NEWARK & SHERWOOD
DISTRICT COUNCIL

Castle House
Great North Road
Newark
NG24 1BY

Tel: 01636 650000
www.newark-sherwooddc.gov.uk

Tuesday, 20 July 2021

Chairman: Councillor Mrs S Michael

Members of the Committee:

Councillor Mrs B Brooks
Councillor M Brown
Councillor R Crowe
Councillor D Cumberlidge
Councillor J Lee

MEETING:	**Audit & Accounts Committee**
DATE:	**Wednesday, 28 July 2021 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 Karen Langford on Karen.Langford@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.

To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

17. Date of Next Meeting

Wednesday 22 September 2021

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Broadcast from Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 21 April 2021 at 10.00 am.

PRESENT:	Councillor Mrs S Michael (Chairman)
	Councillor Mrs B Brooks, Councillor R Crowe and Councillor D Cumberlidge
APOLOGIES FOR ABSENCE:	Councillor M Brown (Committee Member) and Councillor Mrs M Dobson (Committee Member)

The meeting was held remotely, in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

81 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.

The meeting was held remotely, in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

82 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

83 MINUTES OF THE MEETING HELD ON 3 FEBRUARY 2021

that the Minutes of the meeting held on 3 February 2021 be approved as a correct record and signed by the Chairman.

84 AUDIT COMMITTEE WORK PLAN

The Committee considered the Work Plan from the Business Manager for Financial Services who highlighted that the accounts would be completed at the end of May. A proposed training session to take place in June for the Committee on the Statement of Accounts in preparation of receiving the draft set of accounts leading to adoption.

The Chairman advised the Committee the timings would be different to last year with accounts to be signed off by 30 September 2021 which may lead to an extraordinary Committee meeting being called in September.

85 HOMES ENGLAND COMPLIANCE AUDIT REPORT 2020-21 - HRA 5 YEAR DEVELOPMENT PROGRAMME

The Committee considered the report from the Director of Housing, Health and Wellbeing providing the outcome of the Homes England Audit 2020/21 for the Council's 5 year Housing Revenue Account (HRA) Development Programme.

The Committee were advised of the actions taken and enable the council to sign off the Audit on Homes England's Information Management System by the end of April 2021 following an extension agreed with Homes England to accommodate the timing of this Committee.

The report explained that these Audit findings whilst disappointing, are easily rectified through the training and procedure review which has been initiated for the team. Homes England have provided assurance around their commitment to a partnership with us to deliver good quality new homes in the District across the course of the Affordable Homes Programme.

AGREED (unanimously) that the Committee noted the findings of the Compliance Audit having been accepted by the Council, and a response to Homes England has been sent outlining the steps taken to address the breaches and to ensure they do not re-occur.

86 STRATEGIC RISK MANAGEMENT - UPDATE OF THE STRATEGIC RISK REGISTER

The Committee considered the report from the Safety and Risk Management Officer updating Members on the status of the Council's 2021/22 Strategic Risk Register.

The report provided a table illustrating the significant changes agreed by SLT to the 2021/22 strategic risk register and a table illustrating the current status of all current strategic risks.

Individual groups working through the risks to develop bespoke action plans and reviewing the current risks as well as setting target risks to identify the potential for lowering the risks once the actions are delivered and management controls put in place.

AGREED (unanimously) that the Committee noted the new strategic risk register and agreed the timetable for reviewing the strategic risk register, to be reviewed prior to April 2022.

87 INTERNAL AUDIT UPDATE REPORT

The Committee considered the Internal Audit update report from Assurance Lincolnshire providing a summary of the proposed ICT Audit strategy covering the period 2021/22 to 2023/24 and to seek approval of the proposed amendments to the 2021/22 schedule of audits to take into consideration the outcome of the ICT Strategy.

Members were notified that Assurance Lincolnshire were collating the responses to the Members' training questionnaire and that the results and arrangements for a formal training plan to be brought back to the Committee in July 2021.

The report informed the Committee that at the time when the annual plan had been agreed, the ICT Strategy Plan work was in progress. Following its conclusion, two high risk audits have been identified which need to be incorporated within the 2021/22 plan (Appendix A of the report). To enable the delivery of the two identified audits, having had discussions with Internal Audit, assessed the risk of each piece of work and proposed an adjustment to the schedule of the audits.

AGREED (unanimously) that the Committee considered and commented upon the latest internal audit report and approved the changes proposed to be made to the 2021/22 schedule of audits.

88 STATEMENT OF ACCOUNTING POLICIES 2020/2021

The Committee considered the report from the Assistant Business Manager for Financial Services providing updates made to the Council's accounting policies in relation to the closedown of the 2020/2021 financial year.

The report advised that the Policy for Financial Assets measured at fair value through profit or loss and has been amended in line with the Code of Practice. A complete set of the Accounting Policies for 2020/2021 were attached to the report at Appendix A.

AGREED (unanimously) that the amended Statement of Accounting Policies for 2020/2021 be approved.

89 COUNTER-FRAUD ACTIVITIES FROM 1 SEPTEMBER 2020 TO 31 MARCH 2021

The Committee considered the report from the Business Manager for Financial Services informing Members of counter-fraud activity undertaken since the last update reported on 27 November 2019.

The report reminded the Committee that an element of their role is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this, counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

A previous counter-fraud activity report tabled at the September Committee advised work had progressed regarding a fraud e-learning page on the intranet available for all staff. The Committee were advised that it was anticipated that this will go live prior to the end of April with a view for all staff to complete before the end of May 2021. This supports the refresh of the Anti-fraud and Corruption Strategy and the Anti-Money Laundering Strategy having been approved at Council on 9 February 2021.

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

90 FRAUD RISK ASSESSMENT

The Committee considered the report from the Business Manager for Financial Services informing Members of the update of the Fraud Register undertaken during February 2021.

The report reminded the Committee that the fraud risks are reassessed periodically and the register updated. The amended Fraud Risk Register as at February 2021 was attached to the report at Appendix A.

Within the report, further actions were provided having been implemented up to April 2021 helping to mitigate fraud risks as well as a number of new actions that need to be put in place.

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

91 EXCLUSION OF THE PRESS AND PUBLIC

Agreed (unanimously) that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of this item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

92 FRAUD RISK ASSESSMENT

The Committee considered the exempt report with regard to the Fraud Risk Assessment.

(Summary provided in accordance with Section 100C(2) of the Local Government Act 1972).

93 DATE OF NEXT MEETING

The next meeting would be held on Wednesday 28 July 2021.

94 RECRUITMENT OF INDEPENDENT MEMBER

The Committee were provided with an update from the Chairman on the recruitment of an Independent Member.

Meeting closed at 11.07 am.

Chairman

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

AUDIT & ACCOUNTS COMMITTEE
28 JULY 2021

WORK PLAN

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
22 September 2021	External Audit - Audit Completion Report 2020/21	Amber Davidson (Mazars)	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts 2020/21 & Annual Governance Statement	Nick Wilson	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Audit and Accounts Committee Annual Report 2020/21		To detail the work undertaken during the year by the Audit Committee.
1 December 2021	Biannual Review of the Effectiveness of the Internal Audit Function	Nick Wilson	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Treasury Performance half-yearly report	Andrew Snape	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report 2021/22	Lucy Pledge/Emma Bee (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress

			recommended actions to mitigate identified risks
	Annual Audit Letter 2020/21	TBC(Mazars)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
2 February 2022	Partnership Register (Annual Report)	Natalie Cook	In order to gain assurance that the Council is managing the partnerships that it is involved within effectively
	Draft Treasury Strategy 2022/23	Andrew Snape	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Draft Capital Strategy 2022/22	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Draft Investment Strategy 2022/23	Andrew Snape	The investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government.
	Internal Audit Progress Report 2021/22	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Review of significant internal control issues highlighted in the Annual Governance Statement	Nick Wilson	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
27 April 2022	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Statement of Accounting Policies 2021/22	Andrew Snape	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective

	Fraud Risk Assessment	Nick Wilson	Gain assurance that the Council understands its fraud risks and that actions are put in place to address them

AUDIT & ACCOUNTS COMMITTEE
28 JULY 2021

TREASURY MANAGEMENT OUTTURN REPORT 2020/21

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 12 October 2021 (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 2020/21 were approved by Council on 9 March 2020 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.

3. Summary of Treasury Balances as at 31 March 2021

3.1. Below is a summary of the Councils borrowing position as at 31 March 2021, further information at section 3.

Balance on 01/04/2020 £m		Balance on 31/03/2021 £m
92.427	Total Borrowings	95.212
0.224	Total Other Long Term Liabilities	0.224
92.651	**TOTAL EXTERNAL DEBT**	**95.436**

3.2. Below is a summary of the Councils investment position as at 31 March 2021, further information at section 4.

Balance on 01/04/2020 £m		Balance on 31/03/2021 £m
30.959	Total Short term Investments	39.770
7.500	Total Long term Investments	7.500
38.459	**TOTAL INVESTMENTS**	**47.270**

3.3. The report in section 5 details that there were no breaches of the approved prudential indicators during 2020/21.

4. RECOMMENDATION

That the Treasury Outturn position for 2020/21 be considered.

Background Papers

Nil

For further information please contact Andrew Snape on extn. 5532

Nick Wilson
Business Manager Financial Services

APPENDIX A

ANNUAL TREASURY REPORT 2020/21

1. Background

1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

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 **UK. Coronavirus.** The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.

2.2 Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

2.3 The **Monetary Policy Committee** cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

2.4 **Average inflation targeting.** This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and ***achieving the 2% target sustainably***". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern to the MPC.

2.5 **Government support.** The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures, and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

2.6 **BREXIT.** The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

2.7 **World growth.** World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Local Context

3.1 During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.

3.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

3.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

3.4 The Council's Capital Financing Requirement (CFR) at 31 March 2021 was £138m, while usable reserves and working capital which are the underlying resources available for investment were £62.85m**.**

3.5 The Council has an increasing CFR over the next 2 years of £35m, due to the borrowing requirement of £48.3m (GF £24.7m / HRA £23.6m) for financing the capital programme over the forecast period, if reserve levels permit internal borrowing will be considered. The CFR reduces when Minimum Revenue Provision (MRP) are made and the repayment of debt, over the forecast period there are two loans due for repayment with a combined total value of £6.3m.

3 Borrowing Strategy

3.1 Borrowing Activity in 2020/21

	Balance 1/4/20 £m	**New Borrowing £m**	**Debt Maturing £m**	**Balance 31/3/21 £m**
CFR	132.900			138.162
Short Term Borrowing	8.597	1.697	2.386	10.211
Long Term Borrowing	83.830	7.500	4.026	85.000
Total Borrowing	**92.427**	**9.197**	**6.412**	**95.212**
Other Long Term Liabilities	0.224	0	0	0.224
Total External Debt	**92.651**	**9.197**	**6.412**	**95.436**
Increase/(Decrease) in Borrowing £000				(2.785)

3.2 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, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

3.3 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark, which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the Council's borrowing need based on realistic projections, it was decided to take a combination of medium-term borrowing maturity loan during the year, details of which are below.

Long-dated Loans borrowed	Amount £m	Rate %	Term
PWLB	3.000	1.46	17 Years 11 Months
PWLB	4.500	1.55	24 Years 11 Months

3.4 **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.

3.5 **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.

4 Investment Activity

4.1 The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 9 March 2020. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). During 2020/21 the Council's investment balances have ranged between £45.9 and £75.1 million.

	Balance 1/4/20 £m	New Investments £m	Investments Redeemed £m	Balance 31/3/21 £m
Short Term Investments	30.959	204.943	196.132	39.770
Long Term Investments	7.500	0	0	7.500
Total Investments	**38.459**	**204.943**	**196.132**	**47.270**
Increase/(Decrease) in Investments £000				8.811

4.2 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 2020/21.

4.3 Counterparty credit quality is assessed and monitored by Link, 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. Link provide recommendations for suitable counterparties and maximum investment periods.

5 Compliance with Prudential Indicators

5.1 The Council can confirm that it has complied with its Prudential Indicators for 2020/21, which were set on 9 March 2020 as part of the Council's Treasury Management Strategy Statement.

5.2 **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.

	Approved Limit for 2020/21 %	Maximum during 2020/21 £m
Fixed Rate		
Borrowing	100%	99.6%
Investments	75%	35.96%
Compliance with Limit		*Yes*
Variable Rate		
Borrowing	20%	0.40%
Investments	100%	64.04%
Compliance with Limit		*Yes*

5.3 **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 31/03/21 £m	Fixed Rate Borrowing 31/3/21 %	Compliance?
Under 12 months	15%	9.800	10%	Yes
12 months to 2 years	15%	6.500	7%	Yes
2 years to 5 years	30%	13.500	14%	Yes
5 years to 10 years	100%	19.177	20%	Yes
10 years and above	100%	45.853	48%	Yes

5.4 **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.

5.5 **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 2020/21; borrowing at its peak was £98.8m.

	Approved Operational Boundary 2020/21 £m	Authorised Limit 2020/21 £m	Actual External Debt 31/03/21 £m
Borrowing	161.491	168.491	95.212
Other Long Term Liabilities	0.400	0.600	0.244
Total	**161.891**	**169.091**	**95.456**

5.6 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary of the treasury management activity during 2020/21. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

5.7 The Council also confirms that during 2020/21 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

AUDIT AND ACCOUNTS COMMITTEE
28 JULY 2021

ANNUAL INTERNAL AUDIT REPORT

1.0 Purpose of Report

1.1 The purpose of the annual internal audit report (**Annex A**) is to provide a summary of Internal Audit work undertaken during 2020/2021 to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk, financial and internal control environment.

2.0 Background Information

2.1 The Annual Internal Audit Report:-

- Includes an opinion on the overall adequacy and effectiveness of the organisation's governance, risk, financial and internal control environments.
- 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.

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

2.3 We have noticed a marked improvement across all areas of the opinion and have regraded both Risk and Financial control to be "Performing Well" compared with the previous year, whilst the areas of Governance and Internal Control continue to be "Performing Adequately". The direction of travel for all areas is an improving one, and all four are positive assurance levels.

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 Proposals

3.1 To receive and comment upon the Annual Internal Audit Report 2020/21.

4.0 Equalities Implications

4.1 Equality impact assessments are produced by each of the service areas that are audited, and where appropriate these will be taken into account during the course of an audit.

5.0 Community Plan- alignment to objectives

5.1 The Internal Audit Plan underpins the delivery of the Community Plan. Through assurance gained from Internal Audit, Council can be satisfied that internal processes are working in a controlled manner, achieving the aims and objectives set out within the Community Plan.

6.0 Financial Implications (FIN21-22/9565)

6.1 There are no direct financial implications arising from this report.

7.0 RECOMMENDATION(S)

7.1 **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

Internal Audit

Annual Report 2020/21

Newark and Sherwood District Council

Assurance LINCOLNSHIRE
For all your assurance needs

NEWARK & SHERWOOD DISTRICT COUNCIL

What we do best…

Innovative assurance services

Specialists in 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

Contents

Lucy Pledge – Head of Audit and Risk — Lucy.Pledge@lincolnshire.gov.uk
Emma Bee – Audit Manager — Emma.Bee@lincolnshire.gov.uk
McJoy Nkhoma – Acting Principal Auditor — Mcjoy.Nkhoma@lincolnshire.gov.uk

Purpose of Annual Report

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 2020. In particular:-

- Include an opinion on the overall adequacy of 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)
- Draw attention to any issues particularly relevant to the Annual Governance Statement

Introduction

For the twelve months ended 31 March 2021 the Council's working practices have changed significantly as a result of the Covid-19 (Coronavirus) pandemic. Operationally, priorities changed during the year, a high proportion of staff have been remote working and redeployed to other service areas.

Financially the Council has had to regularly review and revise its budgets to meet the changing needs of the organisation and its residents as well as administering a range of Covid-19 related government grants to support eligible local businesses and residents.

Emergency procedures were instigated by Government during 2020/21 which included the approval of legislation to allow council committee meetings to be held virtually.

As well as this, the Council was in the process of finalising a corporate restructure and re-integration of the housing management function (previously undertaken by Newark and Sherwood Homes Ltd) back in house following the dissolution of the company.

My opinion needs to take into account the impact of all this on the Council's governance, risk and control environment. Our work primarily commenced in quarter 2 and during the year, as the risks faced by the Council changed, we reviewed and revised our audit plan where necessary to reflect the impact of these.

Annual opinion

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:-

Area	Opinion	Direction of Travel
Governance	**Performing Adequately –** Some improvements identified over the Council's governance and control framework	Improved
Risk	**Performing well–** No concerns that significantly affect the risk management framework	Improved
Internal Control	**Performing Adequately –** Some improvement required to manage a high risk in a specific business area and medium risks across the Council.	Improved
Financial Control	**Performing Well –** No concerns that significantly affect the financial control framework	Improved

Performing Well | Performing Adequately | Performing Inadequately

Governance

"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency.

Covid- 19 and subsequent lockdowns has had a significant impact on all areas of the public sector. The impact on governance has been felt by all organisations including changes to decision making arrangements and the structure of meetings. Covid has also impacted on the organisation's priorities and programmes. The Council has had to respond swiftly to the ever changing environment to deliver new and existing operations.

The Council continues to annually refresh its Community Plan, which sets out its strategic objectives and priorities and how these will be met. This was last updated and approved by the full Council in October 2020.

As a result of the transition of Newark and Sherwood Homes back into the Council, a new organisational structure has been implemented during the year. This includes the establishment of two new directorates – Housing, Health & Wellbeing and Transformation & Communication. Several new Business Managers have been appointed improving resilience and the new structure now aligns to the Community Plan which will support the Council in delivering its strategic objectives.

As this transition remains at a relatively early stage, the Council should ensure that robust governance arrangements are in place to monitor performance and delivery.

A new Monitoring Officer will be in post from August 2021 (subject to approval by Full Council July 2021) following the retirement of the previous Officer. This position is a key role in Corporate Governance and continued succession supports the council in compliance with established policies, procedures, laws and regulations.

The Local Government Association peer review undertaken in 2019 made recommendations for the Council to explore the opportunity to improve governance further by looking at the future governance system and structures in place.

These recommendations led to a full Governance review being completed across 2019 and 2020. One of the key outcomes of this work has led the Council to approving a proposal to change the governance arrangements from a Committee system to a Leader and Cabinet structure. This structure will strengthen the Council's governance arrangements by improving efficiency in decision making and greater accountability.

The new arrangement is designed to meet the Council's needs and reflect local circumstances and it is expected to be implemented during 2022/23.

Governance

"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

The Council has a number of commercial activities for which strong governance arrangements are fundamental especially given some of the recent high profile failings around commercial activity nationally.
This year we have completed a review of the Robin Hood Hotel where we identified that although governance arrangements were adequate; some improvement were needed. These improvements were around escalating key project risks so that they can be monitored via the corporate risk register, maintaining a corporate register of business interest and undertaking regular progress reviews .

Management have used the learning from this work to apply improvements to some of the council's other commercial activities.

Robust governance arrangements plays a significant role in service delivery and are fundamental to the success of any established trading company.

During 2020/21 the Council reviewed progress against the significant governance issues identified in the 2019/20 Annual Governance Statement which were:

- Development Company (Arkwood Developments Ltd)
- Re-integration of Housing Management Function.
- Yorke Drive Development

Although progress has been made in respect of each of these areas and there has been reporting on operational delivery to management and Members; further work is to be undertaken and so these three areas remain as Significant Governance issues within the 2020/21 Annual Governance Statement

The Council has recently been successful in securing £25m funding for its Town Centre development programme. This is a significant project for the Council and robust governance arrangements will need to be in place and working effectively to support the successful delivery of this key programme. **We suggest that this is included in the Annual Governance Statement.**

Governance

"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

We are currently undertaking a Decision Making consultancy review and the outcomes of this will support the council as it continues to explore implementation of the new political governance model. We planned to undertake a Governance Review of culture and values in 2019/20 but were unable to complete this work due to the impact of Covid-19 on council staff availability. This work will now be undertaken in 2022/23 and will include a review against the Governance, Risk and Resilience Framework issued by the Centre for Public Scrutiny in March 2021.

We have observed that Senior Leadership Team (SLT) and political leadership have embraced and are driving a positive change in culture. There is clear message and commitment from the top to transform services and focus on the delivery of meaningful performance targets and outcomes which will help support and improve the Council's governance arrangements over the next year.

The Audit and Accounts Committee plays a key role in the Council's governance framework. We have worked with the Chair and Deputy Section 151 Officer during 2020/21 to support training and development of the committee.

The Council has recently approved the appointment of an Independent Member and this represents good progress in terms of this work.

There is still a need for some improvement around the committee's role and our work with the Chair and Deputy S151 Officer in 21/22 will help support the committee effectiveness. This includes supporting the role of the Chairman and the understanding and discharging of their wider governance and assurance role. **We suggest that this is also included in the Annual Governance Statement.**

The above information helped inform the Head of Internal Audit's opinion.

Governance assurance

Assessed as Performing Adequately

Risk

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.

Overall, the Council's risk management arrangements were assessed as Green through the Strategic Risk Management Audit, review of the management papers and discussions with key Council staff.

Risk management is intrinsically linked and embedded within business planning and decision making processes across the Council.
The Senior Leadership Team (SLT) continues to encourage officers to be innovative when managing the risks. The strategic risk management continues to receive greater focus by SLT which ensures strategic alignment with the Community plan.

There are effective structures and platforms in place which ensure current and emerging risks are regularly reviewed and appropriate mitigation actions are put in place.

The Council has had to have rapid risk responses in order to respond promptly during the pandemic and also during the recovery phase. Regular Leadership Team meetings have supported this.

During the year we carried out a review of the Strategic Risks and gave an opinion of **Substantial Assurance.**

We have not identified any additional significant risks requiring inclusion on the risk registers during the delivery of our audit work.

We also completed a review of Newark and Sherwood Homes' Health and Safety activity prior to transfer and we verified that the Risk Management arrangements were integrated within the Council's risks where appropriate – most of them covering operational risks.

Fraud Risk
During 2019/20, Assurance Lincolnshire's Counter Fraud Team facilitated a full fraud risk workshop which supported the review and update of the register.

The last review was carried out in April 2021 and this was reported to Audit & Accounts Committee and no areas of high risk were identified. Where the Council experiences fraud incidents, action is taken to ensure the incidents are appropriately investigated and lessons learned.

The above information helped inform the Head of Internal Audit opinion.

Risk Management assurance

Assessed as Performing Well

Internal Control

We take account of the outcome of our audit work during the 2020/21 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Our opinion is based on a number of sources of intelligence including the outcome of our internal audit work (presented in the table below), the combined assurance work and other sources.

Emergency procedures implemented during the year have resulted in a significant level of strain being placed on normal procedures and the control environment.

The annual opinion has to be evidence based and one of the key sources of evidence is the outcome of the combined assurance work. This is also a key aspect of the Council's assurance framework. During the year the Council were unable to support the combined assurance work due to the impact of Covid 19 on their available resources. This has therefore impacted on the opinion on Internal control – which remains performing adequately.

The outcome of our work during 20/21 is as presented in the following:

Audit area	Assurance level
Enforcement (planning)	Substantial
Strategic Risk Management	Substantial*
Key Control Testing 2020/21	Substantial*
NSH Key Controls Testing 2019/20	Limited
NSH Gas Servicing 2019/20	Consultancy
Cyber Security (Follow-up)	Substantial*
Apprenticeships	Substantial
Follow-ups 2020/21	Substantial
Follow-ups 2019/20	High
Housing Options	Substantial*
Newark Castle	Limited
Robin Hood Hotel	Substantial
* Indicative Assurance level	

Internal Control

We take account of the outcome of our audit work during the 2020/21 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

The number of audits receiving Substantial assurance increased during the year by 37% and there was a significant reduction of 62.1% on the number of audits given limited assurance. We however observed a minor reduction of 5.9% in the number of audits receiving our High level of assurance in comparison to the 2019/20 performance outcomes.

During the year we made 81 High/Medium recommendations for improvement and agreed 82 related improvement actions. 62 of these actions were due for implementation during the year and 47 actions (71%) have been implemented presenting 5.9% increase in the number of in year actions implemented since 2019/20.

Currently there are 41 actions on our Action Tracker for implementation and 24 of these are outstanding (see Appendix 3). However, progress has been made towards the implementation of these actions with 54% of those progressed to more than 50% completion.
Due to the impact of Covid 19, implementation of some actions has been delayed and in accordance with the Council's arrangement, the relevant Directors have approved extensions to enable continued implementation. Overdue actions requiring committee attention (currently 6) are highlighted in the progress report.

We continue to monitor all outstanding audit actions and updates are regularly provided in the Internal Audit Progress reports which we present to the Audit and Accounts Committee.

Our recent planned audits of the follow-ups have shown that a significant proportion of the agreed actions which we selected for review had been satisfactorily implemented (86% in 2020/21 and 94.7% in the previous year).

Internal Control assurance

Assessed as Performing Adequately

Financial Control

Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

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:

Audit area	Assurance level
Budgetary Control	High Assurance
Key Controls*	Substantial Assurance
NNDR	Substantial Assurance
General Ledger / Financial Reporting	Substantial Assurance
Council Tax	Substantial Assurance
Debt Management*	Substantial Assurance
Covid Grants	Substantial Assurance
Buttermarket	Substantial Assurance
Deliver HRA Affordable Housing Growth (5 year programme)	High Assurance
Robin Hood Hotel	Substantial Assurance
* Indicative Assurance	

The Council generally has good financial management processes in place. During the year the Council completed an upgrade of its Financial Management System. This has helped to strengthen the financial control environment particularly around the ordering process and system access restrictions .

Our review of Value for Money self assessments which the Council submitted to its External Auditors did not highlight significant matters of concern around the Council's financial performance and management.

The outcome of our audits highlighted above concurs with the conclusions made from the self assessment.

There are two strategic risks in place covering the Council's Financial sustainability and resilience for both the General Fund and the Housing Revenue Account. These risks are regularly reviewed and recent reviews have taken into account the impacts of Covid-19.

We completed a review of Covid 19 Business Grants. Given the current economic environment, this area is increasingly exposed to fraud. During the year, there were two minor cases of fraud and a couple of minor processing errors which were immaterial in value. Measures put in place enabled the recovery of these payments.
Our work on the Covid 19 Business grants has confirmed that sufficient controls were in place for the approval of the grants and, where identified, potentially fraudulent applications were appropriately referred for further action.

We have given High Assurance within the Key Control Testing for Counter fraud, payroll, creditors and Insurance which contribute directly towards our assessment of the Council's financial control environment.

Financial Control

Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

Our review of the HRA Affordable Housing Growth (5 year programme) and Robin Hood Hotel confirmed that both projects were being delivered within the allocated budgets. There were also good arrangements for effectively monitoring the project costs.

The above information helped inform the Head of Internal Audit opinion.

Financial Control assurance

Assessed as Performing Well

Our Work

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.

Scope of Work

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.

The Audit & Accounts Committee approved the 2020/21 original audit plan of **285 days** in February 2020.

Our revised audit plan retained the same level of agreed audit days. We have delivered **92%** of the plan and more details on the plan can be found in Appendix 1.

Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have worked closely with the Council's Senior Leadership Team to agree audit scopes.

The impact of Covid-19 meant that our full years' audit plan did not commence until quarter 2. As such the full plan could not be completed by April 2021 as planned and so this was extended until the end of June 2021.

I do not consider the restrictions and changes to the plan to have had an adverse effect on my ability to deliver my overall opinion.

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

There have been some delays encountered in the provision of information through our work with the Council. This issue has contributed to the decline in performance in finalising both audit and committee reports. The issue has been raised through discussions at Directorate meetings and support has been provided by the Deputy Section 151 Officer.

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

Quality Assurance

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

•Working with client senior management to improve progress and delivery monitoring / audit scheduling

•Continuing professional development around new and emerging practice guidance – including agile assurance

•Review audit processes in light of SMARTER working to deliver efficiencies, improve productivity and optimise the way we work- including better use of technology / data analytics

•Future proof the service – building capacity and succession planning

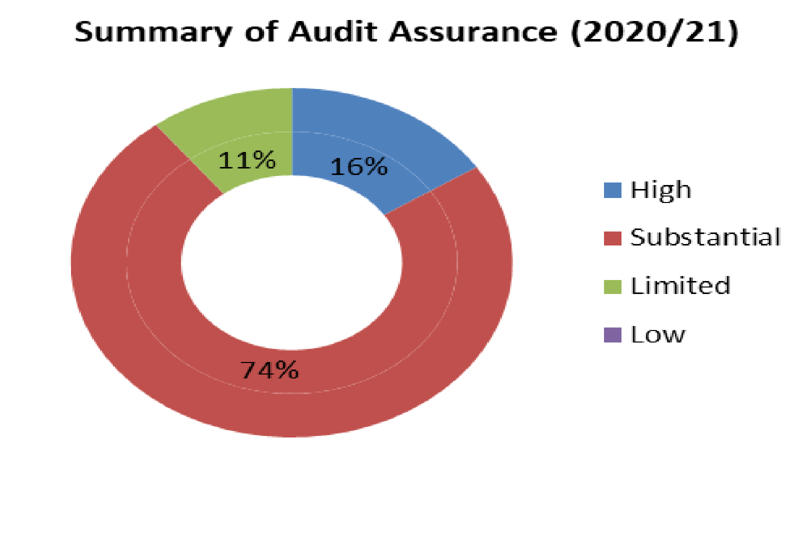
•Preparing for the External Quality Assessment that is planned for January/February 2022.

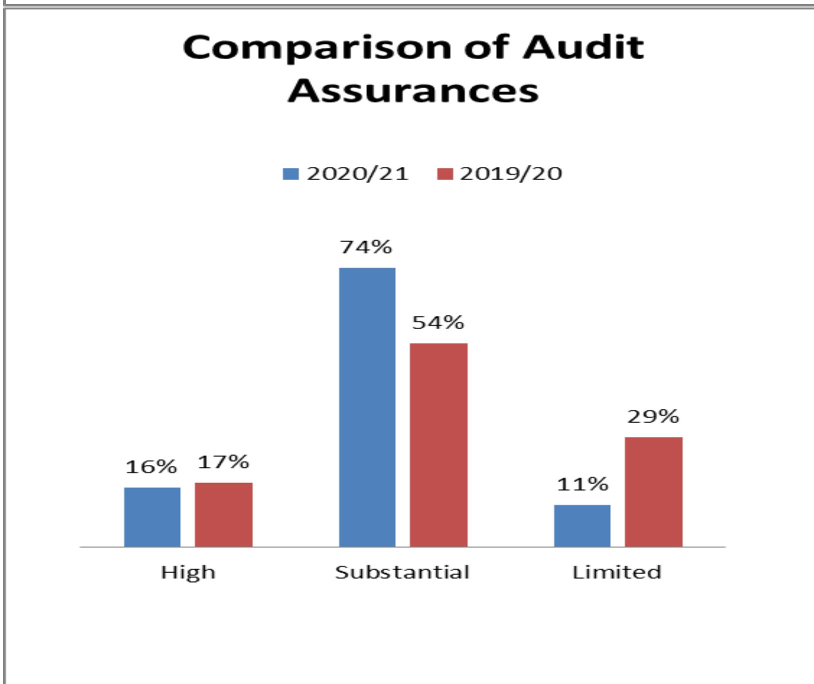
External Audit
Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal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

Benchmarking

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 and forms part of the evidence that helped inform the overall annual opinion.

Assurances





5.9%
reduction in High Assurance on last year

37%
increase in Substantial Assurance reports this year

62.1%
reduction in Limited Assurance reports this year

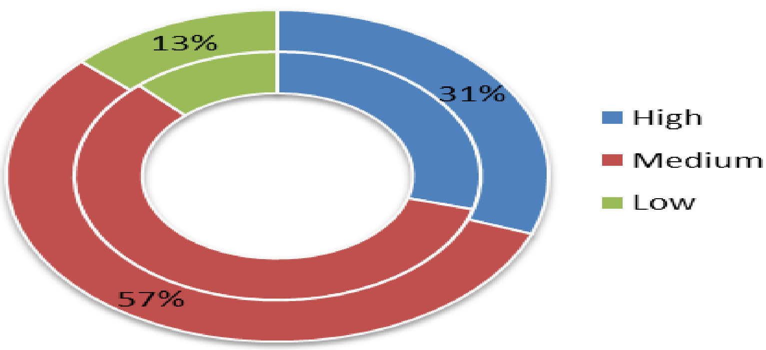
Further details can be found at appendix 1

Benchmarking

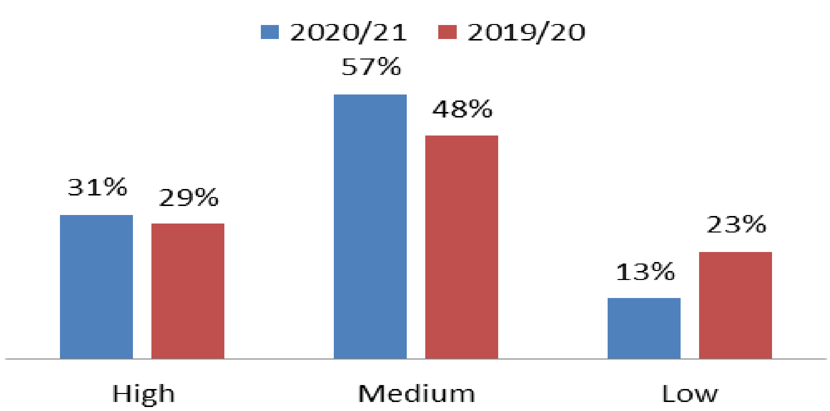
Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Recommendations

Summary of Audit recommendations 2020/21



Comparison of Audit Recommendations



6.9% increase in High recommendations during the period

18.8% increase in Medium recommendations raised during the period

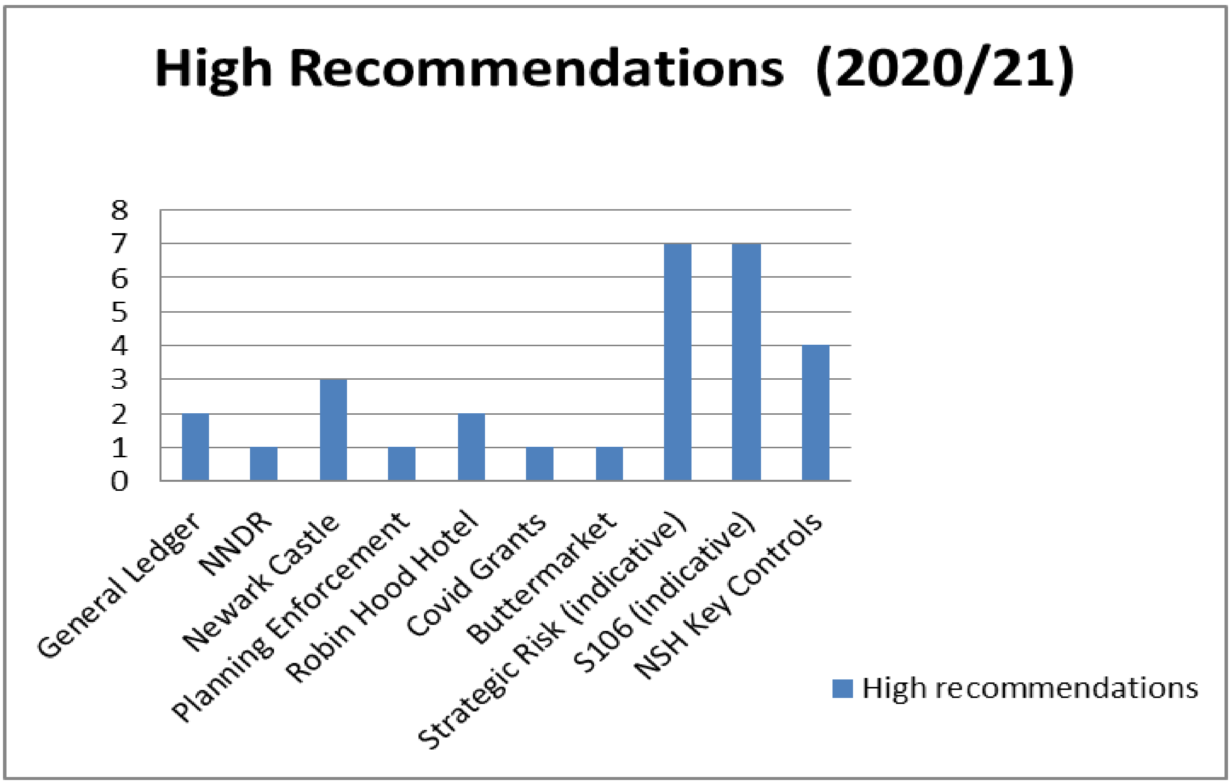
43.5% reduction in Low recommendations raised during the period

Further details can be found at appendix 1 & 3

Benchmarking

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 and forms part of the evidence that helped inform the overall annual opinion.

Analysis of High Recommendations by area



Further details can be found at appendix 1

Benchmarking

Internal Audit's performance is measured against a range of indicators. The table at Appendix 4 shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement in delivery of the revised plan and the added value of our work.

Performance on Key Indicators

92%

Of revised plan delivered

71%

of agreed actions due implemented

100%

Of key financial systems delivered

Further details can be found at appendix 1

Appendix 1 Details of Audits

Audit	Rating	Type of audit	Status	High	Medium	Advisory	Total
Key Control Testing (NSDC 2020/21-01)	Substantial Assurance	Risk Based	Completed	0	7	1	8
Budgetary Control Management (NSDC 2020/21-02)	High Assurance	Risk Based	Completed	0	1	0	1
General Ledger/Financial Reporting (NSDC 2020/21-03)	Substantial Assurance	Risk Based	Completed	2	1	1	4
NNDR (NSDC 2020/21-04)	Substantial Assurance	Risk Based	Completed	1	1	1	3
Information Governance (NSDC 2020/21-05)	N/A	Risk Based	Cancelled	0	0	0	0
Newark Castle (NSDC 2020/21-06)	Limited Assurance	Risk Based	Completed	3	4	0	7
Deliver an HRA affordable - Housing Growth 5 year programme (NSDC 2020/21-07)	High Assurance	Risk Based	Completed	0	1	2	3
Ensuring homes are safe and decent (NSDC 2020/21-08)	N/A	Risk Based	Cancelled	0	0	0	0
Strategic Asset Management (NSDC 2020/21-09)	N/A	Risk Based	Cancelled Included in 2021/22	0	0	0	0
Climate Change Emergency (NSDC 2020/21-10)	N/A	Risk Based	Cancelled Included in 2021/22 plan	0	0	0	0
Tourism (NSDC 2020/21-11)	N/A	Risk Based	Cancelled	0	0	0	0
Contract Management General (NSDC 2020/21-12)	N/A	Risk Based	Cancelled Included in 2021/22	0	0	0	0
Enforcement (NSDC 2020/21-13)	Substantial Assurance	Risk Based	Completed	1	4	0	5

Details of Audits

Audit	Rating	Type of audit	Status	High	Medium	Advisory	Total
Debt Management (NSDC 2020/21-14)	Substantial Assurance*	Risk Based	Completed	0	0	0	0
Stakeholder Engagement (NSDC 2020/21-15)	N/A	Risk Based	Cancelled	0	0	0	0
Apprenticeships (NSDC 2020/21-16)	Substantial Assurance	Risk Based	Completed	0	2	0	2
Robin Hood Hotel (NSDC 2020/21-17)	Substantial Assurance	Risk Based	Completed	2	2	0	4
Physical and Environmental Security (NSDC 2020/21-18 - ICT)	N/A	Risk Based	Cancelled	0	0	0	0
Capability and Capacity (NSDC 2020/21-19)	Unknown	Risk Based	In progress	0	0	0	0
Follow-ups (NSDC 2020/21-20)	Substantial Assurance	Risk Based	Completed	0	0	1	1
Council Tax (NSDC 2020/21-21)	Substantial Assurance	Risk Based	Completed	0	3	0	3
Gilstrap (NSDC 2020/21-22)	N/A	Finanncial	Completed	0	0	0	0
Mansfield Crematorium (NSDC 2020/21-23)	N/A	Financial	Completed	0	0	0	0
Newark Cattlemarket Rent (NSDC 2020/21-24)	N/A	Financial	Completed	0	0	0	0
Combined Assurance (NSDC 2020/21-25)	N/A	Consultancy	Completed	0	0	0	0
Flood Grant (NSDC 2020/21-26)	N/A	Financial	In progress	0	0	0	0
Cyber Security Follow-up (NSDC 2020/21-27)	Substantial Assurance	Risk Based	Completed	0	1	0	1

Details of Audits

Audit	Rating	Type of audit	Status	High	Medium	Advisory	Total
Covid Related Impacts (NSDC 2020/21-28)	Not assessed	Risk Based	Deferred to July/Aug	0	0	0	0
Covid Grants (NSDC 2020/21-29)	Substantial Assurance	Risk Based	Completed	1	1	1	3
Decision Making (NSDC 2020/21-30)	N/A	Consultancy	In progress	0	0	0	0
Buttermarket (NSDC 2019/20 -20)	Substantial Assurance	Risk Based	Completed	1	6	1	8
Strategic Risk (NSDC 2019/20-09)	Substantial Assurance (Indicative)*	Risk Based	Completed	7	7	3	17
Housing Options (NSDC 2019/20 - 16)	Substantial Assurance*	Risk Based	Completed	0	4	0	4
Commercialisation (NSDC 2019/20-18)	N/A	Risk Based	Not progressed	0	0	0	0
Follow-ups (NSDC -2019/20-23)	High Assurance	Risk Based	Completed	0	1	0	1
S106 (NSDC 2019/20-31)	N/A	Consultancy	Completed	7	2	0	9
NSH Key Controls (NSH 2019/20 - 06a)	Limited Assurance	Risk Based	Completed	4	6	1	11
Sub total				29	54	12	95

* Indicative Assurance

Appendix 2 Details of Audit Plan Changes

The original approved plan was 285 days – the revised plan maintained the same level of audit days.

A small number of audits were removed from the original audit plan and this was due to re-prioritising audit resources to those areas of highest risk.

Outlined below are the areas that have been removed from the original plan:-

- Information Governance
- Tourism
- Stakeholder Engagement

The following audits have been deferred and included in the 2021/22 plan mainly due to client capacity and Covid-19 which restricted access to site visits:-

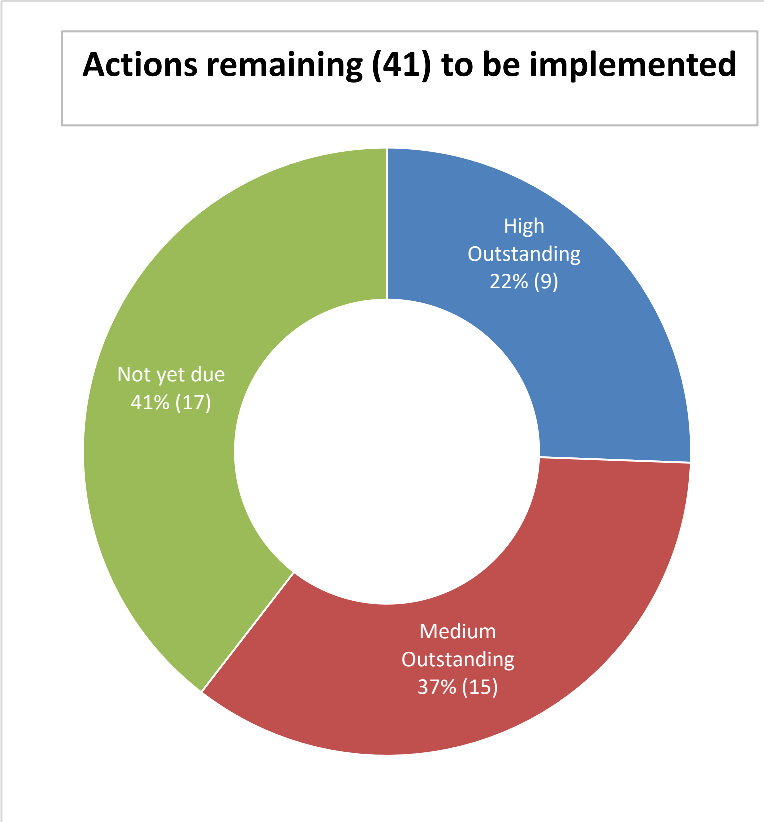
- Strategic Asset Management (deferred until 2021/22 due to capacity within the business unit)
- Climate Change Emergency (deferred until 2021/22 as further development work was being undertaken to shape the Council's ambition and direction in this area)
- Contract Management General (deferred until 2021/22 due to restructuring and client capacity)
- ICT Physical and Environmental Security (deferred until 2021/22 due to Covid-19 pandemic which restricted site visits)
- Ensuring homes are safe and decent. Client requested cancellation of the audit as most of the issues identified in the NSH Gas Servicing audit were still outstanding and were progressed.
  Integration of the Housing Management services back in-house, restructuring within the directorate, client capacity and Covid-19 impacted on the timely implementation of the actions agreed in the Gas Servicing audit.

