NEWARK & SHERWOOD
DISTRICT COUNCIL

Castle House
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Tuesday, 17 July 2018

Chairman: Councillor Mrs S Michael

Members of the Committee:

Councillor B Crowe
Councillor Mrs G Dawn
Councillor P Handley
Councillor D Payne
Councillor B Wells

MEETING:	**Audit & Accounts Committee**
DATE:	**Wednesday, 25 July 2018 at 10.00 am**
VENUE:	**Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY**

You are hereby requested to attend the above Meeting to be held at the time/place and on the date mentioned above for the purpose of transacting the business on the Agenda as overleaf.

If you have any queries please contact Helen Bayne on Helen.Bayne@newark-sherwooddc.gov.uk.

Any questions relating to the agenda items should be submitted to Nick Wilson- Business Manager - Financial Services, at least 24 hours prior to the meeting in order that a full response can be provided.

AGENDA

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NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 25 April 2018 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor B Crowe, Councillor P Handley, Councillor D Payne and Councillor B Wells

APOLOGIES FOR ABSENCE: None

37 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

That no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

38 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

Other than the Council's usual practice of recording the meeting, there were no declarations of intention to record the meeting.

39 MINUTES OF THE PREVIOUS MEETING

That the Minutes of the meeting held on 7 February 2018 be approved as a correct record and signed by the Chairman.

The Business Manager- Financial Services, informed the Committee, in relation to the Counter Fraud Activity Report, in Minute 27- a total of £26,000 of Council Tax discount had been cancelled and re-raised as Council Tax. He was not aware of any prosecutions.

40 STATEMENT OF ACCOUNTING POLICIES

The Assistant Business Manager presented the Councils Accounting Policies in relation to the closedown of the 2017/18 financial year. The policies would be applied to the treatment of all transactions that make up the figures in the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31 March 2018. The 2017/2018 Statement of Accounts would be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 which was based on International Financial Reporting Standards.

Members noted that the Policy for Overheads and Support Services had been removed as the Central Support notion was no longer required for the Statement of Accounts.

AGREED (unanimously) that Members approve the amended Statement of Accounting Policies for 2017/2018.

41 IAS19 UNDERLYING PENSION ASSUMPTIONS AND UNDERLYING VALUATION ASSUMPTIONS FOR 2017/18 STATEMENT OF ACCOUNTS

The Chairman agreed to take items 6 and 7 together as they both dealt with Assumptions made to inform the Statement of Account 2017/18.

The Assistant Business Manager- Financial Services presented the Committee with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2017/18 Statement of Accounts.

To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries used certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. The Council would use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund, Barnett Waddingham, and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts.

AGREED (unanimously) that Members note and approve the assumptions used in the calculation of pension figures for 2017/2018.

The Assistant Business Manager- Financial Services also provided Members with information regarding the assumptions made by the Valuers in calculating the figures to be reported in the 2017/18 Statement of Accounts, as per the revaluation model approach taken by the Council under IAS 16 (International Accounting Standard 16 – Property, Plant and Equipment). During 2017/18 the assets that had been revalued were

Dukeries Leisure Centre;
Castle House and car/lorry parking;
Kelham Hall;
Workshops and shops;
Investment properties;
Council Depots;
Local Housing Office; and
All Council Dwellings.

As this financial year was a full revaluation of the Councils dwelling assets our normal chartered surveyors, Herbert Button and Partners, didn't have the resources to carry out the large scale valuation required. Therefore the Council also appointed Wilks Head & Eve to carry out the large scale valuation on the Council Dwellings. The reports were attached for Members.

AGREED (unanimously) that Members note and approve the assumptions used in the calculation of asset valuation figures for 2017/2018.

42 INTERNAL AUDIT PROGRESS REPORT 2017/18

The Principle Auditor presented the Internal Audit Progress report as at 31 March 2018. Six reports had been issues during the period: Information Governance with High Assurance; Car Parks, Performance Management (partial), Income/Banking arrangements and Visitors Centre, all with Substantial Assurance; and finally with Limited Assurance, ICT Operations- Starters and Leavers and Performance Management (partial).

Members heard details of those audits at draft stage and those that had been delayed but were due to be at draft stage by the end of April. Members also considered the detail of those audit recommendations that had been extended. The Committee were in general agreement that work on Audit Recommendations should be a priority for Business Managers, and that where recommendations had been extended, the Business Manager of the relevant area should be requested to attend the meeting. The Committee agreed that the Chairman of the Committee with the Business Manager- Financial Services should agree which Business Managers should be invited to the Committee meeting once the agenda for the meeting had been published.

AGREED (unanimously) that the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

43 COUNTER-FRAUD ACTIVITY REPORT

The Business Manager- Financial Services presented a report detailing counter fraud activity from 1 November 2017 to 31 March 2018. He informed the Committee that since the Council had started referring cases to the Fraud and Error Services on 1 December 2015, 91 potentially fraudulent cases has been referred, and 7 cases had been sanctioned in the Newark and Sherwood Area.

A Fraud Risk workshop, facilitated by Assurance Lincolnshire had been held during February resulting in a refreshed Fraud Risk Register. The Anti-Fraud and Corruption Strategy was refreshed during this period and was ratified at the Council meeting on 13th February 2018.

AGREED (unanimously) that the content of the report be noted.

44 EXTERNAL AUDIT PLAN FOR 2017/18 ACCOUNTS

John Cornett- Director (KPMG) was in attendance to present the Annual External Audit Plan 2017/18. The Plan detailed the Financial Statements and Value for Money Conclusion. The deadline for the production and signing of the financial statements had been significantly advanced in comparison to the year ended 31 March 2017 and as a result this had been recognised as a significant risk in relation to this matter. Other significant risks highlighted were the valuation of PPE and pension liabilities due to the assumptions made to calculate these. Other areas of focus were Business Rate Appeals and Prior Period Adjustment to take account of an asset that had been transferred to the Council in 2015 but not included on the Asset Register. The Audit fee for 2017/18 was £48, 329.00.

The Business Manager- Financial Services explained that the accounts were on track to be ready by the new deadline. The Council had used an external company to ascertain the risk of Business Rates Appeals. There were none as yet but the Council had a 'threat list' and were working to the assumptions based on this.

AGREED (unanimously) that the Council notes the External Audit Plan.

45 FRAUD RISK ASSESSMENT

The Business Manager- Financial Services presented a report detailing the results of a Fraud Risk Assessment undertaken in February 2018. All services provided by the Council had been reviewed to see where any new areas of fraud might occur and any new controls that had been put in place. Eighteen areas of the Council activities were considered to be at risk, with an additional four sub categories: seven were medium risk, and fifteen low risk. The only change had been to change NNDR from green to amber risk due to the national increase in business rate avoidance tactics. Actions to mitigate risks were also detailed in the report.

The Committee considered the report and it was confirmed that representatives from Newark and Sherwood Homes had been at the review session. They had noted three cases of subletting during 2016/17 and relevant procedures were in place.

AGREED (unanimously) that the report be noted.

46 AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the Work Programme. The Business Manager- Financial Services confirmed that the Annual Audit report would go to Committee in July.

The Committee also noted the suggestion from Internal Audit to include on the work programme the Audit Committee self-assessment to consider the effectiveness of the Committee.

Meeting closed at 10.45 am.

Chairman

AUDIT & ACCOUNTS COMMITTEE
25 JULY 2018

TREASURY MANAGEMENT OUTTURN REPORT 2017/18

1. Purpose of Report

1.1. The purpose of this report is to give Members the opportunity to review the annual Treasury Outturn report which will be presented to Council on 10th October 2018 (copy attached at **Appendix A**).

2. Introduction

2.1. In January 2010 the Council formally adopted the CIPFA Code of Practice on Treasury Management which requires that the Council receives regular reports on its treasury management activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

2.2. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Accounts Committee and for the execution and administration of treasury management decisions to the section 151 officer, who will act in accordance with the Council's policies and practices.

2.3. The Treasury Strategy and Prudential Indicators for 2017/18 were approved by Council on 9th March 2017 and the Outturn report is the last report for the financial year, required by the Code. It has been prepared on the basis of the draft final accounts which appear elsewhere on the agenda. If there are significant changes resulting from the audit of the accounts they will be reported at the next meeting of this Committee.

2.4. The report in section 7.2 details that there was breach of the 'Interest Rate Exposure' prudential indicator. The maximum by which the limit was exceeded was £2.181m for 1 day during February 2018. The timing of receipt of income meant that excess funds were receipted into the bank account, which needed to be invested, as the money would have been at greater risk due to breaching the counterparty investment limit should they not have been. This has arisen as there is a cash limit on this indicator, rather than a percentage basis, as set within the Treasury Management Strategy approved at Council on 9 March 2017.

3. RECOMMENDATION

That the Treasury Outturn position for 2017/18 be considered.

Background Papers

Nil

For further information please contact Tara Beesley on extn. 5328

Nick Wilson
Business Manager Financial Services

APPENDIX A

ANNUAL TREASURY REPORT 2017/18

1. Background

1.1. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ('the Code') which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Scrutiny of treasury policy, strategy and activity is delegated to the Audit and Accounts Committee.

1.2. Treasury management is defined as: 'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

1.3. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management strategy.

2. Economic Background

2.1. 2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact.

2.2. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

2.3. The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

2.4. The Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first rate hike in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely.

2.5. In contrast, economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September 2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix B***.

3. Local Authority Regulatory Changes

3.1. Revised CIPFA Codes: CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The required changes from the 2011 Code have been incorporated into Treasury Management Strategies and monitoring reports.

3.2. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions.

3.3. The Council approved a Capital Strategy on 8th March 2018 alongside the Treasury Management Strategy.

3.4. In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is be identified and reported.

3.5. MHCLG Investment Guidance and Minimum Revenue Provision (MRP): In February 2018 the MHCLG (Ministry of Housing, Communities and Local Government) published revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision (MRP).

3.6. Changes to the Investment Guidance include a wider definition of investments to include non-financial assets held primarily for generating income return and a new category called "loans" (e.g. temporary transfer of cash to a third party, joint venture, subsidiary or associate). The Guidance introduces the concept of proportionality, proposes additional disclosure for borrowing solely to invest and also specifies additional indicators. Investment strategies must detail the extent to which service delivery objectives are reliant on investment income and a contingency plan should yields on investments fall.

3.7. The definition of prudent MRP has been changed to "put aside revenue over time to cover the CFR"; it cannot be a negative charge and can only be zero if the CFR is nil or negative. Guidance on asset lives has been updated, applying to any calculation using asset lives. Any change in MRP policy cannot create an overpayment; the new policy must be applied to the outstanding CFR going forward only.

3.8. MiFID II: As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

3.9. The Authority has met the conditions to opt up to professional status and has done so in order to maintain its erstwhile MiFID II status prior to January 2018. The Authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

4. Local Context

4.1. At 31/03/2018 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £122m, while usable reserves and working capital which are the underlying resources available for investment were £42.5m.

4.2. At 31/03/2018, the Council had £89m of borrowing and £24m of investments. The Council's current strategy is to maintain borrowing below the underlying level indicated by the CFR, and to use internal resources to cover the gap. This is referred to as internal borrowing.

4.3. The Council has a reducing CFR over the next 2 years due to the capital programme and there may be a requirement to borrow up to £2m over the forecast period. However, if reserve levels permit, internal borrowing will be considered.

5. Borrowing Strategy

5.1. Borrowing Activity in 2017/18

	Balance 1/4/17 £000	New Borrowing £000	Debt Maturing £000	Balance 31/3/18 £000
CFR	114,489			122,389
Short Term Borrowing	3,917	12,853	13,477	3,293
Long Term Borrowing	87,123	0	1,020	86,103
Total Borrowing	**91,040**	**12,853**	**14,497**	**89,396**
Other Long Term Liabilities	224	0	0	224
Total External Debt	**91,264**	**12,853**	**14,497**	**89,620**

Increase/(Decrease) in Borrowing £000				(1,644)

5.2. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

5.3. Affordability remained an important influence on the Council's borrowing strategy alongside the "cost of carry" - consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain lower than long-term rates, at least over the forthcoming two years, the Council determined it was more cost effective in the short-term to use internal resources instead of borrowing.

5.4. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

5.5. **LOBOs**: The Council holds £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of the £3.5m of LOBOS had options during the year, none of which were exercised by the lender.

5.6. **Debt Rescheduling**: The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

6. Investment Activity

6.1. Investment Activity in 2017/18

	Balance 1/4/17 £000	**New Investments £000**	**Investments Redeemed £000**	**Balance 31/3/18 £000**
Short Term Investments	27,864	135,611	139,003	24,472
Long Term Investments	0	0	0	0
Total Investments	**27,864**	**135,611**	**139,003**	**24,472**
Increase/(Decrease) in Investments £000				(3,392)

6.2. The Council has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2017/18 the Council's investment balances have ranged between £21.1 and £39.5 million. The Guidance on Local Government

Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

6.3. Security of capital remained the Council's main objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2017/18.

6.4. Counterparty credit quality is assessed and monitored by Arlingclose, the Council's treasury advisors, with reference to credit ratings; credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. Arlingclose provide recommendations for suitable counterparties and maximum investment periods.

7. Compliance with Prudential Indicators

7.1. The Council can confirm that it has complied with its Prudential Indicators for 2017/18 which was set on 9th March 2017 as part of the Council's Treasury Management Strategy Statement, except on the 'Interest Rate Exposure, see 7.2 below.

7.2. **Interest Rate Exposure:** These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates for both borrowing and investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments. The figure shown below for the variable rate for investments has exceeded the limit. All our investments are short term and there were no fixed rates that were comparable to variable rates, over the short term.

	Approved Limit for 2017/18 £m	**Maximum during 2017/18 £m**
Fixed Rate		
Borrowing	124.2	87.1
Investments	-5	0
Net Upper Limit for Fixed Rate Exposure	**119.2**	**87.1**
Compliance with Limit		*Yes*
Variable Rate		
Borrowing	31	4.9
Investments	-37.3	-39.5
Net Upper Limit for Variable Rate Exposure	**-6.3**	**-34.6**
Compliance with Limit		*No*

7.3. **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt and control the Council's exposure to refinancing risk.

	Upper Limit %	**Fixed Rate Borrowing 31/03/18 £m**	**Fixed Rate Borrowing 31/3/18 %**	**Compliance?**
Under 12 months	15%	4.5	5.3%	Yes
12 months to 2 years	15%	2	2.4%	Yes
2 years to 5 years	30%	13.6	15.8%	Yes

5 years to 10 years	100%	22.7	26.4%	Yes
10 years and above	100%	43.3	50.1%	Yes

7.4. **Principal Sums Invested for over 364 Days.** All investments were made on a short-term basis and there were no investments for more than 364 days.

7.5. **Authorised Limit and Operational Boundary for External Debt.** The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The s151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2017/18; borrowing at its peak was £92.7m.

	Approved Operational Boundary 2017/18 £m	**Authorised Limit 2017/18 £m**	**Actual External Debt 31/03/18 £m**
Borrowing	141.8	155.2	89.4
Other Long Term Liabilities	0.4	0.6	0.2
Total	**142.2**	**155.8**	**89.6**

7.6. In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary of the treasury management activity during 2017/18. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

7.7. The Council also confirms that during 2017/18 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

8. RECOMMENDATION

That the Treasury outturn position for 2017/18 be noted.

For further information please contact Tara Beesley, Accountant, on extn 5328.

Nick Wilson
Business Manager Financial Services

Financial markets: The increase in Bank Rate resulted in higher money markets rates: 1-month, 3-month and 12-month LIBID rates averaged 0.32%, 0.39% and 0.69% and at 31st March 2018 were 0.43%, 0.72% and 1.12% respectively.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England's outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.

The FTSE 100 had a strong finish to calendar 2017, reaching yet another record high of 7688, before plummeting below 7000 at the beginning of 2018 in the global equity correction and sell-off.

Credit background:

Credit Metrics

In the first quarter of the financial year, UK bank credit default swaps reached three-year lows on the announcement that the Funding for Lending Scheme, which gave banks access to cheaper funding, was being extended to 2018. For the rest of the year, CDS prices remained broadly flat.

The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1st January 2019. As there was some uncertainty surrounding which banking entities the Authority would will be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non-ring-fenced entities would look would actually look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of 6 months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non-ring-fenced bank.

Money Market Fund regulation: The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

Credit Rating developments

The most significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities.

Changes to credit ratings included Moody's downgrade of Standard Chartered Bank's long-term rating to A1 from Aa3 and the placing of UK banks' long-term ratings on review to reflect the impending ring-fencing of retail activity from investment banking (Barclays, HSBC and RBS were on review for downgrade; Lloyds Bank, Bank of Scotland and National Westminster Bank were placed on review for upgrade).

Standard & Poor's (S&P) revised upwards the outlook of various UK banks and building societies to positive or stable and simultaneously affirmed their long and short-term ratings, reflecting the institutions' resilience, progress in meeting regulatory capital requirements and being better positioned to deal with uncertainties and potential turbulence in the run-up to the UK's exit from the EU in March 2019. The agency upgraded Barclays Bank's long-term rating to A from A- after the bank announced its plans for its entities post ring-fencing.

Fitch revised the outlook on Nationwide Building Society to negative and later downgraded the institution's long-term ratings due to its reducing buffer of junior debt. S&P revised the society's outlook from positive to stable.

S&P downgraded Transport for London to AA- from AA following a deterioration in its financial position.

Other developments:

In February, Arlingclose advised against lending to Northamptonshire County Council (NCC). NCC issued a section 114 notice in the light of severe financial challenge and the risk that it would not be in a position to deliver a balanced budget.

In March, following Arlingclose's advice, the Authority removed RBS plc and National Westminster Bank from its counterparty list. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for FY 2018-19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the Authority's lending list.

AUDIT AND ACCOUNTS COMMITTEE
25 JULY 2018

EXTERNAL AUDITORS' ANNUAL GOVERNANCE REPORT

1.0 Purpose of Report

1.1 To present the External Auditors Annual Governance Report, this is attached at Appendix A (to follow).

2.0 Background Information

2.1 The external auditor issues an Annual Governance Report in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Governance 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 2017/18 is considered elsewhere on this agenda. At the time of writing this report, the external audit of the accounts is substantially complete.

3.2 The report confirms that the external auditor has issued an unqualified opinion of the 2017/18 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

- Securing financial resilience
- Challenging how it secures economy, efficiency and effectiveness

4.2 For each theme, 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 Governance Report for 2017/18;

(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.**

<u>Background Papers</u>

Nil.

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

Nick Wilson
Business Manager Financial Services

APPENDIX B

LETTER OF REPRESENTATION

Dear Mr Gorrie

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council ("the Authority"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and of the Authority's and the Group's expenditure and income for the year then ended;

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;

   ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:

    - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - additional information that you have requested from the Authority for the purpose of the audit; and
    - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

    i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

    Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

    ii) The Authority is not aware of any:
      a) Fraud or suspected fraud that affects the Authority and the Group and involves:
        - management;
        - employees who have significant roles in internal control; or
        - others where the fraud could have a material effect on the financial statements; and

      b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

    In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority is not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and*

Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits.*

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arising in the UK;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Accounts Committee on 25th July 2018.

Yours sincerely,

Sanjiv Kohli, CPFA
Directors of Resources, S151 Officer

Councillor Sylvia Michael
Chair - Audit and Accounts Committee

AUDIT AND ACCOUNTS COMMITTEE
25 JULY 2018

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 2018.

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 2018.

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 6th June 2018 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. A deadline of 15 June was agreed with Newark and Sherwood Homes Ltd and Active4Today Ltd and their audited accounts were received by this date.

4.0 Changes made to the Statements

There is a requirement that the external auditor provides details of all of the errors in the financial statements that need amendment within the Report. The audit identified one significant audit difference of £1.992m, which relates to the valuation of Kelham Hall, below is the list of tables that the adjustment affected. There was also a £0.508m reclassification on the debtors analysis note (page 75) between the relevant descriptions, however this had no overall effect on the total debtors. A small number of presentational adjustments (of non-material value) were found.

List of tables adjusted for Kelham Hall valuation
Expenditure and Funding Analysis (page 24)
Comprehensive Income and Expenditure Statement (page 25)
Movement in Reserve Statement (page 26)
Cash Flow Statement (page 28)
Note to the Expenditure and Funding Analysis (page 51)
Expenditure and Income Analysed by Nature (page 53)
Adjustments between Accounting Basis and Funding Basis under Regulations (page 55)
Other Operating Income and Expenditure (page 60)
Property, Plant and Equipment (page 66)
Assets Held for Sale (page 74)
Revaluation Reserve (page 77)
Capital Adjustment Account (page 78)
Cash Flow Statement Note A (page 82)

Group Consolidated Accounts (pages 103-119)

4.1 The Group statements have been updated to incorporate the changes described above.

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 2017/2018 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 2018;

(b) Members approve the Statement of Accounts for the financial year ended 31 March 2018; 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 and Active4Today 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 and processes, and culture and values by which the authority is directed and controlled and its activities through which it 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 2018. Since May 2013 the Council has operated governance arrangements through the use of a Committee system. The Financial Regulations within the Council's Constitution were due for review throughout this financial year and were duly updated; being approved at Council on 13th February 2018.

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 are: 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 2017/18 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 2017/18 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.

At the end of February 2018, the Council's Chief Executive left the authority and the Deputy Chief Executive was appointed interim Chief Executive, pending the appointment of a new Chief Executive. Since the interim Chief Executive could not also be the Council's Monitoring Officer, the Director – Safety, who is legally qualified, was appointed to the role of Monitoring Officer for this interim period. 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 was recruited to and the appointment was made, commencing 7th August 2017. Up to this point the Business Manager – Financial Services was acting in an interim capacity as the Council's s151 Officer. The Director of Resources post 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 2017/18 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 Corporate Management 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 Corporate Management 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 2017/18 financial year, her opinion is that the Council is performing well across the areas of Governance, Risk, Internal Control and Financial Control. Some improvements were identified in the arrangements for the Governance and Internal Control areas. Five reports gave limited assurance (one during 2016/17) relating to:

- ICT starters, leavers and movers
- Estates Management
- Business Continuity
- PCI DSS Compliance
- Performance Management (Strategic Alignment aspect)

Recommendations are being implemented to address the issues raised.

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. This is being addressed by reminding budget managers of the process for the approval of orders and by including this in the financial training for business managers and budget holders that will take place in July 2018.

