets held on the Balance Sheet have been split into the following categories:

Museum Collection – The Council has an extensive museum collection comprising art, civil war artefacts, clocks, coins and tokens and other items of interest. The museum was established in 1912 and the majority of artefacts have been donated by local residents over the course of the years. All exhibits are either on display at the National Civil War Centre in Newark or held at the Council's resource centre; however, all items at the resource centre are available for viewing by appointment. The collection is the responsibility of the Heritage, Culture and Visitors Business Manager and is kept in a controlled environment to ensure minimal deterioration. Should any remedial conservation be required this is contracted out to specialist third parties on an as and when basis. Items are valued for insurance purposes at a minimum of every five years and held on the balance sheet at this value. The assets held within the museum collection are deemed to have indeterminate lives and as such are not depreciated.

A significant item of the collection is the Newark Torc, a complete Iron Age gold alloy neck ring which was purchased by a combination of council funding, grant funding and public donations in 2006. The torc is on display at the National Civil War Centre.

Other – other heritage assets held by the Council include various sculptures which have been commissioned and are on display in the Council's parks and gardens and the Chairman's chains of office. Items are valued on an annual basis for insurance purposes and held on the balance sheet at this value.

The Council also owns heritage assets which are not shown on the Balance Sheet as detailed:

Newark Castle – the castle was built in the 12th century and is a scheduled ancient monument. The castle was partly destroyed at the end of the English Civil War but has a number of rooms which are open to the public as part of a guided tour and is sited in a public garden. The Council does not consider that reliable cost or valuation information can be obtained for the castle due to the age and state of the building. A fund is in place to cover the costs of any future repairs and renewals.

Queen's Sconce – this scheduled ancient monument is one of the few remaining earthworks from the English Civil War. It is distinctively star shaped and is considered an internationally important heritage feature, surrounded by open space and playing fields. The Council does not consider that reliable cost or valuation information can be obtained for the sconce due to the age and nature of the structure. A fund is in place to cover the costs of any future repairs and renewals.

## 29 INVESTMENT PROPERTIES

As per Note 9, prior period adjustments, all the Council's investment properties have been reclassified into Property, Plant and Equipment.

### 30 ASSETS HELD FOR SALE

Strict requirements are identified in the Code regarding the classification of an asset as Held for Sale. If an asset does not meet these requirements then it would continue to be classified within the standard classification, either as Property Plant and Equipment or as Investment Property. The Council holds the following current assets with the intent of selling them within 12 months of the balance sheet date.

2017/18 £'000	2018/19 £'000
<b>0 Balance outstanding at start of year</b>	<b>0</b>
Assets newly classified as held for sale:	
3,953 Property, Plant and Equipment	3,373
Assets declassified as held for sale:	
-3,953 Assets Sold	-2,253
<b>0 Balance outstanding at year-end</b>	<b>1,120</b>

### 31 INTANGIBLE ASSETS

During 2018/2019 the Council's intangible assets consisted of computer software. These were considered to have significant long term value to justify inclusion within the Balance Sheet. They are amortised on a straight line basis over the estimated period of economic benefit to the Council which varies between 5 and 10 years depending on the particular system. The amortisation amount is charged to the relevant revenue service and is included within the (Surplus)/Deficit on Continuing Operations.

2017/18 £'000	2018/19 £'000
<b>Balance at start of year:</b>	
813 Gross carrying amounts	833
-433 Accumulated amortisation	-515
<b>380 Net carrying amount at start of year</b>	<b>318</b>
Movements:	
20 Purchases	40
0 Other disposals	-5
-82 Amortisation for the period	-65
0 Reclassifications	0
<b>318 Net carrying amount at end of year</b>	<b>288</b>
Comprising:	
833 Gross carrying amounts	853
-515 Accumulated amortisation	-565
<b>318 Net carrying amount at end of year</b>	<b>288</b>

## 32 CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement on the CFR is analysed in the second part of this note.

2017/18 £'000	2018/19 £'000
<b>114,489</b>	<b>124,681</b>
<b><i>Opening Capital Financing Requirement</i></b>	
<u>Capital Investment:</u>	
23,408	17,039
0	0
21	40
1,592	2,495
<u>Sources of Finance</u>	
-2,000	-1,654
-8,430	-6,575
-4,399	-6,205
<b>124,681</b>	<b>129,821</b>
<b><i>Closing Capital Financing Requirements</i></b>	
<b><i>Explanation of Movements in Year</i></b>	
11,633	6,655
-1,441	-1,515
<b>10,192</b>	<b>5,140</b>
<b><i>Increase in Capital Financing Requirement</i></b>	
<b><i>Split on Capital Financing Requirement between General Fund and Housing Revenue Account</i></b>	
24,214	24,815
100,467	105,006
<b>124,681</b>	<b>129,821</b>

## 33 ANALYSIS OF DEBTORS

The amounts due to the Council were:-

2017/18 £'000	2018/19 £'000
Amounts falling due within one year:-	
4,666	2,172
213	269
8,069	7,004
-758	-1,458
<b>12,190</b>	<b>7,987</b>
492	461
<b>492</b>	<b>461</b>
<b>12,682</b>	<b>8,448</b>

**DEBTORS FOR LOCAL TAXATION**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) within the total debtors figure is analysed below;

2017/18 £'000	2018/19 £'000
631 Council Tax	740
273 Non-Domestic Rates	243
<b>904 Total Debtors for Local Taxation</b>	<b>983</b>

**34 ANALYSIS OF CREDITORS**

The amounts owed by the Council were:-

2017/18 £'000	2018/19 £'000
Amounts falling due within one year:-	
4,515 Trade Payables	6,869
7,478 Other Payables	8,797
<b>11,993 Short Term Creditors</b>	<b>15,666</b>
5,235 Other Payables	4,839
<b>5,235 Long Term Creditors</b>	<b>4,839</b>
<b>17,228 Total</b>	<b>20,505</b>

Section 106 of the Town and Country Planning Act 1990 relates to money paid by developers to Local Planning Authorities in order to offset the costs of the external effects of development.

**35 PROVISIONS**

2017/18 £'000	Non Domestic Rate Appeals £'000	2018/19 Total £'000
<b>799 Short Term Balance at 1 April 2018</b>	<b>1,524</b>	<b>1,524</b>
-734 Amounts used in year	-860	-860
1,459 Transfer from Long Term	793	793
<b>1,524 Short Term Balance at 31 March 2019</b>	<b>1,457</b>	<b>1,457</b>
<b>2,786 Long Term Balance at 1 April 2018</b>	<b>1,327</b>	<b>1,327</b>
0 Additional provisions made in year	1,414	1,414
-1,459 Transfer to Short Term	-793	-793
<b>1,327 Long Term Balance at 31 March 2019</b>	<b>1,948</b>	<b>1,948</b>

New arrangements for the retention of business rates came into force on 1 April 2013 whereby local authorities have assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts that were paid over to Central Government in respect of 2012/2013 and prior years. Previously such amounts would not have been recognised as income by the authorities but would have been transferred to MHCLG. A provision has been made for the possible settlement of refunds, based on consideration of the type and history of appeals awarded in the past, and the length of time normally taken for the appeal process.

## 36 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

## 37 UNUSABLE RESERVES

2017/18 £'000	2018/19 £'000
51,794 Revaluation Reserve	63,183
172,905 Capital Adjustment Account	163,267
-176 Financial Instruments Adjustment Account	-172
-68,836 Pensions Reserve	-65,799
-141 Crematorium Pension Reserve	-139
0 Deferred Capital Receipts Reserve	0
473 Collection Fund Adjustment Account	818
-141 Accumulated Absences Account	-141
<b>155,878 Total Unusable Reserves</b>	<b>161,017</b>

### REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

RESTATED 2017/18 £'000	2018/19 £'000
<b>24,072 Balance at 1 April</b>	<b>51,794</b>
29,280 Upward revaluations of assets	15,375
-1,238 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-2,726
<b>28,042 Surplus or deficit(-) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>12,649</b>
-303 Difference between fair value depreciation and historical cost depreciation	-545
-17 Accumulated gains on assets sold or scrapped	-715
<b>-320 Amount written off to the Capital Adjustment Account</b>	<b>-1,260</b>
<b>51,794 Balance at 31 March</b>	<b>63,183</b>

## CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and revaluation gains on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

<b>RESTATED</b>		
	<b>2017/18</b>	<b>2018/19</b>
	<b>£'000</b>	<b>£'000</b>
	<b>135,079</b>	<b>172,905</b>
	<b>Balance as at 1st April</b>	
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
-5,705	Charges for depreciation and impairment of non-current assets	-6,648
25,473	Revaluation losses on Property, Plant and Equipment	-12,799
-82	Amortisation of intangible assets	-65
0	Donated Assets	0
-1,592	Revenue expenditure funded from capital under statute	-2,495
-6,121	Amounts of non-current assets written off on disposal or sale as part of the gain(-)/loss on disposal to the CIES	-3,324
<b>11,973</b>		<b>-25,331</b>
17	Adjusting amounts written out of the Revaluation Reserve	715
<b>11,990</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>-24,616</b>
	<b>Capital financing applied in the year:</b>	
2,001	Use of Capital Receipts Reserve to finance new capital expenditure	1,654
0	Use of Major Repairs Reserve to finance new capital expenditure	3,877
8,597	Capital grants and contributions credited to the CIES that have been applied to capital financing	5,941
129	Applications of grants to capital financing from the Capital Grant Unapplied Account	633
12,144	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,515
2,662	Capital expenditure charged against the General Fund and HRA balances	813
<b>25,533</b>		<b>14,433</b>
303	Adjustment between Capital Adjustment Account and Revaluation Reserve for depreciation that relates to the revaluation balance rather than historic cost	545
<b>172,905</b>	<b>Balance at 31 March</b>	<b>163,267</b>



## FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

The Financial Instrument Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provision. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund balance to this account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on the council tax payer.

2017/18 £'000	2018/19 £'000
<b>-179 Balance at 1 April</b>	<b>-176</b>
3 Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	4
<b>-176 Balance at 31 March</b>	<b>-172</b>

## PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £'000	2018/19 £'000
<b>-71,926 Balance at 1 April</b>	<b>-68,836</b>
5,774 Remeasurements of the net defined benefit liability/(asset)	6,332
2,684 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	2,805
-5,368 Employers pensions contributions and direct payments to pensioners payable in the year	-6,100
<b>-68,836 Balance at 31 March</b>	<b>-65,799</b>

**CREMATORIUM PENSION RESERVE**

The total assets and liabilities of the Mansfield and District Joint Crematorium Pension Account are apportioned between Newark and Sherwood District Council, Ashfield District Council and Mansfield District Council. The balance held in the Crematorium Pension Account represents Newark and Sherwood District Council's proportion of the assets and liabilities of the scheme.

2017/18 £'000	2018/19 £'000
<b>-1,273 Balance at 1 April</b>	<b>-1,263</b>
84 Remeasurements of the net defined benefit liability/(asset)	83
-142 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	49
68 Employers pensions contributions and direct payments to pensioners payable in the year	-114
<b>-1,263 Balance at 31 March</b>	<b>-1,245</b>
Balance split by Authority:	
-141 Newark and Sherwood District Council's proportion	-139
-568 Ashfield District Council's Proportion	-561
-554 Mansfield District Council's Proportion	-545
<b>-1,263 Balance at 31 March</b>	<b>-1,245</b>

**DEFERRED CAPITAL RECEIPTS RESERVE**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2017/18 £'000	2018/19 £'000
1 Balance at 1 April	0
0 Transfer of deferred capital receipt repayable credited as part of the gain(-)/loss on disposal to the CIES	0
-1 Transfer to Capital Receipts Reserve	0
<b>0 Balance at 31 March</b>	<b>0</b>

## COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2017/18 £'000	2018/19 £'000
-1,424 Balance at 1 April	473
1,897 Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	345
<b>473 Balance at 31 March</b>	<b>818</b>

## ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18 £'000	2018/19 £'000
-141 Balance at 1 April	-141
0 Settlement or cancellation of accrual made at the end of the preceding year	0
0 Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
<b>-141 Balance at 31 March</b>	<b>-141</b>

## 38 CONTINGENT ASSETS AND LIABILITIES

The Council has made claims where either the policy of Her Majesty's Revenue and Customs (HMRC) has changed, or where legal judgements have changed the Value Added Tax (VAT) treatment of a service.