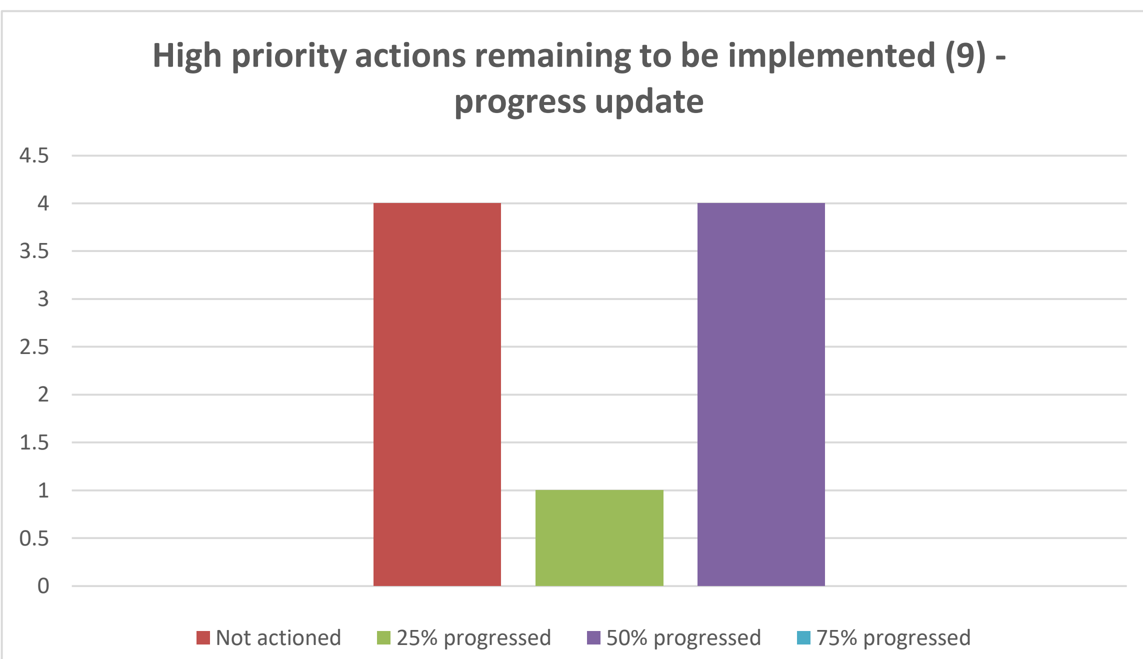
During the year we were requested to undertake the following additional work:

- Covid Grants
- Flood Grants
- Cyber Security (Follow-up)
- Covid Related Impacts
- Decision Making

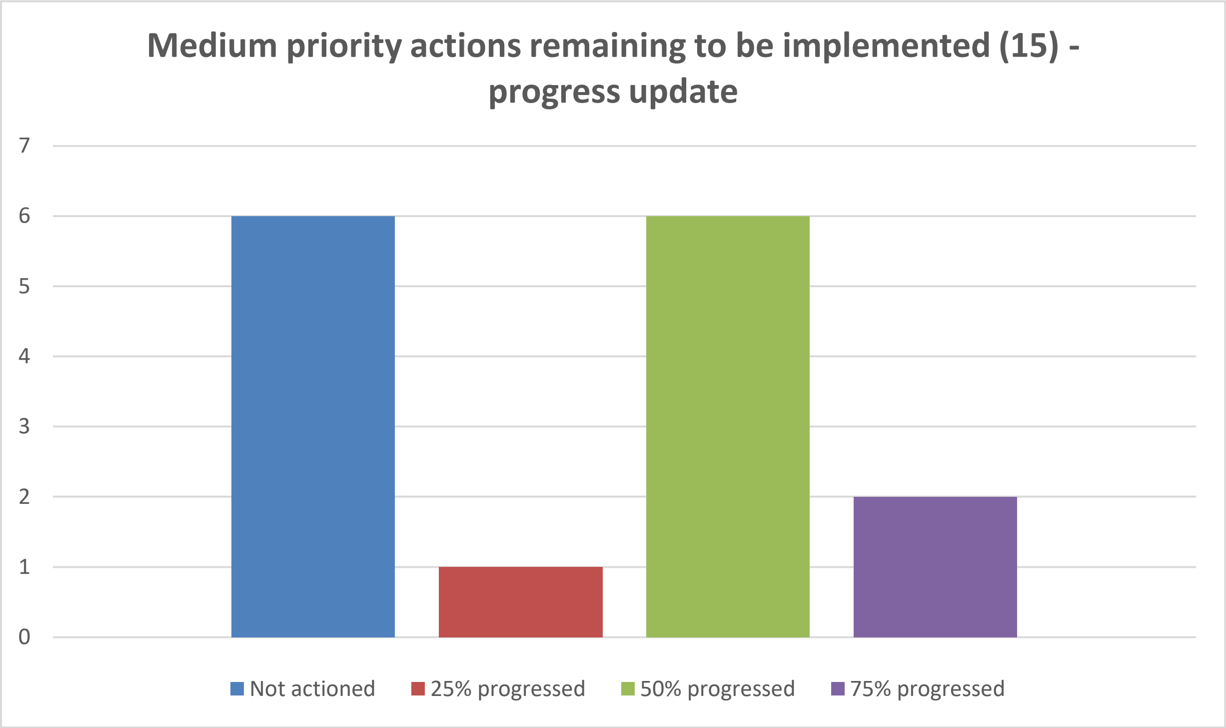
The annual audit plan remains flexible with a process to postpone and change audits. This means we can adapt our plan and coverage to emerging risks but maintain control and transparency on changes which must be reviewed by management and ratified by the Audit & Accounts Committee.

Action Tracker – Agreed actions outstanding





Action Tracker – Agreed actions outstanding

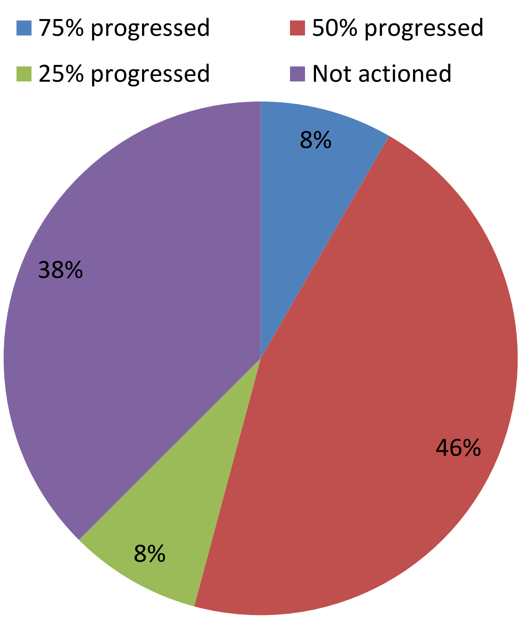


Appendix 3

Action Tracker – progress of outstanding actions

	75%	50%	25%	Not actioned	Total
NSH Key Controls (2019/20)	0	1	0	4	5
NSDC Key Control Testing (2019/20)	2	0	1	1	4
Community Centres	0	1	0	0	1
NSDC Programme Management (2018/19)	0	1	0	0	1
Robin Hood Hotel	0	2	0	3	5
Buttermarket	0	1	0	0	1
Emergency planning	0	2	0	0	2
NNDR	0	3	0	0	3
NSH Gas Servicing	0	0	1	1	2
Totals	2	11	2	9	24*
* 6 of the actions are overdue and these are detailed in the progress report					

Progress on outstanding actions (24)



Performance on Key Indicators

Performance Indicator	Annual Target	2019/20 Actual	2020/21 Actual
Percentage of plan completed (based on revised plan)	100%	78%	**92%**
Percentage of recommendations agreed	100%	100%	**100%**
Percentage of recommendations implemented	100% or escalated	67%	**71%**
Timescales: **Draft Report issued within 10 working days of completion***	100%	100%	**60%**
Final Report issued within 5 working days of management response*	100%	100%	**77%**
Draft Report issued within 3 months of fieldwork commencing*	80%	82%	**53%**

*Covid- 19 has affected some of the timeframes for both the Council and ourselves. Some of the information took longer to provide and remote working during the lockdown caused additional workloads and increased timescales. We also suffered some staffing difficulties and due to Covid-19 were unable to cover absences.

Corrective action has been taken as follows:-

- Co-sourcing arrangements are being formalised to improve our staff cover
- Recruitment has been successful and we now have a fully staffed team
- Review of our report process has been completed
- Discussions have been held at each Directorate Meetings to ensure prompt responses and engagement from their teams moving forward.

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 limited level of confidence on service delivery arrangements, management of risks, and operation of controls and/or performance. 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.
Advisory	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.

Impairment
Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

AUDIT & ACCOUNTS COMMITTEE
28 JULY 2021

GOING CONCERN STATUS OF THE COUNCIL

1.0 Purpose of Report

1.1 This report sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status.

2.0 Background Information

2.1 The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority experiences extreme financial difficulty, then alternative arrangements might be made by central government either for the continuation of the services it provides, or for assistance with the recovery of a deficit over more than one financial year.

2.2 There are a number of implications for the Statement of Accounts where an authority is not considered to be of 'going concern'. For instance, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

2.3 Given the significant reduction in funding for local government in recent years and the potential threat to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. In response the position at Newark and Sherwood District Council is set out within this report.

3.0 Assessment of Going Concern

3.1 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2020/21 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin the going concern assessment are:

- The Council's current financial position
- The Council's projected financial position

- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority

These are considered in more detail below.

4.0 <u>The Council's current financial position</u>

4.1 The financial outturn position for the General Fund for 2020/21 shows a favourable variance against revised budget of £10.413m. The vast majority of this outturn (£8.161m) related to additional s31 grants that the Council received in year due to policy decisions that Central Government made regarding business rates liabilities. £8.571m was transferred into a specific reserve (which includes £0.410m in relation to the Government's Tax Income Guarantee (TIG) Scheme) in order to fund the Council's share of the business rates collection fund deficit during 2021/22. The total collection fund deficit at 31st March 2021 stood at £17.418m. This deficit substantially arose due to the extended retail relief that was given to all businesses in the Retail/Hospitality/Leisure sector. As the receipt of the grant has to be made into the General Fund rather than the Collection Fund, this has created the large deficit, which will be funded during 2021/22. The General Fund outturn position, excluding the s31 and TIG grants of £8.571m is £1.842m.

4.2 As at the 31st March 2021, the Council held general fund revenue reserves of £35.841m. Of this, £1.452m relates to funds that are ring-fenced to specific activity (for instance Building Control/Homelessness), £21.276m is earmarked for future known pressures (for instance Repairs and Renewals, Medium Term Financial Plan Reserve and the Collection Fund budget reserve) and £14.613m was un-ringfenced. This balance includes the statutory general reserve which has been assessed as a prudent level of £1.500m. The remainder of the un-ringfenced reserves relate to the Change Management Fund which provides resource in order to support business transformation and large scale infrastructure projects. Commitments against the Change Management Fund have already been made to support the delivery of infrastructure projects, leaving £4.913m uncommitted within this fund.

4.3 General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. As part of the Medium Term Financial Strategy the Chief Finance Officer has assessed that the optimum level of the general reserve to be held by the Council to be at least £1.5m as per the above paragraph.

4.4 At 31st March 2021, the Council held £39.770m in the form of either cash or short term investments maturing within the next financial year. The Council also held £10.589m in long term financial assets. These relate to an equity investment in Arkwood Developments Ltd (the Council's wholly owned subsidiary) (£3.655m) together with investments in the CCLA's Property and Diversified Income funds (£6.934m). The Council's cash flow forecast for the future 12 months takes into account the anticipated inflows and outflows of cash. The forecast shows that over the next 12 month period, there will not be a point in which the Council does not have liquid funds available in order to service its liabilities.

4.5 Where the Council makes long term financing decisions (through the Capital programme) these can include decisions on forecast borrowing the Council may need to take. Where the Council does decide that borrowing is required, it has access through the Public Works Loan

Board (PWLB) (or other market instruments where appropriate) in order to meet the funding requirement.

4.6 Regarding capital spending; £14.382m of expenditure was approved within the General Fund capital programme for the 2020/21 financial year (including Revenue Expenditure funded from Capital under Statute). The outturn performance was £8.238m which represents an under-spend of £6.199m. The main reasons for this shortfall in planned expenditure were outlined within the Council's financial outturn report approved at Policy and Finance Committee 24th June 2021.

5.0 The Council's Balance Sheet as at 31st March 2021

5.1 The balance sheet shows a net worth of £227.065m which includes a liability worth £95.246m in relation to the future costs of Pensions liabilities. There are statutory arrangements for funding the pension deficit through increasing contribution over the remaining working life of the employees, as assessed by an independent actuary – Barnett Waddingham in the case of the Nottinghamshire Pension Fund. Therefore, the financial position of the Council remains healthy. Other factors giving rise to this assessment include:

- The adequacy of risk assessed provisions for doubtful debts
- The range of reserves set aside to help manage expenditure
- An adequate risk assessed general reserve to meet unforeseen expenditure

6.0 The Council's projected financial position

6.1 In March 2021, the Council approved a balanced budget for 2021/22. This allows for net spending of £15.881m and required a council tax increase of 1.94% (at a Band D level) compared with the 2020/21 financial year. A transfer to reserves of £1.646m was approved which included £1.187m of New Homes Bonus, which is split with 50% contributing towards short life fixed assets (such as refuse freighters and ICT hardware) and 50% to the Change Management reserve. The remaining £0.459m has been allocated towards mitigating future funding pressures.

6.2 The Council's Medium Term Financial Plan (MTFP) is updated annually and reflects a four year assessment of the Council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the council's capital programme, as well as the management of debt and investments. The latest update, approved at Council in March 2021 showed a cumulative shortfall of £1.075m which occurs in the 2024/25 financial year. This includes a number of initiatives that have been applied to the MTFP in order to bridge the inherent funding gap.

6.3 The Council continues to monitor its forecast cash flow going forward in order to ensure that the inflows and outflows of cash are managed by prudent invest and borrowing decisions placed in accordance with the approved Treasury Management Strategy.

7.0 The Council's governance arrangements

7.1 The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

7.2 An overview of this governance framework is provided within the Annual Governance Statement which is included within the Statement of Accounts and was presented to the Audit and Accounts Committee on 28th July 2021. This includes a detailed review of the effectiveness of the Council's governance arrangements.

7.3 In October 2019, the Council undertook a governance review facilitated by an external peer team led by the Local Government Association. The review focussed on three broad areas: what was working well; what could be improved; and what should the Council do next. The report from the peer review made recommendations for the Council to explore the opportunity to improve governance further by looking at a future governance system and structures that delivers:

- a greater focus on outcomes for the community;
- clearer political ownership and accountability for policy and decision making, including opportunities to challenge;
- consideration of where and how policy should be developed;
- greater political and managerial oversight of council performance;
- reducing duplication and inefficiencies;
- improving the speed and transparency of decision-making;
- further and ongoing community and stakeholder engagement, building on the success of the Corporate Plan process

The Councillors' Commission was tasked with taking the review forward in December 2019. This review has progressed and there are now proposals to move to a Leader and Cabinet system, shaped and designed to meet the Council's needs and reflect local circumstances – with the new system of working to be implemented with effect from May 2022.

8.0 The external regulatory and control environment

8.1 As a local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

8.2 Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery. This has been evidenced with the case of Northamptonshire County Council and the interventions that have been introduced as a result of the situation that arose.

8.3 However, given the severity of this pandemic on the Country's finances, it would be complacent to sit back and wait for Government intervention. MHCLG have conceded that councils could still be left with unmanageable pressures and may continue to be concerned about their future financial position, urging any authority that found itself in that position to contact the department with immediate effect.

9.0 Impact of Covid-19

9.1 The Council received £1.821m in support from Central Government to mitigate against additional costs and income pressures as a result of Covid-19 during 2020/21. Additionally to this, the Council received a further £0.620m during 2021/22. This support was to mitigate against additional costs the Council will incur as a result of the pandemic.

9.2 The Government announced a scheme whereby Councils that see a reduction in budgeted sales, fees and charges will be eligible for reimbursement of 75% after a 5% deductible amount. MHCLG said the 5% figure accounted for "an acceptable level of volatility while shielding authorities from the worst losses" while covering three-quarters of every pound lost would encourage councils to "manage and minimise loss where they can". This therefore is equivalent to 71.25% reimbursement of the lost income. This scheme ran in place for the 2020/21 financial year, and will continue for losses incurred during the first quarter of 2021/22.

10.0 Conclusion

10.1 Having considered the outurn position to 31 March 2021, in year outturn position to 31 May 2021, Medium Term Financial Plan to 2023/24, levels of earmarked and general reserves and the treasury cash flow position, It is considered that the Council remains a going concern.

11.0 Equalities Implications

11.1 There are no equalities implications arising from this report.

12.0 Financial Implications (FIN21-22/9612)

12.1 The report contains all relevant financial implications.

13.0 RECOMMENDATION

That Members note the conclusion of the assessment made of the Council's status as a going concern for the purposes of the Statement of Accounts 2020/21.

Reason for Recommendation

In order to support the approval of the Statement of Accounts for the 2020/21 financial year where this has been produced on a going concern basis.

Background Papers

Statement of Accounts 2020/21
Annual Governance Statement 2020/21
General Fund and HRA Revenue and Capital Outturn report to 31st March 2021

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

Nick Wilson
Business Manager - Financial Services

AUDIT & ACCOUNTS COMMITTEE
28 JULY 2021

ANNUAL EXTERNAL AUDIT STRATEGY MEMORANDUM 2020/21

1.0 Purpose of Report

1.1 To present the External Audit Strategy Memorandum for the 2020/21 Statement of Accounts work and Value for Money Conclusion.

2.0 Introduction

2.1 The External Audit Strategy Memorandum (**Appendix A**) sets out the proposed work of the Council's external auditors for 2020/21, relating to the audit of the financial statements and the Value for Money conclusion.

2.2 The strategy describes the audit approach, the key financial statement audit risks and the Value for Money audit approach. It details the audit team, the deliverables from the work, the timeline and the planned audit fee.

3.0 RECOMMENDATION

That the Committee notes the External Audit Strategy Memorandum.

Background Papers

Nil

For further information please contact Amber Davidson on 0115 964 4782.

Nick Wilson
Business Manager – Financial Services

Audit Strategy Memorandum

Newark and Sherwood District Council

Year ended 31 March 2021

July 2021

mazars

Contents

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

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

July 2021

Dear Sirs / Madams

Audit Strategy Memorandum – Year ended 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Newark and Sherwood District Council for the year ended 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Newark and Sherwood District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0115 964 4779.

Yours faithfully

David Hoose

Mazars LLP

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Newark and Sherwood District Council (the Council) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. The audit does not relieve management or Audit and Accounts Committee, as those charged with governance, of their responsibilities.

Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The S151 officer is responsible for the assessment of whether is it appropriate for the Council to prepare it's accounts on a going concern. basis As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the S151 officer's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and the internal audit function as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Value for money

We are also responsible for reaching a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

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02

Section 02:

Your audit engagement team

2. Your audit engagement team

David Hoose

Partner

David.Hoose@mazars.co.uk

+44 (0) 115 964 4779

Amber Davidson

Manager

Amber.Davidson@mazars.co.uk

+44 (0)) 7823 522392

03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place, then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

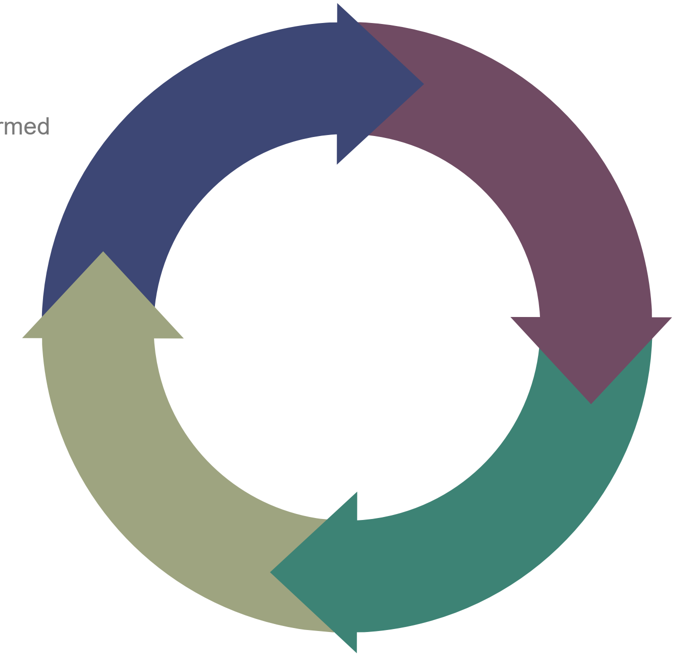
3. Audit scope, approach and timeline

Planning Jan 2021

- Updating our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim Jan 2021

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion Sep 2021

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit and Accounts Committee
- Reviewing subsequent events
- Signing the auditor's report

Fieldwork July-Sep 2021

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

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3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Our expert
Pensions liability	Barnett Waddingham LLP *Actuary for Nottinghamshire Pension Fund*	PwC LLP *Consulting actuary appointed by the NAO*
Property, plant and equipment valuation	Wilks, Head and Eve LLP *The Council's external valuer*	Not applicable
Business rate appeals provisions	InformCPI *External rating specialist*	Not applicable
Financial instrument disclosures	Link Asset Service *Treasury management advisors*	Not applicable

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pensions liability	Nottinghamshire Pension Fund *The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is coordinated by and uses information held and processed by the service organization.*	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. Where we conclude that we do not have a sufficient understanding of the services provided by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation.

04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.

At the time of writing this memorandum we are yet to complete our detailed risk assessment over the Council's key financial systems and general IT controls. We aim to complete this work as part of our visit in June and will update the Audit and Accounts Committee where we subsequently identify any additional risks.

1. Management override of controls
2. Net defined benefit liability valuation
3. Valuation of property, plant and equipment
4. Finance System Upgrade
5. Accounting for a significant Finance Leases in respect of the Robin Hood Hotel
6. Debt Impairment
7. Provision for Business Rate Appeals
8. COVID-19 Grant Recognition

4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Accounts Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	**Management override of controls** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	**Net defined benefit liability valuation** The Council's accounts contain material liabilities relating to the local government pension scheme. The council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.	○	●	●	In relation to the valuation of the Council's pension liability we will: • Critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham LLP; • Liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation to complete and accurate; • Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office (NAO); and • Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	**Valuation of property, plant and equipment** The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is significant risk in this area.	○	●	●	In relation to the valuation of property, plant and equipment and assets held for sale we will: • Critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • Assess whether valuation movement are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; • Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and • Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuer.

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4. Significant risks and other key judgement areas

Consideration of other mandatory risks

	Description	Fraud	Error	Judgement	Planned response
1	**Fraudulent revenue recognition** Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.	●	○	○	We do not consider this to be a significant risk for Newark and Sherwood District Council as: • there is an overall low risk for local authorities, and particularly this Council; • there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and • the level of income that does not derive from either grant or taxation sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions. We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.

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4. Significant risks and other key judgement areas

Key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
1	**Finance System Upgrade** During the year, the council have implemented an upgrade to the Finance System, Advanced. The Purchase Ordering Module has been implemented. Management need to ensure that the data transferred between old and new system represents a low risk in terms of accuracy of data.	○	●	●	We plan to address this judgement by: • Understanding the Council’s process for transfer of data; • Identified data that was transferred and relevant controls that were put in place by the Council; • Review any internal reviews undertaken by the Council to gain the assurance required; • Where relevant, test the transfer of data between systems to ensure the accuracy and completeness of data involved.
2	**Accounting for a significant Finance Lease in respect of the Robin Hood Hotel** A lessor and lessee Finance Lease has been agreed during the year of significant value. Management need to ensure this has been properly accounted for inline with IFRS 16.	○	●	●	We plan to address this judgement by: • Reviewing the Lessee and Lessor Contracts; • Assessing whether the Lease has been calculated and recorded in accordance with the Council's accounting policy and IFRS 16; • Assessing whether the amount disclosed at the period end is appropriate; and • Assessing whether the leases have been adequately disclosed in the financial statements.

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4. Significant risks and other key judgement areas

Key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
3	**Covid-19 grant recognition** Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities including sums that have been passed through to businesses. The Council needs to ensure it applies the correct accounting treatment for these funds. We therefore identified the completeness and accuracy of this income as a significant audit risk for 2020/21.	○	●	●	We plan to address this risk by: • Reviewing the Council's approach in determining whether grants are or are not ring fenced for specified areas of expenditure; • Testing grant income recorded in the ledger to grant allocations/ notifications; and • Reviewing a sample of grants to ensure conditions to recognise the income in 2020/21 have or have not been met.
4	**Provision for business rate appeals against the rating list** Management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.	○	●	●	We plan to address this judgement by: • Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries; • Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; • Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability; and • Assessing whether the reconciliation of movements during the period and description of the nature of the provision have been adequately disclosed in the financial statements.

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05

Section 05:

Value for Money

5. Value for Money

The framework for Value for Money work

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

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: • NAO guidance and supporting information • Information from internal and external sources including regulators • Knowledge from previous audits and other audit work undertaken in the year • Interviews and discussions with staff and members
Additional risk based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: • Significant weaknesses identified and our recommendations for improvement • Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

5. Value for Money Conclusion

Under the 2020 Code, we are required to structure our commentary on the Council's 'proper arrangements' under three specified reporting criteria, which are expanded in the supporting guidance notes produced by the National Audit Office:

Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

- how the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the body plans to bridge its funding gaps and identifies achievable savings
- how the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- how the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance: how the body ensures that it makes informed decisions and properly manages its risks, including

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the body approaches and carries out its annual budget setting process
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Improving VFM: how the body uses information about its costs and performance to improve the way it manages and delivers its services

- how financial and performance information has been used to assess performance to identify areas for improvement
- how the body evaluates the services it provides to assess performance and identify areas for improvement
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

5. Value for Money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. We will report the results of our planning and risk assessment work to the Audit and Accounts Committee at a later date.

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as the Council's appointed auditor

Details of the 2019/20 Actual and 2020/21 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Scale audit fee	£37,213	£37,213
Fee variations:		
Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations	£7,067 [1]	£7,067
Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised): Specific considerations – audit of group financial statements.	£2,000 [2]	-
Other additional costs	TBC	£5,032 [3]
Group accounts	£2,000	£3,000
Sub-total	**£48,280**	**£52,312**
Additional work arising from the change in the Code of Audit Practice	£10,000 [4]	-
Total	**£58,280** [5]	**£52,312**

[1] As previously reported to you, the scale fee has been adjusted to take into account the additional work required as a result of increased regulatory expectations over these areas.

[2] For 2020/21, new auditing standards have been introduced incurring additional time and audit work not reflected in the scale fee. Additional testing as a result of the implementation of IFRS 16 Leases is deferred to the financial year 2021/22.

[3] The additional audit costs in 2019/20 has been disclosed within our Annual Audit Letter. This mainly relates to additional testing and reporting of uncertainties in key estimates as a result of Covid-19.

[4] As explained in section 5, the revised Code of Audit Practice results in a substantial amount of additional audit work to support the value for money conclusion and the changes in reporting requirements, requiring additional time and input from the senior members of the team. Our review of the Code and supporting guidance notes shows that the additional fee impact at all public sector entities is expected to be at least £10,000. The final fee will take into account the extent, and complexity of, any significant weaknesses in arrangements to review and report upon.

[5] This is a proposed fee for 2020/21 at the point of the issue of our ASM. This figure is subject to change and additional costs will be discussed with management, for example material valuation uncertainty on asset valuations as a result of Covid-19.

6. Fees for audit and other services

Fees for non-PSAA work

In addition to the fees outlined on the previous page in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Assurance services – Pooling of Housing Capital Receipts Return	£3,740	£3,500

07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with David Hoose in the first instance.

Prior to the provision of any non-audit services David Hoose will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Principal threats to our independence and identified associated safeguards are set out below OR No threats to our independence have been identified.

Service	Consideration
Assurance services: Housing Pooling Return	We have considered threats and safeguards as follows: • Self Review: The work does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars; • Self Interest: The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis; • Management: The work does not involve Mazars making any decisions on behalf of management; • Advocacy: The work does not involve Mazars advocating the Council to third parties; • Familiarity: Work is not deemed to give rise to a familiarity threat given this piece of assurance work used to fall under the Audit Commission / PSAA certification regimes and was the responsibility of the Council's appointed auditor; and • Intimidation: The nature of the work does not give rise to any intimidation threat from management to Mazars.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

08

Section 08:

Materiality and other misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	2,256
Performance materiality	1,805
Trivial threshold for errors to be reported to the Audit and Accounts Committee	68
Specific Materiality (Officer remuneration)	5
Specific Materiality (Members' allowance and expenses)	38
Specific Materiality (External audit costs)	6
Specific Materiality (Termination payments)	20

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of total gross expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Accounts Committee.

We consider that the total gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of total gross expenditure. Based on 2019/20 audited financial statements we anticipate the overall materiality for the year ended 31 March 2021 to be in the region of £2.256m.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality, we have taken into account that this is our third year of audit, we have cumulative knowledge about the Council's financial statements, and that we identified a minimal number of non-complex errors in the prior years. We have therefore set our performance materiality at 80% of our overall materiality being £1.805m.

As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Accounts Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £68,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

Reporting to the Audit and Accounts Committee

The following three types of audit differences will be presented to the Audit and Accounts Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

A

Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) ‘Communication with Those Charged with Governance’ and ISA 265 (UK) ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor’s Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: • Enquiries of the Audit and Accounts Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud.	Audit Completion Report and discussion at the Audit and Accounts Committee, Audit Planning and Clearance meetings

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Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity.	Audit Completion Report
Significant findings from the audit including: • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Accounts Committee in the context of fulfilling their responsibilities.	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit and Accounts Committee may be aware of.	Audit Completion Report and Audit and Accounts Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements.	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

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0115 964 4744

Mazars

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

mazars

AUDIT & ACCOUNTS COMMITTEE
28 JULY 2021

UNDERLYING PENSION ASSUMPTIONS FOR 2020/2021 STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 To provide Members 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 2020/2021 Statement of Accounts.

2.0 Introduction

2.1 IAS 19 - Employee Benefits is one of the financial reporting standards with which the Council must comply when producing its annual Statement of Accounts.

2.2 The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.

2.3 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use 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. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.

2.4 The Council will 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.

2.5 A formal actuarial valuation is carried out every three years, the last being as at 31 March 2019. The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2020 to 31 March 2023 as required under Regulation 62 of the Regulations.

2.6 All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers' contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern.

2.7 The Actuary's report for 2020/2021 was received on 19th April 2021, however due to the timeliness of the report the Asset valuations where only based up to 31/12/2020. Therefore a revised IAS19 report was received on 14th May 2021 with the Asset values at 31/03/2021. The revised Actuary report is attached at appendix A.

3.0 Financial Assumptions

	2020/2021	2019/2020
Pension Increase Rate Public sector pension increases are linked to the Consumer Prices Index (CPI).	2.80%	1.90%
Salary Increase Rate Reflects the expected rate of growth in pensionable pay, allowing for increases over and above inflation, eg career progression	3.80%	2.90%
Discount Rate This allows for the effect of inflation on the liabilities in the scheme.	2.00%	2.35%

4.0 Demographic Assumptions

	2020/2021	2019/2020
Pensioner Mortality Life expectancy from age 65 years This impacts on the length of time pensions are expected to be payable		
Retiring today	Male 21.6 Female 24.3	Male 21.8 Female 24.4
Retiring in 20 years	Male 22.9 Female 25.7	Male 23.2 Female 25.8
Additional Assumptions; • Members will exchange half of their commutable pension for cash at retirement; • Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and • The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.		

5.0 Impact in Financial Statements

Assumption	Movement	Impact
Price Inflation	Decrease Increase	Decrease in charge for cost of future pensions Increase in charge for cost of future pensions
Pension Increase Rate	Decrease Increase	Decrease in liabilities Increase in liabilities
Salary Increase Rate	Decrease	Decrease in charge for cost of

	Increase	future pensions Increase in charge for cost of future pensions
Discount Rate	Decrease Increase	Reduction in liabilities Increase in liabilities

6.0 RECOMMENDATION

Members note and approve the assumptions used in the calculation of pension figures for 2020/2021.

Background Papers

Nil

For further information please contact Andrew Snape on extension 5532.

Sanjiv Kohli
Deputy Chief Executive/Director – Resources and S151 Officer

Newark & Sherwood District Council

Nottinghamshire Pension Fund

Pension accounting disclosure as at 31 March 2021

Prepared in accordance with IAS19

Barnett Waddingham LLP

13 May 2021

Contents

Introduction

We have been instructed by Nottinghamshire County Council, the administering authority to the Nottinghamshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Newark & Sherwood District Council (the Employer) as at 31 March 2021. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the Employer and its advisers; in particular, this report is likely to be of relevance to the Employer's auditor.

This report is a revision of the report dated 19 April 2021 allowing for updated whole fund asset and cashflow information for the year to 31 March 2021. The previous report was based on whole fund asset and cashflow information for the period to 31 December 2020.

These figures are prepared in accordance with our understanding of International Accounting Standard 19 (IAS19).

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The figures quoted will form the basis of the balance sheet and funding status disclosures to be made by the Employer as at 31 March 2021 in respect of its pension obligations under the LGPS. The projected pension expense calculations for the year to 31 March 2022 may be used for the purpose of any interim financial reporting during the year to 31 March 2022. However, it may subsequently be necessary to adjust these projections following the occurrence of any material events such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund.

Further information relating to our treatment of GMP is included on page 12 of this disclosure.

The results in this report include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was described in the previous accounting report and incorporated into the accounting results as at 31 March 2019. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 March 2021.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. We do not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore we have not included any further adjustment in light of the ongoing consultation in this report.

Please note we have not made any allowance for IFRIC14 in our calculations. We would be happy to speak to the Employer or their auditor if more information is required.

IAS19 also requires the disclosure of any other employer provided pension benefits which are not paid from the Fund itself: examples include additional pensions paid on retirement under the Discretionary Payment Regulations. We have only valued such additional liabilities, which would not be covered in the formal LGPS valuation, to the extent that they have been notified to us and are as disclosed in the Valuation data section of this report.

Amendments to the IAS19 standard now requires that, when determining any past service cost or gain or loss on settlement, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. The amendment does, however, note that the extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. We have treated 3 events, which occurred over the accounting period, as material 'special events'.

Characteristics of defined benefit plans and associated risks

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result.

The administering authority for the Fund is Nottinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Nottinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Nottinghamshire Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Nottinghamshire County Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2020 IAS19 report which was prepared for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2021;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019, 31 March 2020 and 31 March 2021and Fund income and expenditure as noted above;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2021;
- Details of any new early retirements for the period to 31 March 2021 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost; and
- Details of any settlements for the period to 31 March 2021.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Employer membership statistics

The table below summarises the membership data, as at 31 March 2019 for members receiving funded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	522	12,671	45
Deferred pensioners	773	1,662	47
Pensioners	700	3,930	71
Unfunded pensioners	100	197	80

The service cost for the year ending 31 March 2021 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £13,499,000, as advised by the Employer. The projected service cost for the year ending 31 March 2022 has been calculated using an estimated payroll of £13,833,000, as advised by the Employer.

Scheduled contributions

The table below summarises the minimum employer contributions due from Newark & Sherwood District Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 17.5% of payroll p.a.

Minimum employer contributions due for the period beginning	1 Apr 2020	1 Apr 2021	1 Apr 2022
Percent of payroll	17.5%	17.5%	17.5%
plus monetary amount (£000s)	771	800	829

However, Newark & Sherwood District Council have agreed with the administering authority that they will prepay their monetary contributions for the three years to 31 March 2023 by making a single lump sum payment of £2,235,000 by 30 April 2020. This lump sum payment has received an actuarially equivalent discount to the monetary rates above and Newark & Sherwood District Council have been notified separately of this amount. If they don't make this lump sum payments by 30 April 2020, the contribution rates set out above will apply as normal.

Newark & Sherwood District Council may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by us.

Early retirements

We requested data on any early retirements in respect of the Employer from the administering authority for the year ending 31 March 2021.

We have been notified of three new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £48,500.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 21.57%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Newark & Sherwood District Council as at 31 March 2021 is as follows:

Asset breakdown	31 Mar 2021		31 Mar 2020	
	£000s	%	£000s	%
Equities	78,518	65%	57,623	58%
Gilts	4,073	3%	4,149	4%
Other bonds	8,308	7%	9,174	9%
Property	12,383	10%	14,887	15%
Cash	5,512	5%	4,069	4%
Inflation-linked pooled fund	5,865	5%	3,730	4%
Infrastructure	6,556	5%	6,212	6%
Total	**121,215**	**100%**	**99,844**	**100%**

We have estimated the bid values where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2021 may be different from that shown due to estimation techniques.

Based on the above, the Employer's share of the assets of the Fund is approximately 1.99%.

We received the following information from the administering authority regarding the detail of their assets as at 31 March 2021, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown	31 Mar 2021	
	% Quoted	% Unquoted
Fixed Interest Government Securities		
UK	3.4%	-
Overseas	-	-
Corporate Bonds		
UK	1.7%	-
Overseas	5.2%	-
Equities		
UK	24.6%	0.0%
Overseas	36.2%	-
Property		
All	-	10.2%
Others		
Private Equity	-	3.0%
Infrastructure	-	5.4%
Unit trust	-	1.0%
Inflation-linked pooled fund	-	4.8%
Credit	-	1.1%
Cash/Temporary Investments	-	3.4%
Total	**71.0%**	**29.0%**

We do not have any further detail on the current asset allocation of the Fund; we suggest that if further information is required the administering authority is contacted in the first instance. Please note that as above, no adjustments for presentational purposes have been made to the percentages shown.

Actuarial methods and assumptions

Valuation approach

Valuation of the Employer's liabilities

To assess the value of the Employer's liabilities at 31 March 2021, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

As required under the IAS19 accounting standard, we have used the projected unit credit method of valuation.

Valuation of the Employer's assets

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Employer currently participates in the Newark & Sherwood District Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2019 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2022 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. We have allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021, as shown in Appendix 3 and Appendix 5.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found here.

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females. These base tables are then projected using the CMI_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks more negative than before as a result of the pandemic. Therefore, we have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Employer's liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in Appendix 3 and Appendix 5, and the effect on the assumed life expectancies is demonstrated in the table below.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)	31 Mar 2021 (after CMI_2020 update)	31 Mar 2021 (before CMI_2020 update)	31 Mar 2020
Retiring today			
Males	21.6	21.9	21.8
Females	24.3	24.5	24.4
Retiring in 20 years			
Males	22.9	23.3	23.2
Females	25.7	25.9	25.8

We have also assumed that:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results are as follows:

Assumptions as at	31 Mar 2021	31 Mar 2020	31 Mar 2019
	% p.a.	% p.a.	% p.a.
Discount rate	2.00%	2.35%	2.40%
Pension increases	2.80%	1.90%	2.40%
Salary increases	3.80%	2.90%	3.90%

These assumptions are set with reference to market conditions at 31 March 2021.

Our estimate of the Employer's past service liability duration is 20 years.

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value is shown in Appendix 3.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.40% p.a. below RPI i.e. 2.80% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Employer's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030. The impact of this change in derivation on the liability value is shown in Appendix 3.

Salaries are assumed to increase at 1.0% p.a. above CPI This is consistent with the approach at the previous accounting date.

Special events dates

As mentioned above, we have allowed for a number of 'special events' over the accounting period. The net defined benefit liability has been remeasured at each of these event dates using market statistics and the fair value of plan assets at the time of the event.

The below table sets out the dates of these 'special events' and the financial assumptions adopted for each period of remeasurement. The assumptions at special event dates have been derived consistently with the previous accounting date.

Event date	Discount rate	Pension increases
31 Mar 2020	2.35%	1.90%
30 Jun 2020	1.45%	2.25%
31 Jul 2020	1.35%	2.25%
31 Mar 2021	2.00%	2.80%

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

We are not aware of any additional benefits which were granted over the year ending 31 March 2021.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that three former employees became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £204,000. This figure has been included within the service cost in the statement of profit and loss.

Unless confirmed to us by the Employer as not material, the cost of each curtailment is calculated using assumptions derived based on market conditions at the date of exit. If not material, then the cost is calculated based on the assumptions applicable at the previous material 'special event' date (or at the previous accounting date if there are no previous material 'special events'). Details of the financial assumptions adopted at each 'special event' date are set out above in the Financial assumptions section. A breakdown of the capitalised cost of each of the curtailment events allowed for and the financial assumptions used to calculate this cost is provided in the Pension Curtailment Costs spreadsheet issued alongside this report.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

Results and disclosures

We estimate that the value of the net liability as at 31 March 2021 is a liability of £95,085,000.

The results of our calculations for the year ended 31 March 2021 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2021;
- Appendix 2 sets out the Statement of profit and loss for the year ended 31 March 2021;
- Appendix 3 details a reconciliation of assets and liabilities during the year;
- Appendix 4 shows a sensitivity analysis on the major assumptions;
- Appendix 5 shows the Remeasurements in other comprehensive income for the year; and
- Appendix 6 contains our estimates of the projected profit and loss account costs for the year ending 31 March 2022. Please note that no allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the value of liabilities. It is only an estimate so actual experience over the year is likely to differ. We have not provided balance sheet projections on the basis that they will depend upon market conditions and the asset value of the Fund at the end of the following year.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Julie Baillie

Julie Baillie FFA
Actuary

Appendix 1 Statement of financial position as at 31 March 2021

Net pension asset as at	31 Mar 2021 £000s	31 Mar 2020 £000s	31 Mar 2019 £000s
Present value of the defined benefit obligation	213,871	168,822	147,283
Fair value of Fund assets (bid value)	121,215	99,844	84,358
Deficit / (Surplus)	**92,656**	**68,978**	**62,925**
Present value of unfunded obligation	2,429	2,379	2,874
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	**95,085**	**71,357**	**65,799**

Appendix 2 Statement of profit and loss for the year to 31 March 2021

The amounts recognised in the profit and loss statement are:	Year to 31 Mar 2021 £000s	Year to 31 Mar 2020 £000s
Service cost	6,528	17,471
Net interest on the defined liability (asset)	1,627	1,566
Administration expenses	48	34
Total loss (profit)	**8,203**	**19,071**

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beyond the expected

Appendix 3 Asset and benefit obligation reconciliation for the year to 31 March 2021

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2021 £000s	Year to 31 Mar 2020 £000s
Opening defined benefit obligation	**171,201**	**150,157**
Current service cost	6,324	3,914
Interest cost	3,244	3,536
Change in financial assumptions	44,510	(21,053)
Change in demographic assumptions	(1,904)	(2,858)
Experience loss/(gain) on defined benefit obligation	(2,225)	2,134
Liabilities assumed / (extinguished) on settlements	-	38,849
Estimated benefits paid net of transfers in	(5,760)	(4,125)
Past service costs, including curtailments	204	167
Contributions by Scheme participants and other employers	874	650
Unfunded pension payments	(168)	(170)
Closing defined benefit obligation	**216,300**	**171,201**

The change in financial assumptions item includes the impact of the change in derivation of future assumed RPI and CPI inflation as noted on page 14. These changes have resulted in a loss of £5,952,000 on the defined benefit obligation; comprising a gain of £9,567,000 from the change in assumed IRP and a loss of £15,519,000 from the change in the assumed gap between RPI and CPI inflation.