External audit review reports are produced by internal audit to inform their risk assessment. 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
Organisational Change 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.	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. The MTFP will be updated and presented to full Council for approval in June 2018. Following approval of the Commercialisation Strategy and Investment Plan, a Commercials	Sanjiv Kohli Deputy Chief Executive, s151 Officer

	Group has been established 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.	
Community and Activity Village The Council has determined that the YMCA is the preferred partner to deliver the Community and Activity Village. The project currently has a funding gap.	Officers are working with all stakeholders to ensure a funding package is in place and that the Sports Hub is delivered and meets the needs of the community.	Kirsty Cole Deputy Chief Executive
Development Company The Council has approved the formation of a wholly owned development company. The Company's primary objective is to develop Market Housing for sale or rent. The Company may also bring forward commercial build.	A number of presentations were made during 2017 and early 2018 to cross-party elected members by the Deputy Chief Executive/ Director of Resources and the Chief Executive. A business case which supported the establishment of the Company was supported by Policy and Finance Committee and was unanimously approved by full Council. The Company has been formed and robust governance arrangements are in place. Progress will be monitored by the Shareholders' Committee which has delegated powers granted by full Council and by the Policy and Finance Committee.	Karen White Director-Safety
Estate Regeneration Programme 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	An approved project timetable is now being delivered and the Council has commissioned Campbell Tickell to project manage this activity. Senior Member and CMT briefings have been held with approval to progress the project to deliver the objective of submitting outline planning application by the	Karen White Director – Safety

Lincoln Road Playing Fields	end of 2018.	
Business Continuity Arrangements. The Council's Business Continuity Plan has been fully revised and was subsequently approved by Corporate Management Team on the 6th 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 will be subjected to testing in order that it remains relevant to the Council's working arrangements and that those with responsibilities within the plan are aware and fully trained.	Karen White Director - Safety
Counter-fraud arrangements 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. The Council's Counter Fraud strategy has been amended and approved by Council during 2017/18.	Consideration is being given to what proactive counter-fraud work could be carried out.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer
Compliance with Financial Regulations re. authorisation of goods, works and services. A review by the deputy s151 Officer found that 40% of all orders raised during 2017/18 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. Training sessions will take place in May/June 2018	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

Kirsty Cole
Interim Chief Executive
25th July 2018

David Lloyd
Leader of the Council
25th July 2018

APPENDIX B

LETTER OF REPRESENTATION

Dear Mr Gorrie

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council ("the Authority"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and of the Authority's and the Group's expenditure and income for the year then ended;

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

These financial statements comprise the Authority and Group Movement in Reserves Statements, the Authority and Group Comprehensive Income and Expenditure Statements, the Authority and Group Balance Sheets, the Authority and Group Cash Flow Statements, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority and the Group as at 31 March 2018 and of the Authority's and the Group's expenditure and income for the year then ended;

   ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority and the Group from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

   ii) The Authority is not aware of any:
      a) Fraud or suspected fraud that affects the Authority and the Group and involves:
         - management;
         - employees who have significant roles in internal control; or
         - others where the fraud could have a material effect on the financial statements; and

      b) allegations of fraud, or suspected fraud, affecting the Authority's and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

   In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority is not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and*

Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority's and the Group's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority and the Group to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits.*

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arising in the UK;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit and Accounts Committee on 25th July 2018.

Yours sincerely,

Sanjiv Kohli, CPFA
Directors of Resources, S151 Officer

Councillor Sylvia Michael
Chair - Audit and Accounts Committee

Statement of Accounts, Narrative Report & Annual Governance Statement 2017/18

NEWARK & SHERWOOD DISTRICT COUNCIL

Southwell Minster, Southwell

Narrative Report Contents

Statement of Accounts Contents

1. Councillor Preface

Newark and Sherwood District Council, as a responsive and forward-looking organisation, puts its customers and residents at the heart of its service delivery.

The move to new offices at Castle House on Great North Road is a testament to that. We are now closer to more of our customers and offer even better value for money to the council taxpayer with the savings that we can achieve through operating from modern and cost-effective facilities.

In my role as Chairman of the Council's Audits 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 dedicated Finance team; we are fortunate in Newark & Sherwood to have such highly professional staff.

Councillor Sylvia Michael
Chairman
Audit and Accounts Committee
Newark & Sherwood District Council

2. Introduction to Newark & Sherwood

NEWARK & SHERWOOD IN NUMBERS

Our current population is 119,600

The District contains 4 formally designated Nature Reserves

On average, each week we collect over 150 tonnes of recycling in our silver bins

Over 140 sports clubs are active within the District

There are 5 Green Flag parks in the District

Around 1020 planning applications are granted each year

Over 1 million journeys are made annually from Newark North Gate station

There are 9 museums within the District, 3 National Museums and 6 with an Arts Council England accreditation

Manufacturing amounts to 13% of employment

Over 19 festivals are held annually, attracting visitors from far and wide

In 2016/2017, 1038 new affordable homes were delivered

Our average price of housing in Newark & Sherwood is £193,500

Newark & Sherwood has reduced its CO2 emissions by 9.5%

New business survival rates over 5 years are 42.5%

26.2% of adults within the District participate in sport and active recreation

Did you know...

Newark & Sherwood is the largest district in Nottinghamshire, covering one third of the county, at 65,000 hectares

3. Introduction by S151 Officer

DIRECTOR OF RESOURCES (S151 OFFICER)

I am pleased to introduce our Financial Accounts for 2017/18. They represent the financial results of the delivery of the third 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 four parts.

3.1 A summary of our performance against the priorities outlined in the Corporate Plan.

3.2 Some key information that summarises our Financial Performance in 2017/18 and effectiveness in our use of resources.

3.3 Looking forward, outlining the impact of the current economic climate and the risks we face on our resources and the services we provide. General Fund Revenue 2018/19 and Beyond.

3.4 Explanation of 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 underspend 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.

Sanjiv Kohli
Director Of Resources (S151 Officer)
Newark & Sherwood District Council

3.1 Corporate Plan

WE SAID WE WOULD...

The Corporate Plan 2016 – 2020 identifies four strategic priorities **Homes; Economy; Safety and Cleanliness and Healthiness** which are framed through the Themes of **People**; **Prosperity**; **Place** and **Public Service**. The Council's strategic priorities guide the development of policies and budgets for the four year period.

Homes

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

- Maintain the high standard of housing stock in Newark & Sherwood.
- Grow and supply the housing across the District.

The Economy

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

- Support business growth and employment in Newark & Sherwood.
- Encourage investment in Newark & Sherwood.

Safety & Cleanliness

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

- Maintain an excellent standard of environment across the District.
- To help local communities to provide stong and safe places to live.

Healthiness

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

- Increase participation in leisure and wellbeing activities in the District.
- Support health promotion and illness prevention activities.

WE DELIVERED...

Themes

People

We are committed to supporting wellbeing and encouraging healthier lifestyles for all communities in Newark and Sherwood.

Prosperity

We are committed to investing in the economy and encouraging growth in Newark and Sherwood.

Strategic Priorities	2017/2018 Statistics
Homes Ambitions 1. Maintain the high standard of housing stock in Newark and Sherwood. 2. Grow the supply of housing .	Avg % decent council homes – 100% since 2011/12. 0.45% reduction in the number of Domestic Properties in the District - Empty more than 2 years. 6.2 Years Supply of Available Housing Land identified in 2016/17. 100 New affordable homes delivered in 2017/18.
Healthiness Ambitions 1. Increase participation in leisure and wellbeing activities in the district. 2. Support health promotion and illness prevention activities in Newark and Sherwood.	64% of District Residents are physically active (150+ mins a week) 9.7% of District Residents are fairly physically active (30-149 mins a week). 26.3% of District Residents are physically inactive (less than 30 mins a week). 8,215 people participated in Arts Development Activities in 2017/18. 16,179 people visited the National Civil War Centre (ticketed admissions). 12,665 members at the DC Leisure Centres (Adults and Juniors).
The Economy Ambitions 1. Support business growth and employment in Newark and Sherwood. 2. Encourage investment in Newark and Sherwood.	Number of Enterprises in Newark & Sherwood rose by 3.6% in 2017. Overall employment rate (working-age) rose by 9.25% in 2017 to 80% against an East Midlands average of 74.35%. 40 Business Support enquiries received for 17/18. Number of Businesses in the District rose by 2% to 4,111.

Place

We are committed to protecting the natural and built environment in Newark and Sherwood.

Public Service

We are committed to maintaining our status as a high performing Council.

Safety and Cleanliness Ambitions

1. Maintain an excellent standard of environment across the district.

2. To help local communities to provide strong and safe places to live.

294.12Kg of residual waste per household (Q2 17/18).

1,390 fly tipping incidents in 2017/18.

1,568 of fly tipping enforcement actions.

Average number of days taken to respond to street sweeping requests – 3 Days.

Average number of days taken to respond to flytipping reports – 1 day.

Sherwood Forest Arts & Crafts Centre, Edwinstowe

3.2 Financial Performance and Management
2017/18

Economic Performance

Nationally the Government has been trying to reduce the Public Sector net debt, by reducing the year on year Public Sector borrowing requirement (the amount of money it needs to borrow to pay all expenditure after taking into account tax receipts and other income). One of the ways Central Government has achieved this is to reduce the funding to Local Government. These cuts have severely impacted the way that Council services have been financed with a greater emphasis on generating income locally.

Government funding has been reducing year on year and since 2010 which has meant the Council has had to make efficiencies of £5.67m, or 33% of its Service budgets.

The reduction in Government funding is ongoing and will last until at least 2019-20, and the Council will continue to monitor the situation nationally so as to understand the financial challenges it will face going forward.

Any further savings that are identified due to reductions in Central Government funding may have an impact on the delivery of Council services. The alternative to savings is to increase income; however there are statutory, ethical and political restrictions on the amount of additional income which can be raised through increases in fees and charges. Similarly, there are constraints on the ability to raise revenue through Council Tax increases. There is, therefore, a need to earn "new" income streams in order to bridge the gap in funding.

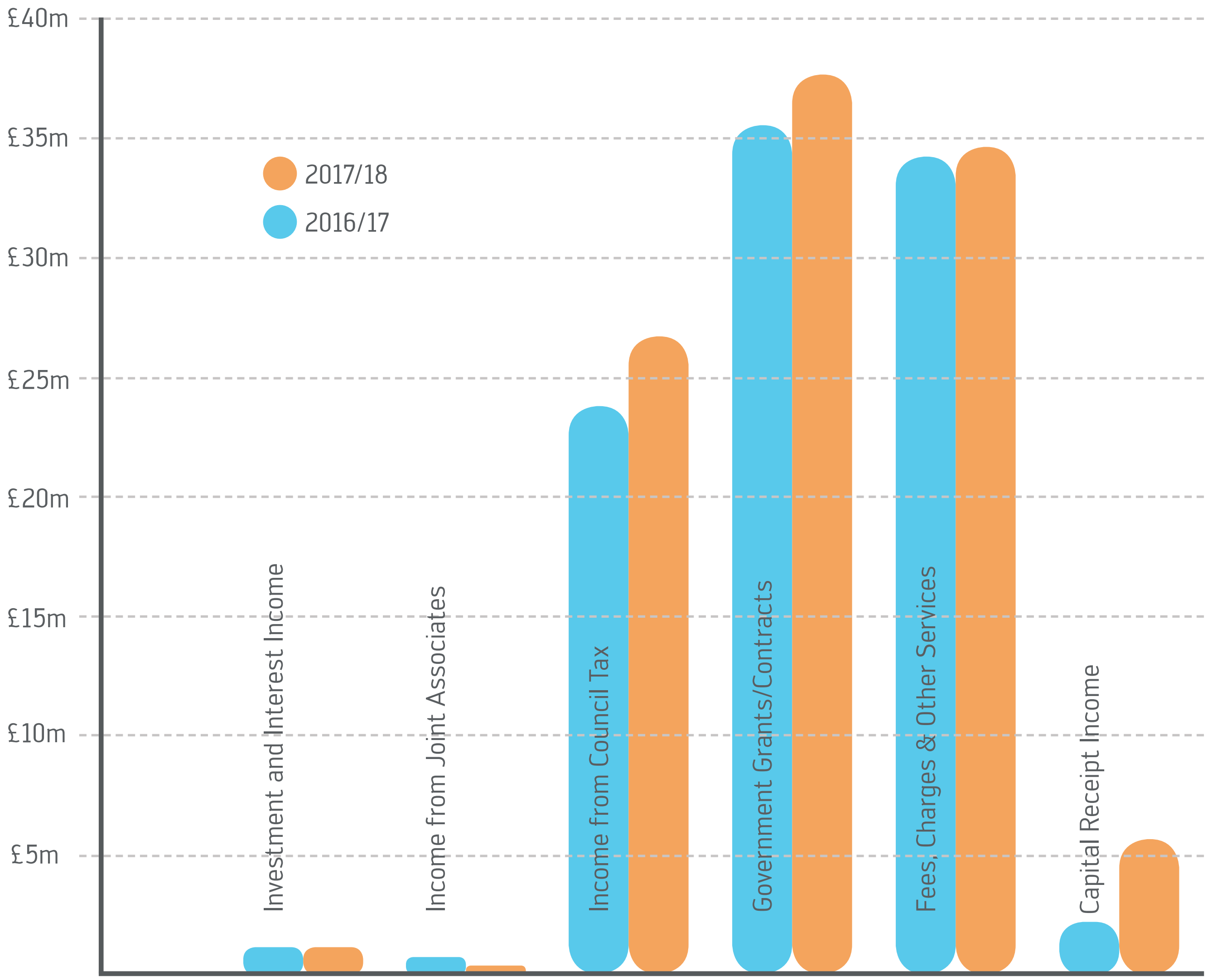
National Civil War Centre, Newark-on-Trent

In order to achieve this, at its meeting on 10th October 2017, the Council approved a Commercial Strategy which seeks to:

• Deliver a financial contribution in order to re-invest in current services where at present we cannot recover adequate, or any, income;
• Invest in new projects that will save costs, increase revenue, or both;
• Help enable non-statutory services to at least cover all their costs including overheads (and potential opportunity cost) in order to reduce risk of closure and be profit generating where possible;
• Actively engage in market development and market shaping where no such market currently exists and using insight to manage specification and demand;
• Apply our financial strength to invest in order to deliver ongoing positive returns;
• Ensure that outcomes in the local community are delivered on a sustainable basis;
• Strengthen our reputation with residents, local businesses, the Local Government sector, staff, other customers, partners, and stakeholders in general;
• Become a services provider to new and existing customers, both from within the local authority environment and beyond, particularly where we are uniquely placed to do so;
• Develop and cultivate our commercial/transformational knowledge.

This Strategy is available at: http://bit.ly/policyFinanceAgenda and is the key link between some of the Council's key documents.

Sources of Finance comparison 2016/17 vs 2017/18



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 2017/18 Financial Year on 9th March 2017. This can be seen at: http://bit.ly/generalFundBudget and is shown on a basis that central overheads (such as support services) have been apportioned to frontline services. This is a different basis to the Income and Expenditure Statement, which does not apportion support services.

This shows a total budget of £13.834m of which £11.640m was to deliver core services.

The increase in budget for net cost of services amounted to £3.457m. This is mainly related to increases in pension in year costs (£2.162m) and to additional depreciation and revaluations (£0.686m).
The financial standing of the Council is very robust, with sound and improving financial management and practices. From the table below the net cost of services shows an underspend of £0.761m.

What have we spent your money on?

	£ms Initial Budget	£ms Revised Budget	£ms Actuals	£ms Variance
Policy & Finance	£4.098m	£5.302m	£5.265m	-£0.037m
Homes & Comm.	£2.649m	£2.657m	£2.474m	-£0.183m
Economic Dev.	£1.101m	£2.350m	£2.153m	-£0.197m
Leisure & Env.	£3.792m	£4.788m	£4.444m	-£0.344m
Net Cost of Services	**£11.640m**	**£15.097m**	**£14.336**	**-£0.761m**

	£m's Actuals
Development Company set-up costs underspend	£0.088m
Development Management underspend	£0.149m
Refuse Collection underspend	£0.177m
Rent Allowances recovered	£0.070m
Recovery of Housing Benefit payments from DWP	£0.098m
Additional Income for licences, fees and charges	£0.094m
Other minor variances	£0.090m
Net Cost of Services	**£0.761m**

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 31st March 2018, 5,375 dwellings, a reduction of 22 properties from 31 March 2017, mainly due to right-to-buy sales. During 2017/18 the HRA reported an operating surplus of £0.432m.

The budget was approved on 14th February 2017 (http://bit.ly/housingRevenueAccount). This shows the generation of £5.379m in income over and above expenditure that is ring-fenced to be spent on the Council's housing stock. During this year the budget was varied by £0.035m in relation to extra resource needed to mitigate the impact of universal credit.

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 local residents.

The surplus of £0.432m had arisen mainly due to;

- £0.757m on higher than anticipated dwelling rent income.
- £0.050m under recovery of garage rents.
- £0.063m under budgeted expenditure due to disturbance allowanced.
- £0.090m contribution to bad debt provision.
- £0.122m minor variances

Overall Outturn

The Comprehensive Income and Expenditure Statement (shown on page 25) 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 24) 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 £0.594m. This has then been appropriated into the following reserves:

Reserve	Balance at 31st March 2017	Increase+/ Decrease- in year	Balance at 31st March 2018
General Fund	£1.746m	-£0.009m	£1.737m
General Fund Earmarked Reserves	£20.909m	£0.603m	£21.512m
HRA	£2.000m	£0.000m	£2.000m
TOTAL	£24.655m	£0.594m	£25.249m

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 2017/18 the Council spent £25.0m on Capital works.

The key projects were:

- Castle House Offices - £2.9m – In July 2010 the Council considered a number of major changes it could make in order to save money. One of the options was to sell the existing office building (Kelham Hall) and build a purpose built, modern office block. The final build phase was 2017/18 and the building was occupied and opened to the public in September 2017.

- The Council purchased a strategic residential development site on the edge of Balderton for £3.9m.

- £0.8k spend on Disabled Facilities Grants following referrals from an occupational therapist.

- £5.1m spend on Gladstone House, Bowbridge Road, Newark, a 60 unit extra care scheme in partnership with Nottinghamshire County Council, Newark & Sherwood Homes and the Homes and Communities Agency. Practical Completion date was 21 December 2017. There will be 48 x 1 bed units and 12 x 2 bed units costing £6.1m

- 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 & Sherwood Homes, who are managing the project. Phase 1 started part way through 2017/18 and will finish during 2018/19 when phase 2 will start. In 2017/18 a spend of £3.7m was incurred.

- Annually, Newark & Sherwood Homes plan investment in existing Council Properties to keep them up to a decent standard. Costs incurred in 2017/18 were £4.9m

Gladstone House, Newark-on-Trent

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 137 appeals 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	2016/17
Business Rates provision for appeals	£3.585m	£1.296m
Business Rates provision used based on successful appeal	£0.733m	£0.260m
Provisions made	£0.0m	£2.449m

Cash flow

Cash and Cash Equivalents have reduced by £1.804m throughout the year to £15.230m which relates to the redemption of short term deposits with Money Market Funds in order to pay invoices throughout the year.

Property Plant and Equipment (PPE)

Property, Plant & Equipment increased by £64.845m which relates in the main to an increase in the valuation of Council Dwellings (£50.000m) due to a full revaluation being completed on this. In year Capital expenditure amounted to £23.430m, other movements related to disposals and depreciation.

Short term debtors

Short Term Debtors has increased from £7.617m to £12.190m (£4.573m) mainly relating to an invoice to Notts County Council, which was not due by 31st March 2018, relating to their contribution to Gladstone House (£3.200m).

Pension Liability

The Pension liability decreased by £3.09m from £71.926m to £68.836m culminating mainly from a change in financial assumptions (a change to the way that the discount rate applicable has been calculated from the Spot Rate approach to the Single Equivalent Discount Rate approach) from 31st March 2017.

3.3 General Fund Revenue

2018/19 and Beyond

Budget Pressures

2018/19 is the third year of the 4-year fixed settlement on Government funding that the Council entered into. The settlement funding assessment (shown in the table below) shows that there will be a reduction in funding by 28.1% over the 4-year period to 2019/20.

	2016/17 £	2017/18 £	2018/19 £	Est. 2019/20 £
Revenue Support Grant	£1.776m	£1.048m	£0.592m	£0.082m
Retained Business Rates	£3.365m	£3.434m	£3.537m	£3.616m
Total Settlement Funding Assessment	£5.142m	£4.483m	£4.130m	£3.698m
Reduction in Funding from 2016/17		12.8%	19.7%	28.1%
Original Service Budget	£12.262	£11.640m	£12.650m	£12.621m
Percentage of Service Budget funded by Settlement Funding Assesment	41.94%	38.51%	32.65%	29.31%

The Department for Communities and Local Government confirmed this settlement, which was broadly in line with the original agreement, given to all authorities that published an efficiency strategy by the 14th October 2016 deadline, on the 6th February 2018 for the forthcoming year.

Funding over and above the settlement agreement needs to be generated locally from such sources as fees and charges, Council Tax or by growing the Business Rates base within the District.

The Council's 5-year housing development plan to build 335 houses is currently underway with 70 houses currently in the process of being built and 50 to be built during the 2018/19 financial year. This will increase the Council Tax base and also provide good quality housing that will deliver wider benefits to tenants.

The Commercial Plan is set to shape the focus of the Council by adopting the vision of:
"Our vision is to be an innovative and entrepreneurial Council that continually achieves positive financial contributions; by generating new revenue and delivering cost reduction, through trading and business improvements"

The Commercial Plan aims to build upon the good work done to date and is continuing to be done by elected Members, Corporate Management Team, Business Unit Managers, front line staff and support staff. The strategy seeks to include all aspects of service reviews and redesign, the commissioning cycle, pricing, shared services, multi-borough joined up services, and new opportunities for revenue generation; including direct property investment and operating a wholly-owned development company.

Business Rates are the subject of a great degree of volatility within the funding of the Council. £1.1m of growth has been assumed for 2018/19 over and above the retained Business Rates element of the Settlement Funding Assessment. This funding is monitored very closely, as revisions to ratable values as a result of appeals lodged by businesses with the Valuation Office Agency (VOA) can have material impacts on the funding of the Council. To highlight this further, the top three businesses within the District account for 32.08% of the overall retained business rate income for the Council. Any change in ratable value for these businesses would have a significant impact on the Council's finances. To mitigate against this, the Council has built a provision against backdated appeals but future funding may be impacted upon. Also the Council participates within the Nottinghamshire Business Rates Pool, which seeks to smooth the peaks and troughs of reductions in Business Rates funding, by pooling resources across the County. Where some Councils have difficulties in years due to appeals and businesses leaving the District, the effect of this is dampened where other Councils have growth.
Further work to monitor the financial position ongoing is scheduled and a robust mechanism for decision making is in place where variances to the estimate occur.

The Archbishop's Palace, Southwell

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	Ineffective management of finances leading to lack of financial resilience as government funding reduces and demand increases.	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.
Major Projects	Impact on the delivery of Council services due to the failure of major projects. A major project being any project that can cause significant financial, legal, reputational or compliance issues or prevent the Council from delivering a strategic priority or key objective.	Project Boards for life of projects Regular monitoring and reporting of progress throughout the committee structure Appropriate governance arrangements Every major project is subject to a comprehensive internal audit part way through its delivery.
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.	The Council's Think BIG loan scheme is operating and currently 10 businesses have loans with a total value of £0.597m Local Investment Plan and Local Delivery Plan in place 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
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 Service assesses all contracts. Corporate Management Team oversight of large contracts. Named contract Manager highlighted for each contract.
Transformational Change	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, so that the Council is able to deliver its services in the most efficient and effective manner.	Transition to new Offices and incorporating partner agencies. Workforce is established at operating in an agile working environment. Continual development through an established training and development programme. The Council's Commercial Projects Development Team has been created to develop and implement commercial opportunities for the council.
Sustainable Communities	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. NB. Services and opportunities to include health and wellbeing, early intervention and prevention.	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. Equality Strategy, Equality Impact Assessments, Quarterly Equality Steering Group. Community leadership role of councillors. 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.