At 31 March 2019, the Council had contingent assets relating to the following VAT claims, none of which are individually material to the Council:

Nature and Value of Claim	Amount £'000
Postage Services	33
Leisure Services Fees	269
<b>Total</b>	<b>302</b>

There are no contingent liabilities to disclose.

## 39 CASH FLOW STATEMENTS

### A Cash Flow Statement - Adjustment To Net Surplus Or Deficit On The Provision Of Services For Non Cash Movements

RESTATED		
2017/18		2018/19
£'000		£'000
<b>38,299</b>	<b>Net Surplus or Deficit(-) on the Provision of Services</b>	<b>-5,264</b>
	<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>	
5,713	Depreciation of Property, Plant and Equipment	6,648
-25,473	Impairment and downward valuations	12,799
82	Amortisation of Intangible Assets	65
0	Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	0
0	Adjustment for internal interest charged	0
0	Adjustments for effective interest rates	0
0	Increase/Decrease(-) in interest Creditors	0
-6,616	Increase/Decrease(-) in Creditors	-4,345
10	Increase(-)/Decrease in interest and dividend Debtors	0
-2,822	Increase(-)/Decrease in Debtors	4,146
-2	Increase(-)/Decrease in Inventories	14
2,684	Pension Liability	3,295
-733	Increase/Decrease(-) in Provisions	553
6,113	Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised	3,323
0	Movement in Investment Property Values	0
<b>-21,044</b>	<b>Total</b>	<b>26,498</b>
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>	
-9,062	Capital Grants credited to surplus or deficit on the Provision of Services	-8,141
-6,298	Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	-2,205
<b>-15,360</b>	<b>Total</b>	<b>-10,346</b>
<b>1,895</b>	<b>Net Cash Flows from Operating Activities</b>	<b>10,888</b>

### B Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2017/18		2018/19
£'000		£'000
579	Interest received	595
-4,085	Interest paid	-3,558
<b>-3,506</b>	<b>Total</b>	<b>-2,963</b>

### C Cash Flow Statement - Investing Activities

2017/18 £'000		2018/19 £'000
-21,686	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	-16,261
0	Purchase of short-term and long-term Investments	0
86	Other payments for investing activities	31
6,299	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,205
100	Proceeds from short-term and long-term Investments	0
9,100	Other receipts from investing activities	8,072
<b>-6,101</b>	<b>Net cash flows from investing activities</b>	<b>-5,953</b>

### D Financing Activities

2017/18 £'000		2018/19 £'000
12,853	Cash receipts for short and long-term Borrowing	19,914
4,047	Other receipts from financing activities	6,705
0	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	0
-14,498	Repayments of short and long-term Borrowing	-14,246
0	Other payments for financing activities	0
<b>2,402</b>	<b>Net cash flows from financing activities</b>	<b>12,373</b>

## 40 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Non-cash changes				2018/19 31 March £'000
	2018/19 1 April £'000	Financing Cash Flows £'000	Acquisit- ion £'000	Other non- cash changes £'000	
Long-term borrowings	81,581	2,975	-	-	84,556
Short-term borrowings	7,815	2,693	-	-	10,508
• Lease Liabilities	244	0	0	0	244
• On balance sheet PFI liabilities	0	0	0	0	0
<b>Total Liabilities from financing activities</b>	<b>89,640</b>	<b>5,668</b>	<b>0</b>	<b>0</b>	<b>95,308</b>

## 41 JOINT CREMATORIUM COMMITTEE

The Council, along with Ashfield District Council and Mansfield District Council, operates the Mansfield and District Joint Crematorium.

The Council's share of income, expenditure, assets and liabilities in respect of the Joint Crematorium Committee is as follow;

2017/18		2018/19	
Total	NSDC Share	Total	NSDC Share
£'000	£'000	£'000	£'000
-1,764	-144	-1,687	-121
1,157	95	1,044	75
<b>-607</b>	<b>-49</b>	<b>-643</b>	<b>-46</b>
-54	-4	23	2
<b>-661</b>	<b>-53</b>	<b>-620</b>	<b>-44</b>

2017/18		2018/19	
Total	NSDC Share	Total	NSDC Share
£'000	£'000	£'000	£'000
1,993	236	2,277	256
<b>1,993</b>	<b>236</b>	<b>2,277</b>	<b>256</b>
244	26	212	24
1,607	187	1,691	194
<b>1,851</b>	<b>213</b>	<b>1,903</b>	<b>218</b>
-826	-77	-874	-80
<b>-826</b>	<b>-77</b>	<b>-874</b>	<b>-80</b>
-1,223	-138	-1,225	-138
<b>-1,223</b>	<b>-138</b>	<b>-1,225</b>	<b>-138</b>
<b>1,795</b>	<b>234</b>	<b>2,081</b>	<b>256</b>
<b>Financed By:</b>			
1,065	139	1,049	139
-1,263	-141	-1,245	-139
1,896	225	1,816	219
97	11	461	37
<b>1,795</b>	<b>234</b>	<b>2,081</b>	<b>256</b>

## 42 POST EMPLOYMENT BENEFITS

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The authority participates in the Local Government Pension Scheme, administered by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits is recognised in the (Surplus)/Deficit on Continuing Operations when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the council tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out of the Comprehensive Income and Expenditure Statement after the (Surplus)/Deficit on Provision of Services.

These transactions are as follows:-

2017/18 £'000	2018/19 £'000
<b>Comprehensive Income and Expenditure Statement</b>	
<u>Cost of Services</u>	
3,461 Current service cost	3,303
0 Past service costs	1,051
0 (Gain)/loss from settlements	0
<u>Financing and Investment Income and Expenditure</u>	
1,906 Net interest expense	1,722
30 Administration costs	33
<b>5,397 Total charged to Surplus/Deficit on Provision of Services</b>	<b>6,109</b>
<u>Remeasurement of the net defined benefit liability</u>	
-16 Return on plan assets	4,747
0 Other actuarial gains/(losses)	0
5,790 Changes in financial assumptions	-6,805
0 Changes in demographic assumptions	8,396
0 Experience gains/(losses)	0
<b>5,774 Total charged to Other Comprehensive Income and Expenditure</b>	<b>6,338</b>
<b>11,171 Total charged to Comprehensive Income and Expenditure Statement</b>	<b>12,447</b>
<b>Movement in Reserves Statement</b>	
-2,684 Reversal of net charges made for retirement benefits	-3,301
<b>Actual amount charged against the General Fund Balance</b>	
2,713 Employers' contributions payable to scheme	2,808

## Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2017/18 £'000	2018/19 £'000
<b>149,529 1st April</b>	<b>147,368</b>
3,397 Current service cost	3,303
3,983 Interest cost	3,715
567 Contributions by scheme participants	587
<i>Remeasurement (gains)/losses</i>	
0 Changes in demographic assumptions	-8,396
-5,790 Changes in financial assumptions	6,805
0 Other	0
64 Past service cost	1,051
0 Losses (gains) on curtailment	0
-4,382 Benefits paid	-4,122
<b>147,368 31st March</b>	<b>150,311</b>

Reconciliation of fair value of the scheme assets:

2017/18 £'000	2018/19 £'000
<b>77,461 1st April</b>	<b>78,390</b>
2,077 Interest income	1,992
<i>Remeasurement gain/(loss)</i>	
-16 Return on plan assets	4,747
0 Other	0
2,713 Contributions from employer	2,809
567 Contributions from scheme participants	587
-4,382 Benefits paid	-4,122
-30 Administration costs	-33
0 Settlement Paid	0
<b>78,390 31st March</b>	<b>84,370</b>

## Pension Assets and Liabilities Recognised in Balance Sheet

Assets	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Present value of liabilities	-150,311	-147,368	-149,529	-121,249	-134,011
Fair value of assets	84,370	78,390	77,461	64,490	67,470
<b>Net liability</b>	<b>-65,941</b>	<b>-68,978</b>	<b>-72,068</b>	<b>-56,759</b>	<b>-66,541</b>



## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, the estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

2017/18 £'000	2018/19 £'000
<u>Mortality Assumptions</u>	
Longevity at 65 for current pensioners	
22.6 Men	21.6
25.6 Women	24.4
Longevity at 65 for future pensioners	
24.8 Men	23.3
27.9 Women	26.2
Rate of inflation – Retail Price Index	
Rate of inflation – Consumer Price index	
3.80% Rate of increase in salaries	3.90%
2.30% Rate of increase in pensions	2.40%
2.55% Rate for discounting scheme liabilities	2.40%
Take up of option to convert annual pension into retirement	
50% lump sum	50%
10% Take up of option to pay 50% contributions for 50% benefits	10%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme.

Impact on the defined benefit obligation	Adjustment	Increase in assumption £'000	Decrease in assumption £'000
Discount Rate	+/- 0.1%	-2,733	2,786
Salary Increase	+/- 0.1%	257	-255
Pension Increase	+/- 0.1%	2,526	-2,480
Mortality Age	+/- 1 year	5,740	-5,522

The Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

2017/18 £'000		2018/19 £'000
	Equity Investment	
19,348	UK investment	20,554
30,864	Overseas investment	29,859
1,332	Private equity investment	1,945
<b>51,544</b>		<b>52,358</b>
	Gilts	
1,796	UK fixed interest	2,747
<b>1,796</b>		<b>2,747</b>
	Other Bonds	
8,766	UK corporates	7,647
391	Overseas corporates	170
<b>9,157</b>		<b>7,817</b>
9,847	Property	11,415
1,549	Cash	2,038
1,939	Inflation-linked pooled fund	3,066
2,558	Infrastructure	4,061
0	Unit Trust	856
<b>78,390</b>		<b>84,358</b>

#### Projected Pension Expense for the Year to 31 March 2020

	Year to 31-Mar-20 £'000
<b>Projection for Year to 31 March 2019</b>	
Service cost	3,438
Net Interest on the defined liability (asset)	1,546
Administration expenses	35
<b>Total</b>	<b>5,019</b>
Employer contributions	2,675

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2019. These projections are based on the assumptions as at 31 March 2019, as described in the main body of this report.

## 43 FINANCIAL INSTRUMENTS – RISK AND RISK MANAGEMENT

### Disclosure of nature and extent of Risk arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, the key risks being:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

### Overall Procedures for Managing Risk

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

### Credit Risk: Treasury Investment

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £10m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £5m applies. The Council also sets limits on investments in certain sectors. No more than £20m in total can be invested for a period longer than one year.

The following table summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Long-Term £'000	Short-Term £'000	Credit Rating	Long-Term £'000	Short-Term £'000
0	9,572	AAA	0	31,334
0	0	AA+	0	0
0	5,000	AA	0	136
0	0	AA-	0	0
0	9,900	A+	0	9,900
0	0	A	0	0
0	0	A-	0	0
0	0	Unrated Local Authorities	0	0
<b>0</b>	<b>24,472</b>	<b>Total</b>	<b>0</b>	<b>41,370</b>

### Credit Risk: Trade Receivables

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets based on experience of default.

	Amount at 31st March 2019 £'000	Historical Experience of Default %	Adjustment for Market 31st March 2019 %	Estimated Maximum Exposure to Default 31st March 2019 £'000	Estimated Maximum Exposure to Default 31st March 2018 £'000
Trade Receivables	2,172	4.8	4.8	104	224
	<b>2,172</b>			<b>104</b>	<b>224</b>

The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included. The Council does not generally allow credit to its trade debtors, such that £0.780m of the £2.172m balance is past its due date for payment. The past due amount can be analysed by age as follows:

2017/18 £'000	2018/19 £'000
<b>Debtor Analysis</b>	
3,462	213
Up to 30 days	
263	26
31 to 60 days	
209	15
61 to 90 days	
666	526
Greater than 90 days	
<b>4,600</b>	<b>780</b>

Community Infrastructure Levy and section 106 receivables have payment terms of 90 days before recovery action is taken. £0.192m of the £0.526m debt which is over 90 days old relates to these debtors.

Collateral – During the reporting period the Council held no collateral as security.

## Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to redeem funds invested from the money market to cover any day to day cash flow need, and the Public Works Loan Board provides access to longer term borrowing funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 15% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

2017/18			2018/19		
Liabilities	Assets	Net	Liabilities	Assets	Net
£'000	£'000	£'000	£'000	£'000	£'000
			Time to Maturity (years)		
4,315	24,621	20,306	7,007	41,464	34,457
2,024	83	-1,941	4,000	58	-3,942
13,587	406	-13,181	16,976	361	-16,615
22,703	0	-22,703	24,060	0	-24,060
43,266	0	-43,266	39,520	0	-39,520
3,500	0	-3,500	3,500	0	-3,500
<b>89,395</b>	<b>25,110</b>	<b>-64,285</b>	<b>95,063</b>	<b>41,883</b>	<b>-53,180</b>

\* The Council has £3.5m (2018: £3.5m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

## Market Risk: Interest Rate Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall.
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	-376
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>-376</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus(-) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	13,441

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

#### 44 FINANCIAL INSTRUMENTS – BALANCES

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
<b>Financial Assets</b>				
Investments				
Principal at amortised cost	0	0	9,900	9,900
Accrued Interest	0	0	8	6
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>9,908</b>	<b>9,906</b>
Cash and Cash Equivalents				
Cash (including bank accounts)	0	0	1,047	652
Cash equivalents at amortised cost	0	0	31,470	14,572
Accrued interest	0	0	21	6
<b>Total Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>32,538</b>	<b>15,230</b>
Loans and Receivables				
Trade Debtors	0	0	2,172	4,666
Other Debtors	0	0	5,452	3,432
Loans	461	489	94	149
<b>Total Loans and Receivables</b>	<b>461</b>	<b>489</b>	<b>7,718</b>	<b>8,247</b>
<b>Total Financial Assets</b>	<b>461</b>	<b>489</b>	<b>50,164</b>	<b>33,383</b>
<b>Financial Liabilities at amortised cost</b>				
Borrowings				
Principal sum borrowed	84,556	81,580	10,507	7,815
Accrued Interest	0	0	742	748
Operational Creditors	0	0	6,869	2,962
Provisions	1,948	1,327	1,457	1,524
<b>Total Financial Liabilities</b>	<b>86,504</b>	<b>82,907</b>	<b>19,575</b>	<b>13,049</b>

## 45 FINANCIAL INSTRUMENTS – GAINS/LOSSES

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Interest expense	3,831	3,643	0	0
<b>Interest Payable and Similar Charges</b>	<b>3,831</b>	<b>3,643</b>	<b>0</b>	<b>0</b>
Interest income	0	0	-256	-104
<b>Interest and Investment Income</b>	<b>0</b>	<b>0</b>	<b>-256</b>	<b>-104</b>
<b>Net Gain/(Loss) for the year</b>	<b>3,831</b>	<b>3,643</b>	<b>-256</b>	<b>-104</b>

The Council holds investments in Loans and Receivables. It holds no investments in Available for Sale Assets nor Assets held at Fair value through the Comprehensive Income and Expenditure Statement.

## 46 FINANCIAL INSTRUMENTS – FAIR VALUES

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost in long term assets/liabilities and with accrued interest in current assets/liabilities. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing the benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.

The fair values calculated are shown in the tables below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities eg bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability eg interest rates.
- Level 3 – fair value is determined using unobservable inputs eg non market data such as cash flow forecasts.

## Fair values of financial liabilities:

	Fair Value Level	2018/19		2017/18	
		£'000	£'000	£'000	£'000
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£'000	£'000	£'000	£'000
<i>Financial Liabilities held at amortised cost:</i>					
Public Works Loans Board	2	74,128	88,438	70,163	84,454
Non PWLB debt	2	21,676	30,149	19,981	29,249
<b>Total</b>		<b>95,804</b>	<b>118,587</b>	<b>90,144</b>	<b>113,703</b>
<i>Liabilities for which fair value is not disclosed:</i>					
Short-term creditors		15,666		11,993	
Short term Provisions		1,457		1,524	
Long term Creditors		4,839		5,235	
Long term Provisions		1,948		1,327	
Other Long Term Liabilities - Finance Lease		224		224	
<b>Total</b>		<b>24,134</b>		<b>20,303</b>	
<b>Total Financial Liabilities</b>		<b>119,938</b>		<b>110,447</b>	

## Fair values of financial assets:

	Fair Value Level	2018/19		2017/18	
		£'000	£'000	£'000	£'000
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£'000	£'000	£'000	£'000
<i>Financial assets held at amortised cost:</i>					
Long term investments		0	0	0	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Assets for which fair value is not disclosed:</i>					
Investments held by Mansfield Crematorium		194		187	
Short term Debtors		7,987		12,190	
Long term Debtors		461		492	
Short term investments		9,908		9,906	
Cash and Cash Equivalents		32,538		15,231	
<b>Total</b>		<b>51,088</b>		<b>38,006</b>	
<b>Total Financial Assets</b>		<b>51,088</b>		<b>38,006</b>	



## HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2017/18 £'000	Note	2018/19 £'000
<b><u>Income</u></b>		
-21,216 Dwelling Rent		-21,364
-184 Garages		-164
-35 Shops		-33
<b>-21,435 Gross Rental Income</b>		<b>-21,561</b>
-356 Charges for Services and Facilities		-599
-76 Contributions towards Expenditure		-77
-676 Other Income		-907
<b>-22,543 Total Income</b>		<b>-23,144</b>
<b><u>Expenditure</u></b>		
5,593 Supervision and Management		6,190
3,899 Repairs and Maintenance		3,996
201 Revenue Expenditure Funded by Capital		59
Depreciation of non current assets		
3,723 On dwellings		4,513
420 On other assets		407
0 Impairment of non current assets		93
Revaluation of non current assets		
-27,069 On dwellings		13,303
94 On other assets		-8
33 Debt Management Expenses		76
<b>-13,106 Total Expenditure</b>		<b>28,629</b>
<b>-35,649 Net Cost of HRA Services as included in the whole authority</b>		<b>5,485</b>
<b>Comprehensive Income and Expenditure Statement</b>		
15 (Gain)/Loss on sale of HRA non current assets		1,087
4,078 Interest Payable and Similar Charges		3,812
4 HRA Interest and Investment Income		-7
90 Loss Allowance		385
-6,683 Capital grants and contributions		-3,409
<b>-38,145 Surplus(-)/Deficit for the year on HRA Services</b>		<b>7,353</b>

## MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2017/18 £'000	2018/19 £'000
<b>-2,000 HRA Balance brought forward</b>	<b>-2,000</b>
-38,145 Surplus(-)/Deficit on the HRA Income and Expenditure Statement	7,353
<u>Adjustments between Accounting Basis and Funding Basis under Regulations: Adjustments to the Revenue Resources</u>	
260 Pensions costs (transferred to (or from) the Pensions Reserve)	260
27,192 Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital):	-18,072
<u>Adjustments between Revenue and Capital Resources</u>	
2,146 Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,072
-40 Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-46
8,587 Posting of HRA resources from revenue to the Major Repairs Reserve	8,433
<b>38,145</b>	<b>-7,353</b>
0 Increase(-)/Decrease in year in the HRA	0
<b>-2,000 HRA Balance carried forward</b>	<b>-2,000</b>

## H1 HOUSING STOCK

The Council was responsible for managing an average of 5,447 dwellings during 2018/2019 (5,375 2017/2018). The stock was made up as follows:

Total 2017/18 No	Pre 1945 No	1945- 1964 No	1965- 1974 No	1975- 2013 No	Total 2018/19 No
<u>Traditional/Non Traditional Houses and Bungalows</u>					
1,885 1 - 2 Bedrooms	64	787	494	572	<b>1,917</b>
2,003 3+ Bedrooms	390	1,138	272	169	<b>1,969</b>
<u>Flats</u>					
1,417 Low Rise (1-2 storeys)	21	700	411	351	<b>1,483</b>
70 Medium Rise (3-5)	1	4	37	36	<b>78</b>
<b>5,375 Total</b>	<b>476</b>	<b>2,629</b>	<b>1,214</b>	<b>1,128</b>	<b>5,447</b>

## H2 HOUSING REVENUE ACCOUNT ASSETS

The total Balance Sheet valuations of land, houses and other property within the HRA are as follows:-

2017/18 £'000	2018/19 £'000
267,721 Dwellings	275,805
5,038 Other Land and Buildings	7,906
1,109 Investment Properties	0
11,905 Assets Under Construction	2,231
0 Surplus Assets	185
0 Community Assets	78
174 Infrastructure Assets	389
2,449 Vehicle, Plant and Equipment	2,983
<b>288,396 Total</b>	<b>289,577</b>

The vacant possession value of dwellings within the authority's HRA (values in accordance with the guidance) is shown below. The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA show the economic cost to the government of providing council housing at less than market rents.

2017/18 £'000	2018/19 £'000
337,115 Houses	351,361
300,315 OAP Dwellings	305,318
<b>637,430 Total</b>	<b>656,679</b>

The council dwellings valuations have been arrived at using a valuation report prepared by the Council's Asset Management Team. The valuation was carried out as at the 31 March 2019. The values have been applied to council houses on a beacon property base whereby similar properties in similar areas are all given the same value. Property valuations have moved in line with the current domestic property market.

## H3 MOVEMENTS ON THE MAJOR REPAIRS RESERVE

2017/18 £'000	2018/19 £'000
<b>9,709 Balance Brought Forward 1st April</b>	<b>6,573</b>
Transfers to Reserve re Depreciation	
3,723 Dwellings	4,513
420 Non Dwellings	407
Transfers to the HRA:	
2,535 HRA Revenue Contribution	3,825
1,909 Additional transfer to Reserve	-312
-11,723 Repayment of Debt	-1,022
0 Amounts used to finance Capital Expenditure	-3,877
<b>6,573 Balance Carried Forward 31st March</b>	<b>10,107</b>

## H4 CAPITAL EXPENDITURE AND FINANCING

2017/18 £'000	2018/19 £'000
125 Structural Maintenance	33
444 Roofing Works	424
173 Asbestos and Fire Safety	155
1,595 Kitchens and Bathrooms	1,608
109 Garage Forecourts	110
555 External Works	514
483 Electrical Works	578
464 Disabled Facilities Provision	495
628 Heating Systems	625
152 Energy Efficiency Works	177
268 Environmental Works	295
10,249 Affordable Housing	8,455
3 Other works	29
<b>15,248 Total</b>	<b>13,498</b>
<u>Financing</u>	
8,055 Borrowing	5,333
0 Major Repairs Reserve	3,877
2,328 Government Grants	2,650
4,437 Contributions	1,386
1 Capital Provision	0
427 Capital Receipts	252
<b>15,248 Total</b>	<b>13,498</b>

## H5 CAPITAL RECEIPTS

2017/18 £'000	2018/19 £'000
0 Land and Other Property	0
2,146 Sold Council Houses	2,072
-40 Less administration costs on sale of Council Houses	-46
0 Principal Mortgage Repayments	0
<b>2,106 Total</b>	<b>2,026</b>
-378 Reallocation of Receipts	-350
-475 Less amount paid to Government Pool	-443
<b>1,253 Total</b>	<b>1,233</b>

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended, the Council has to make a payment to the Secretary of State in respect of housing capital receipts. The amount payable is dependent on a number of factors:

- Sale price net of discount.
- Debt value assumed for the property under the self-financing settlement.
- Value of the authority's actual debt attributable to the property.
- The respective values of the authority's and Government's share capital.
- The number of properties sold in each quarter.

The Council has signed an agreement allowing it to retain additional Right to Buy receipts to fund new or acquired affordable housing.

## H6 DEPRECIATION CHARGES

The total depreciation charge for land, houses and other property within the authority's HRA are as follows:

2017/18 £'000	2018/19 £'000
3,723 Council Houses	4,513
420 Land and Buildings	407
<b>4,143 Total</b>	<b>4,920</b>

## H7 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute is created when expenditure has been incurred on items that are not capitalised as fixed assets and have been financed from capital resources. Revenue Expenditure Funded from Capital under Statute is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred.

The total amount of Revenue Expenditure Funded from Capital under Statute totals £0.059m for 2018/19 (£0.201m in 2017/18).