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2021 £000s	Year to 31 Mar 2020 £000s
Opening fair value of Fund assets	**99,844**	**84,358**
Interest on assets	1,617	1,970
Return on assets less interest	19,994	(11,316)
Other actuarial gains/(losses)	-	(270)
Administration expenses	(48)	(34)
Contributions by employer including unfunded	4,862	3,322
Contributions by Scheme participants and other employers	874	650
Estimated benefits paid plus unfunded net of transfers in	(5,928)	(4,295)
Settlement prices received / (paid)	-	25,459
Closing Fair value of Fund assets	**121,215**	**99,844**

The total return on the fund assets for the year to 31 March 2021 is £21,611,000.

The employer contribution includes a single lump sum payment of £2,235,000 which was agreed to be paid by 30 April 2020.

Appendix 4 Sensitivity analysis

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	212,060	216,300	220,629
Projected service cost	6,488	6,676	6,869
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	216,691	216,300	215,912
Projected service cost	6,679	6,676	6,672
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	220,199	216,300	212,477
Projected service cost	6,867	6,676	6,490
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**- 1 Year**
Present value of total obligation	226,394	216,300	206,671
Projected service cost	6,979	6,676	6,384

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Appendix 5 Remeasurements in other comprehensive income

Remeasurement of the net assets / (defined liability)	Year to 31 Mar 2021 £000s	Year to 31 Mar 2020 £000s
Return on Fund assets in excess of interest	19,994	(11,316)
Other actuarial gains/(losses) on assets	-	(270)
Change in financial assumptions	(44,510)	21,053
Change in demographic assumptions	1,904	2,858
Experience gain/(loss) on defined benefit obligation	2,225	(2,134)
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	**(20,387)**	**10,191**

Appendix 6 Projected pension expense for the year to 31 March 2022

Projections for the year to 31 March 2022	Year to 31 Mar 2022 £000s
Service cost	6,676
Net interest on the defined liability (asset)	1,876
Administration expenses	59
Total loss (profit)	**8,611**
Employer contributions	**2,421**

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021. These projections are based on the assumptions as at 31 March 2021, as described in the main body of this report.

AUDIT & ACCOUNTS COMMITTEE
28 JULY 2021

UNDERLYING VALUATION ASSUMPTIONS FOR 2020/2021 STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 To provide Members with information regarding the assumptions made by the Valuers in calculating the figures to be reported in the 2020/21 Statement of Accounts, as per the revaluation model approach taken by the Council under IAS 16 (International Accounting Standard 16 – Property, Plant and Equipment).

2.0 Introduction

2.1 IAS 16 – Property, Plant and Equipment is one of the financial reporting standards with which the Council must comply with when producing its annual Statement of Accounts.

2.2 IAS 16 outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost and is then subsequently measured using a revaluation model. Under the revaluation model, the 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).

2.3 Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum once every five years.

2.4 The Council appointed an external valuation consultant, Wilks Head and Eve, who performed the independent valuation of the list of assets. Attached at **Appendix A** is their valuation report which includes all their assumptions used to ascertain a valuation figure.

2.5 The list of assets, excluding the Council Dwellings, which have been revalued during 2020/21 is attached at **Appendix B**.

2.6 The Council's dwelling assets are revalued every year due to the volatility and the group value of the assets nature. Each financial year a desktop review will be undertaken to account for the changes in the valuations, however once every five years a full revaluation will take place on a beacon basis. Financial year 2020/21 is a desktop review as the last full revaluation took place in 2017/18. Attached at **Appendix C** is their valuation report which includes all their assumptions used to ascertain a valuation figure.

3.0 RECOMMENDATION

Members note and approve the assumptions used in the calculation of asset valuation figures for 2020/2021.

Background Papers
Nil
For further information please contact Andrew Snape on extension 5532.
Sanjiv Kohli

Deputy Chief Executive/Director – Resources and S151 Officer

Valuation Report

IN RESPECT OF VALUATION OF LAND AND PROPERTY ASSETS FOR

NEWARK AND SHERWOOD DISTRICT COUNCIL

2020/21 FINANCIAL PERIOD

Issued On: 17/05/2021

Valuation Date: 31/03/2021

Wilks Head & Eve LLP, Third Floor, 55 New Oxford Street, London, WC1A 1BS

Gharbord@wilks-head.co.uk

WH&E WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to the valuation of the properties identified by the Authority under the revaluation programme for the 2020/21 financial period.

The purpose of this Valuation Report is to provide valuations for financial reporting purposes.

We confirm that this work has been undertaken in an impartial and independent manner and the results have not been influenced by the Authority.

The Valuer has arrived at their opinion of Current Value and Fair Value from referring to recent comparable market transactions.

For Specialised properties, the Current Value has been derived using Depreciated Replacement Cost methodology.

We have advocated a clear and transparent valuation process to provide valuations as part of the adoption of IFRS compliant accounting process.

We have set out the detailed methodology adopted within this report to allow the client Authority, its lead officers, and the external auditors to follow the way in which we undertook the process.

This signed valuation report is the ultimate result of this instruction.

Valuation data has also been provided in a digital and summarised format. This data forms an integral part of this valuation process and separately identifies each asset valued.

All extract or summary data provided for management information should be read in conjunction with the assumptions contained in the CIPFA Code, the RICS Valuation Standards and our Valuation Report.

PROCESS

The Valuer and the Authority agreed a process timetable:

- Determination of valuation assumptions
- Data collection
- Inspection protocol
- Valuation and initial reporting date
- Consideration of process and final reporting process
- Contingency timetable for process slippage
- Audit Support methodology and timescales

SECTION ONE - INTRODUCTION

In this case, it was possible to work with lead officers within the Authority to achieve these process outputs.

Our draft valuation results were forwarded to the Authority in advance of the final report and this allowed a review process between the Authority and the Valuer to take place.

VALUATION STATEMENT

We are of the opinion that as at 31st March 2021, the Gross Valuations of the Councils interest in the properties identified for re-valuation (as per instructions), are as follows:

- £28,273,800
- (Twenty-eight million, two hundred and seventy-three thousand and eight hundred pounds)

It is important to note that the above values reflect the total gross values of the properties selected for revaluation by the Authority and may not represent the full values of the overall portfolio(s).

All prices or values are stated in pounds sterling.

As mentioned above the individual Gross, Residual and Depreciable values are included and provided electronically in excel format and should be read in conjunction with this report.

These individual sheets and summary also include our opinion of Weighted Average Remaining Useful Life.

We certify that this valuation report fulfils the requirements of the RICS and in terms of the application of IFRS Code for your revenue accounting purposes.

G S C Harbord MA MRICS IRRV (Hons), (Partner), an RICS Registered Valuer

AmWilliams reviewed by A M Williams Dip BSc (Hons) MRICS FIRRV REV RICS Registered Valuer

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

- G S C Harbord MA MRICS IRRV (Hons), RICS Registered Valuer, Partner

The report was subject to the internal audit by our in house RICS qualified Partner:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV.

We confirm that all surveyors involved in the instruction are RICS Registered Valuers have complied with the requirements of PS1 and PS2.

We also confirm that all surveyors are suitably qualified and experienced for the purposes of the instruction and have sufficient current local and national knowledge of the markets applicable to the assets valued within this report in addition to the necessary skills and understanding to undertake the valuations competently.

Wilks Head & Eve LLP have been carrying out Asset Valuations for financial reporting purposes since 2018 for Newark and Sherwood District Council and we can confirm that we are independent from the Authority and 'external Valuers' in this instance.

Wilks Head & Eve LLP work within the RICS Rules of Conduct as a regulated firm and members and have procedures in place for identifying conflicts of interest and can confirm there is no such conflict in this instance with either the properties valued, the client, or because of any wider relationship.

Wilks Head & Eve LLP operates a Valuer Rotation Policy in accordance with the RICS Valuation Global Standards. To confirm, we understand that the use of a consistent Valuer over a long period of time may lead to over familiarity which may lead to potential objectivity issues. We both rotate Valuers within in line with the Standards and have implemented internal valuation policies and practices to minimise and mitigate this point.

We can also confirm that in relation to Wilks Head & Eve LLP previous financial year the proportion of total fees paid by Newark and Sherwood District Council to the total fee income of Wilks Head & Eve LLP would be considered minimal (i.e. less than 5%).

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

Client: Newark and Sherwood District Council

Client Address: Council Offices, Castle House, Great North Road, Newark-on-Trent, Newark, NG24 1BY

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Contact: Andrew Snape

No other parties other than the client may rely upon the valuation information provided.

PURPOSE OF THE VALUATION

Wilks Head & Eve LLP have completed valuations of assets selected for valuation by the Authority as per their relevant program.

These assets are located within the Authorities general fund portfolio and are listed in full within the separately appended 'reporting summary' document.

The valuations supplied have been prepared specifically to meet financial reporting requirements and should not be used in any other context.

Unless otherwise stated, the assumption has been made that the properties valued will continue to be in the occupation of the Authority for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Where Existing Use Value may differ from Market Value a comment has been provided within the individual valuation.

IDENTIFICATION OF ASSETS TO BE VALUED

The Authority determined that certain assets required revaluation.

These included both freehold and leasehold assets under the following groupings:

- Assets which were due for revaluation under a determined revaluation cycle

If any value significant changes occur to assets held within the portfolio after this report is prepared, and a valuation is required, it may be that a separate valuation and report will need to be completed – usually in the form of a Material Change Report.

DATE OF VALUATION

Further to instructions from the client we have agreed to report the valuations at the following valuation date:

- 31st March 2021

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

EXTENT OF INVESTIGATION

Further to the instructions from the Authority we have inspected selected assets as part of this exercise.

The inspections were completed between the 25th and 26th February 2021.

Assets which require a valuation are inspected at intervals of no more than five years as outlined within section '4.1.2 Accounting requirements' of the CIPFA Code.

SOURCES OF INFORMATION

For the purposes of this report the Valuer has had to rely upon information regarding the properties provided to us by the Authority and the valuations are dependent on the accuracy of the information supplied and / or the assumptions made.

Information supplied by the Authority includes:

- List of assets requiring a valuation
- Site and Floor Plans
- Floor and Site areas
- Tenure Details
- Rental Schedule

In addition, the Valuer has completed additional research in relation to the portfolio from our own records in addition to other third-party resources including, Egi, Focus, Rightmove, regional market reports, local agents, and BCIS cost data.

If this information proves to be incorrect or inadequate, then they could affect the accuracy of the valuations. It is assumed that these floor areas meet the requirements of the RICS professional statement – RICS property measurement which incorporates IPMS.

The Valuer has not inspected all Title Deeds or any Planning Consents, Statutory Notices, licenses, or other documents relating to the properties (except where indicated). We cannot therefore comment upon the possible effect of any outstanding Statutory Notices, or any contravention of any statutory requirements, or the effects of the Defective Premises Act (1972).

IFRS 13 FAIR VALUE – INVESTMENT AND SURPLUS ASSETS

Authorities shall account for investment property in accordance with IAS 40 Investment Property and should be valued to 'Fair Value'.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

In addition to arriving at the 'Fair Values' for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a 'Fair Value hierarchy'.

The hierarchy categorises the inputs used in to three levels and the Fair Value category is applied based on whether the Valuer has used more observable or unobservable inputs within the valuation.

To outline this hierarchy:

Level 1:

- The level 1 category is reserved for unadjusted quoted prices in active markets for identical assets.
- We are of the view that there are no assets within the portfolio which should be classed at Level 1 in the Fair Value hierarchy.

Level 2:

- Level 2 inputs are quoted prices other than quoted prices in Level 1 that are observable for the asset. Adjustments may be required based on perhaps location and condition.

- Significant Observable Inputs – Level 2:
    - Land and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the locality.
    - Market conditions for these asset types are such that the levels of observable inputs are significant leading to the properties being categorised at Level 2 in the Fair Value hierarchy.

Level 3:

- Level 3 inputs comprise unobservable inputs for an asset used to measure Fair Value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date.

- Significant Unobservable Inputs – Level 3:

    - We are of the view that there are no assets within the portfolio which should be classed at Level 3 in the Fair Value hierarchy.

Typical valuation inputs which have been analysed in arriving at our Fair Valuations include:

- Market Rental and Sale Values

- Yields
- Void and Letting Periods
- Size
- Configuration, proportions and layout,
- Location, visibility and access
- Condition
- Lease covenants
- Obsolescence
- Construction

The aim is to arrive at the notional 'Highest and Best use value' for the asset either as a stand-alone asset or in combination with other assets within the principal market whilst ensuring that any alternative use is physically, legally, and financially possible.

This has been achieved, for these purposes, by comparing the 'current use' of the asset to the notional 'alternative use' based on potential redevelopment on a land value basis for the site.

The Fair Value of the asset, for the current use, has been determined by applying an income or comparative approach based on the rental value of the property.
In most cases the assets have been leased on the open market and there are comparables to draw upon in relation to rental values, yields and rental growth.

Although there is an element of Valuer subjectivity, we are of the view that the valuations comprise a higher proportion of observable inputs rather than unobservable inputs.

The Fair Value of asset, for the alternative use, has, in most cases, been derived using the sale comparison approach on a land / site basis. In some cases, we have explored other avenues in arriving at the Fair Value including conversion of the existing building.

Sale prices of comparable land in applicable uses and similar locations to the subject property are adjusted for differences in key attributes such as land size. End allowances have been included to reflect additional costs which may be appropriate such as demolition and planning.

No formal planning enquires have been made regarding alternative use and assumptions have been made further to discussions with the Authority.

This valuation model is based on a price per hectare and end allowances are based on percentages which have been arrived at via observable and unobservable comparable exercises completed within the locality.

It is important to note that to meet the objective of Fair Value measurement, IFRS 13 does not require that exhaustive efforts be undertaken to obtain information about market participant assumptions and expects that all information that is reasonably available to be considered. We have worked on this basis for this process.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

VALUATION BASIS

The Valuer has completed the valuation report in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting in the United Kingdom ('The CIPFA Code') – 2020/21.
- International Financial Reporting Standards (IFRS).
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2019 and effective 31 January 2020) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)

In addition, the Valuer has prepared the valuations in accordance with the RICS Global Standards 2017: UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

This UK Valuation Practice Guidance Application sets out the basis of value for all property assets in line with the CIPFA Code.

Apart from infrastructure, community assets and assets under construction, the Code sets out that the basis of value for all property, plant and equipment assets is to be current value.

There are four measurement approaches to calculating current value in the Code:

- **For operational property, plant and equipment:**
    - Existing Use Value (EUV) in accordance with the definitions in UK VPGA 6 and guidance in the Code
    - Existing Use Value – Social Housing (EUV-SH); in accordance with the definition in UK VPGA 7 and guidance in the Code
- **For specialised assets**
    - Depreciated Replacement Cost (DRC) in accordance with UK VPGA 1.5 (see also RICS UK guidance note Depreciated Replacement Cost method of valuation for financial reporting, 1st edition)
- **For surplus assets**
    - Fair Value as defined under IFRS 13 and as adopted by the Code.

Investment Property is to be valued at Fair Value.

Assets Held for Sale are to be valued at the lower of their carrying value and Fair Value as appropriate to the measurement requirements of the Code.

We have provided (where appropriate) Fair Value valuations for these assets and we understand that these will be cross referenced with carrying values held by the client.

Heritage assets are to be measured at valuation (or cost). These valuations may be made by any method that is appropriate and relevant.

Infrastructure, community, and assets under construction are to be measured at historical cost.

For depreciation purposes assets are to be recognised on a component basis, where components have a significant cost in relation to the total cost of the asset.

In practice this can be achieved by separately accounting only for significant components that have materially different asset lives, or where different depreciation methods are used.

The Valuer's role is to provide assistance on the identification and classification of assets and, essentially, to provide the Current Value or Fair Value of those assets.

No allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise on disposal.

VALUATION APPROACH AND REASONING

A) Property, Plant & Equipment (PPE) Assets

- Current Value – EUV
    - In respect of Operational, Non-Specialised Properties, classified as PPE assets, the Current Value has been interpreted as the amount that would be paid for the asset in its existing use. The Valuer has met this requirement by providing a valuation based on EUV in accordance with UK VPGA 6.
    - EUV is defined in the Red Book under UK VPGA 6 as:
    - 'The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'
    - For these purposes EUV ignores any element of hope value for an alternative use or any value attributable to good will.
    - EUV assets have been valued, with reference to market-based evidence, via the comparative method of valuation via the Market (comparative method) or Income (profits method) approaches.
    - Further to our instructions for assets valued under a EUV approach; the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. It is important to note that the apportionments are provided solely for accounting purposes and do not represent formal valuations of the separate elements. They should not be relied upon for any other purpose.

  - Where EUV may be materially different to MV a comment has been provided within the individual valuation sheet.

- Current Value – DRC
  - In respect of specialised properties, the Valuer has adopted the DRC method of valuation to assess Current Value in existing use.
  - The Valuer has provided these valuations in accordance with the Red Book under; UK VPGA 1. 5 in addition to Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
  - DRC is defined as:
  - 'The current cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.'
  - For each asset valued under the DRC approach the Gross Replacement Cost (GRC) of providing a new modern equivalent asset has been assessed.
  - This GRC has then been adjusted to reflect obsolescence to arrive at the Net Replacement Cost.
  - Unless specifically noted within the valuation it has been agreed with the client that the current floor areas of the assets valued are representative of the modern equivalent asset for these purposes.
  - Replacement costs have been arrived at with reference to the RICS BCIS Cost guides which are published by the RICS and have been adopted relevant to the valuation date.
  - An additional allowance has been reflected within the valuation for the Externals element which has been applied on a per property basis based on an analysis of construction projects within the RICS BCIS database.
  - Depreciation & Obsolescence
    - The Valuer has determined an appropriate scaling for depreciation which relates to the physical deterioration, function, and other economic factors for each asset valued.
    - The Valuer, with reference to the 'Red Book', IFRS and the CIPFA Code, has adopted a reducing balance approach in applying obsolescence to assets valued on a DRC basis assuming an initial asset life of 60 years.
    - Under this methodology, a form of straight-line depreciation occurs over the first 25 years of the asset life from construction date (with no deferral period).
    - This shift in application of obsolescence once the 25-year period is reached represents our professional judgement as to where physical deprecation rates of certain components are at their limit and therefore replaced, heating systems for example. This expected replacement or capital expenditure prolongs the physical depreciation of the assets within the portfolio.
    - However, these assets continue to become physically, functionally, and economically obsolete, so the calculation applied based on 'age' and 'life' ensures obsolescence still increases but at a slower rate past the soft threshold.
    - Therefore, after 25 years depreciation continues to be applied at a reducing rate.
    - The 25-year timeframe has been determined via a professional judgement informed by our componentisation research as is considered appropriate and reflective in this instance.

- This approach represents our professional judgement as an appropriate measure of application for assets operated within a Public Sector portfolio wherein initial expected asset lives are often extended via capital expenditure.
- This approach is also in line with the reducing balance guidance outlined within the Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
- Discussions are held with the clients on quality and condition of assets which are cross referenced with our inspection findings (where appropriate).
- In conjunction with the above it is important to note that each asset valued is assessed separately and a 'stand back and look' approach adopted.
- In some cases, because of this review it has been agreed that a higher or lower percentage should be applied based on individual circumstances.
- Examples of these variations would include assets where there are known structural defects or assets which have been subject to comprehensive refurbishment or assets which are technologically obsolete or have timeframes for demolition.

- Land Values
  - The Valuer arrived at the land values with reference to Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
  - Specific reference has been made to: 'Section 7 – The site value of a specialised property' and this has been taken into consideration.
  - The land calculation has therefore been arrived at via two separate calculations, one for the developed land area and one for the un-developed land area (where appropriate).
  - In line with this guidance the Valuer has arrived at its estimate of the developed land area based on what it may cost to acquire each site in the market at the relevant valuation date.
  - This may be based on EUV, estimating the cost of purchasing a notional replacement site in the same locality on the basis that the site is suitable.
  - Where the site is determined to be too specialised in market terms the Valuer has referred to the potential range of uses which are appropriate for the locality of that site.
  - For these purposes it was agreed with the client that the modern equivalent assets would remain on the current site in relation to the developed areas.
  - This estimate varies dependent on the location of each asset and as outlined within the guidance there are practical difficulties in determining from what planning use it is appropriate to draw the sales comparison and it may mean that a potential service purchaser would need to compete with other potential alternative uses for the land.
  - The resulting conclusion is that the Valuer has established, in their professional view, what is the most appropriate amount that a prudent purchaser would pay to acquire a site for an equivalent development in a relevant location at the valuation date.

        - For un-developed land areas, predominately comprising Playing Fields or areas of amenity land, the Valuer has provided the value (where appropriate) based on their professional opinion of prevailing amenity land values for the location at the valuation date as outlined within the Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
    - DRC Valuations are subject to the prospect and viability of the continued occupation and use.
    - Due to the specialised nature of these properties the value estimated using the DRC method is not based on the evidence of sales of similar assets in the market.
    - See paragraph below in the Departures section in relation to “Instant Build”.

B) Investment, surplus and assets held for sale.

- Fair Value
    - In respect of Investment, surplus and assets held for sale the valuations have been reported using the IFRS 13 definition which is set out in the Red Book under VPS 4 Paragraph 7, Fair Value as:
        - ‘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.’
    - But while fair value for financial reporting, whether under IFRS or under UK GAAP, is defined using slightly different language from that in the IVS market value definition (see VPS 4 section 4), the underlying concept is essentially the same.
    - In most cases the figure to be reported as the fair value of an asset is also that which would be reported as its market value.
    - VPS 4 section 4 which defines Market Value as:
    - ‘The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.’
    - Where appropriate for assets valued to Fair Value (surplus assets) the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. It is important to note that the apportionments are provided solely for accounting purposes and do not represent formal valuations of the separate elements. They should not be relied upon for any other purpose.

C) Social Housing

- Where housing held for social housing purposes are held within the general fund portfolio these have been valued to Current Value via the Existing Use Value for Social Housing (EUV-SH) basis as defined within UK VPGA 7.

Full valuation definitions are included within Section 3 of this report.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

DEPARTURES

In addition to the above commentary in relation to the DRC method of valuation it should be noted that that paragraph 4.1.2.7 of the Code sets out that Valuers should adopt the 'instant build' approach when producing DRC valuations and states that:

- 'Where DRC is used as the valuation methodology, authorities should use the "instant build" approach at the valuation date.'

The 'instant build' approach means that finance costs are excluded from the valuation.

The Red Book does provide guidance on this issue within section 1.5 of DRC method of valuation for financial reporting, 1st Edition:

- 'where DRC is used for valuations in the public sector, there may be specific requirements within the rules governing those valuations that amend specific parts of this guidance. Such specific requirements take precedence over this guidance note'.

This departure note would allow the Valuer to amend the defined DRC valuation method.

Further to the above and general auditor's comments we have received we have provided these valuations on the instant build approach.

IMPAIRMENT

As a consequence of the valuation process, we are aware that our valuation opinion is providing a revaluation of existing properties already contained and included within your asset portfolio for capital accountancy purposes.

The valuation procedures place a requirement upon the independent external Valuer to comment upon any value significant effects which may have influenced values in the area since the last valuation process over and above the general movements in the marketplace.

In particular, an emphasis is placed to note any "Trigger" events which may have affected value in a drastic or unexpected way. These events may lead to a general "impairment" or indeed "betterment" in values for your portfolio, or specific elements therein.

The review process for the Valuer in these terms places a duty to review whether the proportion of the portfolio, not valued directly, has been affected by impairment and not addressed otherwise since our, or others, last valuation, or market review.

We carry out Market Reviews on 31st March in each year (closing book date), if required by the Authority, which covers this aspect and therefore these elements are not specifically covered within the report unless noted within the individual valuation.

However, for this report it is worth noting that following the EU referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit.

At the time of preparing this commentary, the UK has now officially left the EU and the transition period has come to an end as of 31st December 2020.

Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise.

We therefore remain in a period of uncertainty in relation to many factors that impact the construction markets and costs associated with this market.

There is some evidence that demand may increase during 2021 which may have a positive effect on prices however it is understood that this is likely to be found in the latter half of the calendar year (i.e. within the 2021/22 financial period).

In any event we are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.

In addition:

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards, except as identified below.

In respect of Retail and specific trading related assets/sectors such as Car Parks, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Our valuation of these assets are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.

For the avoidance of doubt this explanatory note, including the 'material valuation uncertainty' declaration, does not mean that the valuation(s) cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.
Given the unknown future impact of the areas covered within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.

COMPONENTISATION

The Valuer has provided componentised valuations within the report.

The CIPFA Code provides a useful description to the concept of component accounting:

IAS16 says "each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately".

The application of accounting for components applied from 1st April 2010.

The Valuer has analysed as much comparable build cost data applicable to the portfolio as possible.

The approach assumed that the costs for a particular build type when analysed would allow the Valuer to identify suitable major components present in assets represented within the Local Authority portfolio.

At the outset, the Valuer has sought to determine the components, the percentage attributable to that component of overall building cost, and the relative lifespan of that component over which to depreciate for each class of property type valued in the portfolio.

The resulting information, presented as a representative "Beacon", has then been applied to all similar properties within the portfolio and a suitable analysis carried out to determine a policy for what constitutes a "major component" and to inform the level of materiality at a component level.

As a result of the investigations, it was not always possible to use actual build cost data from the specific Local Authority portfolio. The Valuer has been able to gather relevant data from WHE's existing client portfolio, which includes other Local Authorities, but took the view that it was more reliable to use information from the Building Cost Information Service of RICS (BCIS) which has provided specific build cost data already analysed on a common approach for comparable property types within England and Wales.

As a result of the analysis the Valuer has been able to apply several componentisation property descriptions to the portfolio. For each of these property descriptions, a beacon property summary has been produced.

The analysis of data has resulted in new build property evidence to represent components by percentage of the overall assets and full life estimates for those components where appropriate.

The full life estimates for these key components have been determined from the information provided by market manufacturers, client data supplied for this purpose and from our research in the BCIS costing indices.

This approach is in line with the outline approaches within the IFRS, CIPFA and RICS guidance.

ADDITIONAL COMMENTS

It may be that further report(s) and valuations are necessary to reflect any in year changes to assets within the portfolio not valued and covered by this report to ensure that carrying figures are appropriate for the final day of the accounting period, 31st March 2021.

These circumstances may include material changes and new acquisitions and if required would be reported separately to this report.

AUDIT SUPPORT

We expect that as part of the valuation process, we will be required to provide certain additional explanation and assistance to the Authority where the process will be subject to audit.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

SPECIAL ASSUMPTIONS

We are not aware of any special assumptions.

ASSUMPTIONS

- **Planning Proposals**
  We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.

- **Construction and State of Repair**
  Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.

  We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.

  No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.

  Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.

- **Hazardous or Deleterious Materials**
  We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report, we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.

- **Contaminated Land**
  We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking

our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.

Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.

- **Plant and Machinery**
  Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.

- **Lotting**
  Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.

- **Taxation**
  No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).

- **Acquisition and Disposal Costs**
  No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.

  For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependent on the overall value of the asset and property type on an acquisition or disposal, respectively.

  The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

  The Valuer has not been asked by the client to specifically reflect these costs separately. Guidance on this matter is provided within UKVS 1 Paragraph 1.7 - Costs to be excluded of the Red Book:

- The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.
- In determining the figure to enter into the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.
- FRS 15 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.
- In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.

- **Energy Performance Certificates**

  In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.

  This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.

  Since 26th March 2015, the minimum energy efficiency standard (MEES) has been introduced.

  This minimum standard applies to both domestic and non-domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.

  From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non-domestic properties too.

  Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.

  For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

- **Deminimis Levels of Value**
  Only those properties the value of which is considered likely to exceed the "deminimis" level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

AUDIT COMMENTARY

Our valuation methodology and assumptions evolved from ongoing instructions since 1992 when the current accounting requirements were introduced.

Our working processes are audited through our external consultants Certification International UK Ltd on an annual basis to achieve our ISO 9001:2008 accreditation.

The valuation report and results are reviewed by the client accountant and estates teams before we issue the final version of the report.

NON-PUBLICATION CLAUSE

Neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the previous written approval of Wilks Head and Eve as to the form and context in which it may appear.

Our letter of consent will be given when a final proof of the document is available, and the consent will refer to a specimen annexed and signed as identification of what has been approved.

As such publication of, or reference to, this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards.

This report is provided for the stated purpose and for the sole use of the named client and their professional advisors and the Valuer accept no responsibility whatsoever to any other person.

VALUATION DEFINITIONS

Full definitions are outlined below:

Definition of Existing Use Value (EUV) – UK VPGA6 Local authority and central government accounting: existing use value (EUV) basis of value

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

Valuations based on EUV should adopt the following definition:

'The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'

1. Existing use value (EUV) is to be used only for valuing property that is owner-occupied by an entity for inclusion in financial statements. The definition of EUV is taken from the wording of the market value definition with one additional assumption and a further requirement to disregard certain matters. In practical terms, the definition of existing use value can be seen generally to accord with the conceptual framework of VPS 4, but with the following supplementary commentary:

2. **'…the buyer is granted vacant possession …'**
   The assumption that vacant possession would be provided on acquisition of all parts of the property occupied by the business or 'reporting entity' does not imply that the property would be empty, but simply that physical and legal possession would pass on completion. Any parts of the property occupied by third parties should be valued subject to those occupations. Properties occupied by employees, ex-employees, or their dependants should be valued with regard to the circumstances of their occupation, including any statutory protection. This assumption also means that it is not appropriate to reflect any possible increase in value due to special investment or financial transactions (such as sale and leaseback), which would leave the owner with a different interest from the one that is to be valued. In particular the covenant of the owner-occupier must be ignored.

3. **'…of all parts of the property required by the business …'**
   If parts of the property are unused and are surplus to the operational requirements of the business, their treatment will depend on whether they can be sold or leased separately at the valuation date. If they can be occupied separately, they should be allocated to a separate category as surplus property and valued on the basis of market value. If separate occupation is not possible, any surplus parts would have no more than a nominal EUV, as they would contribute nothing to the service potential of the property and would not feature in a replacement at least cost.

4. **'…disregarding potential alternative uses …'**
   'Existing use', in the context of EUV, means that the valuer should disregard uses that would drive the value above that needed to replace the service potential of the property. An entity seeking to replace this potential at least cost will not buy a property if its value has been inflated by bids from other potential occupiers for whom the property has greater value because of alternative uses or development potential that are irrelevant to its own requirements.
   The valuer should therefore ignore any element of 'hope value' for alternative uses that could prove more valuable. However, it would be appropriate to take into account any value attributable to the possibility of extensions or further buildings on undeveloped land, or redevelopment or

refurbishment of existing buildings, providing that these would be required and occupied by the entity, and that such construction could be undertaken legally and without major interruption to the current operation.

5. **'…disregarding … any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'**
   There are circumstances where it may be appropriate for the valuer to ignore factors that would adversely affect the market value, but would not be characteristic of a replacement. Examples include:

   - where an occupier is operating with a personal planning consent that could restrict the market in the event of the owner vacating
   - where the occupier holds the property under a lease and there are lease covenants that impose constraints on assignment or alternative uses
   - where a property is known to be contaminated, but the continued occupation for the existing use is not inhibited or adversely affected, provided there is no current duty to remedy such contamination during the continued occupation
   - where an industrial complex is overdeveloped, and the extra buildings have either limited the market value or detracted from it, but would need to be replaced to fulfil the service potential to the business
   - where the existing buildings are old and so have a limited market value, but would have a higher replacement cost to the business
   - where the property is in an unusual location, or is oversized for its location, with the result that it would have a low market value, but where the cost of replacing the service potential would be significantly greater and
   - where the market is composed solely of buy-to-let investors, but the valuer believes that the replacement cost (the price agreed between a willing vendor and willing owner-occupier purchaser) would be higher.

6. Any value attributable to goodwill should normally be ignored.

7. The fact that a large property may be in single occupation does not necessarily mean that it has to be valued on the assumption that only bids from other potential occupiers for the whole can be taken into account. If the property is one where a higher value would be generated by the potential to divide it into smaller units for the existing use, this should be reflected in the valuation.

8. Many market valuations are based on the existing planning use of the property, which often, but not invariably, generates the highest value. Such valuations have sometimes been described as 'existing use valuations'. However, this is incorrect and they should properly be expressed as market values.
   It is emphasised that EUV is only to be used when valuing property that is occupied by the owners of the interest being valued for the purpose of their business, for inclusion in financial statements.

Definition of Fair Value (VPS 4 Section 7)

7.1 Fair value (the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13) 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.'

7.2 The guidance in IFRS 13 includes an overview of the fair value measurement approach.

7.3 The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. It is thus sometimes described as a 'mark to market' approach. Indeed the references in IFRS 13 to market participants and a sale make it clear that for most practical purposes the concept of fair value is consistent with that of market value, and so there would ordinarily be no difference between them in terms of the valuation figure reported.

7.4 A fair value measurement requires an entity to determine all of the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
- the principal (or most advantageous) market for the asset or liability
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

7.5 Valuers undertaking valuations for inclusion in financial statements should familiarise themselves with the relevant requirements – see also VPGA 1.

Definition of Market Value (VPS 4 Section 4)

Market value is defined in IVS 104 paragraph 30.1 as:

- 'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

4.1 Market value is a basis of value that is internationally recognised and has a long-established definition. It describes an exchange between parties that are unconnected and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, at the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible – fuller treatment of this particular premise of value can be found at section 140 of IVS 104.

4.2 It ignores any price distortions caused by special value (an amount that reflects particular attributes of an asset that are only of value to a special purchaser) or marriage value. It represents the price that would most likely be achievable for an asset across a wide range of circumstances. Market rent (see below) applies similar criteria for estimating a recurring payment rather than a capital sum.

4.3 In applying market value, regard must also be had to the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date. The full conceptual framework for market value can be found at paragraph 30.2 of IVS 104.

4.4 Notwithstanding the disregard of special value, where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the asset in the future, the impact of that expectation is reflected in market value. Examples of where the expectation of additional value being created or obtained in the future may have an impact on the market value include:

- the prospect of development where there is no current permission for that development and
- the prospect of marriage value arising from merger with another property or asset, or interests within the same property or asset, at a future date

4.5 The impact on value arising by use of an assumption or special assumption should not be confused with the additional value that might be attributed to an asset by a special purchaser.

4.6 In some jurisdictions a basis of value described as 'highest and best use' is adopted and this may either be defined by statute or established by common practice in individual countries or states.

Definition of Depreciated Replacement Cost – DRC method of valuation for financial reporting, 1st Edition.

2.3 The DRC method is a form of cost approach that is defined in the RICS Valuation – Global Standards 2017 (RB Global) Glossary as:

'The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.'

2.4 The DRC method is based on the economic theory of substitution. Like the other forms of valuation (market approach, income approach) this cost approach involves comparing the asset being valued with another.

However, DRC is normally used in situations where there is no directly comparable alternative. The comparison therefore has to be made with a hypothetical substitute, also described as the modern equivalent asset (MEA). The underlying theory is that the potential buyer in the exchange would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.

2.5 In order to assess the price that the potential buyer would bid for the actual asset, valuation depreciation adjustments have to be made to the gross replacement cost of the MEA to reflect the differences between it and the modern equivalent. These differences can reflect obsolescence factors such as the physical condition, the remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset. Land required for the MEA will be separately assessed as described in section 7.

2.6 DRC method of valuation for financial reporting, 1st Edition discusses factors that may need to be taken into account in assessing both the cost of a modern equivalent asset and the valuation depreciation adjustments applied to the actual asset.

Company Information

Wilks Head & Eve LLP
3rd Floor
55 New Oxford Street
London, WC1A 1BS

Tel 020 7637 8471

Email Gharbord@wilks-head.co.uk

www.wilks-head.co.uk

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Newark and Sherwood District Council

Asset Valuation 31st March 2021

WHE Ref Number	N&SDC Asset Reference	Address	Description	IFRS Categorisation	Valuation Method	Gross Value	Residual Value	Depreciable Value	Remaining Useful Life
						£28,273,800	£4,974,870	£23,298,930	£0
8844/20001	B00011B/L	Blidworth Community Leisure Centr Mansfi	Leisure C	Property, Plant & Equipment	DRC	£1,159,000	£244,000	£915,000	50 Years
8844/20002	B00012B/L	Newark Sports & Fitness Centre	Leisure C	Property, Plant & Equipment	DRC	£14,064,000	£582,000	£13,482,000	50 Years
8844/20003	B00152B/L	Newark Civil War Museum	Museums	Property, Plant & Equipment	DRC	£1,353,000	£210,000	£1,143,000	50 Years
8844/20009	B00501B/L	Dorewood House Comm Centr Dorewood Court	OAP Centres	Property, Plant & Equipment	DRC	£101,000	£8,000	£93,000	50 Years
8844/20010	B00502B/L	William Ghent House Wilfred Avenue Balde	OAP Centres	Property, Plant & Equipment	DRC	£186,000	£40,000	£146,000	50 Years
8844/20011	B00503B/L	Manthorpe OAP Community Brandon Close Ba	OAP Centres	Property, Plant & Equipment	DRC	£98,000	£8,000	£90,000	50 Years
8844/20012	B00504B/L	Green Valley Road Bilsthorpe OAP Day Cen	OAP Centres	Property, Plant & Equipment	DRC	£211,000	£20,000	£191,000	50 Years
8844/20013	B00505B/L	Burton Court Bilsthorpe OAP Community Ce	OAP Centres	Property, Plant & Equipment	DRC	£221,000	£16,000	£205,000	50 Years
8844/20014	B00506B/L	Rookwood Close 8 Main Street Blidworth O	OAP Centres	Property, Plant & Equipment	DRC	£192,000	£13,000	£179,000	50 Years
8844/20015	B00507B/L	Eastfield Close Clipstone OAP Community	OAP Centres	Property, Plant & Equipment	DRC	£162,000	£22,000	£140,000	50 Years
8844/20016	B00508B/L	The Circle Clipstone OAP Community Centr	OAP Centres	Property, Plant & Equipment	DRC	£234,000	£29,000	£205,000	50 Years
8844/20017	B00509B/L	Well Green House Main Street Coddington	OAP Centres	Property, Plant & Equipment	DRC	£112,000	£9,000	£103,000	50 Years
8844/20018	B00510B/L	William Bailey House Windsor Close Colli	OAP Centres	Property, Plant & Equipment	DRC	£105,000	£11,000	£94,000	50 Years
8844/20019	B00511B/L	Abbey Road Edwinstowe OAP Community Cent	OAP Centres	Property, Plant & Equipment	DRC	£204,000	£18,000	£186,000	50 Years
8844/20020	B00512B/L	Lynds Close Edwinstowe OAP Community Cen	OAP Centres	Property, Plant & Equipment	DRC	£124,000	£18,000	£106,000	50 Years
8844/20021	B00513B/L	Trent House California Road Farndon OAP	OAP Centres	Property, Plant & Equipment	DRC	£97,000	£14,000	£83,000	50 Years
8844/20022	B00514B/L	The Leys Lowdham OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC	£81,000	£16,000	£65,000	50 Years
8844/20023	B00515B/L	Knights Court OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC	£91,000	£10,000	£81,000	50 Years
8844/20024	B00516B/L	Beaumont Walk Strawberry Hall Lane OAP	OAP Centres	Property, Plant & Equipment	DRC	£212,000	£14,000	£198,000	50 Years
8844/20025	B00517B/L	Cleveland Square OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC	£203,000	£14,000	£189,000	50 Years
8844/20026	B00518B/L	Barnbygate OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC	£208,000	£14,000	£194,000	50 Years
8844/20027	B00519B/L	Howes Court 7 New Street OAP Community	OAP Centres	Property, Plant & Equipment	DRC	£204,000	£32,000	£172,000	50 Years
8844/20028	B00520B/L	Ambleside Ollerton OAP Community Centre	OAP Centres	Property, Plant & Equipment	DRC	£223,000	£17,000	£206,000	50 Years
8844/20029	B00521B/L	De Lacy Court Ollerton OAP Community Cen	OAP Centres	Property, Plant & Equipment	DRC	£120,000	£9,000	£111,000	50 Years
8844/20030	B00522B/L	Coopers Rise Rainworth OAP Community Cen	OAP Centres	Property, Plant & Equipment	DRC	£71,000	£6,000	£65,000	50 Years
8844/20031	B00523B/L	Cambridge Close Rainworth OAP Community	OAP Centres	Property, Plant & Equipment	DRC	£188,000	£28,000	£160,000	50 Years
8844/20032	B00524B/L	Thoresby Road Rainworth OAP Community Ce	OAP Centres	Property, Plant & Equipment	DRC	£98,000	£7,000	£91,000	50 Years
8844/20033	B00525B/L	Burgage Close Southwell OAP Community Ce	OAP Centres	Property, Plant & Equipment	DRC	£97,000	£7,000	£90,000	50 Years
8844/20034	B00526B/L	Kings Court Southwell OAP Community Cent	OAP Centres	Property, Plant & Equipment	DRC	£109,000	£19,000	£90,000	50 Years
8844/20035	B00527B/L	Coghill Court Southwell OAP Community Ce	OAP Centres	Property, Plant & Equipment	DRC	£92,000	£8,000	£84,000	50 Years
8844/20036	B00528B/L	Snell Court Sutton on Trent OAP Communit	OAP Centres	Property, Plant & Equipment	DRC	£91,000	£24,000	£67,000	50 Years
8844/20037	B00529B/L	Maypole Court Wellow OAP Community Centr	OAP Centres	Property, Plant & Equipment	DRC	£143,000	£55,000	£88,000	50 Years
8844/20038	B00530B/L	Vale View Grange Road OAP Community Cen	OAP Centres	Property, Plant & Equipment	DRC	£178,000	£50,000	£128,000	50 Years
8844/20039	B00531B/L	De Lacy Court - Control Centre	OAP Centres	Property, Plant & Equipment	DRC	£118,000	£10,000	£108,000	50 Years
8844/20005	B00600B/L	Wellow Green Hostel - 10 units	Other	Property, Plant & Equipment	EUV	£427,200	£128,160	£299,040	54 Years
8844/20006	B00601B/L	Seven Hills Hostel - Quibell Lane 29unit	Other	Property, Plant & Equipment	EUV	£217,100	£65,130	£151,970	54 Years
8844/20007	D000788	32 Stodman Street	Other	Property, Plant & Equipment	EUV	£1,439,700	£503,895	£935,805	54 Years
8844/20008	D00355B	Buttermarket	Other	Property, Plant & Equipment	EUV	£1,856,600	£649,810	£1,206,790	54 Years
8844/20043		Alms Houses 79 Northgate, Newark	Other	Property, Plant & Equipment	EUV	£125,000	£37,500	£87,500	54 Years
8844/20044		Alms Houses 81 Northgate, Newark	Other	Property, Plant & Equipment	EUV	£125,000	£37,500	£87,500	54 Years
8844/20045		Alms Houses 83 Northgate, Newark	Other	Property, Plant & Equipment	EUV	£125,000	£37,500	£87,500	54 Years
8844/20046		Alms Houses 85 Northgate, Newark	Other	Property, Plant & Equipment	EUV	£125,000	£37,500	£87,500	54 Years
8844/20047		Alms Houses 87 Northgate, Newark	Other	Property, Plant & Equipment	EUV	£125,000	£37,500	£87,500	54 Years
8844/20048		Alms Houses 89 Northgate, Newark	Other	Property, Plant & Equipment	EUV	£125,000	£37,500	£87,500	54 Years
8844/20040	B00901B/L	Newark Livestock Market Great North Road	Other	Property, Plant & Equipment - Surplus	FV	£760,600	£760,600	£0	999 Years
8844/20042		Land Adjacent to Fire Station, Boundary Road, Newark	Other	Property, Plant & Equipment - Surplus	FV	£177,500	£177,500	£0	999 Years
8844/20049		Land at Elm Avenue	Other	Asset Held for Sale	FV	£526,000	£526,000	£0	999 Years
8844/20050		181,183,185 Yorke Drive	Other	Property, Plant & Equipment	EUV	£48,200	£14,460	£33,740	54 Years
8844/20051		RHH Ltd, Beaumond Cross, Portland Street, Newark	Other	Investment Property	FV	£920,900	£322,315	£598,585	54 Years

Valuation Report

IN RESPECT OF VALUATION OF PROPERTY ASSETS WITHIN THE HOUSING REVENUE ACCCOUNT

NEWARK AND SHERWOOD DISTRICT COUNCIL

2020/21 FINANCIAL PERIOD

Issued On: 01/06/2021

Valuation Date: 31/03/2021

Wilks Head & Eve LLP, Third Floor, 55 New Oxford Street, London, WC1A 1BS

Gharbord@wilks-head.co.uk

WH&E WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to Housing Revenue Account (HRA) portfolio valuations carried out for the Authority for accounting purposes for the 2020/21 financial period.