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.
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.	Internal Audit work including risk based Audit Plan. Officer code of conduct. Member induction at the start of each new Council cycle. Peer Challenge undertaken which included a focus on governance with recommendations to review and action plan developed.
Data Management & Security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of Information Governance Legislation	External Audit on ICT security annually. Cryptshare for encrypting secure emails and large files for email. Airwatch MDM (Mobile Device Management) implementation for mobile devices. Encryption for laptops.

Additionally to this the Council is aware of the impact that Brexit may have on the Council. This could have a detrimental impact on the Council's corporate objectives and finances as a reduction in European funding for various projects and an economic downtown would increase benefits payable and reduce tax revenues generated.

The planned change in the Business Rates retention scheme is also an external risk which the Council faces. The planned implementation of 100% Business Rates, which was to come into force from 2019/2020, looks now to be implemented later. Implications of this are still being investigated by officers.

3.4 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 2018. 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 2017/18, 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 www.newark-sherwooddc.gov.uk.

The Core Statements are:

The Expenditure Funding Analysis shows where the statutory adjustments (for capital and pension and collection fund purposes) have originally been charged, and reconciles the Surplus/Deficit on the Provision of Services position between the funding position charges levied on the General Fund and HRA balances) and accounting position.

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 Financial Services Business Manager and at the date of signing the statement of accounts, the Chief Financial Officer is the Financial Services Assistant Business Manager;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- 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; and
- Complied with the local authority Code.

The Chief Financial Officer has also:

- Kept proper accounting records which were up to date; and
- 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 his opinion. It presents a true and fair view of the financial position of the authority at 31st March 2018 and its income and expenditure for the year then ended.

Signed:

Sanjiv Kohli, CPFA
Director of Resources, S151 Officer		Date	25 July 2018

Signed:

Councillor Sylvia Michael
Chair - Audit and Accounts Committee		Date	25 July 2018

EXPENDITURE AND FUNDING ANALYSIS

RESTATED 2016/17				2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments 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	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,247	69	1,316	Economic Development	1,067	1,087	2,154
2,077	127	2,204	Homes and Communities	1,999	475	2,474
3,447	1,124	4,571	Leisure and Environment	3,239	1,205	4,444
4,701	1,579	6,280	Policy and Finance	4,946	1,544	6,490
-13,512	-41,946	-55,458	Housing Revenue Account	-12,758	-22,891	-35,649
-2,040	**-39,047**	**-41,087**	**Net Cost of Services**	**-1,507**	**-18,580**	**-20,087**
4,559	-10,962	-6,403	Other Income and Expenditure	913	-19,125	-18,212
2,519	**-50,009**	**-47,490**	**Surplus(-)/Deficit**	**-594**	**-37,705**	**-38,299**

General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000		General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000
-25,174	-2,000	-27,174	Opening Balance	-22,655	-2,000	-24,655
2,519	0	2,519	Surplus(-) or Deficit on Balances in Year	-594	0	-594
-22,655	**-2,000**	**-24,655**	**Closing Balance at 31 March**	**-23,249**	**-2,000**	**-25,249**
			Closing Balances Split by Reserve:			
-1,746	-2,000	-3,746	Working Reserve	-1,737	-2,000	-3,737
-20,909	0	-20,909	Earmarked Reserve	-21,512	0	-21,512
-22,655	**-2,000**	**-24,655**	**Closing Balance at 31 March**	**-23,249**	**-2,000**	**-25,249**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2016/17				2017/18		
Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000		Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000
6,695	-5,379	1,316	Economic Development	7,337	-5,183	2,154
4,416	-2,212	2,204	Homes and Communities	5,067	-2,593	2,474
6,809	-2,238	4,571	Leisure and Environment	7,215	-2,771	4,444
35,155	-28,875	6,280	Policy and Finance	34,824	-28,334	6,490
13,021	-22,710	-9,689	Housing Revenue Account	13,963	-22,543	-8,580
-45,769	0	-45,769	- Revaluation Gain on Council Dwellings	-27,069	0	-27,069
20,327	**-61,414**	**-41,087**	**Cost of Services**	**41,337**	**-61,424**	**-20,087**
11,236	-2,508	8,728	Other Operating Income and Expenditure Note 12	9,141	-6,147	2,994
6,175	-572	5,603	Financing and Investment Income and Expenditure Note 13	5,945	-581	5,364
11,633	-32,367	-20,734	Taxation and Non Specific Grant Income Note 14	11,141	-37,711	-26,570
49,371	**-96,861**	**-47,490**	**Surplus (-) or Deficit on Provision of Services**	**67,564**	**-105,863**	**-38,299**
		-5,730	Surplus(-) or Deficit on Revaluation of Non Current Assets			-28,043
		0	Impairment Losses on Non-Current Assets Charged to Revaluation Reserve			0
		13,531	Remeasurements of the Net Defined Benefit Liability (Asset)			-5,774
		7,801	**Other Comprehensive Income and Expenditure**			**-33,817**
		-39,689	**Total Comprehensive Income and Expenditure**			**-72,116**

MOVEMENT IN RESERVES STATEMENT

Movement in reserves 2017/18	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2017 carried forward	**1,746**	**20,909**	**2,000**	**9,709**	**5,088**	**3,847**	**43,299**	**85,340**	**128,639**
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 12)	440	0	-38,145	-3,136	336	3,784	**-36,721**	36,721	**0**
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	**594**	**0**	**0**	**-3,136**	**336**	**3,784**	**1,578**	**70,538**	**72,116**
Transfers to/from(-) Earmarked Reserves (Note 13)	-603	603	0	0	0	0	**0**	0	**0**
Increase/Decrease(-) in 2017/18	**-9**	**603**	**0**	**-3,136**	**336**	**3,784**	**1,578**	**70,538**	**72,116**
Balance at 31 March 2018 carried forward	**1,737**	**21,512**	**2,000**	**6,573**	**5,424**	**7,631**	**44,877**	**155,878**	**200,755**

Movement in reserves 2016/17 RESTATED	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
Balance at 31 March 2016 carried forward	**2,940**	**22,234**	**2,000**	**8,651**	**3,958**	**2,757**	**42,540**	**46,410**	**88,950**
Total Comprehensive Income and Expenditure	-2,759	0	50,249	0	0	0	**47,490**	-7,801	**39,689**
Adjustment between accounting basis & funding basis under regulations (Note 12)	240	0	-50,249	1,058	1,130	1,090	**-46,731**	46,731	**0**
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	**-2,519**	**0**	**0**	**1,058**	**1,130**	**1,090**	**759**	**38,930**	**39,689**
Transfers to/from(-) Earmarked Reserves (Note 13)	1,325	-1,325	0	0	0	0	**0**	0	**0**
Increase/Decrease(-) in 2016/17	**-1,194**	**-1,325**	**0**	**1,058**	**1,130**	**1,090**	**759**	**38,930**	**39,689**
Balance at 31 March 2017 carried forward	**1,746**	**20,909**	**2,000**	**9,709**	**5,088**	**3,847**	**43,299**	**85,340**	**128,639**

BALANCE SHEET

RESTATED 31 March 2016 £'000	RESTATED 31 March 2017 £'000		Notes	31 March 2018 £'000
224,234	280,126	Property, Plant & Equipment	23	344,971
1,579	1,844	Heritage Assets	27	1,954
2,340	1,994	Investment Properties	28	2,137
362	380	Intangible Assets	30	318
527	580	Long Term Debtors	32	492
229,042	**284,924**	**TOTAL LONG TERM ASSETS**		**349,872**
10,151	10,004	Short Term Investments	43	9,906
97	101	Inventories		103
10,655	7,617	Short Term Debtors	32	12,190
0	0	Assets Held For Sale	29	0
4,815	17,034	Cash and Cash Equivalents	26	15,230
25,718	**34,756**	**TOTAL CURRENT ASSETS**		**37,429**
-14,918	-9,186	Short Term Borrowings	43	-8,563
-9,110	-11,825	Short Term Creditors	33	-11,993
0	-799	Provisions Short Term	34	-1,524
-1,294	-518	Grants Receipts in Advance	21	-812
-25,322	**-22,328**	**TOTAL CURRENT LIABILITIES**		**-22,892**
-4,086	-4,755	Long Term Creditors	33	-5,235
-1,396	-2,786	Provisions Long Term	34	-1,327
-224	-224	Long Term Finance Lease Liability	45	-224
-77,623	-82,603	Long Term Borrowing	43	-81,580
-56,759	-72,068	Pensions Liability	41	-68,974
-400	-6,277	Grants Receipts in Advance	21	-6,314
-140,488	**-168,713**	**TOTAL LONG TERM LIABILITIES**		**-163,654**
88,950	**128,639**	**TOTAL NET ASSETS**		**200,755**
42,540	43,299	Usable Reserves	36	44,877
46,410	85,340	Unusable Reserves	37	155,878
88,950	**128,639**	**TOTAL RESERVES**		**200,755**

CASH FLOW STATEMENT

RESTATED 2016/17 £'000		Notes	2017/18 £'000
47,490	**Net Surplus/Deficit(-) on the Provision of Services**		**38,299**
-23,795	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	39A	-21,044
-10,496	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	39A	-15,360
13,199	**Net Cash Flows from Operating Activities**		**1,895**
-282	Investing Activities	39C	-6,101
-698	Financing Activities	39D	2,402
12,219	**Net Increase or Decrease(-) in Cash and Cash Equivalents**		**-1,804**
4,815	Cash and Cash Equivalents at the Beginning of the Reporting Period		17,034
17,034	**Cash and Cash Equivalents at the End of the Reporting Period**	26	**15,230**

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 2017/2018 financial year and its position at the year-end of 31 March 2018. It has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2017/2018 (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
- Understandibility
- 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 Councils 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 Council 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:

<u>Service Cost comprising</u>

- 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

<u>Re-measurements comprising</u>

- 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 into two types;

- loans and receivables – assets that have fixed or determinable payments but are not quoted in the active marker
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The Council's financial assets are all loans and receivables that have fixed or determinable payments but are not quoted in an active market. The Council's loans and receivables comprise:

- cash in hand and bank current accounts
- fixed term deposits with banks
- instant access deposits with banks

Loans and receivables are recognised in the Balance Sheet when 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 credits to the Comprehensive Income and Expenditure Statement 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 loans the Council has made, this means the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans under its Enterprise Scheme to help new businesses at less than market rates (soft loans). Where these loans are material. a loss is recorded in the Comprehensive Income and Expenditure Statement in line with statutory guidelines.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

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 Councils 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 Councils museum, i.e. increasing the knowledge, understanding and appreciation of the Councils history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils 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 Councils 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 Councils general policies on impairment – see note 1.17 in this summary of significant accounting policies. The trustees of the Councils 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 Councils 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 arms' 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.

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.

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).

Deprecation 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, 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 2018:

• IFRS 9 Financial Instruments
• IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
• amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
• amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

It is not anticipated there will be any 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 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 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 2017/18 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 2018. 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 2017/18, the Council's actuaries advised that the net pensions liability had decreased by £3.0m as a result of estimates being corrected as a result of experience and decreased by £5.8m attributable to updating of the assumptions.

Arrears	At 31 March 2018, the authority had a balance of sundry debtors for £4.666m. A review of significant balances suggested that an impairment of doubtful debts of £0.463m 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 impairment of doubtful debts would require an additional £0.463m to set aside as an allowance.

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

Disclosed separately in the Comprehensive Income and Expenditure Statement is £27,069k revaluation gain on Council dwellings, which was due to market increases and a full stock revaluation in the year.

During 2017/2018 there were no other 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 for 2017/2018 was £109,589 (2016/2017 £155,186). 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 £53k (2016/2017 £98k) 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 40.

7 POST BALANCE SHEET EVENT

The final Audited Statement of Accounts will be authorised for issue by the Director of Resources S151 Officer on 26 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8 TRUST FUNDS

The Council acts as sole trustee for two Trusts:

<u>The W.E. Knight Trust</u>
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 financial year 2015/16 Dukeries Leisure Centre was transferred to the Council for a nominal fee from Nottinghamshire County Council, however the valuation was not recorded in the financial statements. The valuation for 2015/16 was £1.9m, this error has meant that the brought forward balance on Property, Plant and Equiment and the revaluation reserve are incorrect.

Also, during 2017/18 a full review of the Councils assets was undertaken which identified two assets that were transferred to the local Parish / Town Council. The identified assets were Coddington Community Centre and Church Street Toilets, Southwell.

	Adjustment	
	Property, Plant and Equipment £'000	Revaluation Reserve £'000
Closing Balance 2015/16	222,362	16,989
Adjustment for Dukeries Leisure Centre valuation	1,872	1,872
Adjusted Closing Balance 2015/16	224,234	18,861
Opening Balance 2016/17	224,234	18,861

	Balance Sheet Adjustment		
	Property, Plant and Equipment £'000	Revaluation Reserve £'000	Capital Adjustment Account £'000
Closing Balance 2016/17	280,830	24,136	135,719
Adjustment for Coddington Community Centre	-624	0	-624
Adjustment for Church Street Toilets	-80	-64	-16
Adjusted Closing Balance 2016/17	280,126	24,072	135,079
Opening Balance 2017/18	280,126	24,072	135,079

	Expenditure and Funding Analysis Adjustment		
	Net Expenditure Chargeable to Revenue Balances £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the CIES £'000
Closing Balance 2016/17 Surplus/Deficit	2,519	-50,713	-48,194
Other Income and Expenditure Adjustment			
Disposal of Coddington Community Centre	0	624	624
Disposal of Church Street Toilets	0	80	80
Adjusted Closing Balance 2016/17 Surplus/Deficit	2,519	-50,009	-47,490

	Comprehensive Income and Expenditure Adjustment 2016/17		
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Cost of Services	**20,327**	**-61,414**	**-41,087**
Other Income and Expenditure	10,532	-2,508	8,024
Disposal of Coddington Community Centre	624	0	624
Disposal of Church Street Toilets	80	0	80
Adjusted Other Operating Expenditure	**11,236**	**-2,508**	**8,728**
Financing and Investment Income and Expenditure	6,175	-572	5,603
Taxation and Non Specific Grant Income	11,633	-32,367	-20,734
Adjusted Surplus (-) or Deficit on Provision of Servi	**49,371**	**-96,861**	**-47,490**
Other Comprehensive Income and Expenditure			7,801
Adjusted Total Comprehensive Income and Expenditure			**-39,689**

10 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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
Net Cost of Services	-19,329	749	0	-18,580
Other income and expenditure from the Expenditure and Funding Analysis	-19,159	1,936	-1,902	-19,125
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-38,488	2,685	-1,902	-37,705

Adjustments between Funding and Accounting Basis 2016/17

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	65	39	-35	69
Homes and Communities	109	27	-9	127
Leisure and Environment	1,071	47	6	1,124
Policy and Finance	1,474	93	12	1,579
Housing Revenue Account	-41,686	-260	0	-41,946
Net Cost of Services	-38,967	-54	-26	-39,047
Other income and expenditure from the Expenditure and Funding Analysis	-12,805	1,832	11	-10,962
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	-51,772	1,778	-15	-50,009

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 – adjusts 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.

11 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income 2017/18	Economic Development £'000	Homes and Communities £'000	Leisure and Environment £'000	Policy and Finance £'000	Housing Revenue Account £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	-5,127	-1,611	-2,272	-3,091	-22,543	0	-34,644
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
Total Income	-5,183	-2,593	-2,771	-28,334	-22,543	-44,439	-105,863
Employee Expenses	2,943	2,247	3,476	4,859	0	0	13,525
Other Service Expenses	3,552	2,586	2,835	28,694	9,693	-815	46,545
Expenditure on Joint Associates	0	0	0	0	0	102	102
Developers Contribution Payment	0	0	0	0	0	146	146
Depreciation, Amortisation and Impairment	842	234	904	1,271	-22,832	-84	-19,665
Interest Payments	0	0	0	0	33	6,021	6,054
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	10,995	10,995
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	6,154	6,154
Total Operating Expenses	7,337	5,067	7,215	34,824	-13,106	26,227	67,564
Surplus(-)/Deficit on Provision of Services	2,154	2,474	4,444	6,490	-35,649	-18,212	-38,299

Expenditure/Income 2016/17	Economic Development £'000	Homes and Communities £'000	Leisure and Environment £'000	Policy and Finance £'000	Housing Revenue Account £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	-5,280	-1,607	-2,148	-2,642	-22,710	0	-34,387
Income on Joint Associates	0	0	0	0	0	-219	-219
Interest and Investment Income	0	0	0	0	0	-556	-556
Income from Council Tax	0	0	0	0	0	-8,824	-8,824
Income from Non Domestic Rates	0	0	0	0	0	-15,072	-15,072
Government Grants and Contributions	-99	-605	-90	-26,233	0	-8,472	-35,499
Disposal of Assets	0	0	0	0	0	-2,304	-2,304
Total Income	-5,379	-2,212	-2,238	-28,875	-22,710	-35,447	-96,861
Employee Expenses	2,776	2,000	3,187	4,320	0	0	12,283
Other Service Expenses	3,816	2,293	2,563	30,730	8,905	810	49,117
Expenditure on Joint Associates	0	0	0	0	0	121	121
Developers Contribution Payment	0	0	0	0	0	928	928
Depreciation, Amortisation and Impairment	103	123	1,059	105	-41,686	0	-40,296
Interest Payments	0	0	0	0	33	6,175	6,208
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	10,706	10,706
Precepts and Levies	0	0	0	0	0	3,144	3,144
Payments to Housing Capital Receipts Pool	0	0	0	0	0	448	448
Disposal of Assets	0	0	0	0	0	6,712	6,712
Total Operating Expenses	6,695	4,416	6,809	35,155	-32,748	29,044	49,371
Surplus(-)/Deficit on Provision of Services	1,316	2,204	4,571	6,280	-55,458	-6,403	-47,490

12 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 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 year-end.

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 year-end.

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.

2017/18 Usable Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources						
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 statutory requirements:						
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 Account)	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	0	-465	-20,567
Total Adjustments to Revenue Resources	-7,201	27,452	0	0	-465	-19,786
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	3,857	2,146	-6,299	0	0	296
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	-40	40	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-475	0	475	0	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	8,587	0	-8,587	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	421	0	0	11,723	0	-12,144
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,958	0	0	0	0	-2,958
Total Adjustments between Revenue and Capital Resources	6,761	10,693	-5,784	3,136	0	-14,806
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	2,000	0	0	-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	0	129	-129
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	2,000	0	129	-2,129
Total Adjustments	-440	38,145	-3,784	3,136	-336	-36,721

2016/17 Usable Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments to the Revenue Resources						
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 statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	-2,038	260	0	0	0	1,778
Financial instruments (transferred to the Financial Instruments Adjustments Account)	4	0	0	0	0	-4
Council tax and NDR (transfers to or from Collection Fund)	-15	0	0	0	0	15
Holiday pay (transferred to the Accumulated Absences Reserve)	25	0	0	0	0	-25
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):	-3,392	38,919	0	0	-1,185	-34,342
Total Adjustments to Revenue Resources	-5,416	39,179	0	0	-1,185	-32,578
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	561	1,749	-2,310	0	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	37	-37	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-448	0	448	0	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	9,284	0	-9,284	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	776	0	0	0	0	-776
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,287	0	0	0	0	-4,287
Total Adjustments between Revenue and Capital Resources	5,176	11,070	-1,899	-9,284	0	-5,063
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	809	0	0	-809
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	8,226	0	-8,226
Application of capital grants to finance capital expenditure	0	0	0	0	55	-55
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	809	8,226	55	-9,090
Total Adjustments	-240	50,249	-1,090	-1,058	-1,130	-46,731

13 TRANSFERS TO/FROM EARMARKED RESERVES

Earmarked reserves are those set aside for a specific purpose or to support future spending plans. A breakdown of the Council's earmarked reserves is given below.

	Balance as at 31st March 2016 £'000	Movement in Year £'000	Balance as at 31st March 2017 £'000	Movement in Year £'000	Balance as at 31st March 2018 £'000
Revenue Reserves					
Investment Realisation	92	0	92	0	92
Election Expenses	328	-165	163	57	220
Insurance	406	-6	400	-1	399
Renewal and Repairs	2,997	-497	2,500	-89	2,411
Land Charges	-26	17	-9	9	0
Building Control	-91	25	-66	59	-7
Museum Purchases	11	0	11	0	11
Training Provision	250	-50	200	-47	153
Community Safety Fund	263	-32	231	33	264
Restructuring & Pay	350	-250	100	0	100
Court Costs	150	-105	45	14	59
Change Management - see detail below	1,465	9,492	10,957	-1,912	9,045
Planning Costs	788	-388	400	-130	270
Palace Theatre Friends	13	-13	0	0	0
Planning Inquiry Costs	150	-150	0	0	0
Unlawful Occupation of Land Fund	10	0	10	-1	9
Fly tipping	23	77	100	0	100
Homelessness Fund	250	-7	243	85	328
Fuel and Energy Reserve	250	-150	100	-30	70
Refuse Bin Purchase	42	-12	30	-15	15
Energy and Home Support Reserve	148	-6	142	-26	116
Growth and Prosperity	1,217	-65	1,152	648	1,800
Emergency Planning Reserve	50	0	50	0	50
Welfare Reform Reserve	147	-87	60	0	60
Sports Development	116	-62	54	0	54
Other Earmarked Reserves	4,053	-3,641	412	-390	22
Mangement Carry Forward Requests	0	0	0	224	224
Development Company	0	0	0	4,000	4,000
Mansfield Crematorium	171	-10	161	-21	140
Unapplied Revenue Grants and Contributions	124	-6	118	67	185
	13,747	3,909	17,656	2,534	20,190
Capital Reserves					
Capital Provision	8,488	-5,235	3,253	-1,931	1,322
	8,488	-5,235	3,253	-1,931	1,322
Total Earmarked Reserves	22,235	(1,326)	20,909	603	21,512

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.

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, 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.

Building Control – legislation requires any surplus made from the building control service to be ring fenced.

Mansfield Crematorium - the Council's share of the crematorium's reserves.

Capital Provision – to support future capital projects.

14 OTHER OPERATING INCOME AND EXPENDITURE

2016/17 £'000		2017/18 £'000
2,642	Parish Council Precepts	2,710
502	Levies	523
448	Payments to the Government Housing Capital Receipts Pool	475
4,408	Gains/losses on the disposal of non-current assets	151
810	Provision for Doubtful Debt	-815
-82	Mansfield Crematorium - Net Cost of Service	-50
8,728	Total	2,994

15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 £'000		2017/18 £'000
4,154	Interest payable and similar charges	4,085
2,021	Net interest on the net defined benefit liability (asset)	1,936
-556	Interest receivable and similar income	-569
0	Income and expenditure in relation to investment properties and changes in their fair value	-84
-16	Mansfield Crematorium - Financing and Investment Income and Expenditure	-4
5,603	Total	5,364

16 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2016/17 £'000		2017/18 £'000
-8,824	Council tax income	-9,229
-4,366	Non-Domestic Rates income and expenditure	-6,519
-4,228	Non ring-fenced Government grants	-3,061
-196	Developers grants & contributions	-1,078
-3,120	Capital grants and contributions	-6,683
-20,734	Total	-26,570

17 OFFICIALS' EMOLUMENTS

Amounts payable to senior employees in 2017/2018 are disclosed below.