## H8 IMPAIRMENT CHARGES

During the financial year 2018/19 a fire occurred at a Council owned semi-detached property which has resulted in that property and the adjoining property both being impaired as at 31 March 2019, the total impairment value is £0.093m.

## H9 RENT ARREARS

The total amount of rent arrears as at 31st March 2019 was £700,416 (2017/2018 £587,647). Included in the loss allowance is the amount of £364,323 (2017/2018 £294,281) relating to rent arrears.

## H10 CONTRIBUTIONS TOWARDS EXPENDITURE

The income of £77,170 (£75,728 in 2017/2018) relates to contributions to the Housing Revenue Account from the General Fund for the upkeep of communal amenities.

## H11 ARMS-LENGTH MANAGEMENT

The Housing Revenue Account includes an £8.7m management fee paid to Newark and Sherwood Homes Ltd (2017/2018 £8.1m) to manage the housing stock owned by the Council, under arms-length arrangements. This management agreement came into effect on 1st November 2004.

<b>COLLECTION FUND</b>
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The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2017/18 £'000	Domestic Rates £'000	2018/19 Council Tax £'000	Total £'000
<u>Income</u>			
-40,999	-42,460	0	-42,460
-71,213	0	-75,374	-75,374
0	0	0	0
<b>-112,212</b>	<b>-42,460</b>	<b>-75,374</b>	<b>-117,834</b>
<u>Expenditure</u>			
Precepts and Demands:			
51,668	0	54,828	54,828
7,012	0	7,546	7,546
2,878	0	2,994	2,994
6,508	0	6,602	6,602
0	0	-95	-95
2,710	0	2,810	2,810
Non Domestic Rates:			
21,014	19,516	0	19,516
16,811	15,612	0	15,612
3,782	3,513	0	3,513
420	390	0	390
Share of NDR1 deficit(-)/Surplus:			
-2,196	42	0	42
-1,757	34	0	34
-395	8	0	8
-44	1	0	1
-1,360	-1,315	-1	-1,316
164	163	0	163
0	0	0	0
498	186	488	674
0	1,384	0	1,384
713	519	0	519
<b>108,426</b>	<b>40,053</b>	<b>75,172</b>	<b>115,225</b>
<b>-3,786</b>	<b>-2,407</b>	<b>-202</b>	<b>-2,609</b>
1,795	756	-2,747	-1,991
<b>-1,991</b>	<b>-1,651</b>	<b>-2,949</b>	<b>-4,600</b>

## C1 ACCOUNTING POLICIES

- (a) Revenue Support Grant is paid directly to all billing and precepting authorities and will be included within Taxation and Non Specific Grant Income on the Comprehensive Income and Expenditure Statement.
- (b) Parish precepts are paid from the General Fund of billing authorities and will be included within Other Operating Expenditure on the Comprehensive Income and Expenditure Statement.
- (c) The year-end surplus of £2.949m on the Council Tax collection fund is distributed between billing and precepting authorities on the basis of estimates, made on 15 January, of the year-end balance.
- (d) The year end surplus of £1.651m on the Non Domestic Rate collection fund is distributed between billing and precepting authorities on the basis of prescribed shares between central government and precepting authorities.

## C2 INCOME FROM BUSINESS RATES

Under the arrangements regarding Uniform Business Rates, the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2018/2019 was 49.3p (2017/2018 47.9p). In 2018/2019 the Small Business Rate Relief reduced the multiplier to 48.0p where it applies. The system for funding Local Authority expenditure changed in 2013/2014 with a share of the proceeds of Non Domestic Rate income being retained by billing and precepting authorities.

The non-domestic rateable value at the 31st March 2019 was £107,073,333 (31st March 2018 £105,309,795).

## C3 COUNCIL TAX

Council Tax is set by calculating the Council Tax base, and then dividing this into the precepts levied by the district, county, parish councils, Nottinghamshire Fire Authority and Nottinghamshire Police Authority. The tax base is the amount that setting a Council Tax of £1 for Band D properties (the standard band) would raise in revenue. The methodology and the factors taken into consideration are complex and are reported in detail when the tax base is set by the Council in December or January.

The Council Tax base for 2018/2019 is as follows:

Band	Adjusted for Discounts, Disabled			Band D Equivalents	2017/2018	2016/2017
	Total Dwellings	Relief and Exemptions	Ratio		Adjusted for Non Collection	Adjusted for Non Collection
A	23,039	16,425.68	6/9	10,950.45	10,840.94	10,665.42
B	8,013	6,534.53	7/9	5,082.41	5,031.59	4,948.32
C	8,683	7,648.34	8/9	6,798.52	6,730.53	6,619.14
D	5,805	5,294.32	9/9	5,294.32	5,241.38	5,171.96
E	4,068	3,758.36	11/9	4,593.55	4,547.61	4,533.80
F	2,596	2,468.30	13/9	3,565.32	3,529.67	3,484.11
G	1,405	1,330.62	15/9	2,217.70	2,195.52	2,201.07
H	128	102.50	18/9	205.00	202.95	204.93
<b>Total</b>	<b>53,737</b>	<b>43,562.65</b>		<b>38,707.27</b>	<b>38,320.19</b>	<b>37,828.75</b>

## GROUP ACCOUNTS

The Council is required under the Local Government Act 2003 to produce a set of Group accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the Council has such relationships is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on International Financial Reporting Standards (referred to within these accounts as “the Code”). The Code has been developed to bring Council accounts in line with the International Financial Reporting Standards (IFRS) which other reporting bodies have to comply with and to assist users of the accounts to understand better the Council’s overall financial position.

The Council has undertaken a review of all its relationships with other bodies and is required to consolidate its accounts with Newark and Sherwood Homes Ltd (NSH) and Active4Today Ltd.

Newark and Sherwood Homes Ltd is a wholly owned subsidiary of the Council. NSH manages the housing stock owned by the Council, under an arm's-length arrangement. The Housing Revenue Account includes an £8.7m management fee paid to NSH to manage the stock owned by the Council under arms length arrangements. This management agreement came into effect on 1 November 2004.

Newark and Sherwood Homes Ltd produce a set of company accounts with a year end of 31 March. The accounts for 2018/2019, which have been consolidated here, have been audited by NSH’s auditors and have been given an unqualified audit opinion. NSH's auditors for 2018/19 are Beevers and Struthers, St George's House, 215-219 Chester Road, Manchester, M15 4JE. Newark and Sherwood Homes Ltd publish an Annual Report which may be viewed at their offices at Castle House, Great North Road, Newark, Notts, NG24 1BY. The company is limited by guarantee and does not have any share capital.

Active4Today Ltd is a wholly owned subsidiary of the authority. Active4Today Ltd manages and operates the Council’s leisure services including leisure centres and sports development activities. The General Fund includes a £0.121m management fee paid to Active4Today Ltd. The management agreement came into effect on 1 June 2015.

Active4Today Ltd produces a set of accounts with a year end of 31 March. The accounts for 2018/2019, which have been consolidated here, have been produced by Active4Today’s external accountant under the Financial Reporting Standard for Smaller Entities and have been audited by Active4Today’s auditors and have been given an unqualified audit opinion. Active4Today's auditors for 2018/19 are Wright Vigar Ltd, 15 Newland, Lincoln, Lincolnshire, LN1 1XG. Consolidation adjustments have been made to align these accounts with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019. Active4Today Ltd publishes an Annual Report which may be viewed at their offices at Newark Sports and Fitness Centre, Bowbridge Road, Newark on Trent, Notts, NG24 4DH. The company is limited by guarantee and does not have any share capital.

### **ACCOUNTING POLICIES**

The following notes detail any variations from the accounting policies used by the authority and should be read in conjunction with the relevant notes within the authority’s accounts. The consolidation has been done on a merger basis as NSH and Active4Today Ltd are 100% owned by NSDC.



## **TAXATION**

NSH is subject to a charge for taxation which is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made without discounting in respect of all timing differences which have arisen but not reversed by the Balance Sheet date, except as otherwise required by IAS 12.

Active4Today Ltd is subject to a charge for taxation which is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required full provision is made without discounting in respect of all timing differences which have arisen but not reversed by the Balance Sheet date, except as otherwise required by IAS 12.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2017/18			2018/19			
Gross Expend- iture £'000	Gross Income £'000	Net Expend- iture £'000		Gross Expend- iture £'000	Gross Income £'000	Net Expend- iture £'000
7,253	-5,182	2,071	Economic Development	6,515	-5,048	1,467
4,979	-2,017	2,962	Homes and Communities	5,066	-1,944	3,122
6,881	-2,421	4,460	Leisure and Environment	7,707	-1,739	5,968
2,761	-2,842	-81	Leisure and Environment - Active4today	2,748	-2,883	-135
34,723	-27,520	7,203	Policy and Finance	32,201	-25,524	6,677
4,665	-22,258	-17,593	Housing Revenue Account	6,329	-22,162	-15,833
8,223	-259	7,964	Housing Revenue Account - NSH	9,474	-2,953	6,521
-27,069	0	-27,069	- Revaluation Movement on Council Dwellings	13,303	0	13,303
<b>42,416</b>	<b>-62,499</b>	<b>-20,083</b>	<b>Cost of Services</b>	<b>83,343</b>	<b>-62,253</b>	<b>21,090</b>
9,141	-6,147	2,994	Other Operating Income and Expenditure Note G1	7,567	-2,374	5,193
6,027	-581	5,446	Financing and Investment Income and Expenditure Note G1	5,580	-561	5,019
289	-6	283	Financing and Investment Income and Expenditure Note G1 - NSH	263	-17	246
75	0	75	Financing and Investment Income and Expenditure Note G1 - A4T	73	0	73
11,141	-37,711	-26,570	Taxation and Non Specific Grant Income Note G1	12,181	-38,571	-26,390
<b>69,089</b>	<b>-106,944</b>	<b>-37,855</b>	<b>Surplus (-) or Deficit on Provision of Services</b>	<b>109,007</b>	<b>-103,776</b>	<b>5,231</b>
0	0	0	Corporation Tax - A4T	1	0	1
13	0	13	Corporation Tax - NSH	25	0	25
<b>69,102</b>	<b>-106,944</b>	<b>-37,842</b>	<b>Group Surplus(-)/Deficit</b>	<b>109,033</b>	<b>-103,776</b>	<b>5,257</b>
		-28,043	Surplus(-) or Deficit on Revaluation of Non Current Assets			-12,649
		-5,774	Remeasurements of the Net Defined Benefit Liability (Asset)			-6,338
		-1,011	Remeasurements of the Net Defined Benefit Liability (Asset) - NSH			-1,809
		-219	Benefit Liability (Asset) - Active4today			-245
		<b>-35,047</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-21,041</b>
		<b>-72,889</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-15,784</b>

## GROUP MOVEMENT IN RESERVES

### Movement in reserves during 2018/19

	A4T			NSH			Council			A4T			NSH			Council			
	General Fund Balance	Earmarked Reserves	Earmarked Reserves	Earmarked Reserves	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Unusable Reserves	Unusable Reserves	Unusable Reserves	Total Reserves				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
<b>Balance at 31 March 2018</b>	<b>1,737</b>	<b>378</b>	<b>5,047</b>	<b>21,512</b>	<b>2,000</b>	<b>6,573</b>	<b>5,424</b>	<b>7,631</b>	<b>50,302</b>	<b>-2,889</b>	<b>-10,219</b>	<b>155,878</b>	<b>193,072</b>						
Total Comprehensive Income and Expenditure	2,089	0	0	0	-7,353	0	0	0	-5,264	245	1,809	18,987	15,777						
Adjustment between Group Accounts and Authority accounts	0	-261	268	0	0	0	0	0	7	0	0	0	7						
Adjustment between accounting basis & funding basis under regulations	1,286	283	1,017	0	7,353	3,534	1,567	108	15,148	-283	-1,017	-13,848	0						
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>	<b>3,375</b>	<b>22</b>	<b>1,285</b>	<b>0</b>	<b>0</b>	<b>3,534</b>	<b>1,567</b>	<b>108</b>	<b>9,891</b>	<b>-38</b>	<b>792</b>	<b>5,139</b>	<b>15,784</b>						
Transfers to/from(-) Earmarked Reserves	-3,612	0	0	3,612	0	0	0	0	0	0	0	0	0						
Transfer to Unusable Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0						
<b>Increase/Decrease(-) in 2018/19</b>	<b>-237</b>	<b>22</b>	<b>1,285</b>	<b>3,612</b>	<b>0</b>	<b>3,534</b>	<b>1,567</b>	<b>108</b>	<b>9,891</b>	<b>-38</b>	<b>792</b>	<b>5,139</b>	<b>15,784</b>						
<b>Balance at 31 March 2019</b>	<b>1,500</b>	<b>400</b>	<b>6,332</b>	<b>25,124</b>	<b>2,000</b>	<b>10,107</b>	<b>6,991</b>	<b>7,739</b>	<b>60,193</b>	<b>-2,927</b>	<b>-9,427</b>	<b>161,017</b>	<b>208,856</b>						