The purpose of this Valuation Report is to provide valuations for financial reporting purposes.

We confirm that this work has been undertaken in an impartial and independent manner and the results have not been influenced by the Authority.

The valuation of property assets held in the HRA is required by the Local Government and Housing Act 1989 Section 74.

Relevant guidance for valuation of Local Authority Housing Stock is confirmed in a publication issued by the DCLG entitled **'Stock Valuation for Resource Accounting Guidance for 2016**'.

Therefore, we have re-valued the stock portfolio by adopting this methodology, notably to include the current Vacant Possession Adjustment Factor.

We have set out the detailed methodology adopted within this report to allow the client Authority, its lead officers, and the external auditors to follow the way in which we undertook the process.

This signed valuation report is the ultimate result of this instruction.

Valuation data has also been provided in a digital and summarised format. This data forms an integral part of this valuation process and separately identifies each asset valued.

All extract or summary data provided for management information should be read in conjunction with the assumptions contained in the DCLG guidance, CIPFA Code, the RICS Valuation Standards and our Valuation Report.

PROCESS

The Valuer and the Authority agreed a process timetable:

- Determination of valuation assumptions
- Data collection
- Inspection protocol
- Valuation and initial reporting date
- Consideration of process and final reporting process
- Contingency timetable for process slippage
- Audit Support methodology and timescales

SECTION ONE - INTRODUCTION

In this case, it was possible to work with lead officers within the Authority to achieve these process outputs.

Our draft valuation results were forwarded to the Authority in advance of the final report and this allowed a review process between the Authority and the Valuer to take place.

VALUATION STATEMENT

We are of the opinion that as at 31st March 2021, the Gross Valuations of the Councils interest in the properties identified for re-valuation (as per instructions), are as follows:

Beacon Sample - Vacant Possession
- £1,815,000
- (One million, eight hundred and fifteen thousand pounds)

Beacon Sample - EUV-SH
- £762,300
- (Seven hundred and sixty-two thousand and three hundred pounds)

It is important to note that the above values reflect the total gross values of the properties selected for revaluation by the Authority and may not represent the full values of the overall portfolio(s).

We understand that the Council has used our valuation figures to extrapolate over the full portfolio and the resulting EUV value as at 31st March 2021 is:

- £693,076,201.67
- (Six hundred and ninety-three million, seventy-six thousand, two hundred and one pounds and sixty-seven pence)

In addition, we understand that the EUV-SH value for the portfolio as at 31st March 2021 is:

- £291,092,004.70
- (Two hundred and ninety-one million, ninety-two thousand, four pounds and seventy pence)

All prices or values are stated in pounds sterling.

SECTION ONE - INTRODUCTION

As mentioned above the individual Gross, Residual and Depreciable values are included and provided electronically in excel format and should be read in conjunction with this report.

These individual sheets and summary also include our opinion of Weighted Average Remaining Useful Life.

We certify that this valuation report fulfils the requirements of the RICS and in terms of the application of IFRS Code for your revenue accounting purposes.

G S C Harbord MA MRICS IRRV (Hons), (Partner), an RICS Registered Valuer

AmWilliams reviewed by A M Williams Dip BSc (Hons) MRICS FIRRV REV RICS Registered Valuer

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

- G S C Harbord MA MRICS IRRV (Hons), RICS Registered Valuer, Partner

The report was subject to the internal audit by our in house RICS qualified Partner:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV.

We confirm that all surveyors involved in the instruction are RICS Registered Valuers have complied with the requirements of PS1.

We also confirm that all surveyors are suitably qualified and experienced for the purposes of the instruction and have sufficient current local and national knowledge of the markets applicable to the assets valued within this report in addition to the necessary skills and understanding to undertake the valuations competently.

Wilks Head & Eve LLP have been carrying out Asset Valuations for financial reporting purposes since 2018 for Newark and Sherwood District Council and we can confirm that we are independent from the Authority and 'external Valuers' in this instance.

Wilks Head & Eve LLP work within the RICS Rules of Conduct as a regulated firm and members and have procedures in place for identifying conflicts of interest and can confirm there is no such conflict in this instance with either the properties valued, the client, or because of any wider relationship.

Wilks Head & Eve LLP operates a Valuer Rotation Policy in accordance with the RICS Valuation Global Standards. To confirm, we understand that the use of a consistent Valuer over a long period of time may lead to over familiarity which may lead to potential objectivity issues. We both rotate Valuers within in line with the Standards and have implemented internal valuation policies and practices to minimise and mitigate this point.

We can also confirm that in relation to Wilks Head & Eve LLP previous financial year the proportion of total fees paid by Newark and Sherwood District Council to the total fee income of Wilks Head & Eve LLP would be considered minimal (i.e. less than 5%).

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

Client: Newark and Sherwood District Council

Client Address: Council Offices, Castle House, Great N Rd, Newark on Trent, Newark, NG24 1BY

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Contact: Andrew Snape

No other parties other than the client may rely upon the valuation information provided.

PURPOSE OF THE VALUATION

Wilks Head & Eve LLP have completed valuations of assets selected for valuation by the Authority as per their relevant program.

These assets are located within the Authorities housing revenue account portfolio and are listed in full within the separately appended excel document(s).

The valuations supplied have been prepared specifically to meet financial reporting requirements and should not be used in any other context.

Unless otherwise stated, the assumption has been made that the properties valued will continue to be in the occupation of the Authority for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Where Existing Use Value may differ from Market Value a comment has been provided within the individual valuation.

DATE OF VALUATION

Further to instructions from the client we have agreed to report the valuations at the following valuation date:

- 31st March 2021

EXTENT OF INVESTIGATION

Further to the instructions from the Authority we have inspected selected assets as part of this exercise.

The inspections were completed on 1st April 2021.

The Council's Housing Department agreed the nominated beacon properties.

Letters were sent out to the nominated beacon tenants asking that our Valuer be allowed to inspect the beacon property on a date and time of day during our inspection period.

Assets which require a valuation are inspected at intervals of no more than five years as outlined within section '4.1.2 Accounting requirements' of the CIPFA Code.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

SOURCES OF INFORMATION

For the purposes of this report the Valuer has had to rely upon information regarding the properties provided to us by the Authority and the valuations are dependent on the accuracy of the information supplied and / or the assumptions made.

In addition, the Valuer has completed additional research in relation to the portfolio from our own records in addition to other third-party resources including, Egi, Focus, Rightmove, regional market reports, local agents, and BCIS cost data.

If this information proves to be incorrect or inadequate, then they could affect the accuracy of the valuations. It is assumed that these floor areas meet the requirements of the RICS professional statement – RICS property measurement which incorporates IPMS.

The Valuer has not inspected all Title Deeds or any Planning Consents, Statutory Notices, licenses, or other documents relating to the properties (except where indicated). We cannot therefore comment upon the possible effect of any outstanding Statutory Notices, or any contravention of any statutory requirements, or the effects of the Defective Premises Act (1972).

VALUATION BACKGROUND

Local Authorities are under a statutory duty to account separately for their housing stock and this information is of value not only to Local Authorities but also to a wide range of potential readers of the accounts, both inside and outside central government. The fact that stock valuations appear in the housing revenue accounts ensures that authorities decisions on resource allocation make resource cost apparent. It is essential that all valuations carried out for the purpose of resource accounting are on a consistent basis.

Following the adoption of IFRS 13 by the UK public sector, from 1st April 2015, the basis of valuation for accounting purposes will be Current Value (CV) measured by the adoption of the special assumption of EUV-SH.

The valuations will be subject to annual reviews and full revaluations. Revaluations may be carried out on a rolling programme, covering different parts of the stock each year, or every five years for the whole stock.

The aim of resource accounts in the housing revenue account is to put local authority housing on a business-like footing and to ensure that accounts give a “true and fair view of” the financial position and transactions of the authority. To this end the Valuer has had regard to:

- IFRS (incorporating IFRS 13)
- The CIPFA Code
- The Red Book.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

A number of departures from these standards have been adopted to ensure the objectives are met and details of these variations as they affect the valuation of the property are referred to where appropriate.

Valuations have been carried out in accordance with the Red Book except where they are varied by this guidance to reflect the current policy requirements DCLG.

The beacon method is relatively easily implemented being based upon the market valuation of residential dwellings.

The beacon method is used for no other purpose except the special circumstances of the housing revenue account valuation but is an efficient method of arriving at a representative valuation which enables values to be attributed to large numbers of dwellings comprising a local authority's housing.

PROPERTY CLASSIFICATION

Asset valuations are required for all properties held in the HRA. Section 74 of the Local Government and Housing Act 1989 requires that expenditure and income relating to property specified in that section should be accounted for in the HRA. Guidance on the types of property specified is given in DoE circular 8/95. If we considered that a property is being wrongly held in the housing revenue account, the matter has been raised with the chief finance officer.

VALUATION BASIS

The Valuer has completed the valuation report in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting in the United Kingdom ('The CIPFA Code') – 2020/21.
- International Financial Reporting Standards (IFRS).
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2019 and effective 31 January 2020) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)
- Department for Communities and Local Government (DCLG) - Stock Valuation for Resource Accounting – Guidance for Valuers – 2016. This sets out the terms of reference and basis of valuation for valuations of this type.

In addition, the Valuer has prepared the valuations in accordance with the RICS Global Standards 2017 UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

This UK Valuation Practice Guidance Application sets out the basis of value for all property assets in line with the CIPFA Code.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Property, plant and equipment, which would be expected to include most residential housing stock assets, is measured at Current Value using the EUV-SH assumption, as defined in UK VPGA 7 and guidance in the Code and DCLG guidance.

The valuation basis for non-housing property which is considered to be used or consumed for the delivery of the housing function, e.g. estate shops, is Current Value for the asset in Existing Use – this requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with UK VPGA 6 and guidance in the Code and DCLG guidance.

These valuation bases represent the service potential of the assets to an Authority and in the case of EUV-SH the delivery of the social housing provider's objectives.

Full definitions of EUV, EUV-SH, DRC, FV and CV are defined by the RICS in 'The Standards'.

Except in the case of properties held for sale, no allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise on disposal.

VACANT POSSESSION ADJUSTMENT FACTOR

EUV-SH reflects a valuation for a property if it were sold; with sitting tenants enjoying occupation at less than open market rentals and Retail Price Index linked increases; where the tenants have additional rights including the Right to Buy, and where the landlord has additional liabilities including insurance, repair, maintenance, and statutory obligations. Therefore, it is necessary to adjust the Beacon Value to reach EUV-SH.

The Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level. It is this discount which, when applied to the cumulative total of all beacon values, gives rise to the EUV-SH.

Although a preferred adjustment factor could be derived from a ratio of local authority rents to private sector rents, we have referred to those suggested in the DCLG guidance.

Adjustment Factors for England

Region	**Adjustments Factors 2010**	**Adjustment Factors 2016**
North East	37%	44%
North Wales and Merseyside	35%	40%
Yorkshire and the Humber	31%	41%
East Midlands	34%	42%
West Midlands	34%	40%
Eastern	39%	38%
London	25%	25%

South East	32%	33%
South West	31%	35%

Illustration
The adjustment factor is applied to the total vacant possession valuation based on the beacon valuation. For example, if the vacant possession value of an estate in the West Midlands based on the beacon valuations is £500,000,000, the Existing Use Value – Social Housing is £200,000,000 (i.e. £500,000,000 x 40% = £200,000,000).

SHARED OWNERSHIP

Where the Authority own a share of the interest in the property, the value of the equity share must be accounted for in the portfolio valuation. The approach is to value the property based on the beacon value assumptions and calculate the appropriate equity share.

This share should then be adjusted to reflect the occupation at less than market rents by adopting the regional adjustment factor.

SECTION THREE – PROCESS AND METHODOLOGY

VALUATION CRITERIA

There is no prescriptive approach that authorities must adopt to ensure current values are used in the balance sheet. In this case the following approach has been adopted:

- A full revaluation of 20% of the stock every with a desktop review of the remainder, informed by the results of the revaluation.

The review part of this process has:

a) Updated the stock numbers to allow for disposals, acquisitions, and newly constructed dwellings.
b) Accounted for material movements in value at the asset group level, including impairment.
c) Captured major changes in value of significant asset groups resulting from major refurbishment schemes.
d) Included properties which were originally classed as in the course of development, but which were completed by the valuation date.

ANNUAL BEACON METHODOLOGY

To value the portfolio, it has been necessary to research several information sources. These include:

- Sales of directly comparable property which have taken place during the financial year leading up to the valuation date.
- Any changes of income flow for non-residential HRA property, valued by way of investment appraisal methods.
- Information available at a local level showing house price movement, such as Lands Registry, Leading Mortgage Lenders, and other records of sales in the locality.
- Regional and National Indices which show general trends that could be used as a basis for the change in value of the portfolio.

Our valuation has taken place at the asset group and archetype level. Each beacon has been re-inspected and reviewed in the light of the valuation evidence that has become available, together with the investment and refurbishment information where this has been made available.

We have considered impairment at this level and in particular “Trigger Events” which may have happened during the year. Wherever possible we have included these factors, if appropriate, in our explanatory notes on impairment.

VALUATION APPROACH

WH&E have adopted the Beacon approach when valuing the housing stock.

SECTION THREE – PROCESS AND METHODOLOGY

The Authority has considered the selection of distinct Asset Groups within the housing area. These Asset Groups are chosen to reflect the areas in which individual value markets operate. The Authority considers that it is appropriate to consider a series of distinct Asset Groups for valuation purposes. We have verified that this approach is realistic, and no further changes have been necessary.

The beacon adopted for each of the property types has assumed vacant possession. In addition, we have been able to rely on information provided as to the property assets in each group and the variations in terms of accommodation, improvements, and modernisation in each case.

ASSET GROUP AND ARCHETYPE DETERMINATION

Even though this document only comprises a revaluation of the portfolio, a simple reference to the valuation methodology required by the DCLG guidelines may be helpful here. It is important that the results of this report are set in the context of these valuation principles.

The approach considers whether the whole portfolio of residential housing stock within the Council's ownership, should be dealt with as a single or multiple Asset Groupings.

In this case, the Housing Department have been very thorough and methodical and have concluded that multiple "Asset Groups" are necessary. This is logical and reflects the local characteristics, on both a geographical and valuation level.

We have also considered if the existing asset groups and archetypes still apply. Wherever appropriate we will have raised this fundamental change with your Authority at officer level prior to reporting and will have revalued on the agreed and revised basis.

The valuation methodology then requires the Valuer to consider each different type of property within this "Asset Group". Similar properties are subdivided from the "Asset Group" to form "Archetypes". In some cases, the subdivision may be to a very specific level. In this case the divisions are based on the way the Authority defines its portfolio for operational and allocation purposes.

For each of the archetype groups, we have valued a "beacon" property as a representative example of that property type and used this as the sample with which to value the Archetype group, with additions or subtractions for each individual property, depending on the information available to us.

VALUATION COMMENTARY

Our valuation has accorded with the relevant guidance notes in all respects; however, we believe that a few specific value sensitive issues ought to be brought to your attention as notes within this report.

We briefly summarise these areas below:

SECTION THREE – PROCESS AND METHODOLOGY

- It has been made aware to us that in other Housing Revenue Accounts, certain stock, particularly in multi-story accommodation or where common access ways or facilities bound or form part of the structure of assets held by the HRA that where inadvertent, or indeed notified, breaches of covenants, or variation in use or changes to originally specified finishes, fittings or other equipment broke particular fire, health and safety or other statutory regulations, that this may well have an extremely significant effect on value and indeed on a practical level continued habitation of residential accommodation in the short and longer terms.

- In this case, as independent external Valuers, we have not been notified of any such breach, and our inspections did not constitute a survey for such breaches. The information on housing stock within the Housing Revenue Account contained certain designations as to property type. As independent external values we have applied our beacon valuation approach to those categorisations and have not sought to extend or sub-divide these property types into further categories in any way.

- This includes external cladding and other similar fittings – we have not been notified of any such issues affecting the portfolio and therefore have worked on the assumption that none are present. The presence of these factors may have a significant effect on value.

- You will be aware that the "Vacant Possession Adjustment Factor" may not have been applied to the whole of your asset stock. Often the residents of sheltered accommodation do not enjoy the same level of tenure, renewal rights or, indeed have "Right to Buy" qualification.

These issues have been agreed with the Authority and our valuation report reflects these assumptions.

IMPAIRMENT

Impairment occurs because something has happened to the fixed assets themselves or to the economic environment in which the fixed assets are operated.

This may include:-

(a) a significant decline in the demand for social housing;
(b) evidence of obsolescence or physical damage to the asset;
(c) an adverse change in the statutory or regulatory environment in which the Authority operates;
(d) a commitment to significant housing re-organisation by the Authority;

MARKET UNCERTAINTY

However, for this report it is worth noting that following the EU referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit.

SECTION THREE – PROCESS AND METHODOLOGY

At the time of preparing this commentary, the UK has now officially left the EU and the transition period has come to an end as of 31st December 2020.

Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise.

We therefore remain in a period of uncertainty in relation to many factors that impact the construction markets and costs associated with this market.

There is some evidence that demand may increase during 2021 which may have a positive effect on prices however it is understood that this is likely to be found in the latter half of the calendar year (i.e. within the 2021/22 financial period).

In any event we are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.

In addition:

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.
Given the unknown future impact of the areas covered within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.

SECTION THREE – PROCESS AND METHODOLOGY

COMPONENTISATION

The fundamental objective of depreciation is to reflect, in the revenue account, the cost of using the asset i.e. in this case, the amount consumed in providing the service of social housing. This cost of use includes the wearing out, using up or other reduction in the economic life of a tangible fixed asset. This may arise through use, the passage of time or obsolescence or through changes in technology or demand for the goods and services produced by the asset.

In accordance with the Code of Practice on Local Authority Accounting, depreciation should be provided for on all fixed assets with a finite useful life. Subsequent expenditure that maintains or enhances the previously assessed standard of performance of an asset does not negate the need for depreciation. Enhancements will also depreciate and their consumption over time should be reflected in the revenue account.

Since the adoption of IFRS in 2010 it is clear that component accounting should be applied, and this approach should apply to accounting within the Housing Revenue Account as far as possible.

IAS 16 paragraphs 43-47 require that each part of an item of PP&E with a cost that is significant in relation to the total cost of the item, and with a significantly different useful economic life, should be depreciated separately, but those with the same useful lives and depreciation methods may be grouped for depreciation purposes.

In deciding the degree to which a structure should be broken down into its component parts for depreciation purposes, the matter of materiality, i.e. the extent to which the additional componentisation will impact on the actual depreciation charge, needs to be considered. If the impact is minimal then the extra work involved in breaking down the structure into 10 or 20 component parts is unlikely to be justified. The Department's view, in discussion with CIPFA, is that it should be possible for a fairly pragmatic approach to be taken. CIPFA have issued LAAP Bulletin 86 Componentisation of Property, Plant and Equipment, June 2010 with a further update in February 2015.

The Department for Communities and Local Government does not envisage that this need be an onerous task and expects that for non-specialised buildings minimal componentisation should be required. However, it is for the individual local authority to decide what its material components are. Traditionally (i.e. pre-International Financial Reporting Standards UKGAAP) the minimum requirement has been for the building itself.

In this case, and further to discussions with the Authority, we have not provided any componentisation information for the authority as part of this exercise.

ADDITIONAL COMMENTS

It may be that further report(s) and valuations are necessary to reflect any in year changes to assets within the portfolio not valued and covered by this report to ensure that carrying figures are appropriate for the final day of the accounting period, 31st March 2021.

These circumstances may include material changes and new acquisitions and if required would be reported separately to this report.

AUDIT SUPPORT

We expect that as part of the valuation process, we will be required to provide certain additional explanation and assistance to the Authority where the process will be subject to audit.

SECTION FOUR – VALUATION ASSUMPTIONS

SPECIAL ASSUMPTIONS

We are not aware of any special assumptions.

VALUATION ASSUMPTIONS

The accuracy of the beacon valuation together with the choice of beacon is a major factor governing the quality of the overall housing stock asset valuation.

The beacon valuations assume that the property is vacant and that the current future use is for residential accommodation, with no potential residential redevelopment of the site, or intensification of use as a result of possible sub-division or extension of the property. No account is taken of any other alternative development potential that may include demolition and merging of sites.

These assumptions have been adopted to ensure that all the beacon valuations are prepared on a consistent basis. The beacon valuations are, in the majority of cases, applied to council housing stock which for the foreseeable future will remain as council housing with no requirement for demolition and redevelopment. To include elements of 'Hope Value' attributable to the possibility of redevelopment of the existing buildings within the existing planning use would include elements of value inappropriate to the groups of property valued by the beacon.

Situations where it is inappropriate to make the assumption that the property will remain tenanted for the foreseeable future are dealt with separately. These situations may arise in areas of low demand and unpopular housing.

The assumptions to make in preparing the beacon valuation are set out below. EUV as defined in the Red Book at UK VPGA 6 provides the basic assumptions for the beacon valuation but with additional assumptions to meet the needs of a local authority housing stock asset valuation.

EUV-SH is the estimated amount for which a property should exchange, in the valuation date, between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion, subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

(a) At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to an organisation intending to manage their housing stock in accordance with the regulatory body's requirements;

(b) Properties temporarily vacant pending re-letting would be valued, if there is letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and;

(c) Any subsequent sale would be subject to all of the above special assumptions.

For leasehold properties IFRS introduced significant changes to the treatment of leased assets for capital accounting purposes. Currently the standard adopted is IAS 17.

In summary these classifications will require the following valuations.

i. Lessee of Operating Lease – no value required as not captured on the balance sheet.
ii. Lessor of Operating Lease – usually accounted for as an Investment Property (IAS 40).
iii. Lessee of Finance Lease – CV of the lease interest (which is not the value of the legal interest in the lease but the underlying freehold existing use value of the property as if owned as risks and rewards of ownership are considered to have transferred).
iv. Lessor of Finance Lease – no figure normally required from the Valuer.

Other assumptions

- Planning Proposals
  - We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.

- Construction and State of Repair
  - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.
  - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
  - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
  - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.

- Hazardous or Deleterious Materials
  - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these

properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.

- Contaminated Land
    - We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.
    - Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.
- Plant and Machinery
    - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.
- Lotting
    - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if a number of properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.
- Taxation
    - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).
- Acquisition and Disposal Costs

- No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.

- For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependent on the overall value of the asset and property type on an acquisition or disposal respectively.

- The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

- The Valuer has not been asked by the client to specifically reflect these costs separately.

- Guidance on this matter is provided within UKVS 1 Paragraph 1.7 - Costs to be excluded of the Red Book:

  - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.

  - In determining the figure to enter into the balance sheet (the 'carrying amount'), IAS16 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.

  - IAS16 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.

  - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.

- Energy Performance Certificates
  - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.
  - This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.
  - Since 26th March 2015 the minimum energy efficiency standard (MEES) has been introduced.
  - This minimum standard applies to both domestic and non-domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.
  - From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non-domestic properties too.
  - Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.
  - For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.
- Deminimis Levels of Value
  - Only those properties the value of which is considered likely to exceed the “deminimis” level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

AUDIT COMMENTARY

Our valuation methodology and assumptions evolved from ongoing instructions since 1992 when the current accounting requirements were introduced.

Our working processes are audited through our external consultants Certification International UK Ltd on an annual basis to achieve our ISO 9001:2008 accreditation.

SECTION FOUR – VALUATION ASSUMPTIONS

The valuation report and results are reviewed by the client accountant and estates teams before we issue the final version of the report.

NON-PUBLICATION CLAUSE

Neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the previous written approval of Wilks Head and Eve as to the form and context in which it may appear.

Our letter of consent will be given when a final proof of the document is available, and the consent will refer to a specimen annexed and signed as identification of what has been approved.

As such publication of, or reference to, this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards.

This report is provided for the stated purpose and for the sole use of the named client and their professional advisors and the Valuer accept no responsibility whatsoever to any other person.

COMPANY INFORMATION

Wilks Head & Eve LLP
3rd Floor
55 New Oxford Street
London, WC1A 1BS

Tel 020 7637 8471

Email Gharbord@wilks-head.co.uk

www.wilks-head.co.uk

WH&E WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

AUDIT AND ACCOUNTS COMMITTEE
28 JULY 2021

UNAUDITED STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 For members of the committee to review the Council's draft Statutory Accounts for the financial year ended 31 March 2021.

2.0 Introduction

2.1 The Accounts and Audit Regulations 2015 (Amended by 2020/404 & 2021/263) require that the authority must prepare and publish its approved draft and audited Statement of Accounts by 1 August and 30 September respectively. The Regulations only require the Section 151 Officer to sign and certify that the unaudited Statement of Accounts present a true and fair view of the financial position of the Council. However, in the interests of transparency and good governance, these are still being presented to this committee in order to give the members of the committee a chance to review the contents rather than first inspection being when the audited Statement of Accounts need approving in September.

2.2 The Council aims to publish the unaudited Statement of Accounts on their website prior to the deadline of 1 August 2021.

2.3 The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within the 'Code of Practice on Local Authority Accounting' and 'Standard of Professional Practice on Financial Reporting' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS).

3.0 Audit of the Accounts

3.1 The Council's external auditors, Mazars, commenced the audit of the accounts in June 2021 however the audit timetable is not due to be completed until the end of August or early September. On completion there is a requirement that the external auditor provides details of any amendments made within the financial statement compared with the draft accounts produced. This report is the Audit Completion report and will be brought to this committee in September along with the final audited Statement of Accounts for approval.

Annual Governance Statement

4.0 The Audit and Accounts Regulations 2015 require the Council to carry out an annual review of the effectiveness of its system of internal control. This review is carried out through the production of an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. Members are required to approve this in line with the approval of the Statement of Accounts. The Annual Governance Statement has been prepared for 2020/2021 and the draft version is included in the unaudited Statement of Accounts.

5.0 RECOMMENDATIONS that:

(a) Members note the Annual Governance Statement for the financial year ended 31 March 2021; and

(b) Members note the draft Statement of Accounts for the financial year ended 31 March 2021 and agree to them being submitted to the external auditor (Mazars) for audit and certification;

Background Papers

Nil.

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

DRAFT - Statement of Accounts and Narrative Report 2020 / 2021

Contents

Contact Us

Our residents, tenants and businesses can contact us in a number of ways.

Telephone: 01636 650000 **Email:** customerservices@newark-sherwooddc.gov.uk

In person: Castle House, Great North Road, Newark, Nottinghamshire NG24 1BY*

The offices and telephone lines are open 9am to 5pm Monday to Friday. Most of our services are also available on our website.

Social media: /NSDCouncil @NSDCouncil @NSDCouncil @Newark and Sherwood District Council

NEWARK & SHERWOOD DISTRICT COUNCIL

Contents

Foreword

John Robinson
Chief Executive
Welcome to our Annual Statement of Accounts for 2020/21, which details our financial performance this year. Over the past year, the District Council has been at the forefront of the local response to the COVID pandemic while continuing to make significant progress in delivering on its top priorities.

In addition to ensuring effective oversight of our own planned expenditure, we have consistently featured as a national top performer in distributing the Government's COVID related financial assistance to local businesses, allocating £45 million to date. We have also secured £25 million in funding from the Government's Towns Fund to regenerate Newark Town Centre and have significantly moved along a number of high profile and strategically significant initiatives, including the 'in sourcing' of Newark and Sherwood Homes; construction of a new Travelodge hotel through a new joint venture; construction of a new swimming pool and delivery of our first homes through Arkwood, the District Council's housing development company.

During a year in which we have had numerous new and short-term funding allocations to contend with, as well as large and unanticipated fluctuations in our own income and expenditure, I am hugely grateful to our Financial Services colleagues and the Audit and Accounts Committee for the careful and creative ways in which they have governed the District Council's finances. Looking forward and with economic recovery at the very top of our priorities, there can be no letting up on our increasing commercial approach to delivering on our ambitious Community Plan.

Councillor Sylvia Michael
Chairman Audits and Accounts Committee
Newark and Sherwood District Council has adopted a series of values, which guide and drive the way we design and deliver our services. After our public consultation in 2018 with residents and tenants we have been able to focus on the things that matter most to those people who live, work and invest in our district. With the consultation exercise due again in 2022, I am keen to ensure that what matters most to residents, tenants, business owners and visitors is at the forefront of our decision making.

Not only do we find ourselves emerging into a new post COVID-19 world, we also now find ourselves in the second year of our new Community Plan and we remain as committed as ever to improving residents' quality of life and enable those who live, work and invest in Newark and Sherwood to prosper and fulfill their potential. The priorities identified during the consultation period with residents when drafting the community plan will remain our focus and, as such, we will direct resources accordingly to ensure these priorities are met.

In my role as Chairman of the Council's Audit and Accounts Committee, I am aware of the future challenges that the District Council faces, especially given the impact the pandemic has had on our community. We have listened to what our residents have said and that is what gives this administration its driving ambition - to tackle our challenges and continue delivering and maintaining high quality services. As can be shown in this report, despite the pandemic the District Council can demonstrate value for money, linking spend to priorities and performance, and a sound financial landscape going forward.

Introduction by S151 Officer

Sanjiv Kohli
Deputy Chief Executive and Director of Resources (S151 Officer)
I am pleased to introduce our Statement of Accounts for 2020/21. 2020/21 saw the second year of our new Community Plan which will span the next four years until 2023. This report represents the performance at the end of the second year of this 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 eight parts.

Part one	Introduction to Newark and Sherwood
Part two	Our purpose – why the District Council is here
Part three	How the District Council works
Part four	Community Plan delivery
Part five	Financial performance for the year 2020/21 summarising the information within the main Statement of Accounts document
Part six	Looking forward at the adopted Community Plan and Medium Term Financial Plan
Part seven	Identified corporate risks
Part eight	Explanation of the Financial Statements to help navigate through what is at times quite a technical document.

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

Part one

Introduction to Newark and Sherwood

The below map shows some key statistics that relate to the Newark and Sherwood District:

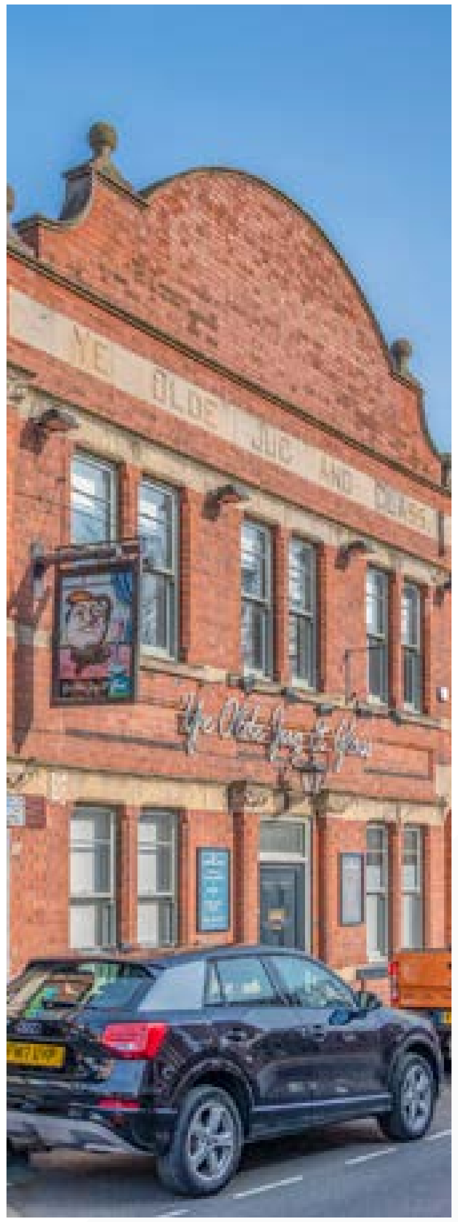
Newark and Sherwood is one of seven districts in Nottinghamshire.
Resident population is 122,421, made up of 50.7% female (62,101) and 49.3% male (60,320). Newark and Sherwood covers an area of 65,132 hectares.
The predominant age band for the district is '50-54' with 9,430 people out of the total population of 122,421 (7.7%).
14,516 households in the district have dependent children of all ages. That represents 29.7% of the district's households.
There are 48,773 households in the district, which represent 14.59% of Nottinghamshire's 334,303 households.
The District Council, as social housing landlord, manages 5,506 properties.

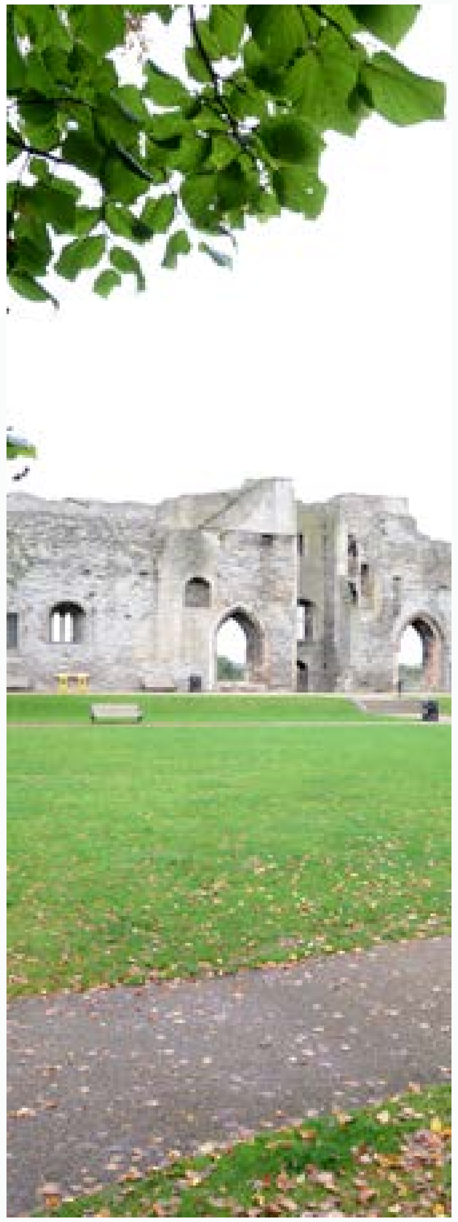
Source: data taken from either LGInform+ or the Office of National Statistics.

Our Area

Home to the legendary Robin Hood and ancient Sherwood Forest, the district of Newark and Sherwood is rich in history and community. Vibrant market towns, former mining areas and dozens of picturesque villages all have their unique stories to tell. The cities of Nottingham (to the West) and Lincoln (to the East) are within half an hour's travel. The A1 national highway runs through the district and there is an East Coast Main Line railway station at Newark, with regular trains to London taking just over an hour to reach the capital. The neighbouring areas of Yorkshire, the Peak District and the east coast resorts are also easily accessible.

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





Part two

Our purpose – why the District Council is here

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

Our values

We want to serve our local community the best way we possibly can. As public servants, we place a great emphasis on adopting a public sector ethos and seek to embody this in the way that we interact with you and with each other. In 2020, we re-examined our Community Plan to take into account the changing landscape of our district post COVID-19. As part of the Community Plan re-fresh, we have revisited the District Council's Purpose and Values to make it clear what we are here to do and how we will go about it.

Our purpose: 'Serving people, Improving lives'

Our values:

Ambitious and forward thinking
Focused on achieving the very best and always looking to improve and innovate.

Caring and compassionate
Sensitive to the different needs and circumstances of others; seeks to empower people to fulfil their potential.

Commercial and business-like
Careful and creative with resources; securing value for money.

Professional and trustworthy
Consistently delivering on promises; providing good quality and demonstrating integrity.

Welcoming and responsive
Approachable, open to feedback and challenge and swift to act.

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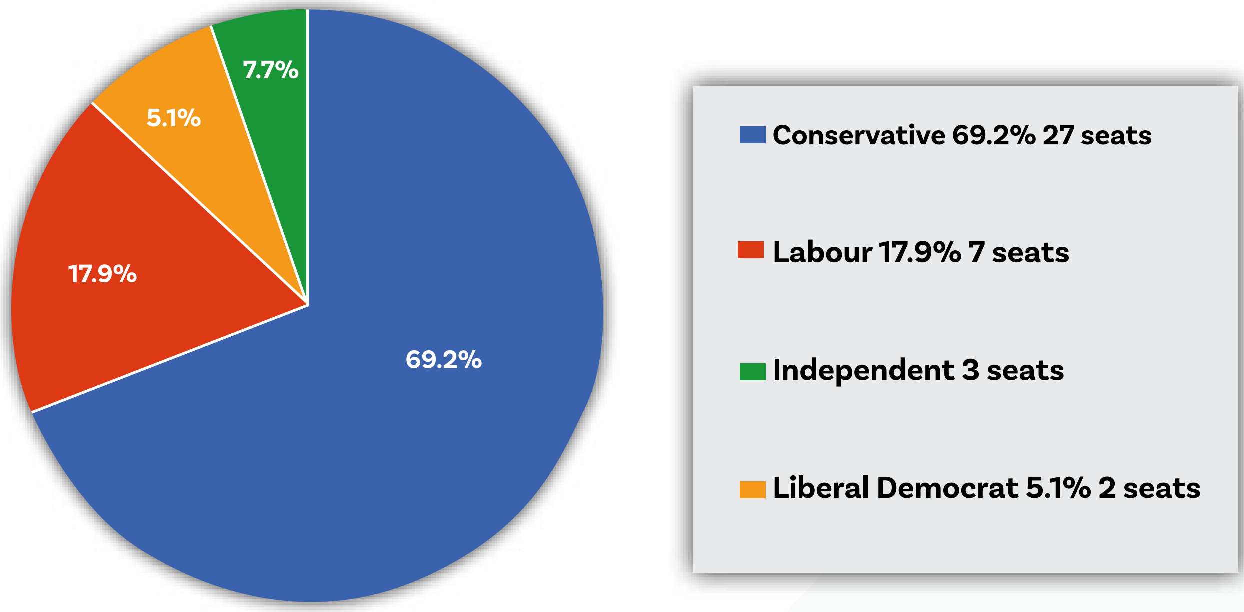
Part three

How the District Council works

Residents of Newark and Sherwood are represented by 39 elected members. The political make-up of the District Council from May 2021, so for the financial period 2020/2021 (prior to elections on 6 May 2021 and any subsequent bi-elections) is shown below:



Councillors are elected by the community to decide how the District Council should carry out its various activities. They represent public interest as well as individuals living within the ward in which he or she has been elected to serve a term of office. They have regular contact with the general public through District Council meetings (held virtually this year due to COVID-19 guidance), by telephone calls, or surgeries (only where COVID-secure arrangements could be put in place and where restrictions permitted).

Councillors appoint a Leader and Deputy Leader to provide political leadership and direction for the Council as a whole.

Each year, Councillors also appoint a Chairman to undertake civic responsibilities on behalf of the whole Council.

Find out more about our Councillors here: Your Councillors

All Councillors meet together as the Full Council and these meetings are open to the public, albeit for they have been held virtually this year due to COVID-19 restrictions.

How the District Council works: committee structure

The District Council has four operational committees:

Policy and Finance Committee

The Policy and Finance Committee makes key strategic decisions (other than those which must be determined by Council) including all decisions which have a major impact on a number of District Council services or on the District Council as a whole.

Councillor David Lloyd, Chairman of Policy and Finance and Leader of Newark and Sherwood District Council

Economic Development Committee

The Economic Development Committee assists with policy development, implementation and review in respect of all areas falling within its remit including: Economic Regeneration and Transport; Fuel Poverty Strategy; Home Energy Conservation and Energy Conservation Plan; Energy management; Climate Change including Mitigation (CO2 reduction); and Land Use planning.

Councillor Keith Girling, Chairman of Economic Development and Deputy Leader of Newark and Sherwood District Council

Homes and Communities Committee

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

Councillor Timothy Wendels, Chairman of Homes and Communities

Leisure and Environment Committee

The Leisure and Environment Committee assists with policy development, implementation and review in respect of all areas falling within its remit including developing and adopting policies and procedures in accordance with the District Council's Cleaner, Safer and Greener strategy and the District Council's Leisure and Culture strategy.

Councillor Roger Jackson, Chairman of Leisure and Environment

The Council also has four regulatory committees:

Audit and Accounts Committee

The Audit and Accounts Committee oversees the District Council's internal control framework and approves the Council's published accounts.

Councillor Mrs Sylvia Michael, Chairman of Audit and Accounts

General Purposes

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

Councillor Mrs Rita Crowe, Chairman of General Purposes

Licensing Committee

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

Councillor Mrs Rita Crowe, Chairman of Licensing

Planning Committee

This is a formal meeting of councillors who make decisions on certain planning applications. For each application forwarded to the committee, an officer written report is attached. Copies of the reports are available five working days before the date of committee (copies are not made available to the public at the meeting). Our planning committee is made up of 15 members of the District Council. Some officers of the District Council also attend, including Business Managers, Planning Officers and a legal representative.

Councillor Roger Blaney, Chairman of Planning

The District Council also has a Shareholders committee:

Shareholders Committee

The Shareholder Committee oversees the strategic relations between the District Council and its Development Company, Arkwood Developments Limited.

Councillor David Lloyd, Chairman of Shareholders Committee and Leader of the District Council

How the Council works – internal staffing structure

With the reintegration of Newark and Sherwood Homes into the District Council from 1 February 2020, the chart below shows the organisational structure at the end of the financial year.

Chief Executive

Director of Housing, Health and Wellbeing	Director of Environment and Communities	Director of Resources, Deputy Chief Executive and S151 officer	Director of Governance and Organisational Development	Director of Planning and Growth	Assistant Director of Transformation and Communications
Housing Strategy & Place	Heritage and Culture	Financial Services	Administrative Services	Economic Growth	Transformation
Housing Income & Leaseholder Management	Environmental Services	Revenues and Benefits	Customer Services	Planning Development	Communications
Housing Maintenance & Asset Management	Public Protection	Asset Management and Car Parks	Elections and Democratic Services	Planning Policy and Infrastructure	
Housing & Estates Management		ICT	HR and Training	Tourism	
			Legal and Information Governance		

Part four

Community Plan Delivery

In light of the COVID-19 outbreak in 2020, Newark and Sherwood District Council has refreshed its Community Plan to better reflect the change in circumstances brought about by the pandemic. The revised plan has seven objectives guiding the work it does between 2020 and 2023.

1 Create vibrant and self-sufficient local communities where residents look out for each other and actively contribute to their local area.

So far, we have:

- Responded to 1,475 HART (Humanitarian Assistance Response Team) requests including the delivery of vital food parcels and collections of medical prescriptions for the vulnerable during the COVID-19 outbreak
- Supported the 2020 Parish Council Conference
- Live streamed District Council Committees online for residents to view the meetings.

2 Deliver inclusive and sustainable economic growth.

So far, we have:

- Created a High Street Diversification Fund to support more than 150 independent retailers in adapting during the pandemic and helping sustain their businesses and jobs
- Been named in the top 10 per cent of local authorities for paying out business support grants to businesses affected by COVID-19 quickly and efficiently
- Supported 50 young people with job placements in partnership with DWP and Newark College Group
- Newark Towns Fund Board has been awarded £25 million as part of the Government's Towns Fund scheme which will see some exciting developments coming to Newark
- Completed the Robin Hood development, including a brand new hotel and three high quality retail units in the town centre, while securing a purchaser for the freehold of the site in order that there was no financial impact on the District Council for the development.

3 Create more and better quality homes through our roles as landlord, developer and planning authority

So far, we have:

- Exceeded targets for market and affordable house building
- Attended to 100% of emergency repairs on District Council properties within 24 hours
- Cleared a backlog of 900 non-essential repairs caused by the COVID-19 lockdowns
- Established a housing advisory group.

4 Continue to maintain the high standard of cleanliness and appearance of the local environment

So far, we have:

- Increased recycling rates of garden waste within the district, generating an additional 1,200 customers in the first year of bringing the service in-house
- Obtained an injunction to safeguard public spaces in Newark from unauthorised occupation, protecting public spaces for use by the public
- Exceeded the District Council's target to have responded to fly-tipping reports within 2.5 days
- New Street Scene Officers have been recruited who will work on a seven day rota basis to cover the area's litter hotspots
- Brought the housing grounds maintenance service back in-house, creating better consistency, accountability and standards across the District.