	2017/18 £	2016/2017 £
Chief Executive		
Salary	97,854.03	114,624.96
Expenses, Allowances and Other Benefits	707.10	1,606.25
Employer's Contribution to Pension	14,188.84	14,328.12
% Employee's Contribution to Pension	11.4%	11.4%
Deputy Chief Executive		
Salary	95,421.96	94,476.96
Expenses, Allowances and Other Benefits	80.71	112.20
Employer's Contribution to Pension	14,077.65	11,809.68
% Employee's Contribution to Pension	10.5%	10.5%
Director of Resources - post vacant 2016/2017		
Salary	64,208.07	0.00
Expenses, Allowances and Other Benefits	0.00	0.00
Employer's Contribution to Pension	9,310.21	0.00
% Employee's Contribution to Pension	10.5%	0.0%
Director of Safety		
Salary	80,657.12	79,265.04
Expenses, Allowances and Other Benefits	347.40	121.85
Employer's Contribution to Pension	11,695.31	9,908.16
% Employee's Contribution to Pension	9.9%	9.9%
Director of Community		
Salary	79,788.03	77,265.00
Expenses, Allowances and Other Benefits	285.70	1,313.50
Employer's Contribution to Pension	11,569.26	9,658.08
% Employee's Contribution to Pension	9.9%	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 table below.

Exit Package Cost Band	No of Compulsory Redundancies		No of Other Agreed Departures		Total No of Exit Packages		Total Cost of Exit Packages	
	2017/18	*2016/17*	2017/18	*2016/17*	2017/18	*2016/17*	2017/18 £'000	*2016/17 £'000*
£0 to £20,000	4	*6*	5	*4*	9	*10*	59	*58*
£20,001 to £40,000	0	0	0	1	0	*1*	0	25
£40,001 to £60,000	0	0	0	1	0	*1*	0	41
£60,001 to £80,000	0	0	0	0	0	*0*	0	0
£80,001 to £100,000	0	0	0	0	0	*0*	0	0
£100,000 to £150,000	0	0	0	0	0	*0*	0	0
£150,000 plus	0	0	0	0	0	*0*	0	0
Total	4	6	5	6	9	12	59	124

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 2017/2018	Employees Included in 2017/18 leaving in same year	Number of Employees 2016/2017
£50,000 to £54,999	5	0	4
£55,000 to £59,999	2	1	2
£60,000 to £64,999	2	1	2
£65,000 to £69,999	0	0	0
£70,000 to £74,999	0	0	0
£75,000 to £79,999	2	0	3
£80,000 to £84,999	1	0	0
£85,000 to £89,999	0	0	0
£90,000 to £94,999	0	0	1
£95,000 to £99,999	2	0	0
£100,000 to £104,999	0	0	0
£105,000 to £109,999	0	0	0
£110,000 to £114,999	0	0	0
£115,000 to £119,999	0	1	1
Total	14	3	13

18 RELATED PARTY TRANSACTIONS

The authority 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 authority.

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 Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Authority has with other parties.	Comprehensive Income and Expenditure Statement Cash Flow Statement	25 28
•Members of the council have direct control over the council's financial and operating policies.	Note 20 Members Allowances Statutory Register of Interests	62
•Precepts from other Local Authorities.	Collection Fund Accounts	99-100
•Newark and Sherwood Homes Ltd is a wholly owned subsidiary of the authority.	Group Accounts	101-106
•Active4Today Ltd is a wholly owned subsidiary of the authority.	Group Accounts	101-106
•The authority has joint control of Mansfield Crematorium.	Note 38 Joint Crematorim Committee	82
•The authority appoints the majority of trustees of the Southwell Leisure Centre Trust.	Note 6 Material Interests in Joint Bodies	45

During 2017/2018 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

19 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.

RESTATED 2016/17				2017/18		
Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000	Trading Operations	Gross Expend-iture £'000	Gross Income £'000	Net Expend-iture £'000
1,122	-1,130	**-8**	Industrial Estates	779	-1,034	**-255**
1,355	-1,011	**344**	Heritage and Cultural Centre	1,943	-1,148	**795**
271	-1,101	**-830**	Car Parks	634	-1,125	**-491**
2,748	**-3,242**	**-494**	**Net Surplus(-)/Deficit applicable to Net Cost of Service**	**3,356**	**-3,307**	**49**

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 £13k in respect of off street parking fine income owed to the Council by the Partnership as detailed below:

	Gross Expendi-ture £'000	Gross Income £'000	Net Income £'000
Off Street Parking - amount due to Newark and Sherwood	74	-87	-13
On Street Parking - retained by Partnership to fund future highways expenditure	155	-183	-28
Total	**229**	**-270**	**-41**

20 MEMBERS ALLOWANCES

2016/17 £'000		2017/18 £'000
57	Special Responsibility Payments	57
179	Basic Allowances	181
13	Travel and Subsistence	12
249	**Total**	**250**

21 GRANT INCOME

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

RESTATED 2016/17 £'000	Credited to Taxation and Non Specific Grant Income	2017/18 £'000
-1,777	Revenue Support Grant	-1,049
-2,288	New Homes Bonus Grant	-1,911
-648	Non Domestic Rates s31 Grant	-1,166
-114	Capacity Funding	-60
-10	Council Tax s31 Grant	-10
-38	Rural Services Delivery Grant	-30
-1	Section 106	-43
-196	Other Third Parties	0
-15	Nottinghamshire County Council Contributions	0
	Capital Related:	
-1,127	Supported Housing	-2,200
0	Developers Contributions	-1,181
0	Other Grants and conributions	-4,484
-1,978	Central Government Grants	0
-8,192	**Total**	**-12,134**
	Credited to Services	
-14,435	Housing Benefits Subsidy	-13,778
-11,198	Council Tax Support	-10,875
-478	Housing Benefits Grant	-448
-134	Other Housing Grants	-206
-6	New Burdens Grant	-12
-80	Local Transparency	0
-22	Electoral Registration	-17
-13	Welfare Reform	0
-20	Neighbourhood Planning	-60
-21	Custom Build Grant	0
0	DWP Grant	-94
0	OPE Grant	-50
	Capital Related:	
-550	Private Sector Disabled Facilities	-523
0	Flooding Grant	-233
-26,957	**Total**	**-26,296**

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 LIABILTIES - GRANTS RECEIPTS IN ADVANCE

2016/17 £'000		2017/18 £'000
	Capital Related:	
-199	Government	-661
-316	Other Third Parties	-46
-3	Section 106	-64
	Revenue Related:	
0	Government	-22
0	Other Third Parties	0
0	Section 106	-19
-518		-812

LONG TERM LIABILITIES - GRANTS RECEIPTS IN ADVANCE

2016/17 £'000		2017/18 £'000
	Capital Related:	
-6,140	Government	-6,140
-136	Nottinghamshire County Council	0
-1	Other Third Parties	0
	Revenue Related:	
0	Government	-65
0	Nottinghamshire County Council	-39
0	Other Third Parties	-70
-6,277		-6,314

22 AUDITS FEES

For 2017/2018 Newark and Sherwood District Council incurred the following fees relating to external audit and inspection:

2016/17 £'000	Fees Payable to KPMG LLP in respect of:	2017/18 £'000
48	External Audit Services	48
8	Certification of Grant Claims	6
56	Total	54

In addition audit fees of £4,637 (£5,681 2016/17) were paid which related to work undertaken in prior financial years.

23 PROPERTY PLANT AND EQUIPMENT

Movements in 2017/18	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
Cost or Valuation								
At April 2017	215,399	54,122	10,344	0	317	0	6,765	286,947
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	-2,451	0	0	0	0	0	21,657
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
At 31 March 2018	268,584	61,429	9,512	202	317	0	11,997	352,041
Accumulated Depreciation & Impairment								
At April 2017	0	2,295	4,468	0	58	0	0	6,821
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
At 31 March 2018	863	2,416	3,724	0	67	0	0	7,070
Net Book Value								
at 31 March 2018	267,721	59,013	5,788	202	250	0	11,997	344,971
at 31 March 2017	215,399	51,827	5,876	0	259	0	6,765	280,126

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.

Restated Comparative Movements in 2016/17	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
Cost or Valuation								
At April 2016	**167,795**	**42,796**	**9,798**	**0**	**317**	**0**	**9,641**	**230,347**
Additions	5,318	817	819	0	0	0	9,058	**16,012**
Revaluation increases/decreases(-)to Revaluation Reserve	3,652	1,899	0	0	0	0	0	**5,551**
Revaluation increases/decreases(-) to Surplus/Deficit on the Provision of Services	43,332	-444	0	0	0	0	0	**42,888**
Derecognition - Disposals	-1,086	-1,511	-711	0	0	0	0	**-3,308**
Derecognition - Other	-4,083	0	0	0	0	0	0	**-4,083**
Assets reclassified to(-)/from Held for Sale	0	0	0	0	0	0	0	**0**
Reclassifications - Other	471	10,565	438	0	0	0	-11,934	**-460**
At 31 March 2017	**215,399**	**54,122**	**10,344**	**0**	**317**	**0**	**6,765**	**286,947**
Accumulated Depreciation & Impairment								
At April 2016	0	1,798	4,265	0	50	0	0	**6,113**
Depreciation charge	2,393	864	854	0	8	0	0	**4,119**
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	-2,383	-305	0	0	0	0	0	**-2,688**
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	-10	-57	-651	0	0	0	0	**-718**
Reclassifications	0	-5	0	0	0	0	0	**-5**
At 31 March 2017	**0**	**2,295**	**4,468**	**0**	**58**	**0**	**0**	**6,821**
Net Book Value								
at 31 March 2017	**215,399**	**51,827**	**5,876**	**0**	**259**	**0**	**6,765**	**280,126**
at 31 March 2016	**167,795**	**40,998**	**5,533**	**0**	**267**	**0**	**9,641**	**224,234**

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 £40.3m is contractually committed as at 31 March 2018. Similar commitments at 31 March 2017 were £9.1m.

2016/17 £'000		2017/18 £'000
805	New Council House Build	34,462
496	Newark Sports and Fitness Centre	0
186	National Civil War Centre	0
118	Newark Castle Gatehouse	105
4,073	Council House Planned Maintenance	5,168
21	Palace Theatre and Museum Integration	0
3,073	New Council Offices	305
16	Newark Lorry Park	0
75	Newark Business Innovation Centre	42
264	Land Drainage and Flood Alleviation	0
0	Southwell Flood Grant	233
9,127	Total	40,315

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 2017/2018 valuations were carried out by David Bingham of Herbert Button and Partners, with the exception of Council Dwellings, who is suitably qualified for this purpose. The full Council Dwellings valuation was carried out by Wilks Eve & Head with suitably qualified staff. 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 authority 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 authority as non-operational have been valued on the basis of open market value. Investment properties are valued at fair value on an annual basis.

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	Total £'000
Valued at Historical Cost		0	10,344	0	317	0	10,661
Valued at Current Value in:							
2017/2018	267,721	23,589	0	0	0	0	291,310
2016/2017	0	18,817	0	0	0	0	18,817
2015/2016	0	12,703	0	0	0	0	12,703
2014/2015	0	3,700	0	0	0	0	3,700
2013/2014	0	3,281	0	0	0	0	3,281
	267,721	62,090	10,344	0	317	0	340,472
Non Revaluation adjustments	863	-661	-832	202	0	11,997	11,569
Gross Book Value	268,584	61,429	9,512	202	317	11,997	352,041

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

24 LEASES - DISCLOSURE AS LESSEE

Finance Leases

The authority 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 was:

2016/17 £'000		2017/18 £'000
253	Land and Buildings	98
253	Total	98

The authority 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:

2016/17 £'000		2017/18 £'000
224	Finance Lease Liabilities	224
	(net present value of minimum lease payments)	
2,508	Finance costs payable in future years minimum lease payments	2,483
2,732	Total	2,707

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

2016/17 Minimum Lease Payments £'000	2016/17 Finance Lease Liabilities (NPV) £'000		2017/18 Minimum Lease Payments £'000	2017/18 Finance Lease Liabilities (NPV) £'000
25	0	Not later than one year	25	0
100	0	Later than one year and not later than five years	100	0
2,607	224	Later than five years	2,582	224
2,732	**224**	**Total**	**2,707**	**224**

The authority has sub-let Clipstone Holding Centre units held under the finance lease. The annual minimum payments expected to be received is £53k (£53k in 2016/2017).

Operating Leases

Vehicles, Plant, Furniture and Equipment – the authority uses a range of vehicles, mowers and associated equipment, together with items of fitness equipment, financed under the terms of operating leases.

Land and Buildings – the authority leases several items of land and buildings, which include small pieces of land, cashiers office and a car park to the rear of London Road, the leasing arrangements for each being accounted for as operating leases.

Future minimum lease payments due in future years are:

2016/17 £'000		2017/18 £'000
144	Not later than one year	31
146	Later than one year and not later than five years	116
2,580	Later than five years	2,089
2,870	**Total Operating Lease Costs**	**2,236**

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

2016/17 £'000		2017/18 £'000
154	Minimum lease payments	149
154	**Total Operating Lease Costs**	**149**

25 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 authority 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. From 1 April 2013, parts of the main council offices have been leased. 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 2017/2018 was £1,049k (£1,098k 2016/2017).

The total future lease commitments are:

2016/17 £'000		2017/18 £'000
499	Not later than one year	544
1,355	Later than one year and not later than five years	1,541
1,042	Later than five years	992
2,896	**Total Operating Lease Costs**	**3,077**

26 CASH AND CASH EQUIVALENTS

2016/17 £'000		2017/18 £'000
21	Cash held by the Council	4
0	Cash in transit	-29
-855	Bank current accounts	677
17,868	Short-term deposits with Money Market Funds	14,578
17,034	**Current Assets**	**15,230**
17,034	**Total Cash and Cash Equivalents**	**15,230**

27 HERITAGE ASSETS

The following table shows the reconciliation of the carrying value of the heritage assets held by the authority. The museum collection was valued during 2016/2017 by Golding Young for the purposes of insurance.

	Museum Collection £'000	Other Assets £'000	Total Assets £'000
Cost or Valuation			
At 1 April 2017	1,753	91	1,844
Additions	0	0	0
Revaluations	107	3	110
At 31 March 2018	1,860	94	1,954
Cost or Valuation			
At 1 April 2016	1,488	91	1,579
Additions	86	0	86
Revaluations	179	0	179
At 31 March 2017	1,753	91	1,844

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 below:

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.

28 INVESTMENT PROPERTIES

The Council leases a number of its investment properties on an operating lease. These properties are held solely for the purpose of earning rental and do not support any of the Council's service objectives.

2016/17 £'000		2017/18 £'000
-83	Rental Income	-83
8	Direct Operating Expenses	6
-75	Total	-77

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £'000	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair Value as at 31 March 2017 £'000
Residential	0	150	0	150
Office units	0	181	0	181
Commercial units	0	1,032	0	1,032
Land	0	774	0	774
Total	0	2,137	0	2,137

The following table summarises the movement in the fair value of investment properties over the year:

2016/17 £'000		2017/18 £'000
	Balance Sheet value	
2,340	At 1 April	1,994
324	Additions	0
-85	Revaluation increases/decreases(-) to Surplus(-)/Deficit on Provision of Services	143
-585	Disposals	0
0	Reclassifications	0
1,994	At 31 March	2,137

The fair value for the investment properties has been based on a market approach by considering current market conditions, recent sales/lettings and any other relevant information for similar type assets in the Newark & Sherwood District Council area. Similar properties are marketed both for sale & lease and the level of observable comparables is sufficient for the properties to be categorised at Level 2 in the fair value hierarchy.

29 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.

2016/17 £'000		2017/18 £'000
0	**Balance outstanding at start of year**	**0**
	Assets newly classified as held for sale:	
0	Property, Plant and Equipment	0
	Assets declassified as held for sale:	
-155	Assets Sold	-3,953
155	Transfer	3,953
0	**Balance outstanding at year-end**	**0**

30 INTANGIBLE ASSETS

During 2017/2018 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.

2016/17 £'000		2017/18 £'000
	Balance at start of year:	
1,188	Gross carrying amounts	813
-826	Accumulated amortisation	-433
362	**Net carrying amount at start of year**	**380**
	Movements:	
0	Purchases	20
0	Other disposals	0
-80	Amortisation for the period	-82
98	Reclassifications	0
380	**Net carrying amount at end of year**	**318**
	Comprising:	
813	Gross carrying amounts	833
-433	Accumulated amortisation	-515
380		**318**

31 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.

2016/17 £'000		2017/18 £'000
112,882	*Opening Capital Financing Requirement*	114,489
	Capital Investment:	
16,012	Property, Plant and Equipment	23,408
324	Investment Properties	0
0	Intangible Assets	21
1,919	Revenue Expenditure Funded from Capital Under Statute	1,592
	Sources of Finance	
-809	Capital Receipts	-2,000
-10,959	Government Grants and Contributions	-8,430
-4,880	Sums set aside from Revenue (inc MRP)	-4,399
114,489	Closing Capital Financing Requirements	124,681
	Explanation of Movements in Year	
2,383	Increase in underlying need to borrow (unsupported by Government financial assistance)	11,633
-776	Other Movements (MRP including finance leases)	-1,441
1,607	Increase in Capital Financing Requirement	10,192
	Split on Capital Financing Requirement between General Fund and Housing Revenue Account	
21,057	General Fund	24,214
93,432	Housing Revenue Account	100,467
114,489		124,681

32 ANALYSIS OF DEBTORS

The amounts due to the Council were:-

2016/17 £'000		2017/18 £'000
	Amounts falling due within one year:-	
2,226	Central Government Bodies	2,536
391	Other Local Authorities	4,643
6,655	Other Entities and Individuals	5,769
-1,655	Less Provision for Doubtful Debt	-758
7,617	Total Short Term Debtors	12,190
580	Other Entities and Individuals	492
580	Total Long Term Debtors	492
8,197	Total Debtors	12,682

33 SHORT TERM CREDITORS

The amounts owed by the Council were:-

2016/17 £'000		2017/18 £'000
	Amounts falling due within one year:-	
442	Central Government Bodies	3,628
3,786	Other Local Authorities	3,561
7,597	Other Entities and Individuals	4,804
11,825	Short Term Creditors	11,993
4,755	Other Entities and Individuals	5,235
4,755	Long Term Creditors	5,235
16,580	Total	17,228

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.

34 PROVISIONS

	Non Domestic Rate Appeals £'000	Total £'000
Short Term Balance at 1 April 2017	799	799
Additional provisions made in year		0
Amounts used in year	-734	-734
Transfer from Long Term	1,459	1,459
Unused amounts reversed in year	0	0
Short Term Balance at 31 March 2018	1,524	1,524
Long Term Balance at 1 April 2017	2,786	2,786
Additional provisions made in year	0	0
Amounts used in year	0	0
Transfer to Short Term	-1,459	-1,459
Unused amounts reserved in year		0
Long Term Balance at 31 March 2018	1,327	1,327

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 DCLG. 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.

35 TERMINATION BENEFITS

The authority terminated the contracts of a number of employees in 2017/2018 incurring liabilities in respect of termination payments of £59k (£124k in 2016/2017). The £59k was paid as part of the Council's efficiency schemes across a variety of services.

36 USABLE RESERVES

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

37 UNUSABLE RESERVES

2016/17 £'000		2017/18 £'000
24,072	Revaluation Reserve	51,078
135,079	Capital Adjustment Account	173,621
-179	Financial Instruments Adjustment Account	-176
-71,926	Pensions Reserve	-68,836
-142	Crematorim Pension Reserve	-141
1	Deferred Capital Receipts Reserve	0
-1,424	Collection Fund Adjustment Account	473
-141	Accumulated Absences Account	-141
85,340	Total Unusable Reserves	155,878

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, or
- 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.

2016/17 £'000		2017/18 £'000
18,861	Balance at 1 April	24,072
5,730	Upward revaluations of assets	29,280
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-1,238
5,730	Surplus or deficit(-) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	28,042
-284	Difference between fair value depreciation and historical cost depreciation	-303
-235	Accumulated gains on assets sold or scrapped	-733
-519	Amount written off to the Capital Adjustment Account	-1,036
24,072	Balance at 31 March	51,078

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.

2016/17 £'000		2017/18 £'000
86,064	Balance as at 1st April	135,079
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
-4,121	Charges for depreciation and impairment of non-current assets	-5,705
44,536	Revaluation losses on Property, Plant and Equipment	25,473
-80	Amortisation of intangible assets	-82
0	Donated Assets	0
-1,919	Revenue expenditure funded from capital under statute	-1,592
-6,749	Amounts of non-current assets written off on disposal or sale as part of the gain(-)/loss on disposal to the CIES	-6,121
31,667		**11,973**
235	Adjusting amounts written out of the Revaluation Reserve	733
31,902	**Net written out amount of the cost of non-current assets consumed in the year**	**12,706**
	Capital financing applied in the year:	
809	Use of Capital Receipts Reserve to finance new capital expenditure	2,001
8,226	Use of Major Repairs Reserve to finance new capital expenditure	0
2,733	Capital grants and contributions credited to the CIES that have been applied to capital financing	8,597
0	Applications of grants to capital financing from the Capital Grant Unapplied Account	129
776	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12,144
4,285	Capital expenditure charged against the General Fund and HRA balances	2,662
16,829		**25,533**
284	Adjustment between Capital Adjustment Account and Revaluation Reserve for depreciation that relates to the revaluation balance rather than historic cost	303
135,079	Balance at 31 March	173,621

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 council tax.

2016/17 £'000		2017/18 £'000
-183	Balance at 1 April	-179
4	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	3
-179	Balance at 31 March	-176

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.

2016/17 £'000		2017/18 £'000
-56,759	Balance at 1 April	-71,926
-13,531	Remeasurements of the net defined benefit liability/(asset)	5,774
1,778	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	2,684
-3,414	Employers pensions contributions and direct payments to pensioners payable in the year	-5,368
-71,926	Balance at 31 March	-68,836

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.

2016/17 £'000		2017/18 £'000
-635	Balance at 1 April	-1,273
-597	Remeasurements of the net defined benefit liability/(asset)	84
-91	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-142
50	Employers pensions contributions and direct payments to pensioners payable in the year	68
-1,273	Balance at 31 March	-1,263
	Balance split by Authority:	
-142	Newark and Sherwood District Council's proportion	-141
-572	Ashfield District Council's Proportion	-568
-559	Mansfield District Council's Proportion	-554
-1,273	Balance at 31 March	-1,263

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.