## Movement in reserves during 2017/18

	A4T			NSH			Council			A4T			NSH			Council			Total Reserves
	General Fund Balance	Earmarked Reserves	Earmarked Reserves	Earmarked Reserves	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Unusable Reserves	Unusable Reserves	Unusable Reserves	Unusable Reserves	Unusable Reserves	Unusable Reserves	£'000	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2017</b>	<b>1,746</b>	<b>199</b>	<b>4,389</b>	<b>20,909</b>	<b>2,000</b>	<b>9,709</b>	<b>5,088</b>	<b>3,847</b>	<b>47,887</b>	<b>-2,805</b>	<b>-10,239</b>	<b>85,340</b>	<b>120,183</b>						
Total Comprehensive Income and Expenditure	154	0	0	0	38,145	0	0	0	<b>38,299</b>	219	1,011	33,817	<b>73,346</b>						
Adjustment between Group Accounts and Authority accounts	0	-124	-333	0	0	0	0	0	<b>-457</b>	0	0	0	<b>-457</b>						
Adjustment between accounting basis & funding basis under regulations	440	303	991	0	-38,145	-3,136	336	3,784	<b>-35,427</b>	-303	-991	36,721	<b>0</b>						
<b>Net Increase/Decrease(-) before Transfers to Earmarked Reserves</b>	<b>594</b>	<b>179</b>	<b>658</b>	<b>0</b>	<b>0</b>	<b>-3,136</b>	<b>336</b>	<b>3,784</b>	<b>2,415</b>	<b>-84</b>	<b>20</b>	<b>70,538</b>	<b>72,889</b>						
Transfers to/from(-) Earmarked Reserves	-603	0	0	603	0	0	0	0	<b>0</b>	0	0	<b>0</b>	<b>0</b>						
Transfer to Unusable Reserves	0	0	0	0	0	0	0	0	<b>0</b>	0	0	<b>0</b>	<b>0</b>						
<b>Increase/Decrease(-) in 2017/18</b>	<b>-9</b>	<b>179</b>	<b>658</b>	<b>603</b>	<b>0</b>	<b>-3,136</b>	<b>336</b>	<b>3,784</b>	<b>2,415</b>	<b>-84</b>	<b>20</b>	<b>70,538</b>	<b>72,889</b>						
<b>Balance at 31 March 2018</b>	<b>1,737</b>	<b>378</b>	<b>5,047</b>	<b>21,512</b>	<b>2,000</b>	<b>6,573</b>	<b>5,424</b>	<b>7,631</b>	<b>50,302</b>	<b>-2,889</b>	<b>-10,219</b>	<b>155,878</b>	<b>193,072</b>						

<b>GROUP BALANCE SHEET</b>
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RESTATED			2018/19				
31 March		NSDC	NSH	Active4	Inter	31 March	
2018				today	Comp	Adj	
£'000		£'000	£'000	£'000	£'000	£'000	
349,773	Property, Plant & Equipment	352,831	1,803				354,634
1,954	Heritage Assets	2,035					2,035
0	Investment Properties	0					0
318	Intangible Assets	288					288
0	Long Term Investments	0					0
492	Long Term Debtors	461					461
<b>352,537</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>355,615</b>	<b>1,803</b>	<b>0</b>	<b>0</b>		<b>357,418</b>
9,906	Short Term Investments	9,908					9,908
329	Inventories	89	217	4	0		310
12,253	Short Term Debtors	7,987	1,073	657	-2,010		7,707
0	Assets Held For Sale	1,120					1,120
15,345	Cash and Cash Equivalents	32,538	4,403	85	-4,282		32,744
<b>37,833</b>	<b>TOTAL CURRENT ASSETS</b>	<b>51,642</b>	<b>5,693</b>	<b>746</b>	<b>-6,292</b>		<b>51,789</b>
-5,411	Short Term Borrowings	-11,249			4,842		-6,407
-12,741	Short Term Creditors	-15,666	-1,116	-346	1,450		-15,678
-1,524	Provisions Short Term	-1,457					-1,457
-812	Grants Receipts in Advance	-786					-786
<b>-20,488</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>-29,158</b>	<b>-1,116</b>	<b>-346</b>	<b>6,292</b>		<b>-24,328</b>
-5,283	Long Term Creditors	-4,839	-48				-4,887
-1,327	Provisions Long Term	-1,948					-1,948
-224	Long Term Finance Lease	-224					-224
-81,580	Long Term Borrowing	-84,556					-84,556
-82,082	Pensions Liability	-65,937	-9,427	-2,927			-78,291
-6,314	Grants Receipts in Advance	-6,117					-6,117
<b>-176,810</b>	<b>TOTAL LONG TERM LIABILITIES</b>	<b>-163,621</b>	<b>-9,475</b>	<b>-2,927</b>		<b>0</b>	<b>-176,023</b>
<b>193,072</b>	<b>TOTAL NET ASSETS</b>	<b>214,478</b>	<b>-3,095</b>	<b>-2,527</b>		<b>0</b>	<b>208,856</b>
50,302	Usable Reserves	53,461	6,332	400			60,193
142,770	Unusable Reserves	161,017	-9,427	-2,927			148,663
<b>193,072</b>	<b>TOTAL RESERVES</b>	<b>214,478</b>	<b>-3,095</b>	<b>-2,527</b>		<b>0</b>	<b>208,856</b>

<b>GROUP CASH FLOW STATEMENT</b>
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2017/18 £'000	NSDC £'000	NSH £'000	Active4 today £'000	Inter 31 Comp Adj £'000	March 2019 £'000
<b>37,842 Net Surplus/Deficit(-) on the Provision of Services</b>	<b>-5,264</b>	<b>267</b>	<b>-260</b>	<b>0</b>	<b>-5,257</b>
-19,927 Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash	26,498	768	268	-105	27,429
-15,360 Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	-10,346	0	0	0	-10,346
<b>2,555 Net Cash Flows from Operating Activities</b>	<b>10,888</b>	<b>1,035</b>	<b>8</b>	<b>-105</b>	<b>11,826</b>
-7,292 Investing Activities	-5,953	843	0	0	-5,110
3,026 Financing Activities	12,373	0	0	-1,690	10,683
<b>-1,711 Net Increase or Decrease(-) in Cash and Cash Equivalents</b>	<b>17,308</b>	<b>1,878</b>	<b>8</b>	<b>-1,795</b>	<b>17,399</b>
17,056 Cash and Cash Equivalents at the Beginning of the Reporting Period	15,230	2,524	77	-2,486	15,345
<b>15,345 Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>32,538</b>	<b>4,402</b>	<b>85</b>	<b>-4,281</b>	<b>32,744</b>

## GROUP ACCOUNT NOTES

The following notes have been prepared on an exception basis, with only those items which have changed from the District Council's Statement of Accounts being included. For all other items, reference should be made to the Council's Comprehensive Income and Expenditure Statement on page 35 and Balance Sheet on page 37 and the appropriate note.

### G1 INTER COMPANY TRANSACTIONS

The Group Accounts exclude transactions between the two organisations; this ensures that expenditure and income is only reflected once within the accounts. The elements of the accounts adjusted for inter company transactions are detailed below.

Group Comprehensive Income and Expenditure	NSDC £'000	NSH £'000	Active4 today £'000	Inter Comp Adj £'000	2018/19 Group £'000
Economic Development	1,466	0	0	1	1,467
Homes and Communities	2,626	0	0	496	3,122
Leisure and Environment	6,095	0	0	-127	5,968
Leisure and Environment - Active4today	0	0	187	-322	-135
Policy and Finance	5,773	0	0	904	6,677
Housing Revenue Account	-7,818	0	0	-8,015	-15,833
Housing Revenue Account - NSH	0	-539	0	7,060	6,521
- Revaluation Movement on Council Dwellings	13,303	0	0	0	13,303
<b>Cost of Services</b>	<b>21,445</b>	<b>-539</b>	<b>187</b>	<b>-3</b>	<b>21,090</b>
Other Operating Income and Expenditure	5,193	0	0	0	5,193
Financing and Investment Income and Expenditure	5,016	0	0	3	5,019
<u>Financing and Investment Income and Expenditure - NSH:</u>					
Interest payable and similar charges	0	255	0	0	255
Net interest on the net defined benefit liability (asset)	0	8	0	0	8
Interest receivable and similar income	0	-17	0	0	-17
Interest payable and similar charges - A4T	0	0	73	0	73
Taxation and Non Specific Grant Income	-26,390	0	0	0	-26,390
Corporation Tax - A4T	0	0	1	0	1
Corporation Tax - NSH	0	25	0	0	25
<b>Group Surplus(-)/Deficit</b>	<b>5,264</b>	<b>-268</b>	<b>261</b>	<b>0</b>	<b>5,257</b>

## G2 GROUP EXPENDITURE AND FUNDING ANALYSIS

RESTATED 2017/18			2018/19			
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehsi ve Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehsi ve Income and Expenditure Statement £'000
984	1,087	2,071	Economic Development	1,317	150	1,467
2,487	475	2,962	Homes and Communities	2,770	352	3,122
3,255	1,205	4,460	Leisure and Environment	3,413	2,555	5,968
-309	228	-81	Leisure - Active4today	-345	210	-135
5,659	1,544	7,203	Policy and Finance	5,242	1,435	6,677
-21,771	-22,891	-44,662	Housing Revenue Account	-20,637	18,107	-2,530
7,254	710	7,964	Housing - NSH	5,759	762	6,521
<b>-2,441</b>	<b>-17,642</b>	<b>-20,083</b>	<b>Net Cost of Services</b>	<b>-2,481</b>	<b>23,571</b>	<b>21,090</b>
995	-19,125	-18,130	Other Income and Expenditure	-2,218	-13,960	-16,178
2	281	283	Other Income and Expenditure - NSH	-9	255	246
0	75	75	Other Income and Expenditure - A4T	0	73	73
0	0	0	Corporation Tax - A4T	1	0	1
13	0	13	Corporation Tax - NSH	25	0	25
<b>-1,431</b>	<b>-36,411</b>	<b>-37,842</b>	<b>Surplus(-)/Deficit</b>	<b>-4,682</b>	<b>9,939</b>	<b>5,257</b>
General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000		General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000
<b>-27,243</b>	<b>-2,000</b>	<b>-29,243</b>	<b>Opening Balance</b>	<b>-28,674</b>	<b>-2,000</b>	<b>-30,674</b>
-1,431	0	-1,431	Surplus(-) or Deficit on Balances in Year	-4,682	0	-4,682
<b>-28,674</b>	<b>-2,000</b>	<b>-30,674</b>	<b>Closing Balance at 31 March</b>	<b>-33,356</b>	<b>-2,000</b>	<b>-35,356</b>
Closing Balances Split by Reserve:						
-1,737	-2,000	-3,737	Working Reserve	-1,500	-2,000	-3,500
-26,937	0	-26,937	Earmarked Reserve	-31,856	0	-31,856
<b>-28,674</b>	<b>-2,000</b>	<b>-30,674</b>	<b>Closing Balance at 31 March</b>	<b>-33,356</b>	<b>-2,000</b>	<b>-35,356</b>