5 Enhance and protect the District's natural environment

So far, we have:

- Retained four green flag awards for four of our parks and open spaces (Scone and Devon, Vicar Water, Sherwood Heath and Newark Castle Gardens)
- Had a successful bid to the Urban Tree Challenge, which has enabled thousands of new trees to be planted
- Developed a Climate Emergency Strategy and Action Plan with the aim of making Newark and Sherwood District Council carbon net neutral by 2035.

6 Reduce crime and anti-social behaviour and increase feelings of safety in our communities

So far, we have:

- Achieved a safer parking Park Mark status in all District Council managed pay and display car parks
- Participated in three joint police and local authority operations to address anti-social behaviour
- Delivered five nights of action to monitor COVID-19 controls within the hospitality sector
- Developed a Community Speed Watch scheme, which provides a proactive solution to excessive speeding, improving the safety and quality of life for our communities
- In partnership, successfully bid for and delivered a Safer Streets project for two communities in Newark in `what is being hailed as national exemplar.

7 Improve the health and wellbeing of local residents

So far, we have:

- Provided energy advice to 369 residents who made direct enquiries with us
- Secured funding for Rough Sleeper Initiative and Next Steps Accommodation Programme
- Contacted more than 3,000 vulnerable people within the District to complete a welfare check
- Successfully secured grant funding from British Cycling for a new Places to Ride community cycling facility at Thoresby Vale
- Substantially completed the building of a new swimming pool at the Dukeries Leisure Centre, Ollerton.

COVID-19 response

In addition to work undertaken within the seven objectives listed above, we have met a number of additional challenges head on this year including:

- On 25 March 2020 the majority of District Council officers transitioned to home working
- Managed the closure and re-opening of COVID-secure leisure facilities due to national lockdowns
- The District Council procured accommodation for rough sleepers as part of the 'Everyone In' campaign to ensure that there were no rough sleepers in the district at risk of COVID-19
- The District Council rolled out a scheme for an additional council tax reduction of £150 for those already in receipt of Local Council tax Support (3700 households qualified). This was funded by a Central Government Hardship Fund of £0.811m
- Waste crews were re-organised and operating models changed to ensure they allowed for safe working within COVID-19 guidelines. Working 'bubbles' were established to limit interactions
- Car parks managed by the District Council were made free of charge for a period to assist key workers and residents
- Within 6 weeks into the first lockdown the District Council released a video explaining it had delivered;
    - 3,264 Coronavirus support related calls received and actioned
    - 3,100 tonnes of household kerbside waste collected
    - 560 tonnes of dry kerbside recycling collected
    - 230 tonnes of debris cleaned from the streets
    - 160 emergency repairs completed for District Council tenants
    - 66 environmental health reports actioned
    - 50 anti-social behaviour reports actioned
    - Three virtual District Council committee meetings broadcasted; and
    - One prohibition notice served to a local hotel breaching rules
- During 2020 / 21 the District Council had made 6,047 relief payments to local businesses with a value of approximately £42.889m
- Since June 2020, the District Council has made telephone contact with 3,124 vulnerable people over the age of 69, living within the District (excluding those with dementia). The purpose of these calls was to ensure residents and tenants had support in place during the pandemic. Following these telephone calls, 276 'safe and well' checks (8% of total calls made) were referred to the HART for further welfare checks. HART carried out 100% of the checks required and worked with individuals to get them the support they needed.

Part five

2020 - 21 financial performance

Overall Outturn

The Comprehensive Income and Expenditure Statement shows the District Council's outturn for the authority on an accounting basis (to include notional entries such as depreciation and revaluations). The Expenditure Funding Analysis shows the actual increase in the General Reserves (held for unforeseen circumstances) and the Housing Revenue Account (HRA) reserves.
The Expenditure Funding Analysis shows an increase in reserves of £11.804m in general fund reserves and £0.705m in HRA reserves. It should be noted (as detailed below) that the increase in general reserves of £11.804m, includes £8.161m of s31 grants relating to business rates relief that is not a surplus as there is a corresponding deficit in the collection fund arising from Government policy, which will need funding in 2021/22.

	Balance at 31 March 2020	Increase / decrease in year	Balance at 31 March 2021
General fund working balance	£1.5m	£0	£1.5m
General fund earmarked reserves	£24.036m	£11.804m	£35.840m
HRA working balance	£2m	£0	£2m
HRA earmarked reserves	£4.756m	£0.705m	£5.461m

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General Fund Revenue

The General Fund supports the day-today running of the District Council's services (excluding housing).
The District Council set its General Fund budget for the 2020/21 financial year on 9 March 2020. The budget report pack can be seen here

This shows a total budget of £15.863m of which £14.521m was to deliver core services. The increase in budget for core services amounted to £6.761m. This is mainly related to increases in capital financing (£2.918m) and pension costs (£2.324m) in year and Coronavirus emergency funding for local government (£1.322m). The net cost of District Council services outweighed the revised budget by £0.082m. The table below describes the variance between actual cost compared with revised budget:

	2020/21 variance (£)
Economic Development	
Car parks: reduced income due to COVID-19	£0.602m
Development management: vacant posts and increased income	-£0.228m
District Council properties: reduced income due to COVID-19	£0.083m
Former Marks and Spencer Building: non-domestic rates (NDR) payable for the year due to change in budgeted assumptions	£0.080m
Newark lorry park: increased income	-£0.071m
Growth / technical support; planning policy and economic growth: vacant posts	-£0.067m
Heritage and Culture: additional grant and furlough income	-£0.051m
Promotion of tourism: events cancelled due to COVID-19	-£0.038m
Local development framework: change in budgeted assumptions	-£0.031m
Community infrastructure ievy: development-related administration fee income	-£0.010m
Other small variances	-£0.066m
Sub-total: adverse variance	£0.203m
Homes and Communities	
Housing options: reduced recharge costs and additional grant income	-£0.053m
Licensing admin: reduced income due to COVID-19	£0.038m
Strategic housing and customer services: vacant posts	-£0.032m
Other small variances	-£0.017m
Sub-total: favourable variance	-£0.064m
Leisure and Environment	
Newark livestock market: income not received post-termination of tenant's occupancy	£0.370m
Street scene street cleansing: vacant posts and budgeted cost of restructured service more than required	-£0.102m
Waste and recycling: increased net garden waste and recycling income; reduced net waste disposal and trade refuse income	-£0.071m
Environmental health: grant-funded employee costs	-£0.055m
Health and community relations: vacant posts	-£0.047m
Vehicle pool and workshop: reduced recharge income	£0.038m
Brunel Drive depot: reduced premises-related costs (such as utilities)	-£0.014m

Arts and community development: reduced spend due to COVID-19	-£0.014m
Other small variances	-£0.006m
Sub-total: adverse variance	£0.099m
Policy and Finance	
Budgeted saving from District Council-wide in-year vacancies	£0.504m
Coronavirus costs: timing of usage of grant not aligned with receipt of cash	-£0.363m
Corporate property: vacant posts, and officers appointed at lower rates than budgeted	-£0.155m
Housing benefit admin: vacant posts and additional grant income	-£0.079m
Elections and democratic services: reduced spend due to COVID-19	-£0.065m
Rent allowances / rent rebates: additional payments made in-year	£0.054m
Administration services: vacant posts	-£0.051m
ICT: lower than anticipated in-year charges	-£0.043m
Human resources: reduced recharge costs	£0.040m
Bank charges: increased number of transactions due to COVID-19	£0.012m
Other small variances	-£0.010m
Sub-total: favourable variance	-£0.156m
Total from all committees: adverse variance	**£0.082m**

Service variances combined with non-service related income and expenditure variances has meant that overall the Council has increased its reserves by £11.804m

This increase has been identified as being generated due to:

Unfavourable variances on services	**-£0.082m**
Net variance on interest mainly due to anticipated in year borrowing not required	**£0.017m**
Additional grant income through new burdens/sales, fees and charges and the tranche four of COVID-19 delivery grant	**£1.357m**
Additional business rates income (mainly through s31)	**£9.115m**
Other small variants	**£0.006m**
Budgeted movements as identified in revenue budget approved on 9 March 2020	**£3.082m**
In year usage of reserves	**-£1.691m**
Total increase in reserves	**£11.804m**

The additional grants that have been received were to mitigate additional cost pressures and losses in income due to the pandemic. The District Council has been reliant on this grant income to fund services, albeit during the year there have been substantial savings and additional income generated in other service areas, hence the grants have shown as the variance.

The additional income from business rates relates to £0.954m in unbudgeted growth from the Nottinghamshire business rates pool together with £8.161m in additional Government funding due to their policy decisions around business rates relief. As the funding is distributed to local authorities as a s31 Grant (Local Government Act 2003 relating to the power to pay grant) it must be receipted into the District Council's general fund rather than the collection fund. Therefore the additional s31 grant that has been received is not an in year surplus, but must be earmarked in order to fund the deficit that has arisen in the collection fund as a result of the policy decision by Government. The budget for the 2021/22 year was built on this basis. This figure also includes funding support through the local tax income guarantee scheme which is similar to the above, in that an expectation of the amount was included in the budget for 2021 - 22 and hence the amount in the table above must be earmarked in order to fund the budget for the 2021/22 financial year.

This increase of £11.805m has been allocated in the following way:

Budgeted movements as identified in revenue budget approved on 9 March 2020	£3.082m
Allocation towards creation of COVID-19 pressures fund	£0.200m
Allocation towards future organisational development initiatives	£1.636m
Allocation towards future collection fund deficits	£8.571m
Usage of reserves	-£1.685m
Total increase in reserves	**£11.804m**

Housing Revenue Account (HRA)

The HRA is a ring-fenced landlords account for the running of the Council's housing stock.

The budget was approved on the 11th February 2020 (here) . This shows the generation of £2.912m in income over and above expenditure that is ring-fenced to be spent on the Council's housing stock. This over achievement of income will be re-invested into the Council's housing stock over a number of years to ensure properties are maintained to an appropriate standard and to continue to grow the stock of houses to ensure we meet the housing needs for the district.

The year ended 31st March 2021 was the first full year that the Council was responsible for the direct management of the housing service following its decision in September 2019 to bring the housing management service back in-house from its ALMO Newark and Sherwood Homes Limited. Newark and Sherwood Homes Limited was subsequently closed during March 2021.

The Service outturn position compared to budget amounted to a surplus of £2.279m with an overall outturn position of £2.175m:

A number of posts remaining vacant throughout the financial year	-£0.716m
Net efficiencies generated from the decision to	-£0.691m
Additional rental income compared with budget	-£0.522m
Lower than anticipated recharge to General Fund in relation to vacant posts	-£0.143m
Favourable variance on utilities, postage, telephones and training	-£0.099m
Reduced spend on responsive repairs due to Covid-19	-£0.057m
Other Variances	-£0.051m
Services Total	**-£2.279m**
Additional interest expenditure compared with budget	£0.119m
Other Variances	-£0.015m
Overall Outturn	**-£2.175m**

Of this outturn position £0.705m has been transferred into Earmarked reserves. This relates to the balance of unspent efficiencies generated as a result of bringing the services back in house, together with a grant from Efficiency East Midlands specifically for community development. The remaining £1.470m has been added to the Major Repairs Reserve in order to contribute to the continued maintenance and development of the Council's housing stock.

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Grants Received in Year

The District Council has been responsible for administering and distributing a number of grant schemes over the course of the COVID-19 pandemic. This included grants to businesses to support them during periods of lockdown, grants to support those residents that could be put into financial difficulty when mandated to self-isolate, grants to support the safe re-opening of the high street at the end of the first lockdown and specific local authority grants to assist with ensuring compliance with the imposed restrictions over the course of the financial year.

For a number of these centrally funded grants the District Council has had discretion of use including values to distribute, whilst for other grants the government mandated the value and eligibility criteria of distribution. Where the District Council could exercise its discretion over the grant, the expenditure and income have been recorded within the Comprehensive Income and Expenditure Statement (CIES). For grants mandated by government, these have been recorded on the Balance Sheet as the net balance of expenditure compared with the original allocation received. In relation to the Small Business and Retail, Hospitality and Leisure Grants, £7.45m was distributed within the 2019/20 financial year, as the District Council used its own surplus cash balances to support businesses in need of cash flow at the beginning of the pandemic. As the eligibility criteria had already been announced and commitment of funding had already been received from government of the level of support, this decision posed no risk to the District Council.

The table below shows a summary of the grants and where they have been recorded as of 31 March 2021:

Grant Name	Allocation	Description	Financial Statements
Small Business Rates/Retail, Hospitality and Leisure including Local Authority Discretionary Scheme	£28.752m	£10,000 grants to businesses in receipt of Small Business Rates relief and £10,000 and £25,000 grants for businesses in the Retail, Hospitality and Leisure sector depending on their rateable value. In addition to this 5% of the overall allocation was given to local authorities to fund a scheme at their discretion	Balance Sheet
Additional Restrictions Grant	£3.536m	A discretionary scheme for local authorities to fund businesses based on their knowledge of their local economy	CIES
Local Restrictions Support Grant Closed	£9.012m	A mandatory grant for those businesses mandated to close during the lockdowns with set eligibility criteria running throughout October 20 to March 21	Balance Sheet
Local Restrictions Support Grant Open	£0.481m	A discretionary grant for those businesses that were not mandated to close during the lockdowns	CIES
Closed Business Support Payment for Wet Led Pubs	£0.077m	A £1,000 grant for those hospitality venues whereby less than 50% of their income was generated by food sales	Balance Sheet
National Lockdown Grant	£5.877m	A one-off allocation during January 21 for those businesses mandated to close during the lockdown announced on the 4th January 21	Balance Sheet
Sub-total Business Grants	**£47.735m**		
NHS Test and Trace Mandatory	£0.147m	A £500 grant for those residents that were in receipt of a relevant benefit as described within the governments eligibility criteria, where they were required to self-isolate due to a positive COVID-19 test for them or their children	Balance Sheet

NHS Test and Trace Discretionary	£0.045m	A £500 grant for those residents who met the local authorities discretionary eligibility criteria, where they were required to self-isolate due to a positive COVID-19 test for them or their children	CIES
Sub-total Test and Trace Grants	**£0.192m**		
Compliance and Enforcement Grant	£0.056m	Funding to support additional compliance and enforcement activities	CIES
Contain Outbreak Management Fund	£0.248m	Funding to support costs associated with the public health and outbreak management costs of COVID-19	CIES
Reopening Highstreets Safely Fund	£0.109m	Funding to allow local authorities to put in place additional measures to establish a safe trading environment for businesses and customers	CIES
Coronavirus Emergency funding for local government	£1.821m	Throughout the financial year, government distributed £4.607bn in funding to local authorities as emergency funding to combat funding pressures	CIES
Sales, fees and charges extension	£0.489m	To recompense local authorities for irrecoverable and unavoidable losses from sales, fees and charges income generated through the delivery of services. This has been extended into the first quarter of 2021 - 22	CIES
Sub-total LA Assistance funding	**£2.725m**		
Local Income Tax Guarantee Scheme	£0.403m	The government outlined that it will compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020 - 21	CIES
COVID-19 Hardship fund	£0.811m	£500m of funding was provided to support economically vulnerable people and households within local areas	CIES
Business Rate Relief s31 Grant	£7.518m	Compensation from government for the cost of additional reliefs to businesses granted in year	CIES
Sub-total Council Tax/ Business Rates funding	**£8.732m**		

The total funding for the Local Authority funded grants provided support for additional costs and losses of income seen in year and hence this has directly been allocated to the general fund to support the additional responsibilities local authorities have been engaged with in year.

The total funding for Council Tax/Business Rates relates to reductions in income receivable through either government policy decisions (the extended retail relief scheme meant that no business within the Retail, Hospitality and Leisure sector paid business rates during the year regardless of their size). These have been described earlier within this document.

Capital Spending

Capital monies are spent on building or enhancing the District 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 District Council. During 2020/21, the District Council spent £23.449m on Capital works.

Key projects are listed below:

- The District Council, in partnership with MF Strawson Ltd, set up a joint venture company, RHH Ltd as a vehicle for the redevelopment of the former Robin Hood Hotel. Both parties agreed to make a capital contribution by way of a loan, which has amounted to £2.439m for the District Council in 2020/21 (a total of £3.147m including 2019/20 spend of £0.708m). A capital receipt of £3.250m to repay the District Council contribution (following practical completion) was received in early April 2021
- The District Council was successful in being awarded a grant of £0.387m to contribute to the purchase of six properties for our vision in addressing rough sleeping and supporting those at risk of rough sleeping, as 'First Steps' accommodation, resulting in spend of £0.709m
- £0.400m spend on Disabled Facilities Grants following referrals from an occupational therapist
- As part of the annual Vehicles, Plant and Equipment replacement programme 2020/21, the District Council spent £1.027m to replace 16 vehicles or equipment ranging from ride on mowers, to refuse collection vehicles
- The District Council spent £1.347m on a new swimming pool facility at the Dukeries Leisure Centre, which is due for completion and opening in June 2021. The scheme is supported by Sports England and will provide a much-needed wet side facility in the west of the district. This new pool will be managed by Active4Today, which manage the District Council's other leisure centres
- Newark Towns Fund board, with the guiding support of the District Council, was successful in its bid to Central Government for Towns Fund money. In 2020/21, accelerated funds were released to the value of £0.750m. £0.674m of this was spent in 2020/21, with the remaining £0.076m committed to works that are being carried out in April/ May 2021. Spend was incurred on works at 32 Stodman Street, the Construction College and in relation to the IASTI (International Air and Space Training Institute).
- Investment in existing District Council dwellings to maintain a decent standard. Costs incurred in 2020/21 of £3.193m
- The District Council is progressing a 5 year housing development programme to deliver 335 additional District Council homes across the district to meet the housing needs of local residents. Phase 3 will deliver 40 units, with 17 units completed in 2020/21 and the remaining 23 due for completion within the financial year 2021/22. Phase 4 is due to deliver in the region of 50 units (depending on sites obtaining planning permission), however 8 units started on site in March 2020. Total spend during 2020 - 21 £4.169m
- Boughton Extra Care Facility is progressing to deliver 40 units, comprising of 30 apartments and 10 bungalows. These homes are for people who may need some level of on-site care and support but are designed to help them remain independent. This is is due for completion in summer 2021. Expenditure incurred in 2020/21 £5.954m.
- 9 Properties on Lincoln court were acquired to facilitate the Yorke Drive Regeneration project, costing £0.595m. The properties were initially built by another registered provider and were part funded by Homes England grant. A condition of the purchase was that £0.485 was put aside by the Council to be recycled in the future on another project fitting Homes England criteria

Major Movements on the Balance Sheet

Property, Plant and Equipment

Property, Plant and Equipment has increased by £15.276m. £24.729m has been added through the capital programme whilst the economic use of assets has reduced the value by £6,739m. £4.469m worth of assets met the criteria to be transferred to assets held for sale. The District Council has also disposed of assets to the value of £4.903m and assets have had their values increased by £6.674m.

Long Term Debtors

The increase of £1.600m relates mainly to the increase of £2.350m as a result of the District Council's sale of the land at Bowbridge Road, Newark to its subsidiary, Arkwood Developments Ltd on deferred payment terms. £0.712m was also transferred into short term debtors as a result of the District Council's receipt of £3.250m during April 2021 for its investment in the Joint Venture to redevelop the former Robin Hood Hotel. The District Council had originally contributed £3.174m overall to that project.

Finance Lease Liability and Receivable

The increase in these balances relate to the long term lease of the Travelodge at Beaumond Cross. The net balance of £0.587m relates to the long term liability of servicing the rent on the whole of the site, compared with the sub lease of hotel. Once the three units have been let, it is anticipated that this will generate a positive net balance across these two balances.

Short Term Debtors

The increase of £5.055m relates mainly to an increase of £3.174m that was received during April 2021 as the return of the District Council's investment in the Robin Hood Hotel joint venture. There is also an increase of £1.334m due from Nottinghamshire County and Fire as a result of the deficit arising within the collection fund in year.

Short and Long Term borrowing

The overall increase of borrowing relates to £7.500m worth of loans taken out in year to finance capital expenditure incurred in previous years, together with the repayment of £4.715m worth of loans that had come to the maturity date.

Short Term Creditors

At year end £3.822m of the cash received from central Government in relation to the business grants schemes remained undistributed and hence increased this balance. £5.269m of additional s31 grants were received and are due to be repaid as the Government passed 100% of the s31 grants to billing authorities to ensure cash flow was available throughout the year in order to pay the major preceptors.

Short Term Grants Receipts in Advance

The District Council received in year an additional £1.383m in grants where conditions are yet to be met and therefore are yet to be applied to the CIES. £1.039m is made up through a grant from the Local Enterprise Partnership in relation to the Buttermarket (£0.483m) and in relation to the Better Care Fund (£0.556m).

Long Term Creditors

The increase of £1.357m relates to additional cash received from housing developers for their community infrastructure obligations which is yet to be utilised.

Other Long Term Liabilities

The increase of £23.757m relates mainly to the District Council's future pension fund liabilities. This change has arisen from an increase in the anticipated liabilities of £45.099m together with an offsetting increase in the value of the District Council's portion of the overall fund assets of £21.371m.

Part six

Looking forward

Community Plan

The Community Plan 2020/2023 was refreshed, updated and approved by Full Council on 13 October 2020. It is available on our website at: Community Plan

The District Council objectives are shown below:

- Create vibrant and self-sufficient local communities where residents look out for each other and actively contribute to their local area
- Deliver inclusive and sustainable economic growth
- Create more and better quality homes through our role as landlord, developer and planning authority
- Continue to maintain the high standard of cleanliness and appearance of the local environment
- Enhance and protect the districts natural environment
- Reduce crime and anti-social behaviour and increase the feeling of safety in our communities
- Improve the health and wellbeing of local residents

Medium term financial plan (MTFP)

Central Government has had plans to reform the local Government finance system for a number of years. The Government initially intended for these reforms to take effect from 2020/21, but these were delayed to 2021/22 in light of Brexit. Subsequently, these reforms have now been further delayed again to 2022/23 at the earliest, as a result of COVID-19. Given the additional year's delay, the Government plans to roll forward the 2020/21 settlement to 2021/22.

The reforms of the system are principally to increase the proportion of non-domestic rates (NDR) (business rates) retained locally; and to make fairer the Government's annual funding allocations for local authorities.

The impact of the Government's decision to delay the reform to the system has been positive on the funding position of Newark and Sherwood District Council. The delay in re-setting the NDR baseline has meant that expected NDR income in 2020/21 and 2021/22 is around £3m more in each year than was expected in the 2019/23 MTFP approved on 7 March 2019. This includes surpluses not forecasted for within the 2019/23 MTFP.

The final Local Government Finance Settlement for the 2021/22 financial year was approved by ministers on 4 February 2021. The headline increase in Core Spending Power (CSP) of 4.6% for local authorities is predicated on 87% of this increase being funded from council tax increases. The CSP assumes that authorities will increase council tax by the maximum amounts available to them (without triggering referenda), as well as tax base increases based on optimistic forecast housing growth.

The table below outlines the Government's anticipated CSP for NSDC:

Funding Type	2020/21	2021/22
Settlement Funding Assessment	£3.909m	£3.954m
Council tax	£7.018m	£7.305m
New Homes Bonus	£1.741m	£1.187m
Lower Tier Services Grant	£0.000	£0.220m
Rural Services Delivery Grant	£0.038m	£0.040m
Total	**£12.706m**	**£12.706m**

This shows that, using the Government's assumptions regarding housing growth and increases in the average band D Council tax amount, the Council's CSP for 2021/22 is the same in cash terms as for 2020/21. Together with employee and other costs increasing due to inflation, the table above shows that the District Council's funding has actually reduced in real terms.

The above is based solely on the Government's projections. The reality around Council tax is somewhat different from this. The table below shows that the actual Council tax the District Council expects to be able to generate during 2021/22 will be £7.282m; £23,000 less than the Government's forecast. Factoring £7.282m into the table above, the District Council's total spending power for 2021 - 22 is £12.683m; a reduction of 0.2%.

During the 2019/20 and 2020/21 financial years, the District Council received £1.821m in funding to mitigate the additional expenditure relating to COVID-19 and has been allocated an additional £0.620m during 2021/22. This has been built into the budget for the 2021/22 financial year, together with additional costs that are likely to arise while the country continues to battle and recover from the pandemic.

Despite all of the financial challenges described above, the District Council continues on with the delivery of its Community Plan whereby the MTFP describes how this will be delivered in financial terms. The table below shows the high level budget projections for the next four financial years.

	2021/22	2022/23	2023/24	2024/25
Net Service Expenditure (less capital charges)	£14.839m	£13.425m	£13.668m	£14.138m
Total Other Expenditure	£1.079m	£1.513m	£2.256m	£2.526m
Total Expenditure	**£15.917m**	**£14.938m**	**£15.924m**	**£16.664m**
Business rates: receivable annually	-£6.744m	-£5.742m	-£5.840m	-£5.938m
Business rates: previous surpluses	-£1.022m	£0.000	£0.000	£0.000
Business rates: other adjustments	£0.200m	£0.000	£0.000	£0.000
Council tax: receivable annually	-£7.282m	-£7.516m	-£7.757m	-£8.007m
Council tax: previous surpluses	-£0.475m	£0.000	£0.000	£0.000
Council tax: other adjustments	£0.063m	£0.000	£0.000	£0.000
Other Grants	-£1.117m	£0.000	£0.000	£0.000
Contribution -to or from Reserves	**-£0.459m**	**£1.680m**	**£2.327m**	**£2.719m**

The above table shows the likely levels of contributions to and from reserves necessary to fund the Community Plan over the four year period. Clearly there are large shortfalls in the later years with the anticipated reforms to the local Government finance system.

The table below demonstrates how the District Council anticipates funding the gaps in each financial year:

	2021/22	2022/23	2023/24	2024/25
Contribution -to or from reserves	**-£0.459m**	**£1.680m**	**£2.327m**	**£2.719m**
Use of MTFP reserve to offset contributions from reserves in future years	£0.459m	-£1.580m	-£1.527m	-£0.394m
Dividends from Arkwood Developments Ltd	-	-	-£0.500m	-£0.500m
Savings from service reviews	-	-£0.100m	-£0.100m	-£0.200m
Savings/efficiencies from making business processes more efficient	-	-	-£0.100m	-£0.200m
Increased income from the council becoming more commercial	-	-	-£0.100m	-£0.200m
Rental income from town centre regeneration	-	-	-	-£0.150m
Contribution -to or from reserves, after proposed mitigations above	**£0.000**	**£0.000**	**£0.000**	**£1.075m**

The longer term impact of COVID-19 and the changes in cultures and behaviours will have a wide range of effects for local Government. It will put additional pressures on service delivery and there will be the potential loss of income through fees and charges for services. The length of co-existence with COVID-19 and the lasting changes in social behaviours will determine whether this has a material impact on local Government finances.

The District Council will continue to monitor the national picture, while reviewing the MTFP, to ensure that resources are available to deliver the services that are needed to our residents and businesses alike.

Part seven

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 District Council's corporate risk register.

Risk	Description	Controls
Financial Sustainability General Fund	Ensuring financial sustainability of the general fund to allow the Council to undertake its core functions, deliver services, meet its corporate priorities and objectives	• Annual review of budgets • Medium term financial planning • Council approved capital programme • Consultation and communication plan to manage political and public expectations. • Quarterly budget monitoring report tabled at Senior Leadership Team (SLT) and Policy and Finance Committee.
Financial Sustainability - HRA	Financial sustainability of the HRA to ensure the District Council is able to provide, maintain and develop its housing stock	• Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee • Quarterly capital monitoring meetings. • Financial implications added to Committee reports by Financial Services. • Financial strategies and budget reviewed through Policy and Finance Committee annually
Safeguarding	Maintaining corporate safeguarding arrangements to ensure suitable and appropriate management of the District Council's safeguarding duties	• Annual Review and Update of the Council's Safeguarding Policy • Annual review and report to Senior Leadership Team • Nottinghamshire wide network for referring information relating to PREVENT
Failure to deliver growth infrastructure	Facilitating the provision of local infrastructure to ensure growth within the District to meet agreed plans and corporate priorities	• Continued liaison with Highways England to monitor progression of SLR and A1 overbridge • Well defined growth objectives within the approved Community Plan • Community Infrastructure Levy charging schedule and defined infrastructure list
Contract/supply failure	Managing contracts with key suppliers, including the District Council's wholly owned companies, to ensure the continued delivery of an effective service and ensure delivery of the District Council's priorities and objectives	• Procurement advice provided through Welland procurement • Contract managers named for each • Regular contract management meetings in place
Workforce	Ensuring the District Council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives	• Business planning embedded throughout the District Council with clear links to community planning and performance framework • Partnership approach with recognised trade unions to support organisational change and current pandemic crisis (and any other similar extraordinary event) • Training and development programme to support ongoing development of skills and competencies with Business Managers as well as other staff (i.e. change management, sickness and performance management and recruitment and softer skills)
Emergency response	The District Council's ability to effectively respond as a category one responder to a major emergency and maintain a suitable response without affecting essential service delivery.	• Emergency plans in place and securely stored • Annual stock take of equipment in our emergency stores • Agile working arrangements in place to ensure business continuity where an emergency incident occurs
Corporate governance	Risk of failure in systems of governance within the District Council, District Council owned/influenced organisations and partnerships or other collaborative arrangements.	• Annual internal review of the fraud risk register to carry out proactive work, check on internal controls and is reported to members • Corporate Governance self-assessment against the code of Corporate Governance undertaken periodically • Periodic review of governance by 3 statutory officers
Data management and security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation	• Data protection and cyber awareness training including a section on information security and targeted training ongoing for staff located elsewhere and forms part of the induction process • Public Sector Network and Cyber Essentials compliant • Information security and governance is monitored and reviewed by the corporate information governance group on a monthly basis
Arkwood Developments	Managing performance and the relationship between the District Council and Arkwood Developments in accordance with the governance agreement	• Shareholder Committee established and membership agreed • Inclusion of risk register by company with business cases • Monthly officer contract meetings between Arkwood and the District Council
Brexit	Effects of Brexit on the District Council's ability to deliver services and to the sustainability of its communities	• Full participation and engagement with the Local Resilience Forum • Responsive risk review in light of central Government information

Part eight

Explanation of Financial Statements

The Statement of Accounts sets out the District Council's income and expenditure for the year, as well as its financial position at 31 March 2021. 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 20/2021, which in turn is underpinned by International Financial Reporting Standards.

A glossary of key terms is in the Statement of Accounts document can be found at newark-sherwooddc.gov.uk/finance/statementofaccounts

The core statements are:

The Comprehensive Income and Expenditure Statement

This records all of the District Council's income and expenditure for the year. The top half of the statement provides an analysis by the District 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 District Council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and discretionary expenditure focused on local priorities and needs.

The Movements in Reserves Statement

Shows the movement in the year on the different reserves held by the District Council, analysed into "usable reserves" (i.e. 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 District 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 District 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 District Council and its key internal controls.

The Housing Revenue Account which separately identifies the District 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 Active4Today Ltd and Arkwood Development Ltd, which are both wholly owned by the District Council. In addition to the above companies, the District Council has consolidated its 50% share of RHH Limited into its group accounts.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1 The Authority's Responsibilities

The authority is required to:

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

2 Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

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

Certificate of the Chief Financial Officer

This statement of accounts is that upon which the auditor should enter their opinion. It presents a true and fair view of the financial position of the authority at 31st March 2021 and its income and expenditure for the year then ended.

Signed:

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

Signed:

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2019/20 Gross Expend-iture £'000	2019/20 Gross Income £'000	2019/20 Net Expend-iture £'000		2020/21 Gross Expend-iture £'000	2020/21 Gross Income £'000	2020/21 Net Expend-iture £'000
7,584	-5,334	2,250	Economic Development	14,426	-9,028	5,398
4,544	-1,797	2,747	Homes and Communities	3,748	-1,610	2,138
6,714	-1,710	5,004	Leisure and Environment	8,764	-1,961	6,803
28,558	-23,689	4,869	Policy and Finance	29,807	-22,782	7,025
19,789	-24,433	-4,644	Housing Revenue Account	15,420	-24,348	-8,928
18,534	0	18,534	- Revaluation Movement on Council Dwellings	3,286	0	3,286
85,723	**-56,963**	**28,760**	**Cost of Services**	**75,451**	**-59,729**	**15,722**
14,874	-2,309	12,565	Other Operating Income and Expenditure Note 14	13,735	-9,342	4,393
6,666	-1,067	5,599	Financing and Investment Income and Expenditure Note 15	5,602	-936	4,666
14,424	-46,294	-31,870	Taxation and Non Specific Grant Income Note 16	13,872	-39,055	-25,183
121,687	**-106,633**	**15,054**	**Surplus (-) or Deficit on Provision of Services**	**108,660**	**-109,062**	**-402**
		-28,454	Surplus(-) or Deficit on Revaluation of Non Current Assets			-12,090
		-10,205	Remeasurements of the Net Defined Benefit Liability (Asset)			20,415
		-38,659	**Other Comprehensive Income and Expenditure**			**8,325**
		-23,605	**Total Comprehensive Income and Expenditure**			**7,923**

MOVEMENT IN RESERVES STATEMENT

Movement in reserves 2020/21	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked 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 2020 carried forward	**1,500**	**24,035**	**2,000**	**4,756**	**11,700**	**8,458**	**5,454**	**57,903**	**177,085**	**234,988**
Total Comprehensive Income and Expenditure	-851	0	1,253	0	0	0	0	**402**	-8,325	**-7,923**
Adjustment between accounting basis & funding basis under regulations (Note 12)	12,655	0	-548	0	-11	323	-1,413	**11,006**	-11,006	**0**
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	**11,804**	**0**	**705**	**0**	**-11**	**323**	**-1,413**	**11,408**	**-19,331**	**-7,923**
Transfers to/from(-) Earmarked Reserves(Note 13)	-11,804	11,804	-705	705	0	0	0	**0**	0	**0**
Increase/Decrease(-) in 2020/21	**0**	**11,804**	**0**	**705**	**-11**	**323**	**-1,413**	**11,408**	**-19,331**	**-7,923**
Balance at 31 March 2021 carried forward	**1,500**	**35,839**	**2,000**	**5,461**	**11,689**	**8,781**	**4,041**	**69,311**	**157,754**	**227,065**

Movement in reserves 2019/20	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked 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 2019 carried forward	**1,500**	**25,124**	**2,000**	**4,398**	**10,107**	**6,991**	**9,673**	**59,793**	**151,590**	**211,383**
Total Comprehensive Income and Expenditure	1,760	0	-16,814	0	0	0	0	**-15,054**	38,659	**23,605**
Adjustment between accounting basis & funding basis under regulations (Note 12)	-2,849	0	17,172	0	1,593	1,467	-4,219	**13,164**	-13,164	**0**
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	**-1,089**	**0**	**358**	**0**	**1,593**	**1,467**	**-4,219**	**-1,890**	**25,495**	**23,605**
Transfers to/from(-) Earmarked Reserves(Note 13)	1,089	-1,089	-358	358	0	0	0	**0**	0	**0**
Increase/Decrease(-) in 2019/20	**0**	**-1,089**	**0**	**358**	**1,593**	**1,467**	**-4,219**	**-1,890**	**25,495**	**23,605**
Balance at 31 March 2020 carried forward	**1,500**	**24,035**	**2,000**	**4,756**	**11,700**	**8,458**	**5,454**	**57,903**	**177,085**	**234,988**

BALANCE SHEET

31 March 2020 £'000		Notes	31 March 2021 £'000
371,924	Property, Plant & Equipment	22	387,218
2,020	Heritage Assets	26	2,020
268	Intangible Assets	28	312
10,536	Long Term Investments - Fair Value through Profit and Loss	41	10,589
801	Long Term Debtors	30	2,400
0	Long Term Finance Lease Debtor	24	4,562
385,549	**TOTAL LONG TERM ASSETS**		**407,101**
8,076	Short Term Investments	41	17,067
305	Inventories		294
15,807	Short Term Debtors	30	20,906
1,170	Assets Held For Sale	27	1,233
23,519	Cash and Cash Equivalents	25	23,261
48,877	**TOTAL CURRENT ASSETS**		**62,761**
-9,350	Short Term Borrowings	41	-10,950
-18,591	Short Term Creditors	31	-26,879
-391	Provisions Short Term	32	-229
-898	Grants Receipts in Advance	20	-2,281
-29,230	**TOTAL CURRENT LIABILITIES**		**-40,339**
-7,210	Long Term Creditors	31	-8,567
-1,288	Provisions Long Term	32	-1,538
-224	Long Term Finance Lease Liability	23	-5,374
-83,830	Long Term Borrowing	41	-85,001
-71,489	Pensions Liability	39	-95,246
-6,167	Grants Receipts in Advance	20	-6,732
-170,208	**TOTAL LONG TERM LIABILITIES**		**-202,458**
234,988	**TOTAL NET ASSETS**		**227,065**
57,903	Usable Reserves	33	69,311
177,085	Unusable Reserves	34	157,754
234,988	**TOTAL RESERVES**		**227,065**

CASH FLOW STATEMENT

2019/20 £'000		Notes	2020/21 £'000
-15,054	**Net Surplus/Deficit(-) on the Provision of Services**		**402**
31,608	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	36A	33,698
-6,828	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	36A	-12,448
9,726	**Net Cash Flows from Operating Activities**		**21,652**
-21,080	Investing Activities	36C	-22,205
2,214	Financing Activities	36D	295
-9,140	**Net Increase or Decrease(-) in Cash and Cash Equivalents**		**-258**
32,659	Cash and Cash Equivalents at the Beginning of the Reporting Period		23,519
23,519	**Cash and Cash Equivalents at the End of the Reporting Period**	25	**23,261**

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 2020/2021 financial year and its position at the year-end of 31 March 2021. It has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2020/2021 (the Code) supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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 in financing and investment income and expenditure 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.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee Benefits

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

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. Through the Movement in Reserve Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

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

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

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

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

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

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

Re-measurements comprising

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

- contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

1.8 Events After the Reporting Period

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

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

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

1.9 Financial Instruments

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

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

Financial assets measured at fair value through profit or loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in 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 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.

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

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

Arkwood Developments Ltd is a wholly owned subsidiary of the Council and is a housing development company and its accounts are consolidated with the Council's in accordance with IAS 27.

1.13 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.

1.14 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.

1.15 Property, Plant and Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Community Assets, Infrastructure and Assets Under Construction – measured at historical cost

- Other Land and Buildings, Vehicles, Plant and Equipment – fair value or, where there is no market based evidence of fair value, depreciated historical cost

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

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

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

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

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

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

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

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

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

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

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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 Fair Value Measurement of non-financial assets

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 2021, 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 2021:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2021 for which there may be a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Fair Value Measurements	When the fair values of financial assets and financial liabilities cannot be measured, based on quoted prices in active markets (i.e. domestic Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.	The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.
Provision - Business Rates	Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013 local authorities are liable for successful appeals against business rates charged to businesses in 2020/21 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 2021. 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 2020/21, the Council's actuaries advised that the net pensions liability had increased by £20.4m attributable to updating of the assumptions. An increase in the discount rate would, if all other factors remained unchanged, result in a decrease in the present value of the defined benefit obligation.

Arrears	At 31 March 2021, the Council had a balance of short term debtors totalling £20.906m. A review of significant balances suggested that a loss allowance of £2.797m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the loss allowance would require an additional £2.797m to set aside as an allowance.

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2020/2021 there were no material transactions, which are not disclosed separately.

6 MATERIAL INTEREST IN JOINT BODIES

The Council appoints six of the nine Trustees of the Southwell Leisure Centre Trust and provides grant aid which amounted to £0.133m in 2020/2021 (2019/2020 £0.133m). The Trust is administered in accordance with the Scheme of Administration established 24th October 1974 as amended by the Charity Commissioners on the 29th December 1983. The object of the Trust is to establish and maintain leisure facilities for the inhabitants of Southwell and district and to achieve a breakeven position on operations.

The Council has a joint interest in Mansfield Crematorium. The annual net surplus from the running of the crematorium amounts to £0.045m (2019/2020 £0.045m) 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 38.