2016/17 £'000		2017/18 £'000
3	Balance at 1 April	1
0	Transfer of deferred capital receipt repayable credited as part of the gain(-)/loss on disposal to the CIES	0
-2	Transfer to Capital Receipts Reserve	-1
1	Balance at 31 March	0

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.

2016/17 £'000		2017/18 £'000
-1,409	Balance at 1 April	-1,424
-15	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	1,897
-1,424	Balance at 31 March	473

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.

2016/17 £'000		2017/18 £'000
-167	Balance at 1 April	-141
0	Settlement or cancellation of accrual made at the end of the preceding year	0
26	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
-141	Balance at 31 March	-141

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 2018, 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
Total	302

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

2016/17 £'000		2017/18 £'000
47,490	**Net Surplus or Deficit(-) on the Provision of Services**	**38,299**
	Adjust net surplus or deficit on the provision of services for non-cash movements	
4,120	Depreciation of Property, Plant and Equipment	5,713
-44,536	Impairment and downward valuations	-25,389
80	Amortisation of Intangible Assets	82
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
-14	Increase/Decrease(-) in interest Creditors	0
2,675	Increase/Decrease(-) in Creditors	-6,616
46	Increase(-)/Decrease in interest and dividend Debtors	10
3,121	Increase(-)/Decrease in Debtors	-2,822
-3	Increase(-)/Decrease in Inventories	-2
1,778	Pension Liability	2,684
2,189	Increase/Decrease(-) in Provisions	-733
6,749	Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised	6,113
0	Movement in Investment Property Values	-84
-23,795		**-21,044**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
-8,151	Capital Grants credited to surplus or deficit on the Provision of Services	-9,062
-2,345	Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	-6,298
-10,496		**-15,360**
13,199	**Net Cash Flows from Operating Activities**	**1,895**

B Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
602	Interest received	579
-4,168	Interest paid	-4,085
-3,566	**Total**	**-3,506**

C Cash Flow Statement - Investing Activities

2016/17 £'000		2017/18 £'000
-15,887	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	-21,686
-5,000	Purchase of short-term and long-term Investments	0
-55	Other payments for investing activities	86
2,347	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	6,299
5,144	Proceeds from short-term and long-term Investments	100
13,169	Other receipts from investing activities	9,100
-282	**Net cash flows from investing activities**	**-6,101**

D Financing Activities

2016/17 £'000		2017/18 £'000
13,036	Cash receipts for short and long-term Borrowing	12,853
0	Other receipts from financing activities	4,047
0	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	0
-13,774	Repayments of short and long-term Borrowing	-14,498
40	Other payments for financing activities	0
-698	**Net cash flows from financing activities**	**2,402**

40 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;

2016/17			2017/18	
Total £'000	NSDC Share £'000		Total £'000	NSDC Share £'000
-1,764	-203	Gross Income	-1,764	-144
1,051	121	Gross Expenditure	1,157	95
-713	**-82**	**Charged to Other Operating Income and Expenditure**	**-607**	**-49**
-143	-16	Financing and Investment Income and Expenditure	-54	-4
-856	**-98**	**Surplus (-) or Deficit on Provision of Services**	**-661**	**-53**

2016/17			2017/18	
Total £'000	NSDC Share £'000		Total £'000	NSDC Share £'000
1,844	223	Property, Plant and Equipment	1,993	236
1,844	**223**	**Long Term Assets**	**1,993**	**236**
223	24	Short Term Debtors	244	26
1,973	218	Cash and Cash Equivalents	1,607	187
2,196	**242**	**Current Assets**	**1,851**	**213**
-877	-80	Short Term Creditors	-826	-77
-877	**-80**	**Current Liabilities**	**-826**	**-77**
-1,273	-142	Pensions	-1,223	-138
-1,273	**-142**	**Long Term Liabilities**	**-1,223**	**-138**
1,890	**243**	**Net Assets**	**1,795**	**234**
		Financed By:		
1,132	139	Capital Fund	765	108
187	22	General Reserve	300	31
-1,273	-142	Pension Reserve	-1,263	-141
1,740	212	Capital Adjustment Account	1,896	225
104	12	Revaluation Reserve	97	11
1,890	**243**	**Total Reserves**	**1,795**	**234**

41 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:-

2016/17 £'000		2017/18 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,176	Current service cost	3,461
0	Past service costs	0
0	(Gain)/loss from settlements	0
	Financing and Investment Income and Expenditure	
1,998	Net interest expense	1,906
23	Administration costs	30
4,197	**Total charged to Surplus/Deficit on Provision of Services**	**5,397**
	Remeasurement of the net defined benefit liability	
12,355	Return on plan assets	-16
-270	Other actuarial gains/(losses)	0
-30,377	Changes in financial assumptions	5,790
-610	Changes in demographic assumptions	0
5,371	Experience gains/(losses)	0
-13,531	**Total charged to Other Comprehensive Income and Expenditure**	**5,774**
-9,334	Total charged to Comprehensive Income and Expenditure Statement	**11,171**
	Movement in Reserves Statement	
-1,778	Reversal of net charges made for retirement benefits	-2,684
	Actual amount charged against the General Fund Balance	
2,419	Employers' contributions payable to scheme	2,713

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2016/17 £'000		2017/18 £'000
121,249	**1st April**	**149,529**
2,165	Current service cost	3,397
4,294	Interest cost	3,983
557	Contributions by scheme participants	567
	Remeasurement (gains)/losses	
610	Changes in demographic assumptions	0
30,377	Changes in financial assumptions	-5,790
-5,300	Other	0
11	Past service cost	64
0	Losses (gains) on curtailment	0
-4,434	Benefits paid	-4,382
149,529	**31st March**	**147,368**

Reconciliation of fair value of the scheme assets:

2016/17 £'000		2017/18 £'000
64,490	**1st April**	**77,461**
2,296	Interest income	2,077
	Remeasurement gain/(loss)	
12,355	Return on plan assets	-16
-199	Other	0
2,419	Contributions from employer	2,713
557	Contributions from scheme participants	567
-4,434	Benefits paid	-4,382
-23	Administration costs	-30
0	Settlement Paid	0
77,461	**31st March**	**78,390**

Pension Assets and Liabilities Recognised in Balance Sheet

Assets	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000	2013/14 £'000
Present value of liabilities	-147,368	-149,529	-121,249	-134,011	-112,598
Fair value of assets	78,390	77,461	64,490	67,470	61,378
Net liability	**-68,978**	**-72,068**	**-56,759**	**-66,541**	**-51,220**

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 2013.

The principal assumptions used by the actuary have been:

2016/17 £'000		2017/18 £'000
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
22.5	Men	22.6
25.5	Women	25.6
	Longevity at 65 for future pensioners	
24.7	Men	24.8
27.8	Women	27.9
3.60%	Rate of inflation – Retail Price Index	
2.70%	Rate of inflation – Consumer Price index	
4.20%	Rate of increase in salaries	3.80%
2.70%	Rate of increase in pensions	2.30%
2.70%	Rate for discounting scheme liabilities	2.55%
	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%	-2,676	2,727
Salary Increase	+/- 0.1%	235	-234
Pension Increase	+/- 0.1%	2,496	-2,451
Mortality Age	+/- 1 year	5,661	-5,446

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

2016/17 £'000		2017/18 £'000
	Equity Investment	
23,174	UK investment	19,348
29,763	Overseas investment	30,864
1,240	Private equity investment	1,332
54,177		**51,544**
	Gilts	
2,368	UK fixed interest	1,796
2,368		**1,796**
	Other Bonds	
4,443	UK corporates	8,766
230	Overseas corporates	391
4,673		**9,157**
8,612	Property	9,847
3,897	Cash	1,549
1,934	Inflation-linked pooled fund	1,939
1,800	Infrastructure	2,558
77,461		**78,390**

Projected Pension Expense for the Year to 31 March 2019

Projection for Year to 31 March 2019	Year to 31-Mar-19 £'000
Service cost	3,139
Net Interest on the defined liability (asset)	1,721
Administration expenses	30
Total	**4,890**
Employer contributions	2,557

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2018. These projections are based on the assumptions as at 31 March 2018, as described in the main body of this report.

42 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
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- 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's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within the Council's constitution
- by approving annually in advance prudential indicators for the following three years limiting
    - the Council's overall borrowing
    - its maximum and minimum exposures to fixed and variable interest rates
    - its maximum and minimum exposures for the maturity structure of its debt
    - its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance

These are required to be reported and approved at or before the Council's Council Tax setting meeting. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to members.

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 9th March 2017 and is available on the Council website. The key issues within the updated strategy were:

- the authorised limit for 2017/2018 was set at £155.8m. This is the maximum limit of external borrowings or other long term liabilities
- the operational boundary was expected to be £142m. This is the expected level of debt and other long term liabilities during the year
- the maximum amounts of fixed and variable interest rate exposure were set at £124.2m and £31.0m based on the Council's debt
- the maximum and minimum exposures to the maturity of debt are shown in the refinancing and maturity risk section of this note

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Rating Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit Ratings of Short Term of F1, Long Term A-,Support C and individual 3 (Fitch or equivalent rating) with the lowest available rating being applied to the criteria
- UK Institutions provided with support from the UK Government
- The Council's own bank if it falls below the criteria above
- 'AAA' rated Money Market Funds

The full Investment Strategy for 2017/2018 was approved by Full Council on 9th March 2017 and is available on the Council's website.

The authority's maximum exposure to risk in relation to its investments in banks and building societies of £25m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the authority's deposits but there was no evidence at 31st March 2018 that this was likely to crystallise.

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

	Amount at 31st March 2018 £'000	Historical Experience of Default %	Adjustment for Market at 31st March 2018 %	Estimated Maximum Exposure to Default 31st March 2017 £'000	*Estimated Maximum Exposure to Default 31st March 2016 £'000*
Trade Debtors	4,666	4.8	4.8	224	*491*
	4,666			224	*491*

The Council does not generally allow credit to its trade debtors, such that £4,600k of the £4,666k balance is past its due date for payment. The past due amount can be analysed by age as follows:

2016/17 £'000		2017/18 £'000
	Debtor Analysis	
526	Up to 30 days	3,462
356	31 to 60 days	263
99	61 to 90 days	209
2,374	Greater than 90 days	666
3,355		4,600

Community Infrastructure Levy and section 106 debtors have payment terms of 90 days before recovery action is taken. £0.231m of the £0.666m 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 borrowings from the money market to cover any day to day cash flow need, and the Public Works Loan Board provides access to longer term 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.

The maturity of financial assets is as follows:

2016/17 £'000		2017/18 £'000
28,052	Maturing within one year	24,621
239	Maturing in 1 - 2 years	83
338	Maturing in more than 2 years	406
28,629	Total	25,110

All other current assets and current liabilities are not shown in the table above.

Re-financing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

· monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt: and

· monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs

	Approved Maximum Limits	Approved Minimum Limits	31st March 2018 £'000	31st March 2017 £'000
Maturing within one year	50%	0%	7,815	8,437
Maturing in 1 - 2 years	100%	0%	2,024	1,022
Maturing in 2 - 5 years	100%	0%	13,587	9,080
Maturing in 5 -10 years	100%	0%	22,703	23,188
Maturing in more than 10 years	100%	0%	43,266	49,312
			89,395	**91,039**

Market 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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not 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 Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the Comprehensive Income and Expenditure Statement, unless the investments have been designated as Fair Value through the Comprehensive Income and Expenditure Statement, in which case gains and losses will be posted to the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns. Similarly the drawing of longer term fixed rates borrowing would be postponed.

All Council long term borrowings are at a fixed rate of interest
Price risk - The Council does not invest in equity shares.
Foreign exchange risk – The Council has no investments in foreign exchange.

43 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	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Financial Assets				
Investments				
Principal at amortised cost	0	0	9,900	10,000
Accrued Interest	0	0	6	4
Total Investments	**0**	**0**	**9,906**	**10,004**
Cash and Cash Equivalents				
Cash (including bank accounts)	0	0	653	(834)
Cash equivalents at amortised cost	0	0	14,572	17,864
Accrued interest	0	0	6	4
Total Cash and Cash Equivalents	**0**	**0**	**15,231**	**17,034**
Loans and Receivables				
Trade Debtors	0	0	4,666	3,536
Other Debtors	0	0	3,432	1,619
Loans	489	580	149	184
Total Loans and Receivables	**489**	**580**	**8,247**	**5,339**
Total Financial Assets	**489**	**580**	**33,384**	**32,377**
Financial Liabilities at amortised cost				
Borrowings	81,580	82,603	8,563	9,186
Operational Creditors	0	0	2,962	3,120
Provisions	1,327	2,786	1,524	799
Total Financial Liabilities	**82,907**	**85,389**	**13,049**	**13,105**

44 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	
	2017/2018 £'000	2016/2017 £'000	2017/2018 £'000	2016/2017 £'000
Interest expense	3,643	3,727	0	0
Interest Payable and Similar Charges	**3,643**	**3,727**	**0**	**0**
Interest income	0	0	-104	-105
Interest and Investment Income	**0**	**0**	**-104**	**-105**
Net Gain/(Loss) for the year	**3,643**	**3,727**	**-104**	**-105**

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.

45 FINANCIAL INSTRUMENTS – FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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 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	2017/18 £'000 Carrying Amount £'000	 £'000 Fair value £'000	2016/17 £'000 Carrying Amount £'000	 £'000 Fair value £'000
Public Works Loans Board	2	70,163	84,454	71,187	89,198
Non PWLB debt	2	19,981	29,249	20,602	30,912
Total		**90,144**	**113,703**	**91,789**	**120,110**
Liabilities for which fair value is not disclosed:					
Other Long Term Liabilites - Finance Lease		224	0	224	0
Trade Creditors		2,962	0	3,120	0
Total		**3,186**	**0**	**3,344**	**0**
Total Financial Liabilities		**93,330**	**113,703**	**95,133**	**120,110**

Fair values of financial assets:

	2017/18		2016/17	
	£'000	£'000	£'000	£'000
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair value £'000
Financial assets held at amortised cost:				
Long term investments	0	0	0	0
Total	**0**	**0**	**0**	**0**
Assets for which fair value is not disclosed:				
Investments held by Mansfield Crematorium	0	0	0	144
Short term investments	9,906	9,906	10,004	10,007
Cash and Cash Equivalents	15,231	15,231	17,034	4,815
Trade Debtors	4,666	4,666	3,536	3,328
Total	**29,803**	**29,803**	**30,574**	**18,294**
Total Financial Assets	**29,803**	**29,803**	**30,574**	**18,294**

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.

2016/17 £'000		Note	2017/18 £'000
	Income		
-21,377	Dwelling Rent		-21,216
-232	Garages		-184
-35	Shops		-35
-21,644	**Gross Rental Income**		**-21,435**
-334	Charges for Services and Facilities		-356
-77	Contributions towards Expenditure		-76
-655	Other Income		-676
-22,710	**Total Income**		**-22,543**
	Expenditure		
4,996	Supervision and Management		5,593
3,911	Repairs and Maintenance		3,899
0	Revenue Expenditure Funded by Capital		201
	Depreciation of non current assets		
2,393	On dwellings		3,723
410	On other assets		420
	Revaluation of non current assets		
-45,769	On dwellings		-27,069
1,279	On other assets		94
33	Debt Management Expenses		33
-32,747	**Total Expenditure**		**-13,106**
-55,457	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**-35,649**
3,097	(Gain)/Loss on sale of HRA non current assets		15
4,135	Interest Payable and Similar Charges		4,078
-10	HRA Interest and Investment Income		4
102	Provision for Doubtful Debt		90
-2,116	Capital grants and contributions		-6,683
-50,249	**Surplus(-)/Deficit for the year on HRA Services**		**-38,145**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2016/17 £'000		2017/18 £'000
-2,000	HRA Balance brought forward	-2,000
-50,249	Surplus(-)/Deficit on the HRA Income and Expenditure Statement	-38,145
	Adjustments between Accounting Basis and Funding Basis under Regulations: *Adjustments to the Revenue Resources*	
260	Pensions costs (transferred to (or from) the Pensions Reserve)	260
38,919	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):	27,192
	Adjustments between Revenue and Capital Resources	
1,749	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,146
37	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-40
9,284	Posting of HRA resources from revenue to the Major Repairs Reserve	8,587
50,249		38,145
0	Increase(-)/Decrease in year in the HRA	0
-2,000	HRA Balance carried forward	-2,000

H1 HOUSING STOCK

The Council was responsible for managing an average of 5,375 dwellings during 2017/2018 (5,397 2016/2017). The stock was made up as follows:

Total 2016/17 No		Pre 1945 No	1945-1964 No	1965-1974 No	1975-2013 No	Total 2017/18 No
	Traditional/Non Traditional Houses and Bungalows					
1,882	1 - 2 Bedrooms	71	789	497	528	**1,885**
2,030	3+ Bedrooms	397	1,167	277	162	**2,003**
	Flats					
1,415	Low Rise (1-2 storeys)	21	705	409	282	**1,417**
70	Medium Rise (3-5	1	4	37	28	**70**
5,397	Total	490	2,665	1,220	1,000	5,375

H2 HOUSING REVENUE ACCOUNT ASSETS

The total Balance Sheet valuations of land, houses and other property within the HRA are as follows:-

2016/17 £'000		2017/18 £'000
215,399	Dwellings	267,721
4,976	Other Land and Buildings	5,038
1,001	Investment Properties	1,109
2,631	Non Operational Assets	11,905
0	Infrastructure Assets	174
2,610	Vehicle, Plant and Equipment	2,449
226,617	Total	288,396

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.

2016/17 £'000		2017/18 £'000
280,519	Houses	337,115
232,336	OAP Dwellings	300,315
512,855	Total	637,430

The council dwellings valuations have been arrived at using a valuation report prepared by David Bingham of Herbert Button and Partners. The valuation was carried out as at the 31 March 2018. 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

2016/17 £'000		2017/18 £'000
-8,651	Balance Brought Forward 1st April	-9,709
	Transfers to Reserve re Depreciation	
-2,393	Dwellings	-3,723
-410	Non Dwellings	-420
	Transfers to the HRA:	
-6,481	HRA Revenue Contribution	-2,535
0	Additional transfer to Reserve	-1,909
0	Repayment of Debt	11,723
8,226	Amounts used to finance Capital Expenditure	0
-9,709	Balance Carried Forward 31st March	-6,573

H4 CAPITAL EXPENDITURE AND FINANCING

2016/17 £'000		2017/18 £'000
54	Structural Maintenance	125
550	Roofing Works	444
173	Asbestos and Fire Safety	173
1,497	Kitchens and Bathrooms	1,595
108	Garage Forecourts	109
563	External Works	555
642	Electrical Works	483
573	Disabled Facilities Provision	464
594	Heating Systems	628
469	Energy Efficiency Works	152
566	Environmental Works	268
3,793	Affordable Housing	10,249
31	Other works	3
9,613		**15,248**
	Financing	
0	Borrowing	8,055
8,226	Major Repairs Reserve	0
1,125	Government Grants	2,328
49	Contributions	4,437
2	Capital Provision	1
211	Capital Receipts	427
9,613		**15,248**

H5 CAPITAL RECEIPTS

2016/17 £'000		2017/18 £'000
0	Land and Other Property	0
1,787	Sold Council Houses	2,146
-38	Less administration costs on sale of Council Houses	-40
2	Principal Mortgage Repayments	0
1,751		**2,106**
0	Reallocation of Receipts	-378
-448	Less amount paid to Government Pool	-475
1,303		**1,253**

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 charges for depreciation for land, houses and other property within the authority's HRA are as follows:

2016/17 £'000		2017/18 £'000
2,393	Council Houses	3,723
410	Land and Buildings	420
2,803	Total	4,143

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 £0.201m for 2017/18 (£0m in 2016/17).

H8 IMPAIRMENT CHARGES

There were no impairments in the financial year 2017/18.

H9 RENT ARREARS

The total amount of rent arrears as at 31st March 2018 was £587,647 (2016/2017 £567,160). Included in the doubtful debt provision is the amount of £294,281 (2016/2017 £286,220) relating to rent arrears.

H10 CONTRIBUTIONS TOWARDS EXPENDITURE

The income of £75,728 (£76,882 in 2016/2017) 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 a £8.1m management fee paid to Newark and Sherwood Homes Ltd (2016/2017 £7.7m) to manage the housing stock owned by the Council, under arms-length arrangements. This management agreement came into effect on 1st November 2004.

COLLECTION FUND

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.

2016/17 £'000		Domestic Rates £'000	Council Tax £'000	Total £'000
	Income			
-39,836	Income from Business Ratepayers	-40,999	0	-40,999
-67,601	Council Tax	0	-71,213	-71,213
0	Government Grant	0	0	0
-107,437	**Total Income**	**-40,999**	**-71,213**	**-112,212**
	Expenditure			
	Precepts and Demands:			
48,447	Nottinghamshire County Council	0	51,668	51,668
6,754	Nottinghamshire Police Authority	0	7,012	7,012
2,772	Nottinghamshire Fire Authority	0	2,878	2,878
6,162	Newark and Sherwood District Council	0	6,508	6,508
2,577	Parishes	0	2,710	2,710
	Non Domestic Rates:			
19,275	Payable to Government	21,014	0	21,014
15,420	Newark and Sherwood District Council	16,811	0	16,811
3,470	Nottinghamshire County Council	3,782	0	3,782
385	Nottinghamshire Fire Authority	420	0	420
	Share of NDR1 deficit:			
-2,342	Payable to Government	-2,196	0	-2,196
-1,873	Newark and Sherwood District Council	-1,757	0	-1,757
-422	Nottinghamshire County Council	-395	0	-395
-47	Nottinghamshire Fire Authority	-44	0	-44
32	Transitional Payment Protection	-1,360	0	-1,360
164	Costs of Collection	164	0	164
0	Interest Payments on Refunds	0	0	0
296	Provision for Uncollectable Debts	199	299	498
5,733	Provision for Appeals	0	0	0
198	Renewable Energy Retention	713	0	713
107,001	**Total Expenditure**	**37,351**	**71,075**	**108,426**
-436	**Net Surplus(-)/Deficit for year**	**-3,648**	**-138**	**-3,786**
2,231	Fund Balance as at 1st April - Surplus(-)/Deficit	4,404	-2,609	1,795
1,795	**Fund Balance as at 31st March - Surplus(-)/Deficit**	**756**	**-2,747**	**-1,991**

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 £2.7m 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 deficit of £0.756m 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 2017/2018 was 47.9p (2016/2017 49.7p). In 2017/2018 the Small Business Rate Relief reduced the multiplier to 46.6p 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 2018 was £105,309,795 (31st March 2017 £92,949,337).