**G3 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS****Adjustments between Funding and Accounting Basis 2018/19**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	-60	210	0	<b>150</b>
Homes and Communities	190	162	0	<b>352</b>
Leisure and Environment	2,298	257	0	<b>2,555</b>
Leisure - Active4today	0	210	0	<b>210</b>
Policy and Finance	263	1,172	0	<b>1,435</b>
Housing Revenue Account	18,367	-260	0	<b>18,107</b>
Housing - NSH	0	762	0	<b>762</b>
<b>Net Cost of Services</b>	<b>21,058</b>	<b>2,513</b>	<b>0</b>	<b>23,571</b>
Other income and expenditure from the Expenditure and Funding Analysis	-15,369	1,758	-349	<b>-13,960</b>
Other Income and Expenditure	0	328	0	<b>328</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>5,689</b>	<b>4,599</b>	<b>-349</b>	<b>9,939</b>

**Adjustments between Funding and Accounting Basis 2017/18**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	842	245	0	<b>1,087</b>
Homes and Communities	286	189	0	<b>475</b>
Leisure and Environment	904	301	0	<b>1,205</b>
Leisure - Active4today	0	228	0	<b>228</b>
Policy and Finance	1,270	274	0	<b>1,544</b>
Housing Revenue Account	-22,631	-260	0	<b>-22,891</b>
Housing - NSH	0	710	0	<b>710</b>
<b>Net Cost of Services</b>	<b>-19,329</b>	<b>1,687</b>	<b>0</b>	<b>-17,642</b>
Other income and expenditure from the Expenditure and Funding Analysis	-19,159	1,936	-1,902	<b>-19,125</b>
Other Income and Expenditure	0	356	0	<b>356</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>-38,488</b>	<b>3,979</b>	<b>-1,902</b>	<b>-36,411</b>

### Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## G4 EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income 2018/19	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-4,993	-1,616	-4,958	-2,476	-35,299	-1,123	<b>-50,465</b>
Income on Joint Associates	0	0	0	0	0	-132	<b>-132</b>
Interest and Investment Income	0	0	0	0	0	-559	<b>-559</b>
Income from Council Tax	0	0	0	0	0	-9,331	<b>-9,331</b>
Income from Non Domestic Rates	0	0	0	0	0	-19,106	<b>-19,106</b>
Government Grants and Contributions	-56	-928	-83	-23,971	0	-9,012	<b>-34,050</b>
Disposal of Assets	0	0	0	0	0	-2,253	<b>-2,253</b>
Adjustment for Group Transactions	1	600	418	925	10,176	0	<b>12,120</b>
<b>Total Income</b>	<b>-5,048</b>	<b>-1,944</b>	<b>-4,623</b>	<b>-25,522</b>	<b>-25,123</b>	<b>-41,516</b>	<b>-103,776</b>
Employee Expenses	3,117	2,379	3,587	5,584	0	0	<b>14,667</b>
Other Service Expenses	3,571	2,601	6,819	26,373	21,852	323	<b>61,539</b>
Expenditure on Joint Associates	0	0	0	0	0	88	<b>88</b>
Support Service Recharges	0	0	0	0	0	504	<b>504</b>
Depreciation, Amortisation and Impairment	-173	190	918	263	18,308	0	<b>19,506</b>
Interest Payments	0	0	0	0	76	5,911	<b>5,987</b>
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	11,678	<b>11,678</b>
Precepts and Levies	0	0	0	0	0	3,344	<b>3,344</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	<b>443</b>
Disposal of Assets	0	0	0	0	0	3,371	<b>3,371</b>
Corporation Tax	0	0	0	0	0	26	<b>26</b>
Adjustment for Group Transactions	0	-104	-868	-21	-11,122	-5	<b>-12,120</b>
<b>Total Operating Expenses</b>	<b>6,515</b>	<b>5,066</b>	<b>10,456</b>	<b>32,199</b>	<b>29,114</b>	<b>25,683</b>	<b>109,033</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>1,467</b>	<b>3,122</b>	<b>5,833</b>	<b>6,677</b>	<b>3,991</b>	<b>-15,833</b>	<b>5,257</b>
						NSDC	<b>-1,473</b>
						NSH	<b>6,792</b>
						A4Today	<b>-62</b>
							<b>5,257</b>

Expenditure/Income 2017/18	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-5,127	-1,611	-5,434	-3,091	-32,311	0	-47,574
Income on Joint Associates	0	0	0	0	0	-156	-156
Interest and Investment Income	0	0	0	0	0	-569	-569
Income from Council Tax	0	0	0	0	0	-9,229	-9,229
Income from Non Domestic Rates	0	0	0	0	0	-17,514	-17,514
Government Grants and Contributions	-56	-982	-499	-25,243	0	-10,968	-37,748
Disposal of Assets	0	0	0	0	0	-6,003	-6,003
Adjustment for Group Transactions	1	576	671	814	9,787	0	11,849
<b>Total Income</b>	<b>-5,182</b>	<b>-2,017</b>	<b>-5,262</b>	<b>-27,520</b>	<b>-22,524</b>	<b>-44,439</b>	<b>-106,944</b>
Employee Expenses	2,943	2,247	3,476	4,859	0	0	13,525
Other Service Expenses	3,552	2,586	6,046	28,694	19,500	-814	59,564
Expenditure on Joint Associates	0	0	0	0	0	102	102
Developers Contribution Payment	0	0	0	0	0	145	145
Depreciation, Amortisation and Impairment	758	234	904	1,271	-22,832	0	-19,665
Interest Payments	0	0	0	0	33	6,377	6,410
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	10,996	10,996
Precepts and Levies	0	0	0	0	0	3,233	3,233
Payments to Housing Capital Receipts Pool	0	0	0	0	0	475	475
Disposal of Assets	0	0	0	0	0	6,153	6,153
Corporation Tax	0	0	0	0	0	13	13
Adjustment for Group Transactions	0	-88	-785	-101	-10,875	0	-11,849
<b>Total Operating Expenses</b>	<b>7,253</b>	<b>4,979</b>	<b>9,641</b>	<b>34,723</b>	<b>-14,174</b>	<b>26,680</b>	<b>69,102</b>
<b>Surplus(-)/Deficit on Provision of Services</b>	<b>2,071</b>	<b>2,962</b>	<b>4,379</b>	<b>7,203</b>	<b>-36,698</b>	<b>-17,759</b>	<b>-37,842</b>

NSDC	-46,097
NSH	8,260
A4Today	-5
	<u>-37,842</u>

## G5 PROPERTY PLANT AND EQUIPMENT

Newark and Sherwood Homes Ltd hold properties in their own right which are rented out for social housing. These properties are included in the Balance Sheet at a net book value of £1.712m.

## G6 INTANGIBLE ASSETS

During 2018/2019 both the Council's and Newark and Sherwood Homes intangible assets consisted of computer software. These were considered to have significant long term value to justify inclusion within the Balance Sheet. They are amortised on a straight line basis over the estimated period of economic benefit to the Council which varies between 3 and 10 years depending on the particular system.

## G7 CORPORATION TAX

This arises from the operation of Newark and Sherwood Homes Ltd. The following note is included in NSH's accounts:-

*HM Revenues and Customs have confirmed that ALMOs are exempt from corporation tax on activities with its Shareholder Council, and therefore Newark and Sherwood Homes does not pay corporation tax on the activities funded through the management fee. The company pays Corporation Tax on bank and loan interest at the rate applicable at 31 March 2019.*

## G8 INVENTORIES

The stocks held by the Group valued using the First in First out method of valuation can be analysed as follows:-

2017/18 £'000	NSDC £'000	NSH £'000	Active4 today £'000	Group Total £'000
45 Heritage and Visitor Centres	37	0	0	37
7 Administrative Stores	6	0	0	6
51 Transport Stores	46	0	0	46
60 Stock (Van and Leisure Centre)	0	64	4	68
166 Raw Materials and Consumables	0	153	0	153
<b>329 Total</b>	<b>89</b>	<b>217</b>	<b>4</b>	<b>310</b>

**G9 SHORT TERM DEBTORS**

The amounts due to the Group were:-

2017/18 £'000	NSDC £'000	NSH £'000	Active4 today £'000	Group Total £'000
Amounts falling due within one year:-				
2,536 Trade Receivables	2,172	86	0	<b>2,258</b>
4,643 Prepayments	269	174	8	<b>451</b>
-1,316 Inter Company Transactions	-220	-1,153	-637	<b>-2,010</b>
7,213 Other Receivable Amounts	7,004	879	649	<b>8,532</b>
<b>13,076 Total</b>	<b>9,225</b>	<b>-14</b>	<b>20</b>	<b>9,231</b>
-823 Less Loss Allowance	-1,458	-66	0	<b>-1,524</b>
<b>12,253 Total Short Term Debtors</b>	<b>7,767</b>	<b>-80</b>	<b>20</b>	<b>7,707</b>

**G10 SHORT TERM CREDITORS**

The amounts owed by the Group were:-

2017/18 £'000	NSDC £'000	NSH £'000	Active4 today £'000	Group Total £'000
Amounts falling due within one year:-				
3,628 Trade Payables	6,869	0	0	<b>6,869</b>
9,763 Other Payables	8,797	1,116	346	<b>10,259</b>
-650 Inter Company Transactions	-1,230	-135	-85	<b>-1,450</b>
<b>12,741 Total Short Term Creditors</b>	<b>14,436</b>	<b>981</b>	<b>261</b>	<b>15,678</b>

**G11 CASH AND CASH EQUIVALENTS**

2017/18 £'000	NSDC £'000	NSH £'000	Active4 today £'000	2018/19 £'000
4 Cash held by the Council	4	0	0	4
-29 Cash in transit	28	0	0	28
3,278 Bank current accounts	1,015	4,403	85	5,503
14,578 Short-term deposits with Money Market Funds	31,491	0	0	31,491
-2,486 Inter Company Adjustments	0	-4,282	0	-4,282
<b>15,345 Current Assets</b>	<b>32,538</b>	<b>121</b>	<b>85</b>	<b>32,744</b>
0 Cash in transit	0	0	0	0
0 Bank current accounts (overdraft)	0	0	0	0
<b>0 Current Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>15,345 Total Cash and Cash Equivalents</b>	<b>32,538</b>	<b>121</b>	<b>85</b>	<b>32,744</b>

## G12 PENSIONS

Newark and Sherwood Homes Ltd's accounting policies include a note on the basis of preparation of its accounts. This states that Newark and Sherwood Homes Ltd implements FRS 102, relating to the employers liability in respect of the final salary pension scheme. The Newark and Sherwood scheme, like a number of such schemes, has a deficit. Measures are in place to address this deficit, by increasing employers' contributions in the medium term. However the requirement of FRS 102 is to show the deficit on the pension scheme as a liability on the balance sheet. As the Company aims to break even on its trading activities this has the effect of showing retained losses after the effects of FRS 102 of £1.017m, and a net balance on the pension reserve of £9.427m compared to a retained profit before FRS 102 changes of £1.809m. As the charge to the Council is allowed to vary to reflect the changes in employer's payments to the pension fund, the deficit is not considered to be detrimental to the long-term future of the Company.

A pension deficit of £2.927m for Active4Today Ltd has been consolidated into the group accounts.