7 POST BALANCE SHEET EVENT

The final Audited Statement of Accounts will be authorised for issue by the Deputy Chief Executive and Director of Resources S151 Officer on 22 September 2021. 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 2021, 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:

The W.E. Knight Trust

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

The Gilstrap Endowment

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

9 EXPENDITURE AND FUNDING ANALYSIS

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

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,111	1,139	2,250	Economic Development	2,232	3,166	5,398
2,337	410	2,747	Homes and Communities	1,696	442	2,138
3,680	1,324	5,004	Leisure and Environment	4,444	2,359	6,803
4,416	453	4,869	Policy and Finance	5,601	1,424	7,025
-13,325	27,215	13,890	Housing Revenue Account	-14,533	8,891	-5,642
-1,781	**30,541**	**28,760**	**Net Cost of Services**	**-560**	**16,282**	**15,722**
2,512	-16,218	-13,706	Other Income and Expenditure	-11,949	-4,175	-16,124
731	**14,323**	**15,054**	**Surplus(-)/Deficit**	**-12,509**	**12,107**	**-402**

General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000		General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000
-26,624	-6,398	-33,022	Opening Balance	-25,535	-6,756	-32,291
1,089	-358	731	Surplus(-) or Deficit on Balances in Year	-11,804	-705	-12,509
-25,535	**-6,756**	**-32,291**	**Closing Balance at 31 March**	**-37,339**	**-7,461**	**-44,800**
			Closing Balances Split by Reserve:			
-1,500	-2,000	-3,500	Working Reserve	-1,500	-2,000	-3,500
-24,035	-4,756	-28,791	Earmarked Reserve	-35,839	-5,461	-41,300
-25,535	**-6,756**	**-32,291**	**Closing Balance at 31 March**	**-37,339**	**-7,461**	**-44,800**

10 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2020/21

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	2,603	563	0	**3,166**
Homes and Communities	167	275	0	**442**
Leisure and Environment	1,744	615	0	**2,359**
Policy and Finance	391	1,033	0	**1,424**
Housing Revenue Account	8,219	672	0	**8,891**
Net Cost of Services	**13,124**	**3,158**	**0**	**16,282**
Other income and expenditure from the Expenditure and Funding Analysis	-14,860	1,675	9,010	**-4,175**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-1,736**	**4,833**	**9,010**	**12,107**

Adjustments between Funding and Accounting Basis 2019/20

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	978	114	47	**1,139**
Homes and Communities	344	83	-17	**410**
Leisure and Environment	1,225	136	-37	**1,324**
Policy and Finance	206	290	-43	**453**
Housing Revenue Account	23,116	4,099	0	**27,215**
Net Cost of Services	**25,869**	**4,722**	**-50**	**30,541**
Other income and expenditure from the Expenditure and Funding Analysis	-16,992	1,606	-832	**-16,218**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**8,877**	**6,328**	**-882**	**14,323**

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

Note 1 Adjustments for Capital Purposes

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

• Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

• Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

• Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 Net Change for the Pensions Adjustments

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

• For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

• For Financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

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

• For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

11 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

Expenditure/Income 2020/21	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	-3,464	-678	-1,679	-1,538	-24,320	0	**-31,679**
Income on Joint Associates	0	0	0	0	0	-121	**-121**
Interest and Investment Income	0	0	0	0	0	-936	**-936**
Income from Council Tax	0	0	0	0	0	-10,154	**-10,154**
Income from Non Domestic Rates	0	0	0	0	0	-21,042	**-21,042**
Business COVID-19 grants	-5,064	0	0	-96	0	0	**-5,160**
Housing Benefit Subsidy Rent Allowance	0	0	0	-10,523	0	0	**-10,523**
Housing Benefit Subsidy Rent Rebates	0	0	0	-8,938	0	0	**-8,938**
Grants and Contributions	-500	-932	-282	-1,687	-28	-7,859	**-11,288**
Disposal of Assets	0	0	0	0	0	-9,221	**-9,221**
Total Income	**-9,028**	**-1,610**	**-1,961**	**-22,782**	**-24,348**	**-49,333**	**-109,062**
Employee Expenses	4,066	2,007	4,330	6,847	4,844	0	**22,094**
Other Service Expenses	3,208	1,593	2,857	3,027	5,736	216	**16,637**
Housing Benefit Rent Allowance	0	0	0	10,528	0	0	**10,528**
Housing Benefit Rent Rebates	0	0	0	8,969	0	0	**8,969**
Expenditure on Joint Associates	0	0	0	0	0	118	**118**
Developers Contribution Payment	0	0	0	0	0	575	**575**
Depreciation, Amortisation and Impairment	2,088	148	1,577	391	8,114	0	**12,318**
Changes in Fair Value	0	0	0	0	0	-53	**-53**
Interest Payments	0	0	0	0	12	5,654	**5,666**
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	13,297	**13,297**
Precepts and Levies	0	0	0	0	0	3,704	**3,704**
Business COVID-19 grant payments	5,064	0	0	45	0	0	**5,109**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	**443**
Disposal of Assets	0	0	0	0	0	9,255	**9,255**
Total Operating Expenses	**14,426**	**3,748**	**8,764**	**29,807**	**18,706**	**33,209**	**108,660**
Surplus(-)/Deficit on Provision of Services	**5,398**	**2,138**	**6,803**	**7,025**	**-5,642**	**-16,124**	**-402**

Expenditure/Income 2019/20	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	-5,277	-973	-1,710	-2,601	-24,433	0	**-34,994**
Income on Joint Associates	0	0	0	0	0	-127	**-127**
Interest and Investment Income	0	0	0	0	0	-1,067	**-1,067**
Income from Council Tax	0	0	0	0	0	-9,765	**-9,765**
Income from Non Domestic Rates	0	0	0	0	0	-22,814	**-22,814**
Business COVID-19 grants	0	0	0	0	0	-7,450	**-7,450**
Housing Benefit Subsidy Rent Allowance	0	0	0	-11,089	0	0	**-11,089**
Housing Benefit Subsidy Rent Rebates	0	0	0	-9,510	0	0	**-9,510**
Government Grants and Contributions	-57	-824	0	-489	0	-6,265	**-7,635**
Disposal of Assets	0	0	0	0	0	-2,182	**-2,182**
Total Income	**-5,334**	**-1,797**	**-1,710**	**-23,689**	**-24,433**	**-49,670**	**-106,633**
Employee Expenses	3,299	2,417	3,688	4,811	9,275	0	**23,490**
Other Service Expenses	3,333	1,783	2,116	2,836	5,889	615	**16,572**
Housing Benefit Rent Allowance	0	0	0	11,145	0	0	**11,145**
Housing Benefit Rent Rebates	0	0	0	9,560	0	0	**9,560**
Expenditure on Joint Associates	0	0	0	0	0	144	**144**
Developers Contribution Payment	0	0	0	0	0	461	**461**
Depreciation, Amortisation and Impairment	952	344	910	206	23,077	0	**25,489**
Changes in Fair Value	0	0	0	0	0	964	**964**
Interest Payments	0	0	0	0	82	5,700	**5,782**
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	13,963	**13,963**
Precepts and Levies	0	0	0	0	0	3,471	**3,471**
Business COVID-19 grant payments	0	0	0	0	0	7,450	**7,450**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	**443**
Disposal of Assets	0	0	0	0	0	2,753	**2,753**
Total Operating Expenses	**7,584**	**4,544**	**6,714**	**28,558**	**38,323**	**35,964**	**121,687**
Surplus(-)/Deficit on Provision of Services	**2,250**	**2,747**	**5,004**	**4,869**	**13,890**	**-13,706**	**15,054**

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Grants Unapplied

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

Capital Receipts Reserve

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

2020/21 Usable Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'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)	-3,805	-1,029	0	0	0	**4,834**
Financial instruments (transferred to the Financial Instruments Adjustments	56	0	0	0	0	**-56**
Council tax and NDR (transfers to (or from) Collection Fund)	-9,066	0	0	0	0	**9,066**
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 Adjustment Account - CAA):	-9,378	-10,347	0	-582	0	**20,307**
Total Adjustments to Revenue Resources	**-22,193**	**-11,376**	**0**	**-582**	**0**	**34,151**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	7,123	2,091	0	0	-2,200	**-7,014**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	-35	0	0	35	**0**
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-443	0	0	0	443	**0**
Posting of HRA resources from revenue to the Major Repairs Reserve	0	9,868	-9,868	0	0	**0**
Statutory provision for the repayment of debt (transfer from the CAA)	544	0	4,026	0	0	**-4,570**
Capital expenditure financed from revenue balances (transfer to the CAA)	2,314	0	0	0	0	**-2,314**
Total Adjustments between Revenue and Capital Resources	**9,538**	**11,924**	**-5,842**	**0**	**-1,722**	**-13,898**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	3,135	**-3,135**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	5,853	0	0	**-5,853**
Application of capital grants to finance capital expenditure	0	0	0	259	0	**-259**
Cash payments in relation to deferred capital receipts	0	0	0	0	0	**0**
Total Adjustments to Capital Resources	**0**	**0**	**5,853**	**259**	**3,135**	**-9,247**
Total Adjustments	**-12,655**	**548**	**11**	**-323**	**1,413**	**11,006**

2019/20 Usable Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'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)	-1,942	-4,386	0	0	0	**6,328**
Financial instruments (transferred to the Financial Instruments Adjustments	-908	0	0	0	0	**908**
Council tax and NDR (transfers to or from Collection Fund)	1,741	0	0	0	0	**-1,741**
Holiday pay (transferred to the Accumulated Absences Reserve)	50	0	0	0	0	**-50**
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 Adjustment Account - CAA):	-1,221	-23,425	0	-1,650	0	**26,296**
Total Adjustments to Revenue Resources	**-2,280**	**-27,811**	**0**	**-1,650**	**0**	**31,741**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	63	2,113	0	0	-2,176	**0**
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	-39	0	0	39	**0**
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-443	0	0	0	443	**0**
Posting of HRA resources from revenue to the Major Repairs Reserve	0	8,565	-8,565	0	0	**0**
Statutory provision for the repayment of debt (transfer from the CAA)	519	0	2,024	0	0	**-2,543**
Capital expenditure financed from revenue balances (transfer to the CAA)	4,990	0	0	0	0	**-4,990**
Total Adjustments between Revenue and Capital Resources	**5,129**	**10,639**	**-6,541**	**0**	**-1,694**	**-7,533**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	5,913	**-5,913**
Use of the Major Repairs Reserve to finance capital expenditure	0	0	4,948	0	0	**-4,948**
Application of capital grants to finance capital expenditure	0	0	0	183	0	**-183**
Cash payments in relation to deferred capital receipts	0	0	0	0	0	**0**
Total Adjustments to Capital Resources	**0**	**0**	**4,948**	**183**	**5,913**	**-11,044**
Total Adjustments	**2,849**	**-17,172**	**-1,593**	**-1,467**	**4,219**	**13,164**

13 TRANSFERS TO/FROM(-) EARMARKED RESERVES

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

	Balance as at 31st March 2019 £'000	Movement in Year £'000	Balance as at 31st March 2020 £'000	Movement in Year £'000	Balance as at 31st March 2021 £'000
General Fund for known pressures Reserves					
Financial Instruments Revaluation	92	-1	91	0	91
Election Expenses	150	-117	33	40	73
Insurance	337	-31	306	-36	270
Renewal and Repairs	2,380	-18	2,362	-128	2,234
Building Control	15	18	33	24	57
Museum Purchases	11	11	22	10	32
Training Provision	153	-25	128	32	160
Community Safety Fund	194	-28	166	-25	141
Restructuring & Pay	100	115	215	-62	153
Court Costs	59	-1	58	0	58
Planning Costs	201	0	201	0	201
Unlawful Occupation of Land	9	-9	0	0	0
Fly tipping	55	-55	0	0	0
Homelessness Fund	456	120	576	-173	403
Fuel and Energy Reserve	70	0	70	-8	62
Refuse Bin Purchase	15	0	15	0	15
Energy and Home Support	121	-18	103	0	103
Growth and Prosperity	513	-386	127	0	127
Emergency Planning Reserve	50	0	50	-7	43
Welfare Reform Reserve	58	-58	0	0	0
Other Earmarked Reserves	22	3	25	0	25
Management Carry Forward	343	333	676	-12	664
Development Company	4,000	-4,000	0	0	0
Mansfield Crematorium	139	0	139	11	150
CSG/Enforcement Reserve	95	0	95	-11	84
Flood Defence Reserve	250	0	250	0	250
NNDR Volatility Reserve	0	793	793	0	793
Community Initiative Fund	0	200	200	-5	195
MTFP Reserve	1,085	275	1,360	2,684	4,044
Asset Management Fund	0	250	250	250	500
Capital Projects Feasibility Fund	0	250	250	151	401
Community Engagement Fund	0	300	300	-14	286
COVID Pressures	0	0	0	200	200
Collection Fund Budget	0	0	0	8,571	8,571
COVID Compliance	0	0	0	281	281
Unapplied Revenue Grants and Contributions	292	139	431	109	540
Total for known pressures Reserves	**11,265**	**-1,940**	**9,325**	**11,882**	**21,207**
Change Management	12,747	587	13,334	-221	13,113
Total General Fund Revenue	**24,012**	**-1,353**	**22,659**	**11,661**	**34,320**

Capital Reserves					
Capital Provision	1,112	264	1,376	143	1,519
Total General Fund Capital	**1,112**	**264**	**1,376**	**143**	**1,519**
Total General Fund Earmarked Reserves	**25,124**	**-1,089**	**24,035**	**11,804**	**35,839**
Housing Revenue Reserves					
Newark and Sherwood Homes Merger Transfer	3,967	0	3,967	0	3,967
Insurance Fund	50	0	50	0	50
Development and ICT	281	0	281	0	281
Restructuring & Pay	100	0	100	0	100
Other Earmarked Reserves	0	32	32	705	737
Future Rents Bad Debt	0	326	326	0	326
Total HRA Revenue	**4,398**	**358**	**4,756**	**705**	**5,461**
Total General Fund and HRA Earmarked Reserves	**29,522**	**-731**	**28,791**	**12,509**	**41,300**

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.

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

Management Carry Forward Requests - a reserve for requests by management to transfer budgets not spent on a particular purpose into the next financial year for spending.

National Non-Domestic Rates (NNDR) Volatility - this reserve has been created in order to mitigate the financial implications of prospective government changes to the NNDR system.

Medium Term Financial Plan (MTFP) - a reserve to mitigate the financial implications identified within the MTFP.

Asset Management - a fund for works identified from asset condition surveys

Collection Fund Budget - a reserve to fund the Collection Fund deficit which has arisen because of General Fund grant being given to compensate councils for statutory NDR reliefs paid by councils in-year.

Unapplied Revenue Grants and Contributions - revenue grants which have not yet been used where the grant providers do not require the grants to be repaid if unused.

Newark and Sherwood Homes (NSH) Transfer - reserves transferred from NSH to the Council as part of the Council bringing social housing management services formerly provided by NSH back in-

HRA Earmarked Reserve - unallocated efficiency savings from the Council bringing social housing management services formerly provided by NSH back in-house.

Capital Provision – to support future capital projects.

14 OTHER OPERATING INCOME AND EXPENDITURE

2019/20 £'000		2020/21 £'000
2,925	Parish Council Precepts	3,109
546	Levies	595
443	Payments to the Government Housing Capital Receipts Pool	443
7,450	Business COVID-19 grant payments	0
571	Gains(-)/losses on the disposal of non-current assets	34
615	Loss Allowance	216
15	Mansfield Crematorium - Net Cost of Service	-4
12,565	**Total**	**4,393**

15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2019/20 £'000		2020/21 £'000
4,100	Interest payable and similar charges	3,979
1,600	Net interest on the net defined benefit liability (asset)	1,675
-1,067	Interest receivable and similar income	-936
964	Net (gains)/losses on financial assets at fair value through profit and loss	-53
2	Mansfield Crematorium - Financing and Investment Income and Expenditure	1
5,599	**Total**	**4,666**

16 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2019/20 £'000		2020/21 £'000
-9,765	Council tax income	-10,154
-8,851	Non-Domestic Rates income and expenditure	-7,745
-1,835	Non ring-fenced Government grants	-4,638
-7,450	Business COVID-19 grants	0
-101	Revenue Developers grants & contributions	-281
-1,574	Capital Developers grants & contributions	-475
-2,294	Capital grants and contributions	-1,890
-31,870	**Total**	**-25,183**

17 OFFICIALS' EMOLUMENTS

Amounts payable to senior employees in 2020/2021 are disclosed below.

	2019/20 £	2020/21 £
Chief Executive		
Salary	124,848.00	128,280.96
Expenses, Allowances and Other Benefits	794.05	647.10
Employer's Contribution to Pension	18,102.96	22,449.14
% Employee's Contribution to Pension	11.4%	11.4%
Deputy Chief Executive & Director of Resources		
Salary	102,620.04	105,441.96
Expenses, Allowances and Other Benefits	515.25	0.00
Employer's Contribution to Pension	14,879.88	18,452.36
% Employee's Contribution to Pension	10.5%	10.5%
Director of Governance & Organisational Development		
Salary	83,625.00	85,923.96
Expenses, Allowances and Other Benefits	106.25	0.00
Employer's Contribution to Pension	12,125.64	15,036.70
% Employee's Contribution to Pension	9.9%	9.9%
Director of Communities & Environment		
Salary	83,625.00	85,923.96
Expenses, Allowances and Other Benefits	395.40	32.85
Employer's Contribution to Pension	12,125.64	15,036.70
% Employee's Contribution to Pension	9.9%	9.9%
Director of Growth & Regeneration		
Salary	77,427.19	85,298.22
Expenses, Allowances and Other Benefits	0.00	0.00
Employer's Contribution to Pension	11,226.92	14,927.22
% Employee's Contribution to Pension	9.9%	9.9%
Director of Health & Welbeing - Started in April 2020		
Salary		77,461.04
Expenses, Allowances and Other Benefits		0.00
Employer's Contribution to Pension		13,555.69
% Employee's Contribution to Pension		9.9%

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

Exit Package Cost Band	No of Compulsory Redundancies		No of Other Agreed Departures		Total No of Exit Packages		Total Cost of Exit Packages	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21 £'000	2019/20 £'000
£0 to £20,000	8	*4*	2	*2*	**10**	***6***	66	*66*
£20,001 to £40,000	3	0	0	1	**3**	***1***	81	22
£40,001 to £60,000	0	0	0	1	**0**	***1***	0	45
£60,001 to £80,000	0	0	0	0	**0**	***0***	0	0
£80,001 plus	0	0	0	0	**0**	***0***	0	0
Total	**11**	**4**	**2**	**4**	**13**	**8**	**147**	**133**

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 2020/2021	Employees Included in 2020/21 leaving in same year	Number of Employees 2019/20
£50,000 to £54,999	7	1	5
£55,000 to £59,999	3	0	2
£60,000 to £64,999	4	0	3
£65,000 to £69,999	1	0	0
£70,000 to £74,999	0	0	0
£75,000 to £79,999	1	0	1
£80,000 to £84,999	0	0	2
£85,000 to £89,999	3	0	0
£90,000 to £94,999	0	0	0
£95,000 to £99,999	0	0	0
£100,000 to £104,999	0	0	1
£105,000 to £174,999	2	0	2
£175,000 to £179,999	0	0	0
Total	**21**	**1**	**16**

18 RELATED PARTY TRANSACTIONS

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

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

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

•Members of the council have direct control over the council's financial and operating policies.	Note 19 Members Allowances
•Precepts from other Local Authorities.	Collection Fund Accounts
•Arkwood Developments Ltd is a wholly owned subsidiary of the Council.	Group Accounts
•Active4Today Ltd is a wholly owned subsidiary of the Council.	Group Accounts
•RHH Newark Ltd is a 50% owned joint venture of the Council.	Group Accounts
•The Council has joint control of Mansfield Crematorium.	Note 38 Joint Crematorium Committee
•The Council appoints the majority of trustees of the Southwell Leisure Centre Trust.	Note 6 Material Interests in Joint Bodies

During 2020/21 the following transactions occurred with companies and organisations in which Members, Officers and their close family members, had an interest.

	Receipts £'000	Payments £'000
Gilstrap	7	0
Newark and Sherwood Community and Voluntary Service	0	39
Bilsthorpe Community Green Spaces Group	0	2
Newark & Notts Agricultural Society Trading Limited	4	6

19 MEMBERS ALLOWANCES

2019/20 £'000		2020/21 £'000
55	Special Responsibility Payments	59
189	Basic Allowances	194
6	Travel and Subsistence	1
250	**Total**	**254**

20 GRANT INCOME

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

2019/20 £'000		2020/21 £'000
	Credited to Taxation and Non Specific Grant	
-83	Revenue Support Grant	-84
-1,580	New Homes Bonus Grant	-1,741
-7,450	Business COVID-19 grants	0
-115	DCLG Grant	-1,764
-18	New Burdens Grant	-437
0	Council Tax s31 Grant	-84
-38	Rural Services Delivery Grant	-38
0	Income Support Scheme	-490
-102	Section 106	-281
	Capital Related;	
-2,062	Supported Housing	-756
-1,574	Developers Contributions (Net of Payments)	-475
-232	Other Grants and Contributions	-1,134
-13,254	**Total**	**-7,284**
	Credited to Services	
-11,089	Housing Benefits Subsidy - Rent Allowances	-10,523
-9,510	Housing Benefits Subsidy - Rent Rebates	-8,938
-265	Housing Benefits Administration Grant	-287
-113	Council Tax Support Grant	-112
0	Council Tax Hardship Grant	-811
0	Covid-19 Discretionary Grant	-1,239
0	Covid-19 Additional Restrictions Grant	-3,345
0	Local Restrictions Support Grants - Open	-480
0	NHS Test & Trace Support	-96
0	Covid Compliance Tier 3	-367
0	Compliance & Enforcement Grant	-56
0	Towns Fund	-162
0	Reopening High Street Grant	-70
0	Safer Streets	-16
0	National Leisure Recovery Fund	-252
0	Arts Council Grant	-35
0	High Street Heritage Action Zone	-23

0	Homelessness grant	-188
0	Rough Sleepers	-16
0	New Apprentice Grants	-1
0	LGA's Cyber Security Programme	-3
0	Warm Homes on Prescription Admin Grant	-6
0	Furlough/Jrs Grant Income	-243
-96	New Burdens Grant	-95
-13	Electoral Registration	-7
-2	Welfare Reform	0
-4	Apprentice Levy	-6
-15	Custom Build Grant	0
-73	DCLG Flooding grant	-6
-19	Neighbourhood Planning grant	0
-20	Land Charges	-23
	Capital Related;	
-750	Private Sector Disabled Facilities	-644
-21,969	**Total**	**-28,050**

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

2019/20 £'000		2020/21 £'000
	Capital Related;	
-723	Government	-1,347
0	Other Third Parties	-574
0	Section 106	0
	Revenue Related;	
-162	Government	-322
-13	Other Third Parties	-38
0	Section 106	0
-898		**-2,281**

LONG TERM LIABILITIES - GRANTS RECEIPTS IN ADVANCE

2019/20 £'000		2020/21 £'000
	Capital Related;	
-6,048	Government	-6,048
0	Nottinghamshire County Council	0
0	Other Third Parties	-524
	Revenue Related;	
-65	Government	-106
0	Nottinghamshire County Council	0
-54	Other Third Parties	-54
-6,167		**-6,732**

21 AUDIT FEE

For 2020/2021 Newark and Sherwood District Council incurred the following fee in relation to the audit of the Statement of Accounts:

2019/20 £'000	Fees Payable to Mazars LLP in respect of:	2020/21 £'000
37	External Audit Services	37
6	Other Services	9
43	**Total**	**46**

In addition, audit fees of £15,099 (£0 2019/20) were paid which related to work undertaken in prior financial years.

22 PROPERTY PLANT AND EQUIPMENT

Movements in 2020/21	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant Equipment £'000	Infrastructure Assets £'000	Commun -ity Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation								
At April 2020	**287,490**	**75,144**	**11,284**	**448**	**335**	**0**	**4,887**	**379,588**
Additions	6,695	7,294	1,254	0	80	222	9,024	**24,569**
Donations	0	0	0	0	0	178	0	**178**
Revaluation increases/decreases(-)to Revaluation Reserve	464	6,210	0	0	0	0	0	**6,674**
Revaluation increases/decreases(-) to Surplus/Deficit on the Provision of Services	-3,629	-2,618	0	0	0	-222	0	**-6,469**
Derecognition - Disposals	-124	-4,720	-668	0	0	0	0	**-5,512**
Derecognition - Other	0	0	0	0	0	0	0	**0**
Assets reclassified to(-)/from Held for Sale	-1,666	-2,706	0	0	0	0	0	**-4,372**
Reclassifications - Other	1,862	0	0	0	0	-178	-1,684	**0**
At 31 March 2021	**291,092**	**78,604**	**11,870**	**448**	**415**	**0**	**12,227**	**394,656**
Accumulated Depreciation & Impairment								
At April 2020	**0**	**2,393**	**5,139**	**47**	**85**	**0**	**0**	**7,664**
Depreciation charge	4,588	968	1,139	35	9	0	0	**6,739**
Depreciation written out to the Revaluation Reserve	-4,244	-1,172	0	0	0	0	0	**-5,416**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-343	-597	0	0	0	0	0	**-940**
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	-1	-10	-598	0	0	0	0	**-609**
Reclassifications	0	0	0	0	0	0	0	**0**
At 31 March 2021	**0**	**1,582**	**5,680**	**82**	**94**	**0**	**0**	**7,438**
Net Book Value								
at 31 March 2021	**291,092**	**77,022**	**6,190**	**366**	**321**	**0**	**12,227**	**387,218**
at 31 March 2020	**287,490**	**72,751**	**6,145**	**401**	**250**	**0**	**4,887**	**371,924**

Comparative Movements in 2019/20	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 2019	**279,209**	**69,262**	**10,602**	**448**	**335**	**185**	**2,974**	**363,015**
Additions	9,783	1,886	1,366	0	0	0	3,955	**16,990**
Revaluation increases/decreases(-)to Revaluation Reserve	18,522	4,512	0	0	0	0	0	**23,034**
Revaluation increases/decreases(-) to Surplus/Deficit on the Provision of Services	-19,368	-636	0	0	0	0	0	**-20,004**
Derecognition - Disposals	0	0	0	0	0	0	0	**0**
Derecognition - Other	0	-454	-684	0	0	-185	0	**-1,323**
Assets reclassified to(-)/from Held for Sale	-2,124	0	0	0	0	0	0	**-2,124**
Reclassifications - Other	1,468	574	0	0	0	0	-2,042	**0**
At 31 March 2020	**287,490**	**75,144**	**11,284**	**448**	**335**	**0**	**4,887**	**379,588**
Accumulated Depreciation & Impairment								
At April 2019	**1,734**	**2,048**	**4,511**	**12**	**76**	**0**	**0**	**8,381**
Depreciation charge	4,004	979	1,312	35	9	0	0	**6,339**
Depreciation written out to the Revaluation Reserve	-4,904	-530	0	0	0	0	0	**-5,434**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-834	-99	0	0	0	0	0	**-933**
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	0	-5	-684	0	0	0	0	**-689**
Reclassifications	0	0	0	0	0	0	0	**0**
At 31 March 2020	**0**	**2,393**	**5,139**	**47**	**85**	**0**	**0**	**7,664**
Net Book Value								
at 31 March 2020	**287,490**	**72,751**	**6,145**	**401**	**250**	**0**	**4,887**	**371,924**
at 31 March 2019	**277,475**	**67,214**	**6,091**	**436**	**259**	**185**	**2,974**	**354,634**

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 £22.219m is contractually committed as at 31 March 2021. Whilst their are a number of other commitments in the Capital Programme, the below are financial Commitments.

2019/20 £'000		2020/21 £'000
26,276	New Council House Build	22,219
26,276	**Total**	**22,219**

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 2020/2021 valuations were carried out by the Council's appointed surveyors, Wilks Head and Eve, who are suitably qualified and experienced for this purpose. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Plant and machinery is included implicitly in the valuation of the buildings. Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value.

The significant assumptions applied in estimating the fair values are:

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

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

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra-Structure £'000	Community Assets £'000	Assets Under Construction £'000	Surplus £'000	Total £'000
Valued at Historical Cost	0	0	9,512	202	317	11,997	0	**22,028**
Valued at Current Value in:								
2020/2021	291,092	3,592	0	0	0	0	-222	**294,462**
2019/2020	0	3,876	0	0	0	0	0	**3,876**
2018/2019	0	13,049	0	0	0	0	318	**13,367**
2017/2018	0	17,696	0	0	0	0	0	**17,696**
2016/2017	0	18,594	0	0	0	0	0	**18,594**
	291,092	**56,807**	**9,512**	**202**	**317**	**11,997**	**96**	**370,023**
Non Revaluation adjustments	0	21,797	2,358	246	98	230	-96	**24,633**
Gross Book Value	**291,092**	**78,604**	**11,870**	**448**	**415**	**12,227**	**0**	**394,656**

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

23 LEASES - DISCLOSURE AS LESSEE

Finance Leases

The Council has two finance leases, one is a 125 year lease on Clipstone Holding Centre and the other is a 25 year lease on the Beaumond Cross site, for the hotel and retail units. The assets are included on the Balance Sheet under Property, Plant and Equipment.

The following amounts are included within Other Land and Building assets Note 22 for the Property, Plant and Equipment held under finance leases:

2019/20 £'000		2020/21 £'000
95	**Balance at 1 April**	**179**
0	Additions	5,285
95	Revaluations	140
-11	Depreciation	-15
0	Disposals	-4,478
0	Reclassifications	0
179	**Net Book Value at 31 March**	**1,111**

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

2019/20 £'000		2020/21 £'000
	Finance Lease Liabilities (net present value of minimum lease payments)	
0	• Current	136
224	• Non Current	5,374
2,432	Finance costs payable in future years minimum lease payments	4,871
2,656	**Minimum Lease Repayments**	**10,381**

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

2019/20 Minimum Lease Payments £'000	2019/20 Finance Lease Liabilities (NPV) £'000		2020/21 Minimum Lease Payments £'000	2020/21 Finance Lease Liabilities (NPV) £'000
25	0	Not later than one year	335	136
100	0	Later than one year and not later than five years	1,650	592
2,531	224	Later than five years	8,396	4,782
2,656	**224**	**Total**	**10,381**	**5,510**

The Council has sub-let Clipstone Holding Centre units held under the finance lease. The annual minimum payments expected to be received is £0.044m (£0.053m in 2019/2020).

The Council sub-lets the hotel asset on the Beaumond Cross site held under the finance lease. The annual minimum payments are detailed in note 24 as the sub lease is classified as a finance lease.

Operating Leases

The authority has no leases for Vehicles, Plant, Furniture and Equipment

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

Future minimum lease payments due in future years are:

2019/20 £'000		2020/21 £'000
31	Not later than one year	31
126	Later than one year and not later than five years	126
2,226	Later than five years	2,194
2,383	**Total Operating Lease Costs**	**2,351**

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

2019/20 £'000		2020/21 £'000
35	Minimum lease payments	38
35	**Total Operating Lease Costs**	**38**

24 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

The Council Sub lets the hotel asset on the Beaumond Cross site, on a finance lease with a remaining term of 25 years.

The Council has a gross investment in the lease of minimum lease payments expected to be received over the remaining term. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years while the debtor remains outstanding. The gross investment is made up of the following amounts:

2019/20 £'000		2020/21 £'000
	Finance Lease Debtor (net present value of minimum lease payments)	
0	• Current	103
0	• Non Current	4,562
0	Unearned Finance Income	2,966
0	**Minimum Lease Repayments**	**7,631**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

2019/20			2020/21	
Minimum Lease Payments £'000	Gross Investment in the Lease £'000		Minimum Lease Payments £'000	Gross Investment in the Lease £'000
0	0	Not later than one year	305	103
0	0	Later than one year and not later than five years	1,221	460
0	0	Later than five years	6,105	4,102
0	**0**	**Total**	**7,631**	**4,665**

Operating Leases

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

Aggregate rentals received by the Council in its capacity as lessor for 2020/2021 was £1.010m (£1.052m 2019/2020).

The total future lease commitments are:

2019/20 £'000		2020/21 £'000
896	Not later than one year	990
2,410	Later than one year and not later than five years	2,505
1,455	Later than five years	1,327
4,761	**Total Operating Lease Costs**	**4,822**

25 CASH AND CASH EQUIVALENTS

2019/20 £'000		2020/21 £'000
4	Cash held by the Council	4
-26	Cash in transit	-63
560	Bank current accounts	544
22,981	Short-term deposits with Money Market Funds	22,776
23,519	**Total Cash and Cash Equivalents**	**23,261**

26 HERITAGE ASSETS

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

	Museum Collection £'000	Other Assets £'000	Total Assets £'000
Cost or Valuation			
At 1 April 2020	**1,930**	**90**	**2,020**
Additions	0	0	**0**
Revaluations	0	0	**0**
At 31 March 2021	**1,930**	**90**	**2,020**
Cost or Valuation			
At 1 April 2019	**1,937**	**98**	**2,035**
Additions	0	0	**0**
Revaluations	-7	-8	**-15**
At 31 March 2020	**1,930**	**90**	**2,020**

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

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

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

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

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

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

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

27 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.

2019/20 £'000		2020/21 £'000
1,120	**Balance outstanding at start of year**	**1,170**
	Assets newly classified as held for sale:	
2,124	Transfer from Property, Plant and Equipment	4,469
	Assets declassified as held for sale:	
-2,074	Assets Sold	-4,309
0	Transfer back to Property, Plant and Equipment	-97
1,170	**Balance outstanding at year-end**	**1,233**

28 INTANGIBLE ASSETS

During 2020/2021 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.

2019/20 £'000		2020/21 £'000
	Balance at start of year:	
1,458	Gross carrying amounts	1,526
-1,170	Accumulated amortisation	-1,258
288	**Net carrying amount at start of year**	**268**
	Movements:	
68	Purchases	111
0	Other disposals	0
-88	Amortisation for the period	-67
0	Reclassifications	0
268	**Net carrying amount at end of year**	**312**
	Comprising:	
1,526	Gross carrying amounts	1,637
-1,258	Accumulated amortisation	-1,325
268	**Net carrying amount at end of year**	**312**

29 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.

2019/20 £'000		2020/21 £'000
131,624	***Opening Capital Financing Requirement***	**132,900**
	Capital Investment:	
16,990	Property, Plant and Equipment	19,462
4,708	Capital Loans and Shares	2,439
68	Intangible Assets	111
1,129	Revenue Expenditure Funded from Capital Under Statute	1,449
	Sources of Finance	
-5,915	Capital Receipts	-3,134
-3,225	Government Grants and Contributions	-2,948
-12,479	Sums set aside from Revenue (inc MRP)	-12,738
	Finance Leases	
0	Assets acquired under finance leases	5,285
0	Assets leased out under finance leases	-4,664
132,900	**Closing Capital Financing Requirements**	**138,162**
	Explanation of Movements in Year	
3,819	Increase in underlying need to borrow (unsupported by Government financial assistance)	9,832
-2,543	Other Movements (MRP including finance leases)	-4,570
1,276	**Increase in Capital Financing Requirement**	**5,262**
	Split on Capital Financing Requirement between General Fund and Housing Revenue Account	
26,262	General Fund	29,139
106,638	Housing Revenue Account	109,023
132,900		**138,162**

30 ANALYSIS OF DEBTORS

The amounts due to the Council were:-

2019/20 £'000		2020/21 £'000
	Amounts falling due within one year:-	
2,253	Trade Receivables	1,920
211	Prepayments	361
15,777	Other Receivable Amounts	21,422
-2,434	Less Loss Allowance	-2,797
15,807	**Total Short Term Debtors**	**20,906**
801	Other Entities and Individuals	2,400
801	**Total Long Term Debtors**	**2,400**
16,608	**Total Debtors**	**23,306**

DEBTORS FOR LOCAL TAXATION

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

2019/20 £'000		2020/21 £'000
737	Council Tax	713
282	Non-Domestic Rates	269
1,019	**Total Debtors for Local Taxation**	**982**

31 ANALYSIS OF CREDITORS

The amounts owed by the Council were:-

2019/20 £'000		2020/21 £'000
	Amounts falling due within one year:-	
5,962	Trade Payables	4,998
12,629	Other Payables	21,881
18,591	**Short Term Creditors**	**26,879**
7,210	Other Payables	8,567
7,210	**Long Term Creditors**	**8,567**
25,801	**Total**	**35,446**

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.

32 PROVISIONS

2019/20 £'000		Non Domestic Rate Appeals £'000	2020/21 Total £'000
1,457	**Short Term Balance at 1 April**	**391**	**391**
-1,337	Amounts used in year	-1,457	-1,457
271	Transfer from Long Term	1,295	1,295
391	**Short Term Balance at 31 March**	**229**	**229**
1,948	**Long Term Balance at 1 April**	**1,288**	**1,288**
-389	Additional provisions made in year	1,545	1,545
-271	Transfer to Short Term	-1,295	-1,295
1,288	**Long Term Balance at 31 March**	**1,538**	**1,538**

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 22 appeals outstanding. For the 2017 valuation list a check, challenge and appeal process was introduced in order to create a structured way of allowing ratepayers to appeal against their valuation. The council currently has 260 challenges outstanding. The table above demonstrates the Council's share of the overall future liability.

33 USABLE RESERVES

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

34 UNUSABLE RESERVES

2019/20 £'000		2020/21 £'000
89,726	Revaluation Reserve	98,817
157,295	Capital Adjustment Account	155,940
-117	Financial Instruments Adjustment Account	-114
-71,357	Pensions Reserve	-96,575
-132	Crematorium Pension Reserve	-163
0	Deferred Capital Receipts Reserve	7,014
-798	Pooled Investment Adjustment Account	-566
2,559	Collection Fund Adjustment Account	-6,508
-91	Accumulated Absences Account	-91
177,085	**Total Unusable Reserves**	**157,754**

REVALUATION RESERVE

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

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

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

2019/20 £'000		2020/21 £'000
63,183	**Balance at 1 April**	**89,726**
36,786	Upward revaluations of assets	14,204
-8,332	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-2,114
28,454	**Surplus or deficit(-) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**12,090**
-1,067	Difference between fair value depreciation and historical cost depreciation	-1,418
-844	Accumulated gains on assets sold or scrapped	-1,581
-1,911	**Amount written off to the Capital Adjustment Account**	**-2,999**
89,726	**Balance at 31 March**	**98,817**

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.

2019/20 £'000		2020/21 £'000
163,267	**Balance as at 1st April**	**157,295**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
-6,339	Charges for depreciation and impairment of non-current assets	-6,739
-19,071	Revaluation losses on Property, Plant and Equipment	-5,528
-88	Amortisation of intangible assets	-67
-167	Revaluation on Financial Instrument classed as capital	-178
-1,129	Revenue expenditure funded from capital under statute	-1,449
-2,709	Amounts of non-current assets written off on disposal or sale as part of the gain(-)/loss on disposal to the CIES	-9,212
-29,503		**-23,173**
844	Adjusting amounts written out of the Revaluation Reserve	1,581
-28,659	**Net written out amount of the cost of non-current assets consumed in the year**	**-21,592**
	Capital financing applied in the year:	
5,915	Use of Capital Receipts Reserve to finance new capital expenditure	3,134
4,947	Use of Major Repairs Reserve to finance new capital expenditure	5,853
3,042	Capital grants and contributions credited to the CIES that have been applied to capital financing	2,689
183	Applications of grants to capital financing from the Capital Grant Unapplied Account	259
2,543	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	4,570
4,990	Capital expenditure charged against the General Fund and HRA balances	2,314
21,620		**18,819**
1,067	Adjustment between Capital Adjustment Account and Revaluation Reserve for depreciation that relates to the revaluation balance rather than historic cost	1,418
157,295	**Balance at 31 March**	**155,940**

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

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

2019/20 £'000		2020/21 £'000
-172	**Balance at 1 April**	**-117**
55	Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	3
-117	**Balance at 31 March**	**-114**

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.

2019/20 £'000		2020/21 £'000
-75,226	**Balance at 1 April**	**-71,357**
10,191	Remeasurements of the net defined benefit liability/(asset)	-20,387
-9,644	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-8,203
3,322	Employers pensions contributions and direct payments to pensioners payable in the year	3,372
-71,357	**Balance at 31 March**	**-96,575**

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.

2019/20 £'000		2020/21 £'000
-1,245	**Balance at 1 April**	**-1,141**
191	Remeasurements of the net defined benefit liability/(asset)	-499
-133	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-112
46	Employers pensions contributions and direct payments to pensioners payable in the year	65
-1,141	**Balance at 31 March**	**-1,687**
	Balance split by Authority:	
-132	Newark and Sherwood District Council's proportion	-163
-515	Ashfield District Council's Proportion	-759
-494	Mansfield District Council's Proportion	-765
-1,141	**Balance at 31 March**	**-1,687**

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 Council 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.

2019/20 £'000		2020/21 £'000
0	**Balance at 1 April**	**0**
0	Transfer of deferred capital receipt repayable credited as part of the gain(-)/loss on disposal to the CIES	7,014
0	Transfer to Capital Receipts Reserve	0
0	**Balance at 31 March**	**7,014**

POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

The pooled investment fund adjustment account represents the fair value movement in the value of its investments that are measured at fair value through profit and loss. Under regulation 30k of SI2018/1207 the fair value movement can continue to be reversed until the period ending 31 March 2023. After that period the value of the movement will then be charged against the general fund balance.

2019/20 £'000		2020/21 £'000
0	**Balance at 1 April**	**-798**
0	Upward revaluation of investments	258
-798	Downward revaluation of investments	-26
0	Accumulated gains or losses on assets sold and maturing assets written out to the comprehensive income and expenditure statement as part of other investment income	0
0	Accumulated gains or losses on assets sold and maturing assets written out to the general fund balances for financial assets designated to fair value through other comprehensive income	0
-798	**Balance at 31 March**	**-566**

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.

2019/20 £'000		2020/21 £'000
818	Balance at 1 April	2,559
1,741	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	-9,067
2,559	**Balance at 31 March**	**-6,508**

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.

2019/20 £'000		2020/21 £'000
-141	Balance at 1 April	-91
141	Settlement or cancellation of accrual made at the end of the preceding year	0
-91	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
-91	**Balance at 31 March**	**-91**

35 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 2021, the Council had contingent assets relating to just one VAT claims which is not material to the Council:

Nature and Value of Claim	Amount £'000
Postage Services	33
Total	**33**

There are no contingent liabilities to disclose.

36 CASH FLOW STATEMENTS

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

2019/20 £'000		2020/21 £'000
-15,054	**Net Surplus or Deficit(-) on the Provision of Services**	**402**
	Adjust net surplus or deficit on the provision of services for non-cash movements	
6,339	Depreciation of Property, Plant and Equipment	6,739
19,071	Impairment and downward valuations	5,528
88	Amortisation of Intangible Assets	67
167	Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	178
797	Adjustment for movements in fair value of investments classified as Fair Value through Profit & Loss a/c	-231
10	Increase/Decrease(-) in interest Creditors	-12
6,901	Increase/Decrease(-) in Creditors	3,575
-25	Increase(-)/Decrease in interest and dividend Debtors	36
-9,053	Increase(-)/Decrease in Debtors	5,909
2	Increase(-)/Decrease in Inventories	9
6,328	Pension Liability	2,599
-1,726	Increase/Decrease(-) in Provisions	89
2,709	Carrying amount of non-current assets and non-current Assets Held For Sale, sold or derecognised	9,212
0	Other non-cash items charged to the net surplus or deficit on the provision of services	0
31,608	**Total**	**33,698**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
-4,691	Capital Grants credited to surplus or deficit on the Provision of Services	-9,177
-2,137	Proceeds from the sale of Property Plant and Equipment, Investment Property and Intangible Assets	-3,271
-6,828	Total	-12,448
9,726	**Net Cash Flows from Operating Activities**	**21,652**

B Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
1,038	Interest received	967
-3,428	Interest paid	-3,384
-2,390	**Total**	**-2,417**

C Cash Flow Statement - Investing Activities

2019/20 £'000		2020/21 £'000
-17,928	Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	-17,927
-46,000	Purchase of short-term and long-term Investments	-54,785
-712	Other payments for investing activities	-2,462
2,138	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	2,164
36,400	Proceeds from short-term and long-term Investments	45,785
5,022	Other receipts from investing activities	5,020
-21,080	**Net cash flows from investing activities**	**-22,205**

D Financing Activities

2019/20 £'000		2020/21 £'000
7,100	Cash receipts for short and long-term Borrowing	9,197
569	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating to Finance Leases	0
-5,455	Repayments of short and long-term Borrowing	-6,412
0	Other payments for financing activities	-2,490
2,214	**Net cash flows from financing activities**	**295**

37 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

			Non-cash changes		
	2020/21 1 April £'000	Financing Cash Flows £'000	Acquisition £'000	Other non-cash changes £'000	2020/21 31 March £'000
Long-term borrowings	84,556	3,474	0	-3,029	85,001
Short-term borrowings	7,871	-689	0	3,029	10,211
Lease Liabilities	224	0	5,286	0	5,510
Total Liabilities from financing activities	**92,651**	**2,785**	**5,286**	**0**	**100,722**

38 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;

2019/20			2020/21	
Total £'000	NSDC Share £'000	Comprehensive Income and Expenditure Statement	Total £'000	NSDC Share £'000
-1,743	-127	Gross Income	-2,084	-119
1,105	80	Gross Expenditure (includes surplus distribution)	1,288	73
-638	**-47**	**Charged to Other Operating Income and Expenditure before Surplus Distribution**	**-796**	**-46**
843	62	Surplus Distribution	728	42
205	**15**	**Total Charged to Other Operating Income and Expenditure**	**-68**	**-4**
20	2	Financing and Investment Income and Expenditure	24	1
225	**17**	**Surplus (-) or Deficit on Provision of Services**	**-44**	**-3**
-191	-14	Remeasurements of the Net Defined Benefit Liability (Asset)	499	28
34	**3**	**Total Comprehensive Income and Expenditure**	**455**	**25**

2019/20			2020/21	
Total £'000	NSDC Share £'000	Balance Sheet	Total £'000	NSDC Share £'000
2,151	247	Property, Plant and Equipment	2,043	240
2,151	**247**	**Long Term Assets**	**2,043**	**240**
228	26	Short Term Debtors	504	42
1,676	192	Cash and Cash Equivalents	1,651	190
1,904	**218**	**Current Assets**	**2,155**	**232**
-867	-79	Short Term Creditors	-951	-84
-867	**-79**	**Current Liabilities**	**-951**	**-84**
-1,141	-132	Pensions	-1,655	-161
-1,141	**-132**	**Long Term Liabilities**	**-1,655**	**-161**
2,047	**254**	**Net Assets**	**1,592**	**227**
		Financed By:		
1,037	139	General and Capital Reserve	1,236	150
-1,141	-132	Pension Reserve	-1,687	-163
1,708	211	Capital Adjustment Account	1,619	206
443	36	Revaluation Reserve	424	34
2,047	**254**	**Total Reserves**	**1,592**	**227**

39 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:-

2019/20 £'000		2020/21 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
3,921	Current service cost	6,329
169	Past service costs	204
3,963	(Gain)/loss from settlements	0
	Financing and Investment Income and Expenditure	
1,568	Net interest expense	1,628
34	Administration costs	48
9,655	**Total charged to Surplus/Deficit on Provision of Services**	**8,209**
	Remeasurement of the net defined benefit liability	
-11,328	Return on plan assets	20,007
-278	Other actuarial gains/(losses)	0
21,074	Changes in financial assumptions	-44,553
2,860	Changes in demographic assumptions	1,904
-2,123	Experience gains/(losses)	2,227
10,205	**Total charged to Other Comprehensive Income and Expenditure**	**-20,415**
19,860	Total charged to Comprehensive Income and Expenditure Statement	**-12,206**
	Movement in Reserves Statement	
-6,330	Reversal of net charges made for retirement benefits	-3,342
	Actual amount charged against the General Fund Balance	
3,325	Employers' contributions payable to scheme	4,867

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

2019/20 £'000		2020/21 £'000
183,598	**1st April**	**171,331**
3,921	Current service cost	6,329
3,541	Interest cost	3,247
651	Contributions by scheme participants	875
	Remeasurement (gains)/losses	
-2,861	Changes in demographic assumptions	-1,904
-21,074	Changes in financial assumptions	44,553
2,123	Other	-2,227
169	Past service cost	204
5,562	Losses (gains) on curtailment	0
-4,299	Benefits paid	-5,940
171,331	**31st March**	**216,468**

Reconciliation of fair value of the scheme assets:

2019/20 £'000		2020/21 £'000
108,230	**1st April**	**99,842**
1,972	Interest income	1,618
	Remeasurement gain/(loss)	
-11,328	Return on plan assets	20,007
-278	Other	0
3,325	Contributions from employer	4,868
651	Contributions from scheme participants	875
-4,295	Benefits paid	-5,940
-34	Administration costs	-48
1,599	Settlement Paid	0
99,842	**31st March**	**121,222**

Pension Assets and Liabilities Recognised in Balance Sheet

Assets	2020/21 £'000	2019/20 £'000	2018/19 £'000	2017/18 £'000	2016/17 £'000
Present value of liabilities	-216,468	-171,331	-183,598	-179,053	-121,249
Fair value of assets	121,222	99,842	108,230	99,856	64,490
Net liability	**-95,246**	**-71,489**	**-75,368**	**-79,197**	**-56,759**

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 2019.