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 2017/2018 is as follows:

Band	Total Dwellings	Adjusted for Discounts, Disabled Relief and Exemptions	Ratio	Band D Equivalents	2017/2018 Adjusted for Non Collection	*2016/2017 Adjusted for Non Collection*
A	22,852	16,159.80	6/9	10,773.20	10,665.42	*10,491.40*
B	7,897	6,426.39	7/9	4,998.30	4,948.32	*4,877.63*
C	8,558	7,521.75	8/9	6,686.00	6,619.14	*6,557.76*
D	5,714	5,224.20	9/9	5,224.20	5,171.96	*5,126.62*
E	4,039	3,746.95	11/9	4,579.61	4,533.80	*4,503.01*
F	2,569	2,436.44	13/9	3,519.30	3,484.11	*3,438.96*
G	1,405	1,333.98	15/9	2,223.30	2,201.07	*2,179.56*
H	127	103.50	18/9	207.00	204.93	*203.94*
Total	53,161	42,953.01		38,210.91	37,828.75	*37,378.90*

GROUP ACCOUNTS

The authority 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 authority has such relationships is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 based on International Financial Reporting Standards (referred to within these accounts as "the Code"). The Code has been developed to bring authority 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 authority's overall financial position.

The authority 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 authority, using the merger method. NSH manages the housing stock owned by the Council, under an arms-length arrangement. The Housing Revenue Account includes a 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 2017/2018, which have been consolidated here, have been audited by NSH's auditors and have been given an unqualified audit opinion. 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, using the merger method. Active4Today Ltd manages and operates the Council's leisure services including leisure centres and sports development activities. The General Fund includes a management fee paid to Active4Today Ltd. The management agreement came into effect on 1 June 2015.

Acitve4Today Ltd produces a set of accounts with a year end of 31 March. The accounts for 2017/2018 have been produced by Active4Today's external accountant under the Financial Reporting Standard for Smaller Entities. Consolidation adjustments have been made to align these accounts with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/2018. 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 EXPENDITURE AND FUNDING ANALYSIS

RESTATED 2016/17				2017/18		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments 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	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,250	69	1,319	Economic Development	1,068	1,087	2,155
1,747	677	2,424	Homes and Communities	2,487	475	2,962
3,351	1,123	4,474	Leisure and Environment	3,255	1,205	4,460
297	162	459	Leisure - Active4today	-309	228	-81
5,587	1,580	7,167	Policy and Finance	5,659	1,544	7,203
-15,173	-50,249	-65,422	Housing Revenue Account	-21,771	-22,891	-44,662
7,677	556	8,233	Housing - NSH	7,254	710	7,964
4,736	**-46,082**	**-41,346**	**Net Cost of Services**	**-2,357**	**-17,642**	**-19,999**
-3,197	-3,209	-6,406	Other Income and Expenditure	911	-19,125	-18,214
248	195	443	Other Income and Expenditure - NSH	2	281	283
0	0	0	Other Income and Expenditure - A4T	0	75	75
13	0	13	Corporation Tax - NSH	13	0	13
1,800	**-49,096**	**-47,296**	**Surplus(-)/Deficit**	**-1,431**	**-36,411**	**-37,842**
General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000		General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000
-29,043	**-2,000**	**-31,043**	**Opening Balance**	**-27,243**	**-2,000**	**-29,243**
1,800	0	1,800	Surplus(-) or Deficit on Balances in Year	-1,431	0	-1,431
-27,243	**-2,000**	**-29,243**	**Closing Balance at 31 March**	**-28,674**	**-2,000**	**-30,674**
			Closing Balances Split by Reserve:			
-1,746	-2,000	-3,746	Working Reserve	-1,737	-2,000	-3,737
-25,497	0	-25,497	Earmarked Reserve	-26,937	0	-26,937
-27,243	**-2,000**	**-29,243**	**Closing Balance at 31 March**	**-28,674**	**-2,000**	**-30,674**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2016/17 Gross Expenditure £'000	RESTATED 2016/17 Gross Income £'000	RESTATED 2016/17 Net Expenditure £'000		2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000
6,695	-5,376	1,319	Economic Development	7,337	-5,182	2,155
4,264	-1,840	2,424	Homes and Communities	4,979	-2,017	2,962
6,331	-1,857	4,474	Leisure and Environment	6,881	-2,421	4,460
2,917	-2,458	459	Leisure and Environment - Active4today	2,761	-2,842	-81
35,090	-27,923	7,167	Policy and Finance	34,723	-27,520	7,203
2,948	-22,601	-19,653	Housing Revenue Account	4,665	-22,258	-17,593
7,268	965	8,233	Housing Revenue Account - NSH	8,223	-259	7,964
-45,769	0	-45,769	- Revaluation Gain on Council Dwellings	-27,069	0	-27,069
19,744	**-61,090**	**-41,346**	**Cost of Services**	**42,500**	**-62,499**	**-19,999**
11,236	-2,508	8,728	Other Operating Income and Expenditure Note G1	9,141	-6,147	2,994
6,172	-572	5,600	Financing and Investment Income and Expenditure Note G1	5,943	-581	5,362
447	-4	443	Financing and Investment Income and Expenditure Note G1 - NSH	289	-6	283
0	0	0	Financing and Investment Income and Expenditure Note G1 - A4T	75	0	75
11,633	-32,367	-20,734	Taxation and Non Specific Grant Income Note G1	11,141	-37,711	-26,570
49,232	**-96,541**	**-47,309**	**Surplus (-) or Deficit on Provision of Services**	**69,089**	**-106,944**	**-37,855**
13	0	13	Corporation Tax - NSH	13	0	13
49,245	**-96,541**	**-47,296**	**Group Surplus(-)/Deficit**	**69,102**	**-106,944**	**-37,842**
		-5,730	Surplus(-) or Deficit on Revaluation of Non Current Assets			-28,043
		13,531	Remeasurements of the Net Defined Benefit Liability (Asset)			-5,774
		2,365	Remeasurements of the Net Defined Benefit Liability (Asset) - NSH			-1,011
		1,588	Remeasurements of the Net Defined Benefit Liability (Asset) - Active4today			-219
		11,754	**Other Comprehensive Income and Expenditure**			**-35,047**
		-35,542	**Total Comprehensive Income and Expenditure**			**-72,889**

GROUP MOVEMENT IN RESERVES

Movement in reserves during 2017/18

		A4T	NSH	Council						A4T	NSH	Council	
	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Earmarked General Fund Reserves £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Unusable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2017	1,746	199	4,389	20,909	2,000	9,709	5,088	3,847	47,887	-2,805	-10,239	85,340	120,183
Total Comprehensive Income and Expenditure	154	0	0	0	38,145	0	0	0	38,299	219	1,011	33,817	73,346
Adjustment between Group Accounts and Authority accounts	0	-124	-333	0	0	0	0	0	-457	0	0	0	-457
Adjustment between accounting basis & funding basis under regulations	440	303	991	0	-38,145	-3,136	336	3,784	-35,427	-303	-991	36,721	0
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	594	179	658	0	0	-3,136	336	3,784	2,415	-84	20	70,538	72,889
Transfers to/from(-) Earmarked Reserves	-603	0	0	603	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
Increase/Decrease(-) in 2017/18	-9	179	658	603	0	-3,136	336	3,784	2,415	-84	20	70,538	72,889
Balance at 31 March 2018	1,737	378	5,047	21,512	2,000	6,573	5,424	7,631	50,302	-2,889	-10,219	155,878	193,072

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Restated Movement in reserves during 2016/17

	General Fund Balance £'000	A4T Earmarked General Fund Reserves £'000	NSH Earmarked General Fund Reserves £'000	Council Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	A4T Unusable Reserves £'000	NSH Unusable Reserves £'000	Council Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2016	2,940	359	3,510	22,234	2,000	8,651	3,958	2,757	46,409	-1,055	-7,123	46,410	84,641
Total Comprehensive Income and Expenditure	-2,759	0	0	0	50,249	0	0	0	**47,490**	-1,588	-2,365	-7,801	**35,736**
Adjustment between Group Accounts and Authority accounts	0	-322	128	0	0	0	0	0	**-194**	0	0	0	**-194**
Adjustment between accounting basis & funding basis under regulations	240	0	0	0	-50,249	1,058	1,130	1,090	**-46,731**	0	0	46,731	**0**
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	**-2,519**	**-322**	**128**	**0**	**0**	**1,058**	**1,130**	**1,090**	**565**	**-1,588**	**-2,365**	**38,930**	**35,542**
Transfers to/from(-) Earmarked Reserves	1,325	0	0	-1,325	0	0	0	0	**0**	0	0	**0**	**0**
Transfer to Unusable Reserves	0	162	751	0	0	0	0	0	**913**	-162	-751	**0**	**0**
Increase/Decrease(-) in 2016/17	**-1,194**	**-160**	**879**	**-1,325**	**0**	**1,058**	**1,130**	**1,090**	**1,478**	**-1,750**	**-3,116**	**38,930**	**35,542**
Balance at 31 March 2017	**1,746**	**199**	**4,389**	**20,909**	**2,000**	**9,709**	**5,088**	**3,847**	**47,887**	**-2,805**	**-10,239**	**85,340**	**120,183**

GROUP BALANCE SHEET

RESTATED 31 March 2016 £'000	RESTATED 31 March 2017 £'000		2017/18 NSDC £'000	NSH £'000	Active4 today £'000	Inter Comp Adj £'000	31 March 2018 £'000
225,556	281,612	Property, Plant & Equipment	344,971	2,665	0	0	347,636
1,579	1,844	Heritage Assets	1,954	0	0	0	1,954
2,340	1,994	Investment Properties	2,137	0	0	0	2,137
362	380	Intangible Assets	318	0	0	0	318
0	0	Long Term Investments	0	0	0	0	0
527	580	Long Term Debtors	492	0	0	0	492
230,364	**286,410**	**TOTAL LONG TERM ASSETS**	**349,872**	**2,665**	**0**	**0**	**352,537**
10,151	10,004	Short Term Investments	9,906	0	0	0	9,906
364	317	Inventories	103	223	3	0	329
9,484	7,012	Short Term Debtors	12,190	683	696	-1,316	12,253
0	0	Assets Held For Sale	0	0	0	0	0
4,679	17,056	Cash and Cash Equivalents	15,230	2,524	77	-2,486	15,345
24,678	**34,389**	**TOTAL CURRENT ASSETS**	**37,429**	**3,430**	**776**	**-3,802**	**37,833**
-11,423	-5,410	Short Term Borrowings	-8,563	0	0	3,152	-5,411
-8,970	-12,084	Short Term Creditors	-11,993	-1,000	-398	650	-12,741
0	-799	Provisions Short Term	-1,524	0	0	0	-1,524
-1,294	-518	Grants Receipts in Advance	-812	0	0	0	-812
-21,687	**-18,811**	**TOTAL CURRENT LIABILITIES**	**-22,892**	**-1,000**	**-398**	**3,802**	**-20,488**
-4,134	-4,803	Long Term Creditors	-5,235	-48	0	0	-5,283
-1,396	-2,786	Provisions Long Term	-1,327	0	0	0	-1,327
-224	-224	Long Term Finance Lease	-224	0	0	0	-224
-77,623	-82,603	Long Term Borrowing	-81,580	0	0	0	-81,580
-64,937	-85,112	Pensions Liability	-68,974	-10,219	-2,889	0	-82,082
-400	-6,277	Grants Receipts in Advance	-6,314	0	0	0	-6,314
-148,714	**-181,805**	**TOTAL LONG TERM LIABILITIES**	**-163,654**	**-10,267**	**-2,889**	**0**	**-176,810**
84,641	**120,183**	**TOTAL NET ASSETS**	**200,755**	**-5,172**	**-2,511**	**0**	**193,072**
45,261	47,887	Usable Reserves	44,877	5,047	378	0	50,302
39,380	72,296	Unusable Reserves	155,878	-10,219	-2,889	0	142,770
84,641	**120,183**	**TOTAL RESERVES**	**200,755**	**-5,172**	**-2,511**	**0**	**193,072**

GROUP CASH FLOW STATEMENT

RESTATED 2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	Inter Comp Adj £'000	31 March 2018 £'000
47,309	**Net Surplus/Deficit(-) on the Provision of Services**	38,299	-333	-124	0	37,842
-23,281	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	-21,044	951	191	-25	-19,927
-10,496	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	-15,360	0	0	0	-15,360
13,532	**Net Cash Flows from Operating Activities**	1,895	618	67	-25	2,555
-457	Investing Activities	-6,101	-1,191	0	0	-7,292
-698	Financing Activities	2,402	0	0	624	3,026
12,377	**Net Increase or Decrease(-) in Cash and Cash Equivalents**	-1,804	-573	67	599	-1,711
4,679	Cash and Cash Equivalents at the Beginning of the Reporting Period	17,034	3,097	10	-3,085	17,056
17,056	**Cash and Cash Equivalents at the End of the Reporting Period**	15,230	2,524	77	-2,486	15,345

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 25 and Balance Sheet on page 27 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	2017/2018 Group £'000
Economic Development	2,154	0	0	1	2,155
Homes and Communities	2,474	0	0	488	2,962
Leisure and Environment	4,444	0	0	16	4,460
Leisure and Environment - Active4today	0	0	49	-130	-81
Policy and Finance	6,490	0	0	713	7,203
Housing Revenue Account	-8,580	0	0	-9,013	-17,593
Housing Revenue Account - NSH	0	37	0	7,927	7,964
- Revaluation Gain on Council Dwellings	-27,069	0	0	0	-27,069
Cost of Services	**-20,087**	**37**	**49**	**2**	**-19,999**
Other Operating Income and Expenditure	2,994	0	0	0	2,994
Financing and Investment Income and Expenditure	5,364	0	0	-2	5,362
Financing and Investment Income and Expenditure - NSH:					
Interest payable and similar charges	0	281	0	0	281
Net interest on the net defined benefit liability (asset)	0	8	0	0	8
Interest receivable and similar income	0	-6	0	0	-6
Interest payable and similar charges - A4T	0	0	75	0	75
Taxation and Non Specific Grant Income	-26,570	0	0	0	-26,570
Corporation Tax - NSH	0	13	0	0	13
Group Surplus(-)/Deficit	**-38,299**	**333**	**124**	**0**	**-37,842**

G2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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
Leisure - Active4today	0	228	0	228
Policy and Finance	1,270	274	0	1,544
Housing Revenue Account	-22,631	-260	0	-22,891
Housing - NSH	0	710	0	710
Net Cost of Services	**-19,329**	**1,687**	**0**	**-17,642**
Other income and expenditure from the Expenditure and Funding Analysis	-19,159	1,936	-1,902	-19,125
Other Income and Expenditure	0	356	0	356
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-38,488**	**3,979**	**-1,902**	**-36,411**

Adjustments between Funding and Accounting Basis 2016/17

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	65	39	-35	69
Homes and Communities	659	27	-9	677
Leisure and Environment	1,070	209	6	1,285
Policy and Finance	1,474	93	13	1,580
Housing Revenue Account	-49,989	296	0	-49,693
Net Cost of Services	**-46,721**	**664**	**-25**	**-46,082**
Other income and expenditure from the Expenditure and Funding Analysis	-5,052	2,027	11	-3,014
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-51,773**	**2,691**	**-14**	**-49,096**

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 – adjusts 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.

G3 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income 2017/18	Economic Development £'000	Homes and Communities £'000	Leisure and Environment £'000	Policy and Finance £'000	Housing Revenue Account £'000	Corporate Amounts £'000	Total £'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
Total Income	-5,182	-2,017	-5,262	-27,520	-22,524	-44,439	-106,944
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
Support Service Recharges	0	0	0	0	0	145	145
Depreciation, Amortisation and Impairment	842	234	904	1,271	-22,832	-84	-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
Total Operating Expenses	7,337	4,979	9,641	34,723	-14,174	26,596	69,102
Surplus(-)/Deficit on Provision of Services	2,155	2,962	4,379	7,203	-36,698	-17,843	-37,842

NSDC	-46,097
NSH	8,260
A4Today	-5
	-37,842

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Expenditure/Income 2016/17	Economic Development £'000	Homes and Communities £'000	Leisure and Environment £'000	Policy and Finance £'000	Housing Revenue Account £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and Other Service Income	-5,280	-1,607	-5,083	-2,642	-32,039	0	**-46,651**
Income on Joint Associates	0	0	0	0	0	-219	**-219**
Interest and Investment Income	0	0	0	0	0	-560	**-560**
Income from Council Tax	0	0	0	0	0	-8,824	**-8,824**
Income from Non Domestic Rates	0	0	0	0	0	-15,072	**-15,072**
Government Grants and Contributions	-99	-605	-90	-26,233	0	-8,472	**-35,499**
Disposal of Assets	0	0	0	0	0	-2,304	**-2,304**
Adjustment for Group Transactions	3	372	858	952	10,403	0	**12,588**
Total Income	**-5,376**	**-1,840**	**-4,315**	**-27,923**	**-21,636**	**-35,451**	**-96,541**
Employee Expenses	2,776	2,000	3,187	4,320	0	0	**12,283**
Other Service Expenses	3,816	2,293	5,820	30,730	17,650	810	**61,119**
Expenditure on Joint Associates	0	0	0	0	0	121	**121**
Developers Contribution Payment	0	0	0	0	0	928	**928**
Depreciation, Amortisation and Impairment	103	123	1,059	105	-41,686	0	**-40,296**
Interest Payments	0	0	0	0	33	6,622	**6,655**
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	10,706	**10,706**
Precepts and Levies	0	0	0	0	0	3,144	**3,144**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	448	**448**
Disposal of Assets	0	0	0	0	0	6,712	**6,712**
Corporation Tax	0	0	0	0	0	13	**13**
Adjustment for Group Transactions	0	-152	-818	-65	-11,550	-3	**-12,588**
Total Operating Expenses	**6,695**	**4,264**	**9,248**	**35,090**	**-35,553**	**29,501**	**49,245**
Surplus(-)/Deficit on Provision of Services	**1,319**	**2,424**	**4,933**	**7,167**	**-57,189**	**-5,950**	**-47,296**

NSDC	-56,444
NSH	8,689
A4Today	459
	-47,296

G4 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 £2,482k.

G5 INTANGIBLE ASSETS

During 2017/2018 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.

G6 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 2018.

G7 INVENTORIES

The stocks held by the Group valued using the First in First out method of valuation can be analysed as follows:-

2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	Group Total £'000
47	Heritage and Visitor Centres	45	0	0	45
1	Administrative Stores	7	0	0	7
53	Transport Stores	51	0	0	51
60	Stock (Van and Leisure Centre)	0	57	3	60
156	Raw Materials and Consumables	0	166	0	166
317	**Total**	**103**	**223**	**3**	**329**

G8 SHORT TERM DEBTORS

The amounts due to the Group were:-

2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	Group Total £'000
	Amounts falling due within one year:-				
2,226	Central Government Bodies	2,536	0	0	2,536
391	Other Local Authorities	4,643	0	0	4,643
0	Inter Company Transactions	-142	-506	-668	-1,316
6,084	Other Entities and Individuals	5,769	748	696	7,213
8,701		12,806	242	28	13,076
-1,689	Less Provision for Doubtful Debt	-758	-65	0	-823
7,012		12,048	177	28	12,253

G9 SHORT TERM CREDITORS

The amounts owed by the Group were:-

2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	Group Total £'000
	Amounts falling due within one year:-				
442	Central Government Bodies	3,628	0	0	3,628
3,786	Other Local Authorities	3,561	0	0	3,561
0	Inter Company Transactions	-508	-78	-64	-650
7,856	Other Entities and Individuals	4,804	1,000	398	6,202
12,084		11,485	922	334	12,741

G10 CASH AND CASH EQUIVALENTS

2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	2017/18 £'000
21	Cash held by the Council	4	0	0	4
0	Cash in transit	-29	0	0	-29
-833	Bank current accounts	677	2,524	77	3,278
17,868	Short-term deposits with Money Market Funds	14,578	0	0	14,578
0	Inter Company Adjustments	0	-2,486	0	-2,486
17,056	Current Assets	15,230	38	77	15,345
0	Cash in transit	0	0	0	0
0	Bank current accounts (overdraft)	0	0	0	0
0	Current Liabilities	0	0	0	0
17,056	Total Cash and Cash Equivalents	15,230	38	77	15,345

G11 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 £991k, and a net balance on the pension reserve of £10,219k compared to a retained profit before FRS 102 changes of £1,011k. 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 £1,408k for Active4Today Ltd has been consolidated into the group accounts.

2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	2017/18 £'000
-64,937	Deficit at 1 April	-72,068	-10,239	-2,805	-85,112
	Cost of Service				
-3,332	Current Service Cost	-3,461	-1,120	-433	-5,014
	Financing and Investment Income and Expenditure				
-2,301	Net Interest Expense	-1,906	-281	-75	-2,262
-30	Admin Expense	-30	-8	-1	-39
-17,484	Remeasurement of net defined benefit liability	5,774	1,011	219	7,004
2,972	Employer Contributions	2,713	418	206	3,337
-85,112	Deficit at 31 March	-68,978	-10,219	-2,889	-82,086

G12 RECONCILIATION OF (SURPLUS)/DEFICIT ON PROVISION OF SERVICES TO OPERATING ACTIVITIES NET CASH FLOW

2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	2017/18 £'000
47,309	Net Surplus or Deficit(-) on the Provision of Services	38,299	-333	-124	37,842
	Adjust net surplus or deficit on the provision of services for non-cash movements				
4,284	Depreciation of Property, Plant and Equipment	5,713	12	0	5,725
-44,536	Impairment and downward valuations	-25,389	0	0	-25,389
80	Amortisation of Intangible Assets	82	0	0	82
-14	Increase/Decrease(-) in interest Creditors	0	0	0	0
2,010	Increase/Decrease(-) in Creditors	-6,616	-865	-132	-7,613
46	Increase(-)/Decrease in interest Debtors	10	0	0	10
3,437	Increase(-)/Decrease in Debtors	-2,822	824	-6	-2,004
48	Increase(-)/Decrease in Inventories	-2	-11	1	-12
2,426	Pension Liability	2,684	991	303	3,978
6,749	Carrying amount of non-current assets, sold or derecognised	6,113	0	0	6,113
2,189	Other non-cash items charged to the net surplus or deficit on the provision of services	-817	0	0	-817
-23,281	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	-21,044	951	166	-19,927
-8,151	Capital Grants credited to surplus or deficit on the Provision of Services	-9,062	0	0	-9,062
-2,345	Proceeds from the sale of non-current assets	-6,298	0	0	-6,298
-10,496		-15,360	0	0	-15,360
13,532	Net Cash Flows from Operating Activities	1,895	618	42	2,555

2016/17 £'000		NSDC £'000	NSH £'000	Active4 today £'000	2017/18 £'000
-15,887	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	-21,686	-1,191	0	-22,877
-5,000	Purchase of short-term and long-term Investments	0	0	0	0
-55	Other payments for investing activities	86	0	0	86
2,347	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible	6,299	0	0	6,299
5,144	Proceeds from short-term and long-term Investme	100	0	0	100
12,994	Other receipts from investing activities	9,100	0	0	9,100
-457	Net cash flows from investing activities	-6,101	-1,191	0	-7,292

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 that 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 an 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 Bassetlaw 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 Department of Communities and Local Government (DCLG) that is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year, and is announced as part of the Comprehensive Spending Review. It now forms part of the formula grant.

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.

Auditor’s report to be inserted by Audit

Auditor’s report to be inserted by Audit

Auditor’s report to be inserted by Audit

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 and Active4Today 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 and processes, and culture and values by which the authority is directed and controlled and its activities through which it 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 2018. Since May 2013 the Council has operated governance arrangements through the use of a Committee system. The Financial Regulations within the Council's Constitution were due for review throughout this financial year and were duly updated; being approved at Council on 13th February 2018.