2017/18 £'000		NSDC £'000	NSH £'000	Active4 today £'000	2018/19 £'000
<b>85,112</b>	<b>Deficit at 1 April</b>	<b>68,978</b>	<b>10,219</b>	<b>2,889</b>	<b>82,086</b>
	<i>Cost of Service</i>				
5,014	Current Service Cost	4,354	1,236	422	6,012
	<i>Financing and Investment Income and Expenditure</i>				
2,262	Net Interest Expense	1,723	255	73	2,051
39	Admin Expense	33	8	1	42
-7,004	Remeasurement of net defined benefit liability	-6,338	-1,809	-245	-8,392
-3,337	Employer Contributions	-2,809	-482	-213	-3,504
<b>82,086</b>	<b>Deficit at 31 March</b>	<b>65,941</b>	<b>9,427</b>	<b>2,927</b>	<b>78,295</b>

## G13 RECONCILIATION OF (SURPLUS)/DEFICIT ON PROVISION OF SERVICES TO OPERATING ACTIVITIES NET CASH FLOW

2017/18 £'000	NSDC £'000	NSH £'000	Active4 today £'000	2018/19 £'000
<b>37,842</b> Net Surplus or Deficit(-) on the Provision of Services	<b>-5,264</b>	<b>267</b>	<b>-260</b>	<b>-5,257</b>
<b>Adjust net surplus or deficit on the provision of services for non-cash movements</b>				
5,725 Depreciation of Property, Plant and Equipment	6,648	19	0	6,667
-25,389 Impairment and downward valuations	12,799	0	0	12,799
82 Amortisation of Intangible Assets	65	0	0	65
0 Increase/Decrease(-) in interest Creditors	0	0	0	0
-7,613 Increase/Decrease(-) in Creditors	-4,345	116	-52	-4,281
10 Increase(-)/Decrease in interest Debtors	10	0	0	10
-2,004 Increase(-)/Decrease in Debtors	4,136	-390	-68	3,678
-12 Increase(-)/Decrease in Inventories	14	6	-1	19
3,978 Pension Liability	3,295	1,017	283	4,595
6,113 Carrying amount of non-current assets, sold or derecognised	3,323	0	0	3,323
-817 Other non-cash items charged to the net surplus or deficit on the provision of services	553	0	0	553
<b>-19,927</b> Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	<b>26,498</b>	<b>768</b>	<b>162</b>	<b>27,428</b>
-9,062 Capital Grants credited to surplus or deficit on the Provision of Services	-8,141	0	0	-8,141
-6,298 Proceeds from the sale of non-current assets	-2,205	0	0	-2,205
<b>-15,360</b>	<b>-10,346</b>	<b>0</b>	<b>0</b>	<b>-10,346</b>
<b>2,555</b> Net Cash Flows from Operating Activities	<b>10,888</b>	<b>1,035</b>	<b>-98</b>	<b>11,825</b>

2017/18 £'000	NSDC £'000	NSH £'000	Active4 today £'000	2018/19 £'000
-22,877 Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	-16,261	843	0	-15,418
0 Purchase of short-term and long-term Investments	0	0	0	0
86 Other payments for investing activities	31	0	0	31
6,299 Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,205	0	0	2,205
100 Proceeds from short-term and long-term Investments	0	0	0	0
9,100 Other receipts from investing activities	8,072	0	0	8,072
<b>-7,292</b> Net cash flows from investing activities	<b>-5,953</b>	<b>843</b>	<b>0</b>	<b>-5,110</b>



## GLOSSARY OF TERMS

*PLEASE NOTE: This glossary provides an explanation of terms, not precise definitions. It should not be used as a substitute for the more detailed and specific definitions given in statute, codes of practice and technical guidance. It should be used in conjunction with explanations provided within and supporting the accounting statements.*

### ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured, and where in the revenue account or Balance Sheet it is to be presented.

### ACCRUALS

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payments have not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

### ADMINISTRATIVE BUILDINGS

Buildings that either have a shared use or are not charged directly to a service. The costs relating to all such buildings are allocated to the users of the buildings on some appropriate basis (usually the floor area occupied by each user).

### AMORTISATION

The measure of the consumption or other reduction in the useful life of an intangible asset, charged annually to service revenue accounts.

### ARMS LENGTH MANAGEMENT COMPANY

The Council is the sole shareholder of this company that it created solely for the purpose of managing its Housing stock.

## **BALANCES**

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not, represent resources set aside for such purposes as general contingencies and cash flow management.

## **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

## **BILLING AUTHORITIES**

Those authorities that set the Council Tax and collect the Council Tax and Non-Domestic Rates.

## **CAPITAL ADJUSTMENT ACCOUNT**

This provides a balancing mechanism between the different rates at which assets depreciated under the Code and are financed through the capital controls system. It should be noted that this account and the Revaluation Reserve are matched by fixed assets within the Balance Sheet - they are not resources available to the Council, and are therefore termed Unusable Reserves.

## **CAPITAL CHARGES**

Annual charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

## **CAPITAL EXPENDITURE**

Spending that produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

## **CAPITAL PROGRAMME**

The capital projects a Council proposes to undertake over a set period of time. The usual period covered by a capital programme is three to five years.

## **CAPITAL RECEIPTS**

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure within rules set down by Government. Capital receipts cannot, however, be used to finance revenue expenditure.

## **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

The professional accountancy body concerned with local authorities and the public sector.

## COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the National Local Government Finance Act 1988. It includes the transactions of the charging Council in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to Central Government, preceptors and the General Fund.

## COMMUNITY ASSETS

These are assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services. It also covers items of Civic Regalia.

## CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

## COUNCIL TAX

The main source of local taxation to local authorities. Council Tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

## COUNCIL TAX BASE

The council tax base of an area is equal to the number of band "D" equivalent properties. It is calculated by counting the number of properties in each of the eight Council Tax bands and then converting this into an equivalent number of band "D" properties (e.g. a band "H" property pays twice as much Council Tax as a band "D" property and therefore is equivalent to two band "D" properties). For the purpose of calculating Formula Grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a local Council of the basic amount of Council Tax for its area for each financial year, the Council makes an estimate of its collection rate and reflects this in the tax base.

## CURRENT EXPENDITURE

Expenditure on running costs such as that in respect of employees, premises and supplies and services.

## DEFERRED CAPITAL RECEIPTS

Amounts derived from the sale of assets that will be received in instalments over agreed periods of time. These arise mainly from mortgages on the sale of council houses.

## DEFERRED CREDITORS

This term applies to the monies owed by the Council more than 12 months from the Balance Sheet date.

## DEPRECIATION

Charges reflecting the wearing out, consumption or other reduction in the useful life of a fixed asset.

## EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

## EMOLUMENTS

All sums paid to or receivable by an employee and any sums due by way of expenses allowance (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

## EXTERNAL AUDIT

The independent examination of the activities and accounts of local authorities to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices, to ensure that the Council has proper arrangements in place for securing financial resilience and to challenge how it secures economy, efficiency and effectiveness in its use of resources.

## FEES AND CHARGES

Income raised by charging users of services for the facilities. For example, Councils usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

## FINANCE LEASE

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the Balance Sheet.

## FINANCIAL INSTRUMENT

Contracts which give rise to a financial asset of one organisation and a financial liability.

## FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

An account that holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

## FINANCIAL REPORTING STANDARD (FRS)

A statement of accounting practice issued by the Accounting Standards Board.

## FINANCIAL YEAR

The Council's financial year commences on 1 April and ends on 31 March the following year.

## **GAAP**

Generally Accepted Accounting Principles is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

## **GENERAL FUND**

The main revenue fund of a billing Council. Day to day spending on services is met from this Fund. Spending on the provision of council housing must be charged to a separate Housing Revenue Account.

## **GROSS EXPENDITURE**

The total cost of providing Council services before taking into account income from government grants and fees and charges for services.

## **HERITAGE ASSETS**

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

## **HOUSING BENEFIT**

Financial help given to Council's or private tenants whose income is below prescribed amounts. The Government finances approximately 100% of the cost of benefits to non HRA tenants ("rent allowances") and HRA tenants (through the rent rebate element of housing subsidy).

## **HOUSING REVENUE ACCOUNT**

A Council's statutory account covering revenue income and expenditure on the housing services relating to its housing stock.

## **IMPAIRMENT**

Impairment occurs when the value of an asset has reduced. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Accounting standards adopted from 1 April 2010 for Local Government entities.

## **INFRASTRUCTURE ASSETS**

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

## **INTERNAL AUDIT**

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every Council is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a Council has to be considered and approved by the Council's Members each year.

## **INVESTMENTS**

Deposits with approved institutions, usually for less than one year.

## **LONG TERM DEBTORS**

Amounts due to the Council more than one year after the Balance Sheet date.

## **MINIMUM REVENUE PROVISION (MRP)**

The minimum annual provision from revenue towards a reduction in a Council's overall borrowing requirement.

## **NON DOMESTIC RATE (NDR)**

The Council collects Non Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate. The total amount, less certain relief's and deductions, including Council Tax benefit, is shared between Central Government (50%), District Councils (40%), County Council (9%) and Fire Authority (1%).

## **NET EXPENDITURE**

Gross expenditure less gross income.

## **NON-OPERATIONAL ASSET**

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include properties and land that are Held For Sale or Surplus.

## **OPERATIONAL ASSET**

Fixed assets held by the Council and used or consumed in the delivery of its services.

## **OPERATIONAL LEASE**

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company, or lessor.

## PENSION FUND

An employees' pension fund maintained by a Council, or a group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.

## PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

## PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NDR) and precept upon the billing Council, which then collects it on their behalf. Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner, Nottinghamshire Fire and Rescue Authority and Parish Councils all precept upon Newark and Sherwood District Council.

## PROVISIONS

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

## PUBLIC WORK LOANS BOARD (PWLB)

A Government body that meets part of the Council's loan finance for capital purposes.

## RELATED PARTIES

Two or more parties are related parties when at any one time in the financial period:

- One party has direct or indirect control of the other party;
- The parties are subject to common control from the same source;
- One party has influence over the financial or operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests;
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Council include:

- UK Central Government;
- Local authorities and other bodies precepting or levying demands on the Council Tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its Members;
- Its Senior Officers.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of close family, or the same household;
- Partnerships, companies, trusts and other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

## REVALUATION RESERVE

This records unrealised revaluation gains arising since 1st April 2007 from holding assets. It should be noted that this reserve and the Capital Adjustment Account are matched by fixed assets within the Balance Sheet. They are not resources available to the Council and are therefore termed 'Unusable'.

## REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

## REVENUE SUPPORT GRANT (RSG)

This funding is the Government grant provided by the Ministry of Housing, Communities and Local Government's (MHCLG) that is based on the Government's assessment as to what should be spent on local services. The amount provided by the MHCLG is fixed at the beginning of each financial year, and is announced as part of the Comprehensive Spending Review.

## SOFT LOANS

A "soft loan" is where a loan has been made for policy reasons, rather than as a financial instrument. These loans may be interest free or at rates below prevailing market rates. Commonly, such loans are made to local organisations that undertake activities that the Council considers will have benefit to the local population.

## STATEMENT OF ACCOUNTS

Local authorities are required to prepare, in accordance with proper practices, a Statement of Accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Council must approve the Statement by 30 September following the end of the financial year.

## STATEMENT OF RECOMMENDED PRACTICE (CODE)

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

## TOTAL COST

The total cost of a service or activity includes all costs that relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

## TRADING SERVICES

Services that are, or are generally intended to be, financed mainly from charges levied on the users of the service.



### **USABLE CAPITAL RECEIPTS**

Amounts available to finance capital expenditure in future years.

### **USABLE RESERVES**

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

### **UNUSABLE RESERVES**

Represent gains and losses yet to be realised and which are not available to support services.

# NEWARK AND SHERWOOD DISTRICT COUNCIL

## ANNUAL GOVERNANCE STATEMENT

### **1 Scope of responsibility**

Newark and Sherwood District Council is responsible for ensuring that the Authority's own and, (with the addition of Newark and Sherwood Homes, Active4Today Ltd and Arkwood Developments Ltd), its Group business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newark and Sherwood District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Newark and Sherwood District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

### **2 The purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. The framework also includes activities through which the authority accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Newark and Sherwood District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2019. Since May 2013 the Council has operated governance arrangements through the use of a Committee system.

### **3 The governance framework**

The key elements of the District Council's governance framework are as follows:

The District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is subject to periodic change either through national legislation or local decision and the Governance Framework may be amended accordingly. Within the Constitution, the Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, which was revised in 2016. The Council's Code of Corporate Governance

was also reviewed during 2016 to ensure it complied with the requirements of the revised Framework.

The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of *Regulation 6(1)(a) of the Accounts and Audit Regulations 2015* which require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (*England*).

The Council's strategic priorities during the year were: Prosperity; People; Place; and Public Service. A process to review and refresh these priorities started after the election in May 2015 and these were agreed by full Council in July 2016. The delivery of these priorities is being conducted in accordance with the Governance framework.

During 2018/19 the Council facilitated policy and decision-making through a Committee system. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

The District Council has a cross-departmental Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this, a Fraud Risk Register is in place and a full refresh took place during 2018/19 facilitated by the Council's Internal Audit contractors Assurance Lincolnshire.

Through reviews by external auditors, external agencies, internal auditors, and its performance team the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme.

During April 2018, the Council appointed a new Chief Executive (who commenced work during July 2018), replacing the previous Chief Executive who left during February 2018. During the interim time the Deputy Chief Executive was appointed as interim Chief Executive.