The principal assumptions used by the actuary have been:

2019/20 £'000		2020/21 £'000
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
21.8	Men	21.6
24.4	Women	24.3
	Longevity at 65 for future pensioners	
23.2	Men	22.9
25.8	Women	25.7
	Rate of inflation – Retail Price Index	
	Rate of inflation – Consumer Price index	
2.90%	Rate of increase in salaries	3.80%
1.90%	Rate of increase in pensions	2.80%
2.35%	Rate for discounting scheme liabilities	2.00%
	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%	-4,240	4,329
Salary Increase	+/- 0.1%	391	-388
Pension Increase	+/- 0.1%	3,899	-3,823
Mortality Age	+/- 1 year	10,094	-9,629

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

2019/20 £'000		Quoted	Unquoted	2020/21 £'000
	Equity Investment			
22,131	UK investment	30,275	0	30,275
32,330	Overseas investment	44,551	0	44,551
3,162	Private equity investment	0	3,692	3,692
57,623				**78,518**
	Gilts			
4,149	UK fixed interest	4,073	0	4,073
4,149				**4,073**
	Other Bonds			
3,490	UK corporates	2,047	0	2,047
5,684	Overseas corporates	6,261	0	6,261
9,174				**8,308**
14,887	Property	0	12,383	12,383
4,069	Cash/Credit/Unit Trust	0	5,512	5,512
3,730	Inflation-linked pooled fund	0	5,865	5,865
6,212	Infrastructure	0	6,556	6,556
99,844		**87,207**	**34,008**	**121,215**

Projected Pension Expense for the Year to 31 March 2022

Projection for Year to 31 March 2019	Year to 31-Mar-22 £'000
Service cost	6,676
Net Interest on the defined liability (asset)	1,876
Administration expenses	59
Total	**8,611**
Employer contributions	2,421

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021. These projections are based on the assumptions as at 31 March 2021.

Upfront pension payment

The Council is liable to make contributions towards the cost of post-employment benefits. For the 3-year period 2020/21 – 2022/23, the Council agreed with the Nottinghamshire County Council Pension Fund that the employer secondary rate contributions payable to the Local Government Pension Scheme (LGPS) could be paid as a single up-front payment. Subsequently, in April 2021 the Council paid £2.235m rather than the £2.400m quoted to be paid in installments over the 3 year period. In line with the Council's accounting policies, in 2020/21 the amounts relating to 2021/22 and 2022/23 have been offset against the pension liability on the balance sheet. These amounts will be charged to the General Fund balance in the years to which they relate.

At the close of the triennial period the pension reserve and the pension liability will be brought into line with each other once the charges for 2021/22 and 2022/23 have been charged to the General Fund balance.

Figures in the table below excludes the Councils element of their apportionment of Mansfield and District Joint Crematorium Pension liability.

	Upfront Payment £'000	3 year lump sum apportionment 2020/21 £'000	2021/22 £'000	2022/23 £'000
3 year lump sum payment	2,235	745	745	745
Council's Pension Reserve	96,575			
Council's Pension Liability	95,085			
Variance is 21/22 & 22/23 contributions	1,490			

40 FINANCIAL INSTRUMENTS – RISK AND RISK MANAGEMENT

Disclosure of nature and extent of Risk arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

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

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

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

Credit Risk: Treasury Investment

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

A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £5m applies. The Council also sets limits on investments in certain sectors. No more than £15m in total can be invested for a period longer than one year.

A summary of the credit quality of the Council's investments at 31 March 2021 is shown below:

2019/20			2020/21	
Fair Value through Profit & Loss £'000	Investments (Amortised Cost) £'000	Credit Rating	Fair Value through Profit & Loss £'000	Investments (Amortised Cost) £'000
0	22,959	AAA	0	18,120
0	0	AA+	0	0
0	0	AA	0	0
0	0	AA-	0	9,650
0	0	A+	0	5,000
0	5,000	A	0	5,000
0	0	A-	0	2,000
10,536	3,000	N/A	10,589	0
10,536	**30,959**	**Total**	**10,589**	**39,770**

Credit Risk: Amounts arising from Expected Credit Losses

The loss allowance for investments at amortised cost during the year are as follows:

Investment at Amortised Cost	Principal Amount £'000	Historic Risk of Default	Lifetime Expected Credit Losses – not credit impaired £
Money Market Funds			
Deutsche	5	0.000%	0
Invesco	10,850	0.000%	0
CCLA	7,240	0.000%	0
Goldmans Sachs	25	0.000%	0
Other Investments			
Santander UK Plc - 180 day notice a/c	5,000	0.001%	6
Lloyds 95 day notice	5,000	0.012%	614
Close Brothers	2,000	0.034%	690
Handelsbanken	4,650	0.001%	3
Other Local Authority	5,000	0.010%	1
Total	**39,770**		**1,314**

Please note that we are currently using Historic Default Rates from 1990-2020 for Fitch, 1983-2020 for Moody's and 1981-2020 for S&P. Under IFRS 9 please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil.

Due to the immaterial amount calculated on the lifetime expected credit losses the transaction has not been reflected within the accounts.

The loss allowance requirements do not apply to financial assets classified as 'fair value through profit or loss', as current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value (including those relating to credit risk) impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise.

Credit Risk: Trade Receivables

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

	Amount at 31st March 2021 £'000	Historical Experience of Default %	Adjustment for Market 31st March 2021 %	Estimated Maximum Exposure to Default 31st March 2021 £'000	*Estimated Maximum Exposure to Default 31st March 2020 £'000*
Trade Receivables	1,920	4.8	4.8	92	*108*
	1,920			**92**	***108***

The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included. The Council does not generally allow credit to its trade debtors, such that £1.224m of the £1.920m balance is past its due date for payment. The past due amount can be analysed by age as follows:

2019/20 £'000		2020/21 £'000
	Debtor Analysis	
290	Up to 30 days	82
25	31 to 60 days	10
20	61 to 90 days	11
1,659	Greater than 90 days	1,121
1,994	**Total**	**1,224**

Community Infrastructure Levy and section 106 receivables have payment terms of 90 days before recovery action is taken. £0.475m of the £1.121m debt which is over 90 days old relates to these debtors.

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

Liquidity Risk

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

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

The maturity analysis of financial instruments is as follows:

2019/20				2020/21		
Liabilities £'000	Assets £'000	Net £'000	Time to Maturity (years)	Liabilities £'000	Assets £'000	Net £'000
5,097	31,045	25,948	Not over 1	6,711	42,963	36,252
6,300	41	-6,259	Over 1 but not over 2	6,500	13	-6,487
15,000	11,248	-3,752	Over 2 but not over 5	13,500	10,589	-2,911
24,087	0	-24,087	Over 5 but not over 10	24,861	0	-24,861
38,443	0	-38,443	Over 10	40,140	0	-40,140
3,500	0	-3,500	Uncertain date*	3,500	0	-3,500
92,427	**42,334**	**-50,093**	**Total**	**95,212**	**53,565**	**-41,647**

* The Council has £3.5m (2019: £3.5m) of “Lender’s option, borrower’s option” (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risk: Interest Rate Risk

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

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

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

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	-606
Impact on Surplus or Deficit on the Provision of Services	**-606**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus(-) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	14,078

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risk: Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

However, it does have shareholdings to the value of £4m in Arkwood Developments Ltd (100% Council owned). Whilst these holding are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

The shares in this company are not traded in an active market and fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the net assets in the company's latest audited accounts.

The £4m shares are all classified at fair value through profit or loss, however as the transaction is a classed as capital all pricing movements will be reversed to the Capital Adjustment Account to remove impact on the tax payer. The carrying value as at 31 March 2021 is £3.655m.

The Council also holds £7.5m in the CCLA property fund and diversified income fund that has a carrying value as at 31 March 2021 of £6.934m. However, any movements in price will not impact on the General Fund Balance as regulations are currently in force to remove the impact of the fair value movements on the tax payer.

41 FINANCIAL INSTRUMENTS – BALANCES

The following categories of financial instrument are carried in the balance sheet:

	Long Term		Current	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Financial Assets				
Investments				
Principal at amortised cost	0	0	17,000	8,000
Accrued Interest	0	0	67	76
Fair Value through Profit and Loss	10,589	10,536	0	0
Total Financial Assets	**10,589**	**10,536**	**17,067**	**8,076**
Cash and Cash Equivalents				
Cash (including bank accounts)	0	0	546	563
Cash equivalents at amortised cost	0	0	22,770	22,958
Accrued interest	0	0	6	22
Total Cash and Cash Equivalents	**0**	**0**	**23,322**	**23,543**
Loans and Receivables				
Trade Debtors	0	0	1,920	2,253
Other Debtors	6,949	48	1,695	2,707
Loans	13	753	3,193	86
Total Loans and Receivables	**6,962**	**801**	**6,808**	**5,046**
Total	**17,551**	**11,337**	**47,197**	**36,665**

	Long Term		Current	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Financial Liabilties				
Principal sum borrowed at Amortised cost	85,001	83,830	10,211	8,597
Accrued Interest	0	0	739	753
Fair Value through Profit and Loss	0	0	0	0
Total Financial Liabilities	**85,001**	**83,830**	**10,950**	**9,350**
Trade Creditors	0	0	4,036	3,059
Other Creditors	0	0	4,270	406
Finance Lease Liability	5,374	224	136	0
Provisions	0	0	0	0
Total Non-Financial Liabilties	**5,374**	**224**	**8,442**	**3,465**
Total	**90,375**	**84,054**	**19,392**	**12,815**

Note – Fair value has been measured by:
- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

42 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	
	2020/21	2019/20	2020/21	2019/20
	£'000	£'000	£'000	£'000
Net gains/losses on:				
• Financial assets measured at fair value through profit and loss via Surplus or Deficit on Provision of Services	0	0	-53	964
Total Net (Gains) / Losses	**0**	**0**	**-53**	**964**
Interest expense	3,958	4,087	0	0
Interest Payable and Similar Charges	**3,958**	**4,087**	**0**	**0**
Interest income	0	0	-932	-1,067
Interest and Investment Income	**0**	**0**	**-932**	**-1,067**
Fee Expense	0	0	21	13
Total Fee Expense	**0**	**0**	**21**	**13**

43 FINANCIAL INSTRUMENTS – FAIR VALUES

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

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	2020/21 £'000	2019/20 £'000
Fair Value through Profit and Loss				
Equity shareholdings in Arkwood Developments Ltd	Level 3	Net Assets valuation (see * below)	3,655	3,833
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for indentical shares	3,620	3,646
CCLA Diversified Income Fund (DIF)	Level 1	Unadjusted quoted prices in active markets for indentical shares	3,314	3,057
Total			**10,589**	**10,536**

*Equity Shareholding in Arkwood Developments Ltd
The Council’s shareholding in Arkwood Developments Ltd – the shares in this company are not traded in an active market and fair value of £3.655m has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the net assets in the company’s latest audited accounts.

History of Fair Value Movements of Financial Assets

	Opening Principal 1.4.20 £'000	In Year Principal Movement £'000	Closing Principal 31.3.21 £'000	Opening Fair Value Adj 1.4.20 £'000	In year Movement £'000	Closing Fair Value Adj 31.3.21 £'000	Carrying Value 31.3.21 £'000
Equity in Arkwood Developments Ltd	4,000	0	4,000	-167	-178	-345	3,655
CCLA Property Fund	4,000	0	4,000	-354	-26	-380	3,620
CCLA Diversified Income	3,500	0	3,500	-443	257	-186	3,314
Total	**11,500**	**0**	**11,500**	**-964**	**53**	**-911**	**10,589**

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

	2020/21 £'000	2019/20 £'000
Opening balance	**3,833**	**0**
Transfers into Level 3	0	0
Transfers out of Level 3	0	0
Total gains or loss (-) for the period:		
• Included in Surplus or Deficit on the Provision of Services	-178	-167
• Included in Other Comprehensive Income and Expenditure	0	0
Additions	0	4,000
Disposals	0	0
Closing Balance	**3,655**	**3,833**

Gains and losses included in the Surplus or Deficit on the Provision of Services for the current and the previous year relate to the unquoted shares in Arkwood Developments Ltd.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing the benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Fair values of financial liabilities:		2020/21		2019/20	
	Fair Value Level	£'000 Balance Sheet £'000	£'000 Fair value £'000	£'000 Balance Sheet £'000	£'000 Fair value £'000
Financial Liabilities held at amortised cost:					
Public Works Loans Board	2	75,572	87,967	72,103	82,453
Non PWLB debt	2	20,379	30,166	21,077	29,927
Total		**95,951**	**118,133**	**93,180**	**112,380**
Liabilities for which fair value is not disclosed:					
Short-term creditors		8,306	8,306	3,465	3,465
Long term Creditors		0	0	0	0
Other Long Term Liabilities - Finance Lease		5,374	5,374	224	224
Total		**13,680**	**13,680**	**3,689**	**3,689**
Total Liabilities		**109,631**	**131,813**	**96,869**	**116,069**

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value for financial liabilities and financial assets that are not measured at fair value included in Levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed above.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations

Fair values of financial assets:		2020/21		2019/20	
	Fair Value Level	£'000 Balance Sheet £'000	£'000 Fair value £'000	£'000 Balance Sheet £'000	£'000 Fair value £'000
Financial assets held at amortised cost:					
Long term investments	2	0	0	0	0
Total		**0**	**0**	**0**	**0**
Assets for which fair value is not disclosed:					
Short term Debtors		6,808	6,808	5,046	5,046
Long term Debtors		6,962	6,962	801	801
Short term investments		17,067	17,067	8,076	8,076
Cash and Cash Equivalents		23,322	23,322	23,543	23,543
Total		**54,159**	**54,159**	**37,466**	**37,466**
Total Assets		**54,159**	**54,159**	**37,466**	**37,466**

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.

2019/20 £'000		Note	2020/21 £'000
	Income		
-21,879	Dwelling Rent		-22,189
-152	Garages		-135
-32	Shops		-31
-22,063	**Gross Rental Income**		**-22,355**
-1,028	Charges for Services and Facilities		-976
-1,342	Contributions towards Expenditure		-1,017
0	Other Income		0
-24,433	**Total Income**		**-24,348**
	Expenditure		
7,881	Supervision and Management		7,390
2,076	Repairs and Maintenance		2,352
914	Rents, Rates, Taxes and Other Charges		689
39	Revenue Expenditure Funded by Capital		105
	Depreciation of non current assets		
4,004	On dwellings		4,588
448	On other assets		271
0	Impairment of non current assets		0
	Revaluation of non current assets		
18,534	On dwellings		3,286
92	On other assets		-31
82	Debt Management Expenses		12
34,070	**Total Expenditure**		**18,662**
4,253	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		44
13,890	**Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**-5,642**
508	(Gain)/Loss on sale of HRA non current assets		428
4,324	Interest Payable and Similar Charges		4,264
-10	HRA Interest and Investment Income		0
375	Loss Allowance		52
-2,273	Capital grants and contributions		-355
16,814	**Surplus(-)/Deficit for the year on HRA Services**		**-1,253**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2019/20 £'000		2020/21 £'000
-6,398	**HRA Balance brought forward**	**-6,756**
16,814	Surplus(-)/Deficit on the HRA Income and Expenditure Statement	-1,253
	Adjustments between Accounting Basis and Funding Basis under Regulations: *Adjustments to the Revenue Resources*	
-4,386	Pensions costs (transferred to (or from) the Pensions Reserve)	-1,029
-23,425	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):	-10,347
	Adjustments between Revenue and Capital Resources	
2,113	Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,091
-39	Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-35
8,565	Posting of HRA resources from revenue to the Major Repairs Reserve	9,868
-17,172		**548**
-358	Increase(-)/Decrease in year in the HRA	-705
-6,756	**HRA Balance carried forward, including HRA Earmarked Reserves**	**-7,461**

H1 HOUSING STOCK

The Council was responsible for managing 5,506 dwellings during 2020/2021 (5,497 2019/2020). The stock was made up as follows:

Total 2019/20 No		Pre 1945 No	1945-1964 No	1965-1974 No	1975-2013 No	Total 2020/21 No
	Traditional/Non Traditional Houses and Bungalows					
482	1 - 2 Bedrooms	64	788	496	686	**2,034**
3,442	3+ Bedrooms	381	1,114	274	179	**1,948**
	Flats					
1,544	Low Rise (1-2 storeys)	22	695	437	341	**1,495**
29	Medium Rise (3-5	0	4	9	16	**29**
5,497	**Total**	**467**	**2,601**	**1,216**	**1,222**	**5,506**

H2 HOUSING REVENUE ACCOUNT ASSETS

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

2019/20 £'000		2020/21 £'000
287,490	Dwellings	291,092
7,450	Other Land and Buildings	8,872
0	Investment Properties	0
4,545	Assets Under Construction	10,314
0	Surplus Assets	0
78	Community Assets	87
357	Infrastructure Assets	325
2,678	Vehicle, Plant and Equipment	2,050
302,598	**Total HRA Property, Plant and Equipment**	**312,740**
1,010	Assets Held for Sale	547
303,608	**Total HRA Assets on Balance Sheet**	**313,287**

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.

2019/20 £'000		2020/21 £'000
684,502	Dwellings	693,076
684,502	**Total**	**693,076**

The council dwellings valuations have been arrived at using a valuation report prepared by the Council's appointed surveyors, Wilks Head and Eve. The valuation was carried out as at the 31 March 2021. 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

2019/20 £'000		2020/21 £'000
10,107	**Balance Brought Forward 1st April**	**11,700**
	Transfers to Reserve re Depreciation	
4,004	Dwellings	4,588
448	Non Dwellings	271
	Transfers to the HRA:	
2,889	HRA Revenue Contribution	2,749
1,223	Additional transfer to Reserve	2,260
-2,024	Repayment of Debt	-4,026
-4,947	Amounts used to finance Capital Expenditure	-5,853
11,700	**Balance Carried Forward 31st March**	**11,689**

H4 CAPITAL EXPENDITURE AND FINANCING

2019/20 £'000		2020/21 £'000
63	Structural Maintenance	64
452	Roofing Works	428
74	Asbestos and Fire Safety	0
1,667	Kitchens and Bathrooms	773
89	Garage Forecourts	117
414	External Works	292
593	Electrical Works	317
619	Disabled Facilities Provision	506
730	Heating Systems	383
11	Energy Efficiency Works	18
233	Environmental Works	295
8,770	Affordable Housing	12,018
2	Other works	0
13,717	**Total**	**15,211**
	Financing	
1,853	Borrowing	6,411
4,947	Major Repairs Reserve	5,853
2,245	Government Grants	143
0	Contributions	437
0	Capital Provision	0
4,672	Capital Receipts	2,367
13,717	**Total**	**15,211**

H5 CAPITAL RECEIPTS

2019/20 £'000		2020/21 £'000
0	Land and Other Property	93
1,864	Sold Council Houses through Right to Buy	1,997
-39	Less administration costs on sale of Council Houses	-35
1,825	**Total**	**2,055**
-350	Reallocation of Receipts	0
-443	Less amount paid to Government Pool	-443
1,032	**Total**	**1,612**

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended, the Council has to make a payment to the Secretary of State in respect of housing capital receipts. The amount payable is dependent on a number of factors:

- Sale price net of discount.
- Debt value assumed for the property under the self-financing settlement.
- Value of the authority's actual debt attributable to the property.
- The respective values of the authority's and Government's share capital.
- The number of properties sold in each quarter.

The Council has signed an agreement allowing it to retain additional Right to Buy receipts to fund new or acquired affordable housing.

H6 DEPRECIATION CHARGES

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

2019/20 £'000		2020/21 £'000
4,004	Council Houses	4,588
448	Land and Buildings	271
4,452	**Total**	**4,859**

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 £0.105m for 2020/21 (£0.039m in 2019/20).

H8 IMPAIRMENT CHARGES

During the financial year 2020/21 there were no impairment charges.

H9 RENT ARREARS

The total amount of rent arrears as at 31st March 2021 was £677,356 (2019/20 £754,899). Included in the doubtful debt provision is the amount of £677,356 (2019/20 £754,899) relating to rent arrears.

H10 CONTRIBUTIONS TOWARDS EXPENDITURE

The income of £1,017,297 (£1,342,207 in 2019/20) primarily relates to contributions:
- to the Housing Revenue Account (HRA) capital programme for associated staff costs;
- for electricity generated by the photovoltaic (PV) panels on HRA properties; and
- to the HRA from the General Fund for the upkeep of communal amenities.amenities.

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.

2019/20 £'000		2020/21 Domestic Rates £'000	2020/21 Council Tax £'000	2020/21 Total £'000
	Income			
-42,441	Income from Business Ratepayers	-24,878	0	-24,878
-79,882	Council Tax	0	-83,135	-83,135
0	Transitional Protection Payment	-153	0	-153
0	Government Grant - Hardship Fund	0	-715	-715
-122,323	**Total Income**	**-25,031**	**-83,850**	**-108,881**
	Expenditure			
	Council Tax Precepts and Demands:			
57,229	Nottinghamshire County Council	0	60,216	60,216
8,504	Nottinghamshire Police Authority	0	8,996	8,996
3,094	Nottinghamshire Fire Authority	0	3,192	3,192
6,730	Newark and Sherwood District Council	0	7,018	7,018
2,925	Parishes	0	3,109	3,109
	Non Domestic Rates:			
20,640	Payable to Government	21,958	0	21,958
16,512	Newark and Sherwood District Council	17,567	0	17,567
3,715	Nottinghamshire County Council	3,953	0	3,953
413	Nottinghamshire Fire Authority	439	0	439
	Share of NDR1 deficit(-)/Surplus:			
938	Payable to Government	1,144	0	1,144
750	Newark and Sherwood District Council	915	0	915
169	Nottinghamshire County Council	206	0	206
19	Nottinghamshire Fire Authority	23	0	23
-1,026	Transitional Payment Protection	0	0	0
163	Costs of Collection	162	0	162
0	Interest Payments on Refunds	0	0	0
731	Provision for Uncollectable Debts	388	1,066	1,454
-4,315	Provision for Appeals	222	0	222
738	Renewable Energy Retention	593	0	593
117,929	**Total Expenditure**	**47,570**	**83,597**	**131,167**
-4,394	**Net Surplus(-)/Deficit for year**	**22,539**	**-253**	**22,286**
-4,600	Fund Balance as at 1st April - Surplus(-)/Deficit	-5,121	-3,873	-8,994
-8,994	**Fund Balance as at 31st March - Surplus(-)/Deficit**	**17,418**	**-4,126**	**13,292**

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 £4.126m 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 £17.418m 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 2020/2021 was 51.2p (2019/2020 50.4p). In 2020/2021 the Small Business Rate Relief reduced the multiplier to 49.9p 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 2021 was £107,960,171 (31st March 2020: £108,055,356).

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 2020/2021 is as follows:

Band	Total Dwellings	Adjusted for Discounts, Disabled Relief and Exemptions	Ratio	Band D Equivalents	2020/2021 Adjusted for Non Collection	2019/2020 Adjusted for Non Collection
A	23,421	16,849.58	6/9	11,233.05	11,120.75	*10,999.94*
B	8,254	6,719.16	7/9	5,226.01	5,173.75	*5,097.71*
C	8,881	7,827.88	8/9	6,958.11	6,888.53	*6,773.78*
D	6,005	5,501.84	9/9	5,501.84	5,446.82	*5,348.67*
E	4,148	3,843.17	11/9	4,697.21	4,650.24	*4,583.80*
F	2,642	2,501.35	13/9	3,613.06	3,576.93	*3,553.80*
G	1,433	1,355.35	15/9	2,258.92	2,236.33	*2,206.51*
H	130	104.25	18/9	208.50	206.41	*207.40*
Total	**54,914**	**44,702.58**		**39,696.70**	**39,299.76**	***38,771.61***

GROUP ACCOUNTS

The Council is required under the Local Government Act 2003 to produce a set of Group accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the Council has such relationships is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 based on International Financial Reporting Standards (referred to within these accounts as “the Code”). The Code has been developed to bring Council accounts in line with the International Financial Reporting Standards (IFRS) which other reporting bodies have to comply with and to assist users of the accounts to understand better the Council’s overall financial position.

The Council has undertaken a review of all its relationships with other bodies and is required to consolidate its accounts with Active4Today Ltd, Arkwood Developments Ltd and RHH Newark Ltd.

Active4Today Ltd is a wholly owned subsidiary of the authority. Active4Today Ltd manages and operates the Council’s leisure services including leisure centres and sports development activities. The General Fund includes a £0.121m management fee paid to Active4Today Ltd. The management agreement came into effect on 1 June 2015.

Acitve4Today Ltd produces a set of accounts with a year end of 31 March. The accounts for 2020/2021, which have been consolidated here, have been produced by Active4Today’s external accountant under the Financial Reporting Standard for Smaller Entities and have been audited by Active4Today’s auditors and have been given an unqualified audit opinion. Active4Today's auditors for 2020/21 are Wright Vigar Ltd, 15 Newland, Lincoln, Lincolnshire, LN1 1XG. Consolidation adjustments have been made to align these accounts with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/2021. 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.

Arkwood Development Ltd is a wholly owned subsidiary of the Council. The purpose of Arkwood is to build new housing developments in the district which can then be sold at market value.

Arkwood Development Ltd produce a set of company accounts with a year end of 31 March. The accounts for 2020/2021, which have been consolidated here, have been audited by Arkwood’s auditors and have been given an unqualified audit opinion. Arkwood's auditors for 2020/21 are Wright Vigar Ltd, 15 Newland, Lincoln, Lincolnshire, LN1 1XG. Arkwood Development Ltd publish an Annual Report which may be viewed at their offices at Castle House, Great North Road, Newark, Notts, NG24 1BY. The company does have share capital, all of which is owned by the Council.

RHH Newark Ltd is a 50% owned joint venture of the Council. The principal activity of the company is the development of the former Robin Hood Hotel site on Beumond Cross, Lombard Street, Newark.

RHH Newark Ltd produce a set of company accounts with a year end of 31 March. The accounts for 2020/2021, which only the Councils 50% share have been consolidated here, have been audited by Arkwood’s auditors and have been given an unqualified audit opinion. RHH Newark's auditors for 2020/21 are Wright Vigar Ltd, 15 Newland, Lincoln, Lincolnshire, LN1 1XG. Arkwood Development Ltd publish an Annual Report which may be viewed at their offices at Castle House, Great North Road, Newark, Notts, NG24 1BY. The company does have share capital, of which 50% is owned by the Council.

ACCOUNTING POLICIES

The following notes detail any variations from the accounting policies used by the Council and should be read in conjunction with the relevant notes within the Council's accounts. The consolidation has been done on a merger basis as Active4Today Ltd and Arkwood are 100% owned by NSDC and RHH Newark are 50% owned by NSDC.

TAXATION

Active4Today Ltd, Arkwood and RHH Newark are all 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.

RESTATEMENT OF 2019/20

Last financial year RHH Newark Lts wasn't included in the Council's group accounts on the grounds of materiality, however as they have now exceeded that value and require to be included within the group accounts, last financial years' group account figures need to be restated to include their 2019/20 accounts.

	2019/20		
RHH Newark Comprehensive Income and Expenditure	**Gross Expend-iture £'000**	**Gross Income £'000**	**Net Expend-iture £'000**
RHH Newark Company Total	2	0	2
NSDC Share of Company Totals			
Economic Development - RHH	1	0	1
Net Cost of Service Impact	**1**	**0**	**1**

RHH Newark Balance Sheet	**Company Total 31 March 2020 £'000**	**NSDC Share 31 March 2020 £'000**
Stock	1,752	876
Debtors	122	61
Cash and Cash Equivalents	1	0
Short Term Creditors	-1,876	-938
TOTAL NET ASSETS	**-1**	**-1**
Usable Reserves	-1	-1
TOTAL RESERVES	**-1**	**-1**

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

RESTATED 2019/20 Gross Expenditure £'000	RESTATED 2019/20 Gross Income £'000	RESTATED 2019/20 Net Expenditure £'000		2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
7,584	-5,333	2,251	Economic Development	14,426	-9,026	5,400
1	0	1	Economic Development - RHH	1	0	1
4,543	-1,644	2,899	Homes and Communities	3,744	-1,511	2,233
6,450	-1,710	4,740	Leisure and Environment	7,760	-1,961	5,799
2,772	-2,830	-58	Leisure and Environment - Active4today	2,340	-1,195	1,145
28,547	-23,271	5,276	Policy and Finance	29,780	-22,755	7,025
19,789	-24,433	-4,644	Housing Revenue Account	15,420	-24,348	-8,928
144	0	144	Housing - Arkwood	245	19	264
18,534	0	18,534	- Revaluation Movement on Council Dwellings	3,286	0	3,286
88,364	**-59,221**	**29,143**	**Cost of Services**	**77,002**	**-60,777**	**16,225**
14,874	-2,309	12,565	Other Operating Income and Expenditure Note G1	13,735	-6,990	6,745
6,490	-1,067	5,423	Financing and Investment Income and Expenditure Note G1	5,419	-901	4,518
0	-17	-17	Financing and Investment Income and Expenditure Note G1 - Arkwood	0	-4	-4
72	0	72	Financing and Investment Income and Expenditure Note G1 - A4T	70	0	70
0	0	0	Financing and Investment Income and Expenditure Note G1 - RHH	35	0	35
14,424	-46,248	-31,824	Taxation and Non Specific Grant Income Note G1	13,872	-39,055	-25,183
124,224	**-108,862**	**15,362**	**Surplus (-) or Deficit on Provision of Services**	**110,133**	**-107,727**	**2,406**
1	0	1	Corporation Tax - A4T	0	0	0
0	0	0	Corporation Tax - Arkwood	-81	0	-81
124,225	**-108,862**	**15,363**	**Group Surplus(-)/Deficit**	**110,052**	**-107,727**	**2,325**
		-28,455	Surplus(-) or Deficit on Revaluation of Non Current Assets			-12,091
		-10,205	Remeasurements of the Net Defined Benefit Liability (Asset)			20,415
		-189	Benefit Liability (Asset) - Active4today			2,416
		-38,849	**Other Comprehensive Income and Expenditure**			**10,740**
		-23,486	**Total Comprehensive Income and Expenditure**			**13,065**

GROUP MOVEMENT IN RESERVES

Movement in reserves during 2020/21

		A4T	Arkwood	RHH	Council							A4T	Council	
	General Fund Balance £'000	Earmarked Reserves £'000	Earmarked Reserves £'000	Earmarked Reserves £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Housing Revenue Account Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2020	**1,500**	**397**	**-167**	**-1**	**24,035**	**2,000**	**4,756**	**11,699**	**8,414**	**5,454**	**58,087**	**-3,152**	**177,252**	**232,187**
Total Comprehensive Income and Expenditure	-673	0	0	0	0	1,253	0	0	0	0	**580**	-2,416	-8,325	**-10,161**
Adjustment between Group Accounts and Authority accounts	0	-309	-178	-65	0	0	0	0	0	0	**-552**	0	-2,352	**-2,904**
Adjustment between accounting basis & funding basis under regulations	12,477	112	0	0	0	-548	0	-11	323	-1,413	**10,940**	-112	-10,828	**0**
Net Increase/Decrease(-) before Transfers to Earmarked	**11,804**	**-197**	**-178**	**-65**	**0**	**705**	**0**	**-11**	**323**	**-1,413**	**10,968**	**-2,528**	**-21,505**	**-13,065**
Transfers to/from(-) Earmarked Reserves	-11,804	0	0		11,804	-705	705	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 2020/21	**0**	**-197**	**-178**	**-65**	**11,804**	**0**	**705**	**-11**	**323**	**-1,413**	**10,968**	**-2,528**	**-21,505**	**-13,065**
Balance at 31 March 2021	**1,500**	**200**	**-345**	**-66**	**35,839**	**2,000**	**5,461**	**11,688**	**8,737**	**4,041**	**69,055**	**-5,680**	**155,747**	**219,122**

Movement in reserves during 2019/20

RESTATED	General Fund Balance £'000	A4T Earmarked Reserves £'000	Arkwood Earmarked Reserves £'000	RHH Earmarked Reserves £'000	Council Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Housing Revenue Account Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	A4T Unusable Reserves £'000	Council Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2019	**1,500**	**400**	**-33**	**0**	**25,124**	**2,000**	**4,398**	**10,107**	**6,991**	**9,673**	**60,160**	**-3,049**	**151,590**	**208,701**
Total Comprehensive Income and Expenditure	1,926	0	0	0	0	-16,814	0	0	0	0	**-14,888**	189	38,659	**23,960**
Adjustment between Group Accounts and Authority accounts	0	-295	-134	-1	0	0	0	0	-44	0	**-474**	0	0	**-474**
Adjustment between accounting basis & funding basis under regulations	-3,015	292	0	0	0	17,172	0	1,592	1,467	-4,219	**13,289**	-292	-12,997	**0**
Net Increase/Decrease(-) before Transfers to Earmarked	**-1,089**	**-3**	**-134**	**-1**	**0**	**358**	**0**	**1,592**	**1,423**	**-4,219**	**-2,073**	**-103**	**25,662**	**23,486**
Transfers to/from(-) Earmarked Reserves	1,089	0	0	0	-1,089	-358	358	0	0	0	**0**	0	**0**	**0**
Transfer to Unusable Reserves	0	0	0	0	0	0	0	0	0	0	**0**	0	**0**	**0**
Increase/Decrease(-) in 2019/20	**0**	**-3**	**-134**	**-1**	**-1,089**	**0**	**358**	**1,592**	**1,423**	**-4,219**	**-2,073**	**-103**	**25,662**	**23,486**
Balance at 31 March 2020	**1,500**	**397**	**-167**	**-1**	**24,035**	**2,000**	**4,756**	**11,699**	**8,414**	**5,454**	**58,087**	**-3,152**	**177,252**	**232,187**

GROUP BALANCE SHEET

RESTATED 31 March 2020 £'000		2020/21 NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	Inter Comp Adj £'000	31 March 2021 £'000
371,924	Property, Plant & Equipment	387,218	0	0	0	0	387,218
2,020	Heritage Assets	2,020	0	0	0	0	2,020
0	Investment Properties	0	0	0	0	0	0
268	Intangible Assets	312	0	0	0	0	312
6,703	Long Term Investments	10,589	0	0	0	-3,655	6,934
276	Long Term Debtors	2,400	0	0	0	-2,352	48
0	Long Term Finance Lease Debtor	4,562	0	0	0	0	4,562
381,191	**TOTAL LONG TERM ASSETS**	**407,101**	**0**	**0**	**0**	**-6,007**	**401,094**
8,076	Short Term Investments	17,067	0	0	0	0	17,067
1,261	Inventories	294	1	5,188	3,190	-2,397	6,276
15,669	Short Term Debtors	20,906	486	90	129	-3,960	17,651
1,170	Assets Held For Sale	1,233	0	0	0	0	1,233
27,401	Cash and Cash Equivalents	23,261	18	1,551	14	0	24,844
53,577	**TOTAL CURRENT ASSETS**	**62,761**	**505**	**6,829**	**3,333**	**-6,357**	**67,071**
-8,826	Short Term Borrowings	-10,950	0	0	0	359	-10,591
-19,106	Short Term Creditors	-26,879	-305	-822	-3,399	3,601	-27,804
-391	Provisions Short Term	-229	0	0	0	0	-229
-898	Grants Receipts in Advance	-2,281	0	0	0	0	-2,281
-29,221	**TOTAL CURRENT LIABILITIES**	**-40,339**	**-305**	**-822**	**-3,399**	**3,960**	**-40,905**
-7,210	Long Term Creditors	-8,567	0	-2,352	0	2,352	-8,567
-1,288	Provisions Long Term	-1,538	0	0	0	0	-1,538
-224	Long Term Finance Lease	-5,374	0	0	0	0	-5,374
-83,830	Long Term Borrowing	-85,001	0	0	0	0	-85,001
-74,641	Pensions Liability	-95,246	-5,680	0	0	0	-100,926
-6,167	Grants Receipts in Advance	-6,732	0	0	0	0	-6,732
-173,360	**TOTAL LONG TERM LIABILITIES**	**-202,458**	**-5,680**	**-2,352**	**0**	**2,352**	**-208,138**
232,187	**TOTAL NET ASSETS**	**227,065**	**-5,480**	**3,655**	**-66**	**-6,052**	**219,122**
58,087	Usable Reserves	69,311	200	3,655	-66	-4,045	69,055
174,100	Unusable Reserves	157,754	-5,680	0	0	-2,007	150,067
232,187	**TOTAL RESERVES**	**227,065**	**-5,480**	**3,655**	**-66**	**-6,052**	**219,122**

GROUP CASH FLOW STATEMENT

RESTATED 2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	Inter Comp Adj £'000	31 March 2021 £'000
-15,363	**Net Surplus/Deficit(-) on the Provision of Services**	**403**	**-309**	**-178**	**-67**	**-2,174**	**-2,325**
35,733	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	33,698	264	-4,441	79	-165	29,435
-6,950	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	-12,448	0	0	0	2,174	-10,274
13,420	**Net Cash Flows from Operating Activities**	**21,653**	**-45**	**-4,619**	**12**	**-165**	**16,836**
-21,079	Investing Activities	-22,205	0	2,352		0	-19,853
2,251	Financing Activities	295	0	0		165	460
-5,408	**Net Increase or Decrease(-) in Cash and Cash Equivalents**	**-257**	**-45**	**-2,267**	**12**	**0**	**-2,557**
32,809	Cash and Cash Equivalents at the Beginning of the Reporting Period	23,519	63	3,818	1	0	27,401
27,401	**Cash and Cash Equivalents at the End of the Reporting Period**	**23,262**	**18**	**1,551**	**13**	**0**	**24,844**

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 and Balance Sheet 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	Active4 today £'000	Arkwood £'000	RHH £'000	Inter Comp Adj £'000	2020/21 Group £'000
Economic Development	5,398	0	0	0	2	5,400
Economic Development - RHH	0	0	0	-5	6	1
Homes and Communities	2,138	0	0	0	95	2,233
Leisure and Environment	6,803	0	0	0	-1,004	5,799
Leisure and Environment - Active4today	0	239	0	0	906	1,145
Policy and Finance	7,026	0	0	0	-1	7,025
Housing Revenue Account	-8,928	0	0	0	0	-8,928
Housing - Arkwood	0	0	263	0	1	264
- Revaluation Movement on Council Dwellings	3,286	0	0	0	0	3,286
Cost of Services	**15,723**	**239**	**263**	**-5**	**5**	**16,225**
Other Operating Income and Expenditure	6,745	0	0	0	0	6,745
Financing and Investment Income and Expenditure	4,488	0	0	0	30	4,518
Financing and Investment Income and Expenditure - Arkwood	0	0	-4	0	0	-4
Interest payable and similar charges - A4T	0	70	0	0	0	70
Interest payable and similar charges - RHH	0	0	0	70	-35	35
Taxation and Non Specific Grant Income	-25,183	0	0	0	0	-25,183
Corporation Tax - A4T	0	0	0	0	0	0
Corporation Tax - Arkwood	0	0	-81	0	0	-81
Group Surplus(-)/Deficit	**1,773**	**309**	**178**	**65**	**0**	**2,325**

G2 GROUP EXPENDITURE AND FUNDING ANALYSIS

RESTATED 2019/20				2020/21		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,112	1,139	2,251	Economic Development	2,234	3,166	5,400
1	0	1	Economic Development - RHH	1	0	1
2,489	410	2,899	Homes and Communities	1,791	442	2,233
3,416	1,324	4,740	Leisure and Environment	3,440	2,359	5,799
-278	220	-58	Leisure - Active4today	1,103	42	1,145
4,823	453	5,276	Policy and Finance	5,601	1,424	7,025
-13,325	27,215	13,890	Housing Revenue Account	-14,533	8,891	-5,642
144	0	144	Housing - Arkwood	264	0	264
-1,618	**30,761**	**29,143**	**Net Cost of Services**	**-99**	**16,324**	**16,225**
2,503	-16,339	-13,836	Other Income and Expenditure (OIES)	-11,919	-2,001	-13,920
-17	0	-17	OIES - Arkwood	-4	0	-4
0	72	72	OIES - A4T	0	70	70
0	0	0	OIES - RHH	35	0	35
1	0	1	Corporation Tax - A4T	0	0	0
0	0	0	Corporation Tax - Arkwood	-81	0	-81
869	**14,494**	**15,363**	**Surplus(-)/Deficit**	**-12,068**	**14,393**	**2,325**

General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000		General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000
-26,991	**-6,398**	**-33,389**	**Opening Balance**	**-25,764**	**-6,756**	**-32,520**
1,227	-358	869	Surplus(-) or Deficit on Balances in Year	-11,364	-705	-12,069
-25,764	**-6,756**	**-32,520**	**Closing Balance at 31 March**	**-37,128**	**-7,461**	**-44,589**
			Closing Balances Split by Reserve:			
-1,500	-2,000	-3,500	Working Reserve	-1,500	-2,000	-3,500
-24,264	-4,756	-29,020	Earmarked Reserve	-35,628	-5,461	-41,089
-25,764	**-6,756**	**-32,520**	**Closing Balance at 31 March**	**-37,128**	**-7,461**	**-44,589**

G3 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	2,603	563	0	**3,166**
Homes and Communities	167	275	0	**442**
Leisure and Environment	1,744	615	0	**2,359**
Leisure - Active4today	0	42	0	**42**
Policy and Finance	391	1,033	0	**1,424**
Housing Revenue Account	8,219	672	0	**8,891**
Housing - Arkwood	0	0	0	**0**
Net Cost of Services	**13,124**	**3,200**	**0**	**16,324**
Other income and expenditure from the Expenditure and Funding Analysis	-12,508	1,675	8,832	**-2,001**
Other Income and Expenditure	0	70	0	**70**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**616**	**4,945**	**8,832**	**14,393**

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts RESTATED	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	978	114	47	**1,139**
Homes and Communities	344	83	-17	**410**
Leisure and Environment	1,225	136	-37	**1,324**
Leisure - Active4today	0	220	0	**220**
Policy and Finance	207	290	-44	**453**
Housing Revenue Account	23,116	4,099	0	**27,215**
Housing - Arkwood	0	0	0	**0**
Net Cost of Services	**25,870**	**4,942**	**-51**	**30,761**
Other income and expenditure from the Expenditure and Funding Analysis	-16,946	1,606	-999	**-16,339**
Other Income and Expenditure	0	72	0	**72**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**8,924**	**6,620**	**-1,050**	**14,494**

Note 1 Adjustments for Capital Purposes

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

• Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

• Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

• Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 Net Change for the Pensions Adjustments

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

• For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service

• For Financing and investment income and expenditure –- the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