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 are: 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 2017/18 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 2017/18 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.

At the end of February 2018, the Council's Chief Executive left the authority and the Deputy Chief Executive was appointed interim Chief Executive, pending the appointment of a new Chief Executive. Since the interim Chief Executive could not also be the Council's Monitoring Officer, the Director – Safety, who is legally qualified, was appointed to the role of Monitoring Officer for this interim period. 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 was recruited to and the appointment was made, commencing 7th August 2017. Up to this point the Business Manager – Financial

Services was acting in an interim capacity as the Council's s151 Officer. The Director of Resources post 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 2017/18 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 Corporate Management 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 Corporate Management 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 2017/18 financial year, her opinion is that the Council is performing well across the areas of Governance, Risk, Internal Control and Financial Control. Some improvements were identified in the arrangements for the Governance and Internal Control areas. Five reports gave limited assurance (one during 2016/17) relating to:

- ICT starters, leavers and movers

- Estates Management
- Business Continuity
- PCI DSS Compliance
- Performance Management (Strategic Alignment aspect)

Recommendations are being implemented to address the issues raised.

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. This is being addressed by reminding budget managers of the process for the approval of orders and by including this in the financial training for business managers and budget holders that will take place in July 2018.

External audit review reports are produced by internal audit to inform their risk assessment. 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**
Organisational Change 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.	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. The MTFP will be updated and presented to full Council for approval in June 2018. Following approval of the Commercialisation Strategy and Investment Plan, a Commercials Group has been established 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	Sanjiv Kohli Deputy Chief Executive, s151 Officer

	business cases are being prepared.	
Community and Activity Village The Council has determined that the YMCA is the preferred partner to deliver the Community and Activity Village. The project currently has a funding gap.	Officers are working with all stakeholders to ensure a funding package is in place and that the Sports Hub is delivered and meets the needs of the community.	Kirsty Cole Deputy Chief Executive
Development Company The Council has approved the formation of a wholly owned development company. The Company's primary objective is to develop Market Housing for sale or rent. The Company may also bring forward commercial build.	A number of presentations were made during 2017 and early 2018 to cross-party elected members by the Deputy Chief Executive/ Director of Resources and the Chief Executive. A business case which supported the establishment of the Company was supported by Policy and Finance Committee and was unanimously approved by full Council. The Company has been formed and robust governance arrangements are in place. Progress will be monitored by the Shareholders' Committee which has delegated powers granted by full Council and by the Policy and Finance Committee.	Karen White Director-Safety
Estate Regeneration Programme 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	An approved project timetable is now being delivered and the Council has commissioned Campbell Tickell to project manage this activity. Senior Member and CMT briefings have been held with approval to progress the project to deliver the objective of submitting outline planning application by the end of 2018.	Karen White Director – Safety
Business Continuity Arrangements. The Council's Business Continuity Plan has been fully revised and was subsequently approved by Corporate Management Team on the 6th March 2018. The plan was subjected to	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 the plan are aware and fully trained.	Karen White Director - Safety

live testing during the bad weather during winter 2018. The Plan has also been shared with partners within Castle House.		
Counter-fraud arrangements 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. The Council's Counter Fraud strategy has been amended and approved by Council during 2017/18.	Consideration is being given to what proactive counter-fraud work could be carried out.	Sanjiv Kohli, Deputy Chief Executive, s151 Officer
Compliance with Financial Regulations re. authorisation of goods, works and services. A review by the deputy s151 Officer found that 40% of all orders raised during 2017/18 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. Training sessions will take place in May/June 2018	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

Kirsty Cole
Interim Chief Executive
25th July 2018

David Lloyd
Leader of the Council
25th July 2018

AUDIT AND ACCOUNTS COMMITTEE
25th JULY 2018

INTERNAL AUDIT PROGRESS REPORT

1.0 Purpose of Report

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 30 June 2018.

2.0 Introduction

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2018/19 against the agreed audit plan.

3.0 RECOMMENDATION

That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Internal Audit

Progress Report

Image Courtesy of the Official UK Puzzle Club

Newark and Sherwood District Council – June 2018

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NEWARK & SHERWOOD DISTRICT COUNCIL

Contents

Lucy Pledge - Audit and Risk Manager (Head of Internal Audit)
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John Sketchley – Audit Team Leader
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Introduction

The purpose of this report is to:

Provide details of the audit work during the period April 2018 to June 2018
Advise on progress with the 2018/19 plan
Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed 4 audits:

- 3 to final assurance reports
- 1 other reports - Consultancy

Assurances

The following audit work has been completed and a final report issued:

- Procurement – Substantial
- Health and Safety - Substantial
- Business Continuity - Limited

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

0
HIGH ASSURANCE

2
SUBSTANTIAL ASSURANCE

1
LIMITED ASSURANCE

0
LOW ASSURANCE

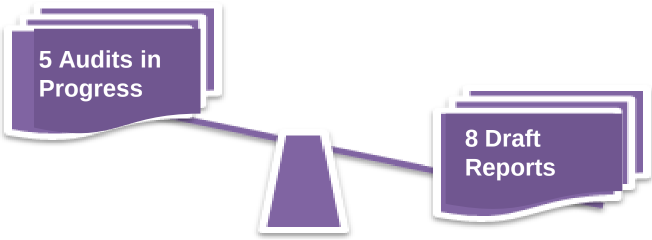
Substantial Assurance

Procurement	Following up on last year's findings found that procurement procedures had been followed in the main. There were a couple of documents missing from the system and once questioned with the contract manager the documents were produced. It would be good practise to have all related documentation held on the ProContract Due North system. While it was noted that the procurement of consultants for large contracts had followed the Contract Procedure Rules, we were unable to confirm the same for contracts agreed that had been exempt. The exemption process requires strengthening to ensure that the Council remains compliant and transparent in its procurement activity. It was noted that the current Contract Procedure Rules that form part of the Constitution had not been updated with the new January 2018 EU Thresholds. We did evidence emails sent to all managers informing them of the new EU Thresholds limits. On reviewing the Contract Procedure Rules, we identified that Internal Audit form part of the procedures for exemptions. Now that the Internal Audit function is provided by an external company, the Council should revise its policy to remove Internal Audit from the procedures.
Health and Safety	We have provided substantial assurance on the arrangements as most aspects are managed well. However, it is borderline limited as we identified several areas where significant improvements are necessary to strengthen safe working environments. CMT have an active role in Health and Safety through the review of policies, inclusion of health and safety matters within their staff briefings and considering concerns referred to them by the Performance team from their work on the assurance framework. This could be improved by ensuring conformance with the 6 monthly review meetings between the Directors and the Business Managers and also ensuring a designated Committee reviews and approves the Health and Safety Policy before adoption by the full Council. There is a qualified competent person with the knowledge and expertise in place who provides support and advise. There is also an established Risk Management Group in place and dialogue with the partners sharing the office space. We felt that this could be improved by reviewing the resources allocated for the corporate health and safety function ensuring it is adequate to support the in-house arrangement and fulfil it's Service Level Agreements.

Substantial Assurance

Health and Safety (Continued)	An Inspection regime is in place and a review of the fire safety arrangements was undertaken following the Grenfell Tower incident. This could be improved to ensure that all Council's operational office buildings' fire call points are regularly tested and a clear record of the tests kept . The risk assessments could be improved to ensure that they are regularly reviewed to identify new risks and ensure implementation of appropriate control measures to reduce the risk. There are some improvements required for all staff including completing the DSE assessments and the provision and attendance at training sessions.

Limited Assurance	
Business Continuity	Overall we found that most of the actions included in the Business Continuity review from 2016/17 are being progressed and therefore the RAG rating has improved. The original audit report gave RAG ratings to each area reviewed and these are shown in the table 1 below. There has been some decline in risk 4 due to the current vacancy within the Team and as the revised plan is still in draft managers have not yet been engaged in implementing it. The majority of the Amber rated actions should move to Green once the Business Continuity Plan (BCP) is approved and adopted. Because it has not been approved, at the time of writing, we are unable to give more than Limited Assurance. The ICT Business Continuity Planning (BCP) was not part of the scope of the original audit and as such was not followed up here. ICT BCP will be the subject of a separate audit review.



Audits reports at draft

We have 8 audit's at draft report stage:

- Corporate Governance
- Risk Management
- Contract Management
- Active4Today Creditors
- Corporate Policy
- Key Controls
- ICT – Meritec System
- S106 Agreements

These will be reported to the committee in detail once finalised.

Work in Progress

We also have 5 audits in progress :

- Council Offices Gateway review
- CCTV
- Economic Development
- ICT Cyber Security
- HRA Self Financing Business Plan

Details of these can be seen in the 2018/19 plan at appendix 4.

Audits planned for quarter 2 include:

- Emergency Planning
- Environmental Protection
- NSDC Companies
- Creditors
- Development Company
- Brexit
- IR35
- Follow-ups
- Gilstrap

Other Work Completed

We have completed the review of the Mansfield Crematorium Accounts. There was one significant issue which was resolved and the accounts amended.

Other Matters of Interest

Items of legislation, guidance etc which are relevant to the Role of the Audit Committee.

Lincolnshire Audit Committee Forum

The Lincolnshire Audit Committee Forum is a networking group which enables the sharing of good practice, emerging governance and risk issues and hot topics for public sector audit committees. It is designed to help and support the effectiveness of audit committees.

This is good opportunity to meet up with members of audit committees countywide and we plan to host an all-day forum event on 16th October 2018. This forum day is open to all members of public sector Audit Committees.

CIPFA Publication – Audit Committees – A Practical Guide for Local Authorities and Police (2018 Edition)

This publication sets out CIPFA's guidance on the function and operation of audit committees and represents good practice for audit committees in local authorities throughout the UK.

It emphasises the importance of audit committees and recognises the key part they play in governance. The publication covers:

- Core functions
- Possible wider functions
- Independence and accountability
- Membership and effectiveness
- Suggested terms of reference
- Audit committee members – knowledge and skills framework

Assurance Definitions

High	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.
Substantial	Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.
Limited	Our critical review or assessment on the activity gives us a The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.
Low	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Business Continuity

Limited Assurance

Risk	Rating (R-A-G)	Actions / Direction of travel
Risk 1: Management arrangements for Business Continuity Management (BCM) are not effective	Amber	↑
Risk 2: Staff don't have the necessary skills/experience for BCM	Amber	↔
Risk 3: BCM is not effective in meeting the needs of the Council	Amber	↑
Risk 4: There is ineffective engagement in respect of BCM and the BCP	Amber	↓

Background and Context

Business Continuity Management (BCM) is a process that identifies potential threats to an organisation and the impacts to operations those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability of an effective response that safeguards the interests of its key stakeholders.

A piece of consultancy work was completed in March 2017 which raised some concerns over the Business Continuity arrangements in place. An Action plan was drawn up and Committee were asked to authorise the addition of another audit to carry out an assurance review following up the Action Plan and ensure that sufficient progress has been made and the arrangements going forward look sound.

Scope

To review the Action Plan as produced during the consultancy assignment, review what progress has been made and plans going forward.

Executive Summary

Overall we found that most of the actions included in the Business Continuity review from 2016/17 are being progressed and therefore the RAG rating has improved. The original audit report gave RAG ratings to each area reviewed and these are shown in the table 1 below. There has been some decline in risk 4 due to the current vacancy within the Team and as the revised plan is still in draft managers have not yet been engaged in implementing it. The majority of the Amber rated actions should move to Green once the Business Continuity Plan (BCP) is approved and adopted. Because it has not been approved, at the time of writing, we are unable to give more than Limited Assurance.

The ICT Business Continuity Planning (BCP) was not part of the scope of the original audit and as such was not followed up here. ICT BCP will be the subject of a separate audit review.

Executive Summary

The original report also highlight six key areas for improvement. These are shown in italics below followed by a brief commentary on the current situation for each:-

- *Introduction of a BCM Policy*
  A Draft BCP has been written and is awaiting approval and adoption by the Corporate Management Team (CMT).

- *Formation of BCM working group*
  The draft BCP proposes that this role is performed by the Emergency Management Team.

- *Completing a Business Impact Assessment (BIA)*
  The draft BCP proposes that BIAs will be started when the plan is approved.

- *Review and updating of BCP*
  Reviewing and keeping the BCP up to date and relevant will be recommended to CMT along with the draft BCP.

- *Embedding BCM into 'business as usual' and relevant agendas*
  It is proposed that BCP will become part of all staff appraisals in future.

- *Raising staff awareness through CMT blogs, training and testing of BCP*
  Awareness training will commence when the plan is approved.

Management Response

I have been encouraged that the direction of travel with regards to Business Continuity is generally an improving one, especially if you consider that since the original audit in March 2017 we have had to go through two recruitment exercises into the key post of Emergency Planning Officer. This disruption has been managed by the organisation during a period of significant change as we have relocated in to Castle House from Kelham Hall. The next key action is to present the Business Continuity Plan to CMT for approval so that the tasks which feed off that approval and require such a plan can then be actioned. I am confident that introducing business continuity onto the CMT agenda as an item for periodic discussion will be achieved as it clearly complements other key corporate activity around risk management and resilience.

Ben Adams
Business Manager – Community Safety

Appendix 3 Details of Overdue Actions

Audit Area	Date	Assurance	No.of Agreed Recs	Implemented /Closed	Overdue H	Overdue M	Revised Implementation Date	Not Due
Community								
Car Parks	Feb-18	Substantial	8	6	0	2		0
Customers								
Partnerships - Active4Today	Apr-17	Substantial	5	1	0	4		0
ICT								
Operations - Starters, Leavers and Movers	Feb-18	Limited	10	9	0	0	Extended to 30/04/18 Extended to 30/09/18	1
ICT - Database	Aug-17	Substantial	6	3	0	0	31/07/17 revised to 31/12/17, high risk revised to 30/11/17. 5 Medium extd to 30/09/18	3
ICT _Applications CIVICA	Jun'17	Substantial	8	5	0	0	1 revised to 31/03/18 again to 30/06/18. 2 revised to 30/06/18 and 1 again to 30/09/18. 1 revised to 31/07/18.	3
Resources								
Housing and Council Tax Benefits	Oct-17	High	2	0	0	2		0
Contract Management	Jun’15	Some Imp. Needed	11	10	0	1	1 x 30/11/15 revised to 31/03/16 revised to 31/12/16 & 1 x 31/08/15 revised to 29/02/16 revised to 31/12/16, 1 revised again to 31/12/17	0
Income/Banking	Feb-18	Substantial	6	4	0	0		2
Key Controls	Sep-17	Substantial	5	3	0	0	Extended to 30/09/18	2
Estates Management	Dec-17	Limited / Substantial	7	5	1	1		0
Safety								
Performance Management	Feb-18	Limited / Substantial	13	7	0	0	Extended to 30/08/18	6
Total			**81**	**53**	**1**	**10**		**17**

Appendix 4 2018/19 Audit Plan to date

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	Apr-18	Apr-18	May-18	Completed
HRA Self Financing Business Plan	There is a business plan in place which is up-to-date, based on sound assumptions and reported.	May-18	May-18		Fieldwork
S106 Funding	There are effective processes in place for the receipt and spending of S106 monies.	May-18	May-18		Draft Report
Emergency Planning	Arrangements are in place which enable the Council to effectively manage an emergency planning situation.	Jun-18			Awaiting completion of other audit before starting.
Economic Development	The Council has an economic development strategy in place which sets out it's objectives and actions. The projects/schemes/processes used to achieve the objectives are robust and authorised.	Jun-18	Jun-18		Fieldwork
Cyber Security	The Council has arrangements in place to safeguard it from a cyber security attack. If it does suffer an attack there are effective processes to contain it and reduce it's affect on the Council's business.	Jun-18	Jun-18		Terms of Reference
Newark Cattlemarket	Completion of the rent calculation for 2016/17	Jun-18			Contacted KW
Creditors	There are effective processes and procedures in place which ensure that payments are made to the correct suppliers in a timely manner and in accordance with the Council's Financial Procedure Rules.	Jul-18			
Development Company	There is an action plan in place for the establishment of the Company and governance arrangements which follow best practice. The establishment of the Company is authorised.	Jul-18			Meeting arranged
Assurance	The responsibilities of the assurance function are clearly defined and embedded enabling the provision of accurate and up-to-date reporting of compliance and monitoring of corrective measures.	Aug-18			
Brexit Preparation and understanding the risks and opportunities	The Council is aware of the potential implications of Brexit and keeps abreast of these as the process progresses. These implications are identified within any strategic planning for the Council and it's wholly owned companies.	Aug-18			
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Aug-18			
NSDC Companies	Review of the Governance and processes in place for the Council's wholly owned companies.	Sep-18			
Review of IR35	There are processes in place which ensure that the Council identifies all those affected by IR35 and payments are made in the correct manner.	Sep-18			
Environmental Protection	Licenses are issued where statutorily required with income being collected and accounted for. Inspections are carried out and documented in accordance with legislation.	Sep-18			
IT Infrastructure	Review of various aspects of the Council's IT infrastructure which may include security of IT assets; network security; physical security; firewall security; remote access portals / virtual private networks; operating system reviews; web security; internet and email security; anti-virus and malware; penetration testing;public services network; and incident management.	Oct-18			

Appendix 4 2018/19 Audit Plan to date - continued

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Payroll	The processes and procedures in place ensure that only authorised payments are made to staff and members in a timely manner.	Oct-18			
Commercialisation	There is a clear strategy and action plan in place covering the Council's commercial aspirations and this conforms with the relevant legislation.	Oct-18			
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	Nov-18			
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Nov-18			
Street Cleansing	An efficient and effective service is in place which ensures that streets are maintained at the level of cleanliness expected.	Dec-18			
Counter Fraud	Strategies and policies are in place for the prevention and detection of fraud.	Dec-18			
Domestic Refuse	The service provided is efficient and effective with any income due to the Council being collected and accounted for. Action is taken to resolve customer complaints which are monitored and used to improve performance.	Jan-19			
Strategic Asset Management	There is an up-to-date Strategic Asset Management plan in place and reported. All Council assets are recorded and maintained by the Council or in accordance with any agreement.	Jan-19			
Project/Programme Management	There are effective arrangements in place which ensure that all projects are recorded, allocated responsible officers/teams and overseen allowing an overarching view of capacity and identifying any benefits or efficiencies.	Jan-19			
Workforce changes and succession planning within the Council including changes within the management team	The Council has a workforce plan in place which meets the changing needs of the Council and the demographic and skills of staff. There is also a plan in place for succession planning of key staff identifying positions which hold the greatest risk if vacant i.e. specialist knowledge, statutory responsibility, lone workers etc.	Jan-19			
Business Continuity	Follow-up review to assess the progress being made on the implementation of the recommendations made and ownership has been assigned.	Feb-19			
IT Governance	The Governance arrangements of the IT service ensure that there are processes in place and roles and responsibilities are clearly identified.	Feb-19			
Running of elections and Referendums	There are arrangements and policies in place which ensure that the Council effectively manages the election and referendum processes and payments in accordance with the electoral commission guidelines.	N/A	N/A	N/A	Cancelled
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Mar-19			

AUDIT & ACCOUNTS COMMITTEE
25 JULY 2018

ANNUAL INTERNAL AUDIT REPORT

REPORT PRESENTED BY: HEAD OF AUDIT AND RISK MANAGEMENT – ASSURANCE LINCOLNSHIRE

1.0 Purpose of Report

1.1 To receive and comment upon the Annual Internal Audit Report 2017/18.

2.0 Introduction

2.1 The purpose of the annual internal audit report (**Annex A**) is to provide a summary of Internal Audit work undertaken during 2017/2018 to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.

2.2 The Annual Internal Audit Report:-

- Includes an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and internal control environment.
- Discloses any qualifications to that opinion, together with the reasons for the qualification.
- Summarises audit work undertaken, including reliance placed on the work of other assurance bodies where applicable.
- Draws attention to any issues that are particularly relevant to the Annual Governance Statement.
- Summarises the performance of the internal audit function against its key performance measures.
- Comments on compliance with standards.

2.3 Whilst we cannot provide absolute assurance on the governance, risk and internal control environment we can provide reasonable assurance that it is working as intended.

2.4 The opinion should be considered as part of the process to prepare the Annual Governance Statement by the Audit and Accounts Committee and relevant Council officers.

3.0 RECOMMENDATION

That the Audit & Accounts Committee consider and comment upon the annual internal audit report.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Newark & Sherwood District Council

Internal Audit Annual Report – 2017/18

What we do best…

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

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This report has been prepared solely for the use of Members and Management of Newark and Sherwood District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not bought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Distribution List
Chief Executive
Directors
External Audit

Management Summary

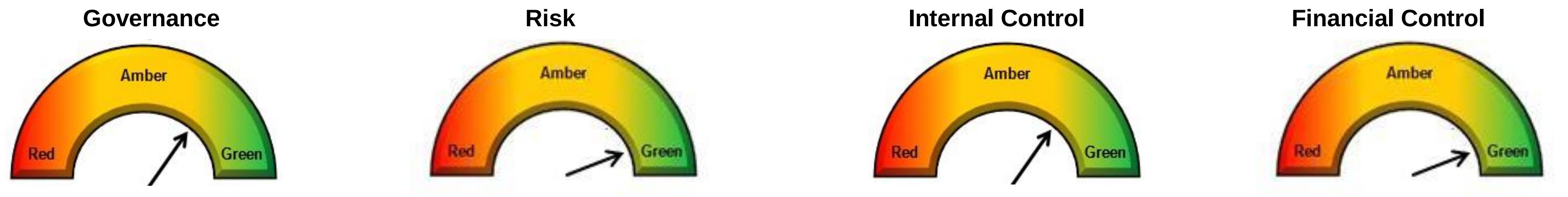
Purpose of Annual Report

1. The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. In particular:-
   - Include an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
   - Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
   - A statement on conformance with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP);
   - Draw attention to any issues particularly relevant to the Annual Governance Statement.

Annual Opinion

2. For the twelve months ended 31 March 2018, based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of Newark and Sherwood's arrangements for governance, risk management and control is shown in **Figure 1** below:-

Figure 1 - Head of Internal Audit Opinion



Performing Well – Some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council.

Performing Well – No concerns that significantly affect the risk management framework and successful delivery of the Council priorities.

Performing Well – Some improvements identified over the Council's control framework or to manage medium risks across the Council.

Performing Well – No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.

How we came to our opinion

Governance

3. Good governance underpins everything the Council does and how it delivers services often comes under close scrutiny. It is therefore vital that resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources. This ensures that the Council achieves the desired outcomes for the people of Newark and Sherwood.

4. The Audit and Accounts Committee helps to ensure that these arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.

5. Taking the above information into account we have assessed the governance framework as **green -** performing well.

Risk and Internal Control

6. We took account of the outcome of our internal audit work during the year. Although some of our reports are at draft report stage this did not adversely affect my overall opinion given our findings. Details of work completed can be found in **Appendix 1**.