Since the appointment, the Council has restructured its Senior Management tier in order to clearly create lines of responsibility. The new Senior Management structure is:

# Chief Executive

## Director of Communities & Environment

Housing, Health & Community Relations

Parks & Open Spaces

Public Protection

Transport & Waste Services

## Deputy Chief Executive and Director of Resources (s151 Officer)

Asset Management & Car Parks

Commercialisation & Major Projects

Financial Services

ICT

Revenues & Benefits

## Director of Governance & Organisational Development (Monitoring Officer)

Administrative Services

Customer Services & Communications

Elections & Democratic Services

HR & Organisational Development

Legal Services

## Director of Growth & Regeneration

Heritage, Culture & Visitors

Housing Strategy & Development

Planning Development

Planning Policy

Tourism

Town Centre Development

This structure deletes two vacant positions (Deputy Chief Executive and Director of Communities) and creates a new Director of Growth and Regeneration. Other service responsibilities have been re-designated throughout the new Senior Leadership Team.

The responsibility for the statutory role of Monitoring Officer has been designated to the Director of Governance and Organisational Development, post the implementation of this restructure. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The standards of behaviour for members and employees are defined through Codes of Conduct and the Code of Corporate Governance. The Council also has an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy that enables concerns to be raised confidentially by employees or persons doing business with the Council. Both of these documents were refreshed during the year. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

The Director of Resources post is combined with the Deputy Chief Executive position and has the s151 Officer responsibilities attached to it. The s151 Officer is responsible for the proper administration of the Council's financial affairs including maintenance of financial records, presentation of statutory accounts and budgets, provision of effective internal audit and financial advice to Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council communicates with the community and its stakeholders by means of a periodic publication, "Voice", through its website and through social media and by specific consultation.

#### **4 Review of effectiveness**

Newark and Sherwood District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Business managers provide assurance to the s151 officer that service areas are compliant with the Council's governance arrangements.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution through a dedicated working party comprising, inter alia, all the group leaders, on a regular basis, and has formed a Councillors' Commission to consider any changes resulting from recent legislation and to consider changes to facilitate more effective governance of the Council.

During 2018/19 the overview & scrutiny function was undertaken through Committees with overview & scrutiny principles being embedded in the remits of the Policy and

Finance Committee and the three functional committees as well as the Audit and Accounts Committee.

Internal Audit is responsible for reviewing the quality and effectiveness of systems of internal control. An annual audit plan is approved by the s151 Officer together with the Senior Leadership Team and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and Business Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council's Senior Leadership Team. The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. For the 2018/19 financial year, the opinion of the Head of Internal Audit is that the Council is performing well across the areas of Risk and Financial Control and performing adequately across the areas of Governance and Internal Control. Some improvements were identified in the arrangements for the area of Internal Control. Three reports gave limited assurance (five during 2017/18) relating to:

- Cyber Security – The Council was assessed against the NCSS/NAO Cyber Security Steps. This review highlighted a number of areas of improvement in order to further mitigate itself against a cyber-attack;
- Business Continuity – Business Continuity should be embedded as part of business as usual within the organisation and should be reviewed by SLT every 6 months. Business Impact Assessments should be completed for each service area to ensure that business continuity arrangements have been identified at service levels;
- Procurement Cards – There are a number of controls that should be added to the process for procurement cards in order to further mitigate the potential for fraudulent activity.

Additionally a report for Emergency Planning was issued as substantial borderline limited.

Recommendations are being implemented to address the weaknesses identified by Internal Audit.

To build and further improve on this performance it is intended to undertake a Governance Review in conjunction with the Council's internal auditors, Assurance Lincolnshire, towards the end of the financial year 2019/20. Assurance Lincolnshire have developed a "maturity model" which tests the extent to which ethics and good governance is having a positive effect on the organisation, recognising that good ethical governance is not achieved by rules and procedures alone.

Within the Annual Governance Statement for 2017/18 it was reported that an internal review conducted by the Deputy s151 Officer revealed that almost 40% of the Council's orders for goods and services in the 2017/18 financial year were raised retrospectively. The s151 Officer reminded all staff that orders should be raised at point of order, rather than retrospectively. A further review in 2018/19 showed that this percentage had increased to 58.79% of all orders. A further communication will be sent through to all officers responsible for authorising orders to remind them of their responsibilities. Should this prove ineffective then a report will be brought to the Audit and Accounts Committee to inform Members of those officers who do not comply with these regulations.

The internal audit function is carried out by Assurance Lincolnshire. During 2016, an independent external review of Assurance Lincolnshire was undertaken by CIPFA and no areas of non-compliance with the Public Sector Internal Audit Standards were identified.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

### Conclusion

The Council has assessed the governance arrangements in place throughout 2017/18 and whilst it is considered that the current arrangements provide a satisfactory level of assurance, work is continuously underway to ensure that the arrangements remain fit for purpose in an ever changing external environment.

## 5 Significant governance issues

Issue	Action	Responsible Officer
<p><b>Organisational Change</b></p> <p>In common with all local authorities, the Council will need to continue to make significant changes to its budget to meet changing financial circumstances as a result of the national economic position.</p>	<p>The Council has planned for the continual reduction of central government funding and has actions in place to address the removal of revenue support grant in 2020/21.</p> <p>Following consultation with residents and elected members a new Community Plan has been established which includes the key objectives of the Council. The Strategic Leadership Board have carried out an exercise to allocate future resources to enable delivery of the objectives.</p> <p>The objectives in the Community Plan will be included in the forward plans for each Committee and in the forward plan for the Strategic Leadership Team. These objectives will also form a framework for business plans and personal appraisals.</p> <p>The MTFP will be updated and presented to full Council for approval in March 2020.</p> <p>Following approval of the Commercialisation Strategy and Investment Plan, a Commercials Group has been established, supported by the creation of a Commercialisation and Major Projects</p>	<p>Sanjiv Kohli</p> <p>Deputy Chief Executive, s151 Officer</p>

	<p>service team with Key Business Managers from the Council and led by the Deputy Chief Executive/Director of Resources. The Commercials Group has agreed a programme of service reviews. These reviews are underway and individual options appraisals and outline business cases are being prepared.</p>	
<p><b>Development Company</b></p> <p>The Council has approved the formation of a wholly owned development company, Arkwood Developments Limited. The Company's primary objective is to develop Market Housing for sale or rent. The Company may also bring forward commercial build.</p>	<p>The Company has been formed and robust governance arrangements are in place.</p> <p>The Company is currently working on its Business Plan and a Business case for its first development site on land at Bowbridge Road. Once prepared these will be submitted to the Council, via the Shareholders' Committee for scrutiny and forward approval the of Policy and Finance Committee in order to release the equity capital and loan funding into the Company.</p> <p>Progress of the company in meeting the objectives set out in the Shareholders Agreement will be monitored by the Shareholders' Committee which has delegated powers granted by full Council and by the Policy and Finance Committee.</p>	<p>Karen White Director- Governance and Organisational Development</p>
<p><b>Estate Regeneration Programme</b></p> <p>The Council has been awarded capacity and enabling funding from CLG to consider the next steps in a project to redevelop the Yorke Drive estate and Lincoln Road Playing Fields</p>	<p>Planning permission has been granted on the site on 2<sup>nd</sup> April 2019.</p> <p>A focussed project team has been established and the consultancy support to the project has been extended in order to further develop the business case for the site, working in partnership with an external developer once appointed.</p> <p>The project sits across the Council's Housing Revenue Account and the General Fund. External funding continues to be sought through conversations with Homes England and value engineering will conducted with the appointed developer in order to reduce the existing deficit of</p>	<p>Karen White  Director – Governance and Organisational Development</p>



	funding within the project.	
<p><b>Emergency Planning</b></p> <p>Emergency Planning received a substantial borderline limited rating in the recent audit, highlighting that whilst significant progress has been made in the last 12 months, several improvements are required for it to reach a level that the Council requires for complete confidence.</p>	<p>The Emergency Planning Officer and Business Manager Public Protection have agreed to implement the following action points;</p> <ul style="list-style-type: none"> <li>• Keep up to date written logs showing all recommendations identified following an exercise/incident.</li> <li>• Report to Senior Leadership Team (SLT) every 6 months regarding current state of Emergency Planning, recommendation progress and the progress of the 12 month action plan.</li> <li>• Keep all relevant staff regularly trained and keep a written log for scrutiny.</li> <li>• Develop a notification system and increase staff awareness of all Council alarms.</li> <li>• Train staff and test the lockdown procedure to highlight weaknesses.</li> <li>• Regularly review the flood plan to keep up to date and refresh the current plan in line with guidance from the Multi-Agency in early 2020.</li> </ul>	<p>Matt Finch</p> <p>Director – Communities and Environment</p>
<p><b>Business Continuity</b></p> <p>Business Continuity received a limited rating for the 2<sup>nd</sup> follow up audit in two years. It found slow progress and exposes significant gaps that require immediate resolution. It is important to note that Emergency Planning has taken priority over the last 18 months due to its outward facing/public nature.</p>	<p>The Emergency Planning Officer and Business Manager Public Protection have agreed to implement the following action points;</p> <ul style="list-style-type: none"> <li>• Provide service managers with realistic completion dates for the Business Impact Assessments and their Service Plans.</li> <li>• If deadlines are missed, the issue will be escalated to Senior Leadership Team (SLT).</li> <li>• Maintain an 18 month plan showing how it will be integrated into business as usual.</li> <li>• Report to SLT every 6 months and to most monthly Business</li> </ul>	<p>Matt Finch</p> <p>Director – Communities and Environment</p>

	<p>Manager Meetings.</p> <ul style="list-style-type: none"> <li>• Continue to liaise with NSDC partners regarding immediate actions and Health and Safety.</li> <li>• Develop and carry out a plan for testing and report to SLT on progress.</li> </ul>	
<p><b>Re-integration of Housing Management Function</b></p> <p>During 2018/19 the Council reviewed its arrangements regarding the Housing Management function, culminating in the “in principle” decision to bring the service in-house for direct service provision by the Council, subject to tenant consultation.</p>	<p>Tenants must be consulted prior to any decision to ratify the re-integration of housing services to the Council, and hence an independent organisation will be engaged to assist with the consultation.</p> <p>Should the decision to re-integrate be taken post this consultation there are a number of actions that must be taken to mitigate this risk further, namely:</p> <ul style="list-style-type: none"> <li>• Design and implement a revised structure for the Council to include the housing landlord service and associated support services;</li> <li>• Engage temporary housing/project management resource and support to provide additional capacity and expertise for the Council, to ensure the smoothest service transfer;</li> <li>• Develop the necessary HR plan to manage the transfer of staff from the current company to the Council on the transfer date in accordance with the requirements set out under the Transfer of Undertakings (Protection of Employment) Regulations 2006.</li> </ul> <p>In order to support this, a project team will be established, which will span the services that will be affected by this, to enable the smooth integration of the service.</p>	<p>Karen White</p> <p>Director - Governance and Organisational Development</p>
<p><b>Business Continuity Arrangements.</b></p> <p>The Council’s Business Continuity Plan has been</p>	<p>The Plan will be subjected to testing in order that it remains relevant to the Council’s working arrangements and that those with responsibilities within</p>	<p>Karen White</p> <p>Director - Governance and</p>

fully revised and was subsequently approved by Senior Leadership Team on the 6 <sup>th</sup> March 2018. The plan was subjected to live testing during the bad weather during winter 2018. The Plan has also been shared with partners within Castle House.	the plan are aware and fully trained.	Organisational Development
<b>Counter-fraud arrangements</b>  As the Council has no dedicated fraud investigators (due to the transfer to the DWP of that team during December 2015) the Council must look at its arrangements to combat fraud.	Consideration is being given to what proactive counter-fraud work could be carried out.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer
<b>Compliance with Financial Regulations re. authorisation of goods, works and services.</b>  A review by the deputy s151 Officer found that 58.79% of all orders raised during 2018/19 were raised post the date of the invoice.	The s151 Officer has sent a reminder to all senior managers, business managers and budget holders reminding of the procedure for raising orders for goods, works and services.  Continued failure to raise orders before goods and services are received will be appropriately addressed.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

### Signed

S. Kohli  
Deputy Chief Executive and  
Director of Resources  
24<sup>th</sup> July 2019

D. Lloyd  
Leader of the Council

24<sup>th</sup> July 2019