7. There were no areas which received a 'low' assurance opinion this year. We gave four areas a 'limited' assurance opinion on the activity and another had a split opinion with one aspect receiving 'limited' assurance.

ICT – Starters, Leavers and Movers – The Council does not currently have policies and procedures that support the creation and management of user accounts for staff and external parties which would support compliance with the PCIDSS and best practice ISO standards. We found that there were issues with ensuring that user accounts are deleted from the network promptly, ease of ability to identify external party access and the necessary security checks (Baseline Personnel Security Standard screening) are not always carried out for ICT staff.

Estates Management - Our review identified that improvements are required to maximise the income generation, a return on the investment and the occupancy for the Council's commercial properties, which Oxford Innovation manages at the Newark BIC.

Business Continuity - A follow up review was undertaken following the previous audit. Overall we found that most of the actions included in the review from 2016/17 were being progressed and therefore the overall RAG rating has improved. The majority of the Amber rated actions should move to Green once the Business Continuity Plan (BCP) is approved and adopted. Because it had not been approved, we were unable to give more than Limited Assurance.

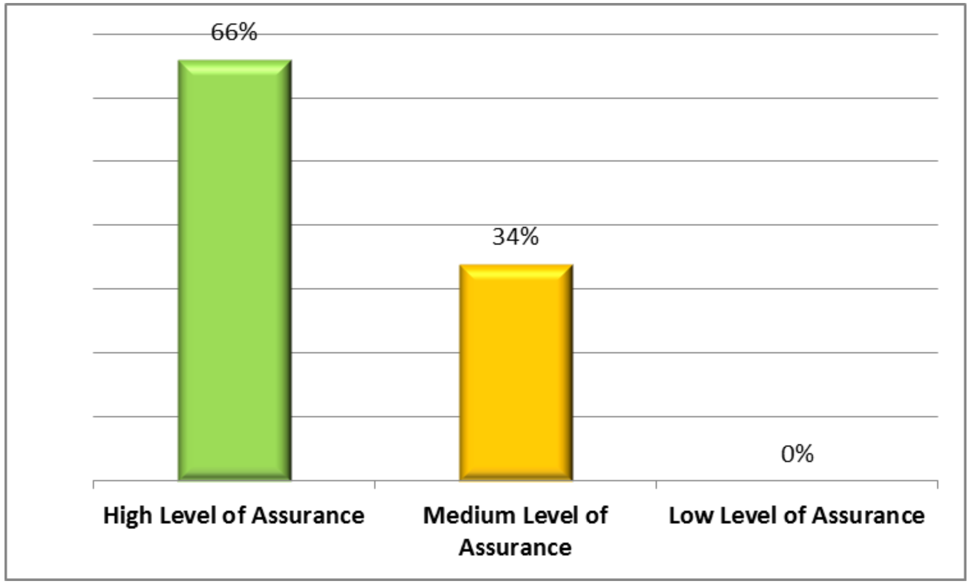
PCIDSS – Indicative assurance. The Council has not progressed the required documentation and evidence to support the annual PCI DSS compliance assessment. As a result the Council is not PCI DSS compliant and we can only give a limited assurance opinion at this time. Additional pressures have been experienced in the Council as it relocated its premises, diverting a lot of IT resources. The Assistant IT Manager left the Council. This position has not been filled, although PCI DSS compliance has now been picked up by a member of staff within the IT section.

Performance Management (Strategic Alignment aspect) - Substantial work is required to review the suite of the performance indicators in the performance management system ensuring they are aligned to, and support the Council's strategic priorities.

Combined Status Report

8. The Council completed its Combined Assurance work for 2017/18. **Figure 2** provides the summary of the overall assurance status on the Council's critical activities[1] – it shows there are no areas identified where assurance is low and there has been a decrease in the number of activities shown as amber.

Figure 2 – Overall Assurance Status on Critical Activities



[1] Those identified by senior management as having significant impact on the successful delivery of Council priorities or whose failure could result in significant damage to reputation, financial loss or impact on people

9. During the year we undertook a number of consultancy engagements and other work for the Council: These were:

- **Debtors Trade Waste** – We were requested to provide a critical eye (third party review) into the adequacy of the new processes and proposed controls associated with the implementation of the ESB system, giving advice on the areas where suggested improvements in control design are necessary. We made two recommendations based on the proposals including checking the security of the cash load file and user roles.

- **Safe -** The Director Resources asked that the process for holding safe keys was reviewed following an incident where the key was not kept where it was expected to be. We made some recommendations around Keyholders, Insurance and Supervision.

- **Other areas included:**
    - Gilstrap accounts
    - Mansfield crematorium
    - Cattle market – rent collection / fee modelling

10. Taking all of the above information into account we have assessed the internal control environment as **green** – performing well.

Risk Management

11. There is an established framework in place for the Council to manage the key risks facing services and successful delivery priorities with regular reporting to management and members.

12. The Audit and Accounts Committee continues to receive regular updates on how the Council manages its risks.

13. A 2017/18 audit of the Council's risk management processes provided a 'substantial' audit opinion. The Risk Management arrangement is adequately managed and the related processes currently in place are operating effectively to reduce the impact of the risk.

14. We also benchmarked the Council's current risk management arrangements and provided an assessment of maturity based on our knowledge of the Council's risk management arrangements and accepted good practice. Our overall assessment is that the Council has reached Level 3 in terms of risk management maturity – with some areas reaching Level 4. On this basis we have assessed risk management as **green** – performing well.

Financial Control

15. Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts. During the year we reviewed:

- Income / Banking arrangements
- Housing Benefits / Council Tax Support
- Insurance
- Key Financial Controls

16. The Council has good financial management processes in place – that generally work well. We are pleased to report that we were able to provide 'substantial' assurance opinions on the areas we reviewed. On this basis we have assessed financial control as **green** – performing well.

Roles and Responsibilities

17. The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

18. Where Internal Audit work has identified improvements, we have worked with management to agree appropriate corrective actions and a timescale for improvement. It is the responsibility of management to implement the agreed actions.

19. The Council is responsible for developing and publishing an Annual Governance Statement – reporting how they have monitored the effectiveness of their governance arrangements during the year – providing information on any significant governance issues.

20. The Annual Internal Audit Report should inform the Annual Governance Statement - we recommend that the 'limited' assurance areas identified in paragraph 8 are considered in the development of the Council's Annual Governance Statement, together with the information obtained as part of the Council's Combined Assurance work (summarised in paragraph 9).

Annual Governance Statement

21. The outcome of our internal audit work has helped inform the Council's Annual Governance Statement – we recommend the following areas are considered during the development of the Statement:

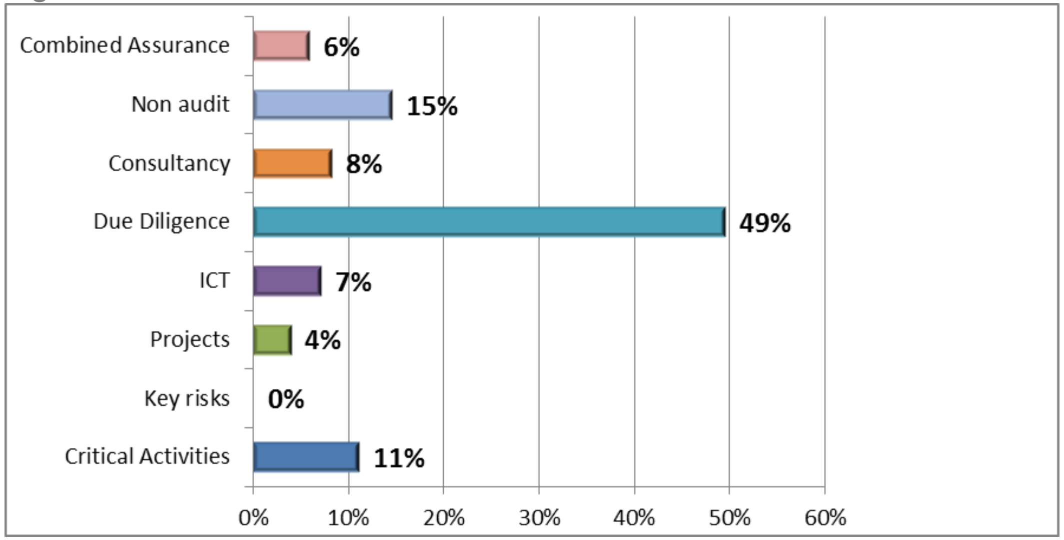
- Emergency Planning
- PCI DSS compliance
- Estates Management
- Business Continuity

Scope of Work

22. Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

23. We have delivered 96% of the revised plan - 255 days and 26 jobs. **Figure 3** shows the audit areas we covered during the year.

Figure 3 – Audit Areas covered in 2017/18 Plan



Restrictions on Scope / Changes to plan

24. Audit and Accounts Committee approved the original audit plan of 285 days in February 2017. In carrying out our work we identified no unexpected restrictions to the scope of our work. We have had difficulties in gaining access to staff which resulted in some delay or inability to deliver work as planned – most of these areas have been incorporated into the 2018/19 plan. These include:-

25. A number of changes were made to the plan resulting in a net reduction of 30 days (11%). *Audits added to the 2018/19 plan.

The key reductions to the plan were:-

Leisure Centre Client Management* – it was agreed with the client that this audit was postponed to the 2018/19 plan and that the days were used to complete the revised scope for a higher priority audit.

Strategic Asset Management* – the Asset Management Team was going through a restructure and the Business Manager was not appointed until part way through the year therefore it was not felt to be appropriate to carry out the audit at this time. It was agreed that this audit would be carried out in 2018/19.

Housing and Planning Act – this was rescheduled to 2017/18 from 2016/17 due to awaiting guidance and updates from the Government but this has not been forthcoming and some aspects of the Act have been removed.

Funding – this was put into the plan by the previous Business Manager and the current Business Manager considered that the scope was covered elsewhere.

Emergency Planning* – this had to be rescheduled to 2017/18 at the end of the year due to the inability to arrange a meeting with staff within the Community Safety Business Unit during 2016/17. It was added onto the 2017/18 plan but has again had to be rescheduled due to availability of staff and staff vacancies.

The key additions to the plan were:-

Debtors – Trade Waste – we were asked by the Business Manager Waste and Recycling to review the proposals for the new debtors system to account for Trade Waste debtor accounts to ensure that the proposals are reasonable and suggest any further action.

Business Continuity – further to the previous review we carried out a follow-up review to ensure that progress had been made to implement the recommendations.

Safe security - The Director Resources asked that the process for holding safe keys was reviewed following an incident where the key was not kept where it was expected to be.

26. I do not consider these changes to have had an adverse effect on the delivery of my overall opinion.

27. We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

28. The charts in **Figure 4** shows the assurance opinions given in 2017/18 compared to those in 2016/17. Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment. We can see from the charts that the overall assurance levels have changed significantly from 2016/17 with a large increase in the number of Limited, more High and considerably fewer Substantial assurance levels. There was no Low assurance opinions given this year. Details of systems reviewed can be found in Appendix 1.

29. The charts in **Figure 5** show the comparison of internal audit recommendations made 2016/17 and 2017/18 which remain similar. Details of systems reviewed can be found in **Appendix 1.**

30. We track the implementation of agreed management actions. Over the past year management have implemented **70%** of recommendations due by the 30th June 2018. Details of outstanding recommendations are shown in **Appendix 1**.

Figure 4 – Comparison of Assurances

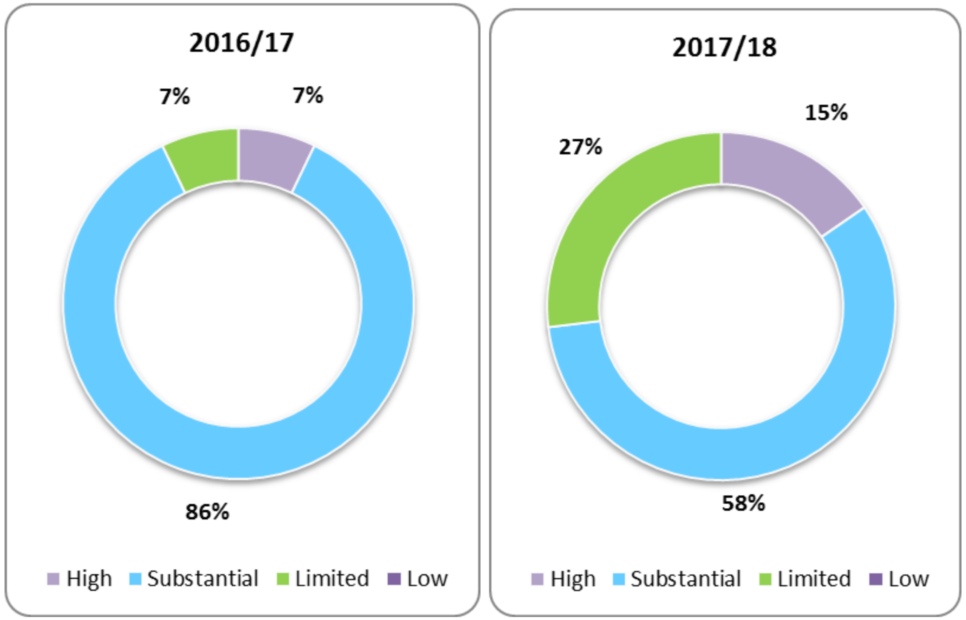
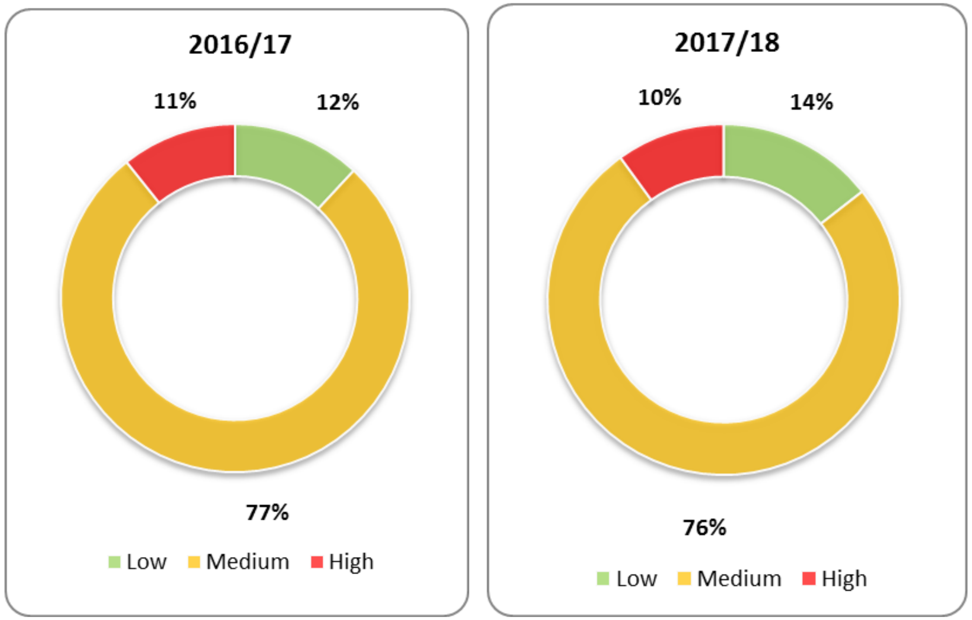


Figure 5 – Recommendations Made



Other Significant Work

Work completed for other related Bodies

31. We delivered the agreed annual internal audit plan for Newark and Sherwood Homes of 45 days. The outcome of these audits has been reported to them with an annual report produced for Newark and Sherwood Homes.

Fraud

32. We facilitated the update of the Council's Fraud Risk Register through the running of a workshop and feeding the results into a revised Register for approval.

Delivery of internal audit plan 2017/18

33. The Audit and Accounts Committee approved the 2017/18 audit plan in February 2017. We have delivered 96**%** of the revised plan.

34. Internal Audit's performance is measured against a range of indicators. The table in **Figure 6** shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement against our targets.

35. We will continue to work with Senior Management to help improve the audit process – including:

- engagement and agreement of scheduled audits
- swift escalation of issues affecting progress and delivery of the audit plan
- improving client feedback survey returns – currently 27%

Figure 6 Performance on key indicators

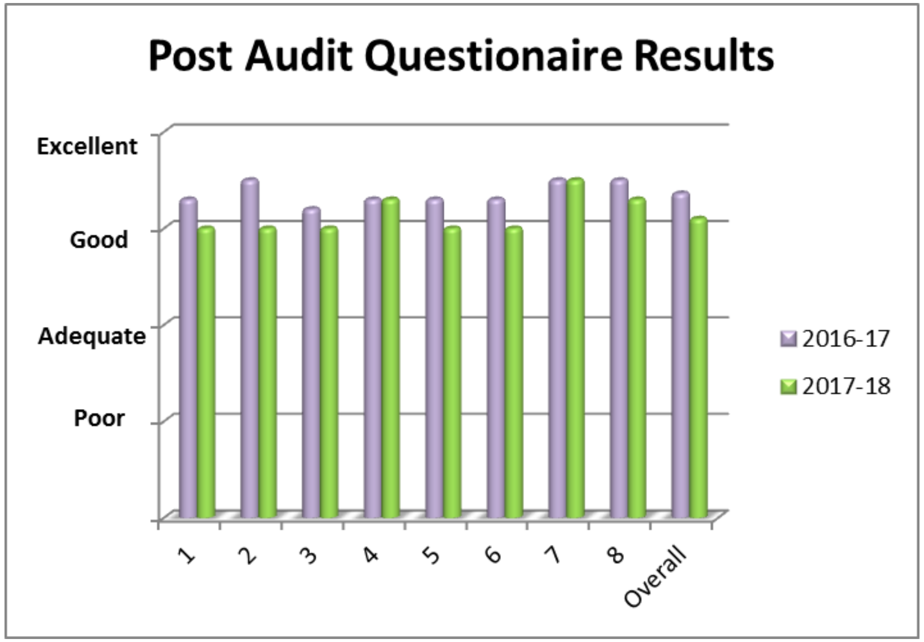
Performance Indicator	Target	Actual
Percentage of plan completed - Jobs	100% (revised plan)	96%
Percentage of recommendations agreed.	100%	100%
Percentage of 2017/18 recommendations due implemented.	100% or escalated	70%
Client Feedback on Audit (average)	Good to excellent	Good

Effectiveness of Internal Audit

36. We regularly canvass opinions on audit planning, report and communication from management responsible for activities under review. They score the effectiveness of our service as excellent, good, adequate or poor.

37. The table in **Figure 7** outlines the responses by management on our service. For 2017/18 there was a 27% questionnaire return rate, we are changing the processes for 2018/19 to encourage a greater return rate. The overall average rating for the service was good.

Figure 7 – Client Feedback



Questions:

Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of report

Communication

6. Feedback during the audit
7. Helpfulness of auditor (s)
8. Prompt delivery of report

Quality Assurance

38. We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

39. Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.

40. Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

41. Our Quality Assurance Framework (**Appendix 2**) includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. We are able to evidence the quality of our audits through performance and delivery of audits, feedback from our clients and an annual self-assessment.

42. There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings. A training programme has been developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

43. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in September 2016. No areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity was identified. One area of partial non-compliance on the lack of a specific audit of ethics and values was identified. This area was included in the 2017/18 plan.

44. Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following:

- Update Internal Audit Charter and practice manual following revision of PSIAS in April 2017 and CIPFA Application Note (still awaiting publication)
- Working with management to improve progress and delivery monitoring / audit scheduling and implementation of recommendations.
- Support development of the Audit Committee, following publication of CIPFA Audit Committee practical guidance.
- Continuing professional development around new and emerging practice guidance.

45. Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work.

Appendix 1 Internal Audit Assurances Given 2017/18

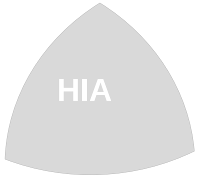
					Outstanding		
Audit Area	**Date**	**Assurance**	**Total High / Med Recs**	**Implem'd**	**High**	**Medium**	**Not Yet Due**
Corporate Governance	April 2017	Consultancy	0	0	0	0	0
Corporate Policy	June 2018	Consultancy	0	0	0	0	0
Car Parks	February 2018	Substantial	8	6	0	2	0
Leisure Centres – Client Monitoring	Rescheduled to 2018/19		0	0	0	0	0
ICT - Operations	February 2018	Limited	10	9	0	1	2
ICT – Compliance - PCIDSS	April 2018	Limited*	3	0	0	0	3
ICT – Application - Meritec	June 2018	Substantial*	4	0	0	0	4
Information Governance	February 2018	High	0	0	0	0	
Moving Ahead		In progress	0	0	0	0	0
Performance Management and Assurance	February 2018	Limited / Substantial	13	7	0	0	6
Risk Management	April 2018	Substantial*	6	0	0	0	6
Health and Safety	April 2018	Substantial*	10	0	0	0	10
CCTV	July 2018	Draft report	0	0	0	0	0
Estates Management	December 2017	Limited	7	3	0	1	3
Strategic Asset Management	Rescheduled to 2018/19		0	0	0	0	0
Key Control Testing	April 2018	Substantial*	0	0	0	0	0

Appendix 1 Internal Audit Assurances Given 2017/18

					Outstanding		
Audit Area	**Date**	**Assurance**	**Total High / Med Recs**	**Implem'd**	**High**	**Medium**	**Not Yet Due**
Income/Banking arrangements	February 2018	Substantial	6	4	0	0	2
Funding	Rescheduled to 2018/19		0	0	0	0	0
Procurement	April 2018	Substantial	4	1	0	0	3
Housing Benefits/Council Tax Support	October 2017	High	2	0	0	2	0
Contract Management	June 2018	Consultancy	0	0	0	0	0
Insurance	November 2017	High	4	4	0	0	0
Housing and Planning Act	Removed no longer relevant		0	0	0	0	0
Combined Assurance	December 2017	N/A	0	0	0	0	0
Active4Today	April 2018	Substantial*	0	0	0	0	0
Gilstrap	August 2017	N/A	0	0	0	0	0
Mansfield Crematorium	April 2017	N/A	0	0	0	0	0
Newark Cattlemarket	September 2017	N/A	0	0	0	0	0
Emergency Planning	Rescheduled to 2018/19		0	0	0	0	0
Debtors - Trade Waste	August 2017	Consultancy	0	0	0	0	0
Business Continuity	April 2018	Limited	0	0	0	0	0
Safe	April 2018	Consultancy	0	0	0	0	0

*Indicative – Reports not yet finalised

Appendix 2 - Quality Assurance Framework



Annual self- assessment

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- External Quality Assessment – completed in September 2016 and confirmed that our practice conforms to the Public Sector Internal Audit Standards

Periodic quality assurance assessments

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews

Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS

- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services

Quality improvement plan - HIA reporting to Audit Committee on the outcome of Quality Assurance – with improvement action plan and any significant non-conformance included in the Annual Report / Annual Governance Statement

- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review

Ongoing monitoring – quality built into the audit process

Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well.

Appendix 3 - Glossary of Terms

Assurance Definitions

High	Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance. The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.
Substantial	Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance. There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.
Limited	Our critical review or assessment on the activity gives us a The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.
Low	Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance. There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.