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

• For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

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

G4 EXPENDITURE AND INCOME ANALYSED BY NATURE

Expenditure/Income 2020/21	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	-3,471	-678	-3,884	-1,538	-24,330	0	**-33,901**
Income on Joint Associates	0	0	0	0	0	-121	**-121**
Interest and Investment Income	0	0	0	0	0	-940	**-940**
Income from Council Tax	0	0	0	0	0	-10,154	**-10,154**
Income from Non Domestic Rates	0	0	0	0	0	-21,042	**-21,042**
Housing Benefit Subsidy Rent Allowance	0	0	0	-10,523	0	0	**-10,523**
Housing Benefit Subsidy Rent Rebates	0	0	0	-8,938	0	0	**-8,938**
Government Grants and Contributions	-5,564	-932	-282	-1,783	-28	-7,859	**-16,448**
Disposal of Assets	0	0	0	0	0	-6,869	**-6,869**
Adjustment for Group Transactions	9	99	1,010	27	29	35	**1,209**
Total Income	**-9,026**	**-1,511**	**-3,156**	**-22,755**	**-24,329**	**-46,950**	**-107,727**
Employee Expenses	4,066	2,007	4,330	6,847	4,844	0	**22,094**
Other Service Expenses	8,273	1,592	5,303	3,073	6,009	216	**24,466**
Housing Benefit Rent Allowance	0	0	0	10,528	0	0	**10,528**
Housing Benefit Rent Rebates	0	0	0	8,969	0	0	**8,969**
Expenditure on Joint Associates	0	0	0	0	0	118	**118**
Support Service Recharges	0	0	0	0	0	575	**575**
Depreciation, Amortisation and Impairment	2,088	148	1,577	391	8,114	0	**12,318**
Changes in Fair Value	0	0	0	0	0	-231	**-231**
Interest Payments	0	0	0	0	12	5,794	**5,806**
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	13,297	**13,297**
Precepts and Levies	0	0	0	0	0	3,704	**3,704**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	**443**
Disposal of Assets	0	0	0	0	0	9,255	**9,255**
Corporation Tax	0	0	0	0	0	-81	**-81**
Adjustment for Group Transactions	0	-3	-1,110	-28	-28	-40	**-1,209**
Total Operating Expenses	**14,427**	**3,744**	**10,100**	**29,780**	**18,951**	**33,050**	**110,052**
Surplus(-)/Deficit on Provision of Services	**5,401**	**2,233**	**6,944**	**7,025**	**-5,378**	**-13,900**	**2,325**

Expenditure/Income 2019/20 RESTATED	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	-5,277	-973	-4,823	-2,601	-24,433	0	**-38,107**
Income on Joint Associates	0	0	0	0	0	-127	**-127**
Interest and Investment Income	0	0	0	0	0	-1,084	**-1,084**
Income from Council Tax	0	0	0	0	0	-9,765	**-9,765**
Income from Non Domestic Rates	0	0	0	0	0	-22,814	**-22,814**
Housing Benefit Subsidy Rent Allowance	0	0	0	-11,089	0	0	**-11,089**
Housing Benefit Subsidy Rent Rebates	0	0	0	-9,510	0	0	**-9,510**
Government Grants and Contributions	-57	-824	0	-489	0	-13,669	**-15,039**
Disposal of Assets	0	0	0	0	0	-2,182	**-2,182**
Adjustment for Group Transactions	1	153	283	418	0	0	**855**
Total Income	**-5,333**	**-1,644**	**-4,540**	**-23,271**	**-24,433**	**-49,641**	**-108,862**
Employee Expenses	3,299	2,417	3,688	4,811	9,275	0	**23,490**
Other Service Expenses	3,334	1,783	5,451	2,837	6,040	8,065	**27,510**
Housing Benefit Rent Allowance	0	0	0	11,145	0	0	**11,145**
Housing Benefit Rent Rebates	0	0	0	9,560	0	0	**9,560**
Expenditure on Joint Associates	0	0	0	0	0	144	**144**
Developers Contribution Payment	0	0	0	0	0	461	**461**
Depreciation, Amortisation and Impairment	952	344	910	206	23,077	0	**25,489**
Changes in Fair Value	0	0	0	0	0	797	**797**
Interest Payments	0	0	0	0	82	5,771	**5,853**
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	13,963	**13,963**
Precepts and Levies	0	0	0	0	0	3,471	**3,471**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	**443**
Disposal of Assets	0	0	0	0	0	2,753	**2,753**
Corporation Tax	0	0	0	0	0	1	**1**
Adjustment for Group Transactions	0	-1	-827	-12	-7	-8	**-855**
Total Operating Expenses	**7,585**	**4,543**	**9,222**	**28,547**	**38,467**	**35,861**	**124,225**
Surplus(-)/Deficit on Provision of Services	**2,252**	**2,899**	**4,682**	**5,276**	**14,034**	**-13,780**	**15,363**

G5 INVENTORIES

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

RESTATED

2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	Group Total £'000
38	Heritage and Visitor Centres	34	0	0	0	34
7	Administrative Stores	8	0	0	0	8
47	Transport Stores	51	0	0	0	51
65	Stock (Van and Leisure Centre)	64	1	0	0	65
149	Raw Materials and Consumables	137	0	0	0	137
955	Works in Progress - Project 1	0	0	2,836	3,145	5,981
1,261	**Total**	**294**	**1**	**2,836**	**3,145**	**6,276**

G6 SHORT TERM DEBTORS

The amounts due to the Group were:-

RESTATED

2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	Group Total £'000
	Amounts falling due within one year:-					
2,314	Trade Receivables	1,920	0	0	129	**2,049**
220	Prepayments	361	8	0	0	**369**
-857	Inter Company Transactions	-434	-359	0	-3,167	**-3,960**
16,426	Other Receivable Amounts	21,422	478	90	0	**21,990**
18,103	**Total**	**23,269**	**127**	**90**	**-3,038**	**20,448**
-2,434	Less Loss Allowance	-2,797	0	0	0	**-2,797**
15,669	**Total Short Term Debtors**	**20,472**	**127**	**90**	**-3,038**	**17,651**

G7 SHORT TERM CREDITORS

The amounts owed by the Group were:-

RESTATED

2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	Group Total £'000
	Amounts falling due within one year:-					
5,962	Trade Payables	4,998	0	0	0	**4,998**
14,002	Other Payables	21,881	305	822	3,399	**26,407**
-858	Inter Company Transactions	0	-118	-316	-3,167	**-3,601**
19,106	**Total Short Term Creditors**	**26,879**	**187**	**506**	**232**	**27,804**

G8 CASH AND CASH EQUIVALENTS

2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	2020/21 £'000
4	Cash held by the Council	4	0	0	0	4
-26	Cash in transit	-63	0	0	0	-63
4,442	Bank current accounts	544	18	1,551	14	2,127
22,981	Short-term deposits with Money Market Funds	22,776	0	0	0	22,776
0	Inter Company Adjustments	0	0	0	0	0
27,401	**Current Assets**	**23,261**	**18**	**1,551**	**14**	**24,844**
0	Cash in transit	0	0	0	0	0
0	Bank current accounts (overdraft)	0	0	0	0	0
0	**Current Liabilities**	**0**	**0**	**0**	**0**	**0**
27,401	**Total Cash and Cash Equivalents**	**23,261**	**18**	**1,551**	**14**	**24,844**

G9 PENSIONS

A pension deficit of £3.183m for Active4Today Ltd has been consolidated into the group accounts. Arkwood only operates a contribution pension plan so don’t accumulate a pension liability.

2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	2020/21 £'000
78,417	**Deficit at 1 April**	**71,489**	**3,152**	**0**	**0**	**74,641**
	Cost of Service					
4,358	Current Service Cost	6,330	382	0	0	6,712
	Financing and Investment Income and Expenditure					
1,641	Net Interest Expense	1,629	70	0	0	1,699
35	Admin Expense	48	1	0	0	49
169	Past Service Cost	204	0	0	0	204
-10,394	Remeasurement of net defined benefit liability	20,415	2,416	0	0	22,831
3,963	Gain/(loss) from settlements	0	0	0	0	0
-3,548	Employer Contributions	-4,869	-341	0	0	-5,210
74,641	**Deficit at 31 March**	**95,246**	**5,680**	**0**	**0**	**100,926**

G10 RECONCILIATION OF (SURPLUS)/DEFICIT ON PROVISION OF SERVICES TO OPERATING ACTIVITIES NET CASH FLOW

RESTATED 2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	2020/21 £'000
-15,363	**Net Surplus or Deficit(-) on the Provision of Services**	**-1,772**	**-309**	**-178**	**-66**	**-2,325**
	Adjust net surplus or deficit on the provision of services for non-cash movements					
6,339	Depreciation of Property, Plant and Equipment	6,739	0	0	0	6,739
19,072	Impairment and downward valuations	5,528	0	0	0	5,528
88	Amortisation of Intangible Assets	67	0	0	0	67
7,842	Increase/Decrease(-) in Creditors	3,562	-4	696	4,337	8,591
10	Increase(-)/Decrease in interest Debtors	10	0	0	0	10
-9,188	Increase(-)/Decrease in Debtors	5,936	-9	-73	-190	5,664
-997	Increase(-)/Decrease in Inventories	9	0	-5,064	-4,068	-9,123
6,620	Pension Liability	2,599	112	0	0	2,711
2,709	Carrying amount of non-current assets, sold or derecognised	9,212	0	0	0	9,212
3,238	Other non-cash items charged to the net surplus or deficit on the provision of services	36	0	0	0	36
35,733	**Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities**	**33,698**	**99**	**-4,441**	**79**	**29,435**
-166	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in joint ventures and subsidiaries)	-178	0	0	0	-178
-4,646	Capital Grants credited to surplus or deficit on the Provision of Services	-3,270	0	0	0	-3,270
-2,138	Proceeds from the sale of non-current assets	-6,826	0	0	0	-6,826
-6,950		**-10,274**	**0**	**0**	**0**	**-10,274**
13,420	**Net Cash Flows from Operating Activities**	**21,652**	**-210**	**-4,619**	**13**	**16,836**

RESTATED 2019/20 £'000		NSDC £'000	Active4 today £'000	Arkwood £'000	RHH £'000	2020/21 £'000
-17,928	Purchase of Property, Plant and Equipment and Intangible Assets	-17,927	0	0	0	-17,927
-46,001	Purchase of short-term and long-term Investments	-54,785	0	0	0	-54,785
-711	Other payments for investing activities	-2,462	0	0	0	-2,462
2,138	Proceeds from the sale of Property, Plant and Equipment and Intangible Assets	2,164	0	0	0	2,164
36,400	Proceeds from short-term and long-term Investments	45,785	0	2,352	0	48,137
5,023	Other receipts from investing activities	5,020	0	0	0	5,020
-21,079	**Net cash flows from investing activities**	**-22,205**	**0**	**2,352**	**0**	**-19,853**

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

·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

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

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 expenditu

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

FEES AND CHARGES

Income raised by charging users of services for the facilities. For example, Councils usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

FINANCE LEASE

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the Balance Sheet.

FINANCIAL INSTRUMENT

Contracts which give rise to a financial asset of one organisation and a financial liability.

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

An account that holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

FINANCIAL REPORTING STANDARD (FRS)

A statement of accounting practice issued by the Accounting Standards Board.

FINANCIAL YEAR

The Council's financial year commences on 1 April and ends on 31 March the following year.

GAAP

Generally Accepted Accounting Principles is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

GENERAL FUND

The main revenue fund of a billing Council. Day to day spending on services is met from this Fund. Spending on the provision of council housing must be charged to a separate Housing Revenue Account.

GROSS EXPENDITURE

The total cost of providing Council services before taking into account income from government grants and fees and charges for services.

HERITAGE ASSETS

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

HOUSING BENEFIT

Financial help given to Council's or private tenants whose income is below prescribed amounts. The Government finances approximately 100% of the cost of benefits to non HRA tenants ("rent allowances") and HRA tenants (through the rent rebate element of housing subsidy).

HOUSING REVENUE ACCOUNT

A Council's statutory account covering revenue income and expenditure on the housing services relating to its housing stock.

IMPAIRMENT

Impairment occurs when the value of an asset has reduced. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting standards adopted from 1 April 2010 for Local Government entities.

INFRASTRUCTURE ASSETS

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

INTERNAL AUDIT

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every Council is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a Council has to be considered and approved by the Council's Members each year.

INVESTMENTS

Deposits with approved institutions, usually for less than one year.

LONG TERM DEBTORS

Amounts due to the Council more than one year after the Balance Sheet date.

MINIMUM REVENUE PROVISION (MRP)

The minimum annual provision from revenue towards a reduction in a Council's overall borrowing requirement.

NON DOMESTIC RATE (NDR)

The Council collects Non Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate. The total amount, less certain relief's and deductions, including Council Tax benefit, is shared between Central Government (50%), District Councils (40%), County Council (9%) and Fire Authority (1%).

NET EXPENDITURE

Gross expenditure less gross income.

NON-OPERATIONAL ASSET

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include properties and land that are Held For Sale or Surplus.

OPERATIONAL ASSET

Fixed assets held by the Council and used or consumed in the delivery of its services.

OPERATIONAL LEASE

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company, or lessor.

PENSION FUND

An employees' pension fund maintained by a Council, or a group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NDR) and precept upon the billing Council, which then collects it on their behalf. Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner, Nottinghamshire Fire and Rescue Authority and Parish Councils all precept upon Newark and Sherwood District Council.

PROVISIONS

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

PUBLIC WORK LOANS BOARD (PWLB)

A Government body that meets part of the Council's loan finance for capital purposes.

RELATED PARTIES

Two or more parties are related parties when at any one time in the financial period:
·One party has direct or indirect control of the other party;
·The parties are subject to common control from the same source;
·One party has influence over the financial or operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate
·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

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 partie
·Members of close family, or the same household;
·Partnerships, companies, trusts and other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

REVALUATION RESERVE

This records unrealised revaluation gains arising since 1st April 2007 from holding assets. It should be noted that this reserve and the Capital Adjustment Account are matched by fixed assets within the Balance Sheet. They are not resources available to the Council and are therefore termed 'Unusable'.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

REVENUE SUPPORT GRANT (RSG)

This funding is the Government grant provided by the Ministry of Housing, Communities and Local Government's (MHCLG) that is based on the Government’s assessment as to what should be spent on local services. The amount provided by the MHCLG is fixed at the beginning of each financial year, and is announced as part of the Comprehensive Spending Review.

SOFT LOANS

A “soft loan” is where a loan has been made for policy reasons, rather than as a financial instrument. These loans may be interest free or at rates below prevailing market rates. Commonly, such loans are made to local organisations that undertake activities that the Council considers will have benefit to the local population.

STATEMENT OF ACCOUNTS

Local authorities are required to prepare, in accordance with proper practices, a Statement of Accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Council must approve the Statement by 30 September following the end of the financial year.

STATEMENT OF RECOMMENDED PRACTICE (CODE)

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

TOTAL COST

The total cost of a service or activity includes all costs that relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

TRADING SERVICES

Services that are, or are generally intended to be, financed mainly from charges levied on the users of the service.

USABLE CAPITAL RECEIPTS

Amounts available to finance capital expenditure in future years.

USABLE RESERVES

Amounts set aside in the accounts for future purposes that fall outside the definition of provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

UNUSABLE RESERVES

Represent gains and losses yet to be realised and which are not available to support services.

NEWARK AND SHERWOOD DISTRICT COUNCIL

ANNUAL GOVERNANCE STATEMENT

1 Scope of responsibility

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

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

2 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. The framework also includes activities through which the authority accounts to, engages with, and leads the communities that it serves. It enables the authority to monitor and assess 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 materialising and the impact should the risks materialise, and to manage these risks efficiently, effectively and economically.

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2021. Since May 2013 the Council has operated governance arrangements through the use of a Committee system.

3 The governance framework

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

The District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. The Constitution is subject to periodic review and 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 adopted a new Community Plan for the 2019/20 financial year which was approved at Council on 7th March 2019 and refreshed and updated by the Authority at its meeting on 13th October 2020. The Community Plan spans the medium term from 2019 through to 2023 and sets out Objectives to reflect our communities and priorities (https://www.newark-sherwooddc.gov.uk/media/newarkandsherwood/imagesandfiles/strategiesandpolicies/pdfs/20190308CommunityPlan2019to23.pdf). The delivery of these objectives is being conducted in accordance with the Governance framework.

During 2020/21 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 considered. In addition, the Council's Constitution gives delegated authority for senior officers of the Council to make decisions in certain specified circumstances. Throughout this year the Council has utilised "*The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020"* in order to conduct its meetings. This has meant that all Members and Officers, that are presenting reports, have met virtually over Microsoft Teams in order for decision making to continue whilst in a Covid safe manner. As those regulations were not in place during March and early April 2020, the Planning Committee on 31st March 2020 and the Policy and Finance Committee 2nd April 2020, which met informally virtually recommended decisions to the Chief Executive in order for him to make the required decisions, in accordance with the provisions within the Constitution.

As set out in more detail in paragraph 4 of this document, the Council is currently in the process of a full scale Governance Review that was prompted by a Peer Review, facilitated for the Authority by the Local Government Association in 2019. The Council has resolved to move to a Leader and Cabinet system, shaped and designed to meet the Council's needs and reflect local circumstances – with the new system of working to be implemented with effect from May 2022.

The District Council has a cross-service 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 2020/21. This was presented to the Audit and Accounts Committee at its meeting in April 2021.

Through reviews by external auditors, external agencies, internal auditors, and its performance team the District Council ensures the economic, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to the principals of economy, efficiency and effectiveness.

Services are delivered by trained and experienced officers. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme, which was reviewed and updated in 2019.

The statutory role of Monitoring Officer was undertaken by the Director of Governance and Organisational Development during the 2020/21 financial year. Following that Officer's retirement during July 2021, the role of Monitoring Officer will be undertaken by the Assistant Director Legal and Democratic Services. 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. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

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 Director of Resources post is combined with the Deputy Chief Executive position and has the s151 Officer responsibilities attached to it. The s151 Officer is responsible for the proper administration of the Council's financial affairs including maintenance of financial records, presentation of statutory accounts and budgets, provision of effective internal audit and financial advice to Council. The s151 Officer has a key role in helping the organisation balance local service needs with corporate interests whilst ensuring compliance with all financial, statutory and constitutional requirements. The s151 Officer has a statutory duty to report to Full Council and the District Auditor (after consultation with the Head of Paid Service and the Monitoring Officer) if he feels that there is likely to be any item of unlawful expenditure or an unbalanced budget.

The s151 Officer also acts on behalf of the Council as the Accountable Body to the Newark Towns Fund. As Accountable Body the Council is responsible for the proper use and administration of Towns Fund funding, all of which falls under the annual audit of the Council's accounts. The Council has responsibility for ensuring a Local Assurance Framework is in place which meets the standards set out by Government, and that decisions are made in accordance with it. The Local Assurance Framework, adopted by the Council's Policy and Finance Committee in June 2021, sets out how the Newark Towns Fund Board will effectively undertake its role in relation to good governance and allocation of the public funds it is responsible for.

A similar arrangement is in place in respect of £7m of funding from the D2N2 Local Enterprise Partnership in relation to the development of the Southern Link Road. An agreement is in place which releases funds through to the developer once agreed project outputs and targets are met.

The District Council communicates with its community and stakeholders by various means. Due to the nature of the pandemic, the priority for communication during 2020–2021 became providing electronic material, over printed, and included emails, using the website, texting and using our social media platforms more than ever before. In addition where restrictions permitted and there was an urgent need, hard copy leaflets and letters were sent directly to targeted stakeholder groups. This year, we worked more closely with local media, especially local radio and local newspaper. Often these replicated our messages in printed newspapers or on the radio for us free of charge. However when we needed guaranteed coverage we used some paid for adverts or message announcements.

During the 2020/21 financial year, the Audit and Accounts Committee approved and recommended to Full Council, the appointment of a non-voting Independent Member to join the Committee. This appointment will supplement the members of the Committee by bringing further technical and analytical skills which will aide in the scrutiny of reports. This together with a training programme for the members of the Committee, which will be tabled at the meeting in July 2021, will continue the development of the Committee to ensure that it continues to meet its roles and responsibilities.

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 Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Manager's annual report, the External Auditor's annual audit and inspection report together with comments made by the External Auditors and other review agencies and inspectorates. Business managers are required to 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.

Overview and Scrutiny - During 2020/21 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.

Councillors' Commission - The Council reviews the Constitution through a dedicated working party of Members called the Councillors' Commission. This working party comprises, senior councillors, (including group leaders), meets on a regular basis, and considers any changes as a result of legislative changes and/or those which will facilitate more effective governance of the Council. In October 2019, the Council undertook a governance review facilitated by an external peer team led by the Local Government Association. The review focussed on three broad areas: what was working well; what could be improved; and what should the Council do next. The report from the peer review made recommendations for the Council to explore the opportunity to improve governance further by looking at a future governance system and structures that delivers:

- a greater focus on outcomes for the community;
- clearer political ownership and accountability for policy and decision making, including opportunities to challenge;
- consideration of where and how policy should be developed;
- greater political and managerial oversight of council performance;
- reducing duplication and inefficiencies;
- improving the speed and transparency of decision-making;
- further and ongoing community and stakeholder engagement, building on the success of the Corporate Plan process

The Councillors' Commission was tasked with taking the review forward in December 2019. This review has progressed and there is now a Full Council resolution to move to a Leader and Cabinet system, shaped and designed to meet the Council's needs and reflect local circumstances – with the new system of working to be implemented with effect from May 2022.

The Monitoring Officer -. Recent changes have been made to the Constitution, specifically the procedures for council/committee meetings and decision making arising from Government Regulations specifically introduced to enable remotely held meetings due to the social distancing rules because of Covid-19. In addition, the Council has commissioned Assurance Lincolnshire, the Council's internal auditors, to undertake an ethics and culture health check. Assurance Lincolnshire have developed a model to review the ethical culture within a local authority to test out how well its rules, procedures and behaviours around good ethical governance are embedded within the organisation. The model has been developed to get ‘under the surface’ and examine the principles and standards that underpin the way in which officers and members interact with others to support excellent service delivery. The review has been delayed due to the Pandemic and is being overseen by the Monitoring Officer and the Audit and Accounts Committee.

Internal Audit - is responsible for reviewing the quality and effectiveness of systems of internal control. The internal audit function is carried out by Assurance Lincolnshire. During November 2019, a report reviewing the effectiveness of the Internal Audit function was considered by the Audit and Accounts Committee. The results of this review concluded that the Internal Audit function is currently working effectively. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in September 2016 and preparations have started for the next required assessment in 2022. No areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity was identified.

An annual audit plan is approved by the s151 Officer together with the Business Manager for Financial Services and the Senior Leadership Team and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and Business Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by Business managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council’s Senior Leadership Team. The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council’s governance, risk and control framework. For the 2020/21 financial year, the opinion of the Head of Internal Audit is that the Council is performing adequately across the areas of Governance and Internal Control which have not changed since the 2019/20 opinion. For the areas of Financial Control and Risk, the Head of Internal Audit has felt that progress has been made in these two areas and as such the assurance levels have increased from performing adequately to performing well. Two internal audit reports gave limited assurance (five during 2019/20) relating to:

- Newark Castle – The Castle is an important heritage site within the town of Newark and effective management and maintenance of this site is paramount for the authority. This report identified improvements relating to the lack of a clear and prioritised plan for the Castle together with a number of process changes;
- Housing Key Controls – This report reviewed a number of areas of key controls across a broad spectrum of housing based services whilst the function was managed by Newark and Sherwood Homes. A number of actions were agreed across the breadth of the service were agreed.

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

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 2020/21 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
Development Company The Council has approved the formation of a wholly owned development company, Arkwood Developments Limited. The Company's primary objective is to develop market housing for sale or rent. The Company may also bring forward commercial build.	The Company was incorporated in 2018 and robust governance arrangements are in place to ensure that the Council retains a thorough overview of its wholly owned Company. The Company's Business Plan and a Business case for its first development site on land at Bowbridge Road have been approved by the Council through its shareholder and Policy and Finance Committees. Equity capital and loan funding (covered by a detailed Loan Agreement) has been approved and released to the Company. The company has progressed development of 87 homes and has to date sold 5 homes off-plan. Progress of the company in meeting the objectives set out in the Shareholders Agreement will be monitored by the Shareholders' Committee, and by the Policy and Finance Committee.	Chief Executive
Re-integration of Housing Management Function During 2018/19 the Council reviewed its arrangements regarding the Housing Management function, culminating in the "in principle" decision to bring the service in-house for direct service provision by the Council, subject to tenant consultation.	The Council brought back its Housing Service on the 1st February 2020. As part of this, the Council has established a review of tenant engagement. It is a regulatory requirement of housing providers to deliver effective opportunities for tenants to influence the design and delivery of housing services and their homes and to hold their landlord to account. This review will establish the preferred approach to ensure customers (future, present and past) views are used to scrutinise and shape services. A Housing Advisory Group was established by the Homes and Communities Committee and its first meeting was held on 25th February 2020. The role of the Housing Advisory Group is to create an informal forum	Director – Housing, Health and Wellbeing

	through which the comments/views of the tenant representatives can be heard on a range of tenant-related matters and then be incorporated into the consideration of these items by the Homes & Communities Committee. The Housing Advisory Group, is effectively a working party of the Committee, and does not have any delegated authority or decision-making powers. It will cease following the implementation of its work and conclusions around the review of tenant involvement and engagement.	
Yorke Drive Development The Council continues to develop the Yorke Drive area of Newark. There remains key risks to address with delivery from a technical and financial perspective.	The project is currently in the preliminary stage, for which site investigations continue and negotiations continue. Officers will continue to work through the issues and provide updates to relevant Committee meetings.	Director – Housing, Health and Wellbeing

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

J. Robinson
Chief Executive
th September 2021

D. Lloyd
Leader of the Council
th September 2021

AUDIT AND ACCOUNTS COMMITTEE
28 JULY 2021

INTERNAL AUDIT PROGRESS REPORT

1.0 Purpose of Report

1.1 The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2021/22 against the agreed audit plan and any remaining reports from 2020/21.

2.0 Background Information

2.1 The Audit Plan for 2021/22 was agreed at the Audit and Accounts Committee in February 2021 and throughout the year reports on the progress made and changes to the plan are brought to this Committee.

2.2 The report contains details of actions within reports which have a Limited assurance rating, Managers would normally be in attendance to provide an update on the implementation of actions and respond to any questions. Due to the current situation of keeping numbers to a minimum at Committee meetings an update has been given to the BM – Financial Services in respect of the outstanding limited audits and those where actions are overdue.

2.3 The report also contains details of outstanding recommendations including those where the Committee is asked to approve an extension.

3.0 Proposals

3.1 To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 30th June 2021.

4.0 Equalities Implications

4.1 Equality impact assessments are produced by each of the service areas that are audited, and where appropriate these will be taken into account during the course of an audit.

5.0 Community Plan- alignment to objectives

5.1 The Internal Audit Plan underpins the delivery of the Community Plan. Through assurance gained from Internal Audit, Council can be satisfied that internal processes are working in a controlled manner, achieving the aims and objectives set out within the Community Plan.

6.0 Financial Implications (FIN21-22/7940)

6.1 There are no direct financial implications arising from this report.

7.0 RECOMMENDATION(S)

7.1 **That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report and approve the extensions to the implementation dates.**

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Internal Audit
Progress Report

Newark and Sherwood District Council – July 2021

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NEWARK & SHERWOOD DISTRICT COUNCIL

Contents

Lucy Pledge - Head of Internal Audit & Risk Management
lucy.pledge@lincolnshire.gov.uk

Emma Bee – Audit Team Leader
emma.bee@lincolnshire.gov.uk

McJoy Nkhoma – Acting Principal Auditor
mcjoy.nkhoma@lincolnshire.gov.uk

Introduction

The purpose of this report is to:

Provide details of the audit work during the period January 2021 to June 2021
- Advise on progress of the 2021/22 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key messages

Since our last progress report in February 2021, we have issued nine assurance reports and one other financial opinion. We currently have twelve audits in progress (four at draft report stage, three at fieldwork and Five at planning stage).
We have completed 92% of the revised 2020/21 annual audit plan and work has started on the 2021/22 Annual Audit plan.

1
HIGH ASSURANCE

7
SUBSTANTIAL ASSURANCE

1
LIMITED ASSURANCE

0
LOW ASSURANCE

1
OTHER REPORTS

Internal Audit work completed – Assurance work:

The following audit work has been completed and a final report issued:
- Deliver an HRA Affordable Growth (5 year programme) – High assurance
- Covid grants – Substantial assurance
- Council Tax – Substantial assurance
- General Ledger / Financial Reporting – Substantial assurance
- Apprenticeship – Substantial assurance
- Cyber Security (Follow-up) – Substantial assurance
- Follow-ups (2020/21) – Substantial assurance
- Key Control Testing (2020/21) – Substantial assurance
- Newark Castle – Limited assurance

An overview of the assurance work is provided within the report with detailed information provided in Appendix 2 for completed audits where we have issued Limited Assurance.

Internal Audit work completed – Other (Financial)

We have completed a review of the Mansfield Crematorium Accounts relating to the 2021/22 plan.

Internal Audit Work in Progress – Assurance work:

The assurance audits in progress are:-
- Strategic Risk Management (2020/21) – Draft report
- Debt Management (2020/21) – Draft report
- Housing Options (2020/21) – Draft report
- Capacity and Capability 2020/21 – Fieldwork
- Strategic Risk – Financial Resilience (2021/22) - Planning
- Compliance Services – Landlord (2021/22) - Planning
- Policies and Procedures – integration (2021/22) – Planning
- Care Line Services – Planning

Internal Audit Work in Progress – Consultancy and Grant certification:

The consultancy and grant certification audits in progress are:-

- S106 (2020/21) – Draft report
- Decision Making (2020/21) – Fieldwork
- Flood grants(2020/21 and 2021/22) – Fieldwork
- Test and Trace Support Payments grant – Planning.

We currently have further details of these within the body of the report and in Appendix 3.

Progress on Implementation of agreed actions

There are currently 41 actions on our Action Tracker for implementation (17 are not yet due and management have advised that implementation of the remaining 24 actions that have surpassed their due date is ongoing). Seven of the overdue actions (29%) were attributable to Newark and Sherwood Homes and have passed into the Council for action. We have been advised that due to the impact of Covid 19, timely implementation of some actions has been delayed and the relevant Directors have reviewed these and approved extensions where appropriate in line with the agreed audit process.

There are 5 overdue actions which the Directors had previously approved extensions and a further action that had an extension approved by the Committee, we suggest that the Committee reviews these and considers whether further extensions are appropriate.

We have summarised the 6 actions as overdue actions in Appendix 7.

Variations to the 2021/22 audit plan

Whilst we present a plan at the start of the year, we review it periodically throughout the year to reflect changes in risk profiles. This helps to ensure that it covers those areas which are a priority to the Council and there is adequate coverage to inform the Head of Internal Audit's opinion.

In April 2021, the Committee approved some changes to the 2021/22 audit plan as follows:-

- Removed Digital Strategy from the plan
- Added Cloud Hosted Services and Selima HR / Payroll system

Management have requested one additional audit work to the plan for the Covid 19 Test and Trace Support Payments grant.

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.**

High Assurance

Deliver an HRA Affordable Growth (5 Year programme) 2019/20	The Council has a clear plan and sufficient resources to ensure effective delivery of the five year Housing Revenue Account Affordable Housing programme of developing 335 units over the 5 year period (2017/18 to 2021/22). There are arrangements which ensure that the contracts in place for the developers and the key consultants are monitored, maintaining effective delivery of the development programme. The programme is on target for successfully completing the delivery of all the units within the scheduled timescale and approved budgets. We identified several areas of good practice, including those which have ensured the achievement of Value for Money through the re-engineering of the build designs and robust checks to ensure correct application of the schedule of rates. In response to addressing the significant concerns raised in the 2019/20 Homes England(HE) compliance audit, internal review of all schemes had been carried out and additional schemes which had similar breaches had been identified. For schemes that had similar systematic breaches, HE had been duly notified. Going forward, the Council has put in place measures to address the identified control weaknesses to ensure full compliance with the HE's requirements. We identified one area where improvement is necessary to enhance effective management of the activity. This relates to ensuring regular reviews of the operational and strategic risks for the activity which are included in the Council's risk registers.

Overview of Assurances

Substantial Assurance

Covid Grants	The Council has effectively administered the Small Business Grant Fund (SBGF), the Retail, Hospitality and Leisure Grants Fund (RHLGF) to ensure eligible local businesses were financially supported during the Covid-19 pandemic. A total sum of £26.62m had been paid to 2,269 local businesses. Our review has not identified any material concerns - the Council has complied with the grant funding conditions and appropriately administered the grant scheme to ensure payments were made to support eligible local businesses. The review identified some areas where the financial controls could be strengthened to ensure early detection and prevention of fraudulent claims. There were two incidents of fraud and two incidents of processing error which led to a small amount (£40k) being paid to ineligible claimants. The Council has taken reasonable measures to identify and recover 75% of this whilst the remaining balance continues to be investigated. We have made a recommendation to ensure staff involved in the processing of grant claims are reminded to document a declaration of interest where they may have any links to a business which may apply for a grant. These applications can then be re-allocated to another officer enabling the Council to defend potential allegations of preferential treatment or fraud if they arise.

Substantial Assurance

Council Tax	There are effective processes in place which ensure that Council Tax due to the Authority is correctly identified, calculated and accounted for. We found that the controls are operating effectively to identify and mitigate the risks in managing Council Tax, in particular:- ▪ Council Tax charge per property band is correctly inputted onto the Council Tax system before the start of the financial year and is reviewed for accuracy to ensure the rate payers are charged correctly for their properties. ▪ Procedures are in place to ensure the property details held on the Council Tax system are accurate, complete and regularly reconciled to the Valuation Office reports. ▪ The annual process of producing the Council Tax bills for all chargeable properties is done accurately and in a timely manner. ▪ A reconciliation of the bills to the number of properties on the Valuation Office report and on the Council Tax system is undertaken. ▪ Discounts and exemptions are applied correctly to the ratepayers and where appropriate cross references are made to other linked systems e.g. Housing Benefits to confirm claimant’s eligibility. ▪ Covid-19 hardship grants are awarded to eligible claimants. These are correctly administered in accordance with the government guidance. We have suggested two improvements, one relating to the reconciliation of the annual bills to enhance the effectiveness of the billing and bill printing process. The other area of improvement relates to reviewing the process for awarding the discretionary Council Tax to ensure reviews are undertaken to support continued eligibility for those in receipt of the discount.

Substantial Assurance

General Ledger / Financial Reporting	
	Overall there is a good understanding of the financial procedures in this area. We found effective controls in place to support appropriate access to the General Ledger and the accuracy of the entries within it. The Council upgraded its main Accounting System during the financial year and this required a change of access for some users. We confirmed that:- ▪ General Ledger balances were checked before and after the upgrade and no issues were identified ▪ General Ledger access is only restricted to Council staff ▪ Authorisation limits are in line with the authorised signatory list and any departure through business unit request is authorised by the Councils S151 Officer ▪ The financial transactions are sufficiently supported by the underlying primary accounting records ▪ The interfaces between the E-Financials and other financial systems are working well and there are reconciliation processes in place to ensure the accuracy and completeness of the General Ledger. We identified that improvements are necessary around the administration of the general journals to strengthen the controls and ensuring the integrity of the financial system is safeguarded.

Substantial Assurance

Apprenticeship

Overall there was a good understanding of apprenticeship opportunities by staff and management within individual Business Units. We did find some gaps and out of date knowledge, such as the availability of apprenticeship opportunities for existing staff and the process to employ an apprentice.

Our review found that the processes to employ and support apprentices within the Council are working well through:-

- Annual employee budget meetings between HR and Business Unit Heads include discussion about apprentices
- HR support to apprentices to integrate into the workforce and with employment opportunities in the last year of apprenticeship
- Flexible HR support to meet Business Unit need, from finding appropriate apprenticeship schemes to acting as an escalation route for any concerns about training providers
- Promotion of apprentice opportunities at careers fairs, through schools and internally as part of National Apprenticeship week

Good staff knowledge and regular monitoring is in place to ensure the apprenticeship scheme requirements have been met, timely use of the levy, and the accuracy of levy taken by training providers. The Council is committed to meeting the public sector apprenticeship target to employ an average of at least 2.3% of their staff as new apprentice starts over the period 1 April 2017 to 31 March 2021. This has been met to date and is reported to the Senior Leadership Team as one the Councils key performance targets as part of the Community Plan.

In July 2019 the Council moved funding for apprenticeship posts to individual Business Units. We found that has worked well with a commitment to employ apprentices and a good understanding of the Councils decision to employ apprentices to support both succession planning and offer employment opportunities within the local community, as well as scheme requirements with time allocated to ensure 20% off the job training is met.

We have found the following areas where improvements can be put in place:-

- A policy and central reference point to detail the Councils steer on employment of apprentices, the opportunities available and the process to put an apprenticeship in place is set up.
- The addition of process notes and involvement of other staff in this area would offer better resilience for the Council in staff absence and set out the parameters for decision making.

Cyber Security (Follow-Up)	Substantial Assurance As part of this follow-up review we have sought verification and evidence that the agreed actions have been implemented. We have confirmed that all of the actions agreed in the 2018/19 Cyber Security Audit have been implemented and as a result, we have given a Substantial Assurance audit opinion. Our previous audit report provided details of our findings against the 10 guidance steps to Cyber Security which the National Cyber Security Centre (NCSC) had published at that time to help organisations protect themselves in a cyberspace. To enhance the Cyber Security arrangement, we have made a recommendation to ensure that ICT policies are kept up-to-date enabling staff to use the updated version of the policy which provides safeguards for the protection of the systems.
Follow-Ups (2020/21)	Substantial Assurance Our review found that 86% of the implemented agreed actions we selected for review have been satisfactorily implemented, this is a reduction from 94.7% which was achieved last year. We have recommended that the partially implemented actions are revisited to ensure full compliance and implementation of all agreed actions by October 2021 and we will follow up completion as part of the usual follow up process. Whilst progress continues to be made, it is essential that managers are reminded that agreed actions should continue to be implemented - ensuring continued improvement.

Substantial Assurance

Key Controls Testing (2020/21)	Overall the key controls tested operate effectively and as expected. There are robust processes in place which protect the business from increased exposure to fraud and error. There were some areas identified, where further improvements in key controls are necessary:- **Substantial Assurance - HR - Recruitment** ▪ Ensuring the Recruitment and Selection policy is regularly updated in order to incorporate changes in work practices and legislation; ▪ Ensuring completeness of key recruitment documentation held centrally; ▪ Documenting and dating pre-employment (including right to work) checks for all new starters This will ensure that the required checks are carried out promptly and appropriate records retained. **High Assurance – Counter Fraud, Payroll, Creditors and Insurance** We found that whilst procedures are in place some had not been reviewed for an extended period and were not up to date. It is important that procedure documents are kept up to date to ensure that the correct processes are followed in the event of absence of key staff or a business continuity event.

Limited Assurance

The full summaries of these reports are provided in Appendix 5

Newark Castle	Since taking over responsibility for the management of the Castle, a number of areas of improvement have been identified by the Business Manager and her team. Whilst they are working to implement changes, progress has been slower than planned due to COVID and documents remain in draft form. There is not a clear plan in place for the maintenance of the site or its future use, which is vital to protecting the value of the asset to the council and community. This exposes the Council to financial and reputational risks. Formalisation of all documents with a clear and prioritised plan for the Castle, incorporating the stakeholders' views would provide a clear vision and mitigate some of the risks highlighted through our work e.g. consultation responses received through the Gatehouse project consultancy. Ensuring that risk assessments are formalised and the cash handling processes in place comply with Financial Regulations will further reduce the risks around theft, fraud and safety. It is also important that the Castle team work with all stakeholders including Asset Management and any other relevant teams to drive forward a plan that pulls together all areas of necessary development.

Audits reports at draft

We have 4 audits at draft report stage:

- Strategic Risk Management – Substantial assurance (indicative)
- Debt Management – Substantial assurance (indicative)
- Housing Options – Substantial assurance (indicative)
- S106 (Consultancy)

Work in Progress

We have the following audits in progress:-

- Capacity and Capability - fieldwork in progress
- Decision Making (Consultancy) – fieldwork completed
- Flood grants – Fieldwork
- Strategic Risk – Financial Resilience - Planning
- Compliance Services (Landlord) – Planning
- Policies and Procedures (integration) – fieldwork
- Care Line Services – Planning
- Test and Trace Support Payments grant

Update to 2021/22 Audit Plan

In consultation with Senior Management, we made a number of changes to the audit schedule throughout the year to reflect the risk environment and operational challenges and Appendix 6 presents the changes made.

These changes did not affect the agreed audit days which the Committee approved in February 2021.

Benchmarking

Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators as at 30 June 2021

These key performance indicators are based on the 2020/21 audit plan.

Performance Indicator	Annual Target	2019/20 Actual	2020/21 Actual
Percentage of plan completed (based on revised plan)	100%	78%	**92%**
Percentage of recommendations agreed	100%	100%	**100%**
Percentage of recommendations implemented	100% or escalated	67%	**71%**
Timescales: **Draft Report issued within 10 working days of completion***	100%	100%	**60%**
Final Report issued within 5 working days of management response*	100%	100%	**77%**
Draft Report issued within 3 months of fieldwork commencing*	80%	82%	**53%**

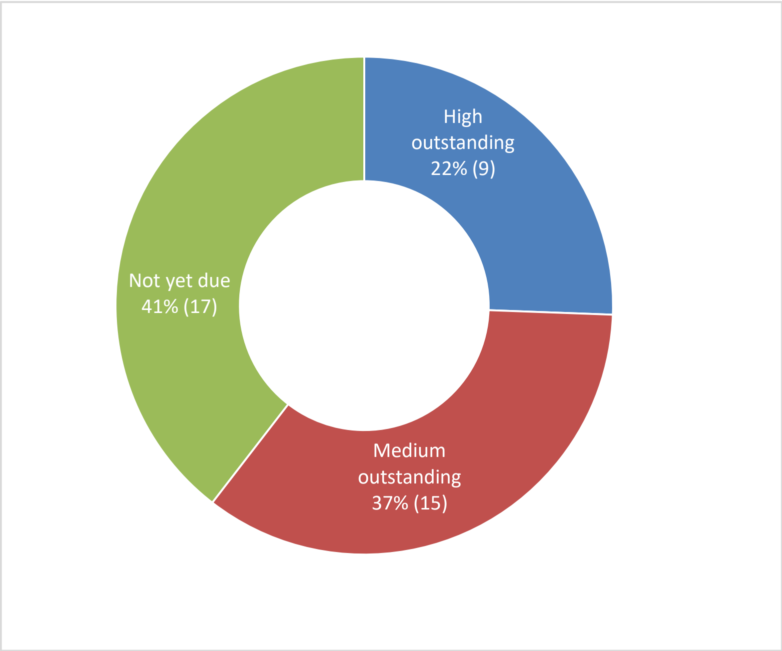
*Covid- 19 has affected some of the timeframes for both the Council and ourselves. Some of the information took longer to provide and remote working during the lockdown caused additional workloads and increased timescales. We also suffered some staffing difficulties and due to Covid-19 were unable to cover absences.

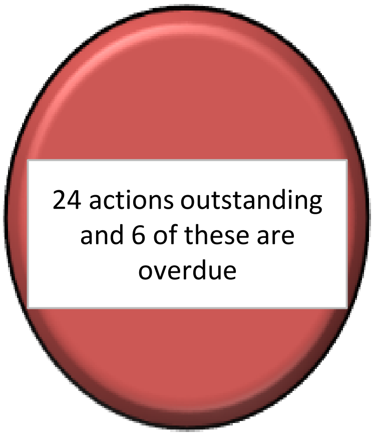
Corrective action has been taken as follows:-

- Co-sourcing arrangements are being formalised to improve our staff cover
- Recruitment has been successful and we now have a fully staffed team
- Review of our report process has been completed
- Discussions have been held at each Directorate Meetings to ensure prompt responses and engagement from their teams moving forward.

Outstanding Audit Actions for all audits at June 2021

All Actions remaining to be implemented





	75%	50%	25%	Not actioned	Total
NSH Key Controls (2019/20)	0	1	0	4	5
NSDC Key Control Testing (2019/20)	2	0	1	1	4
Community Centres	0	1	0	0	1
NSDC Programme Management (2018/19)	0	1	0	0	1
Robin Hood Hotel	0	2	0	3	5
Buttermarket	0	1	0	0	1
Emergency planning	0	2	0	0	2
NNDR	0	3	0	0	3
NSH Gas Servicing	0	0	1	1	2
Totals	2	11	2	9	24

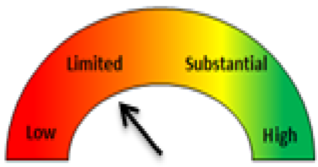
Assurance

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 limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance. 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.

Ranking of Recommendations

High	Necessary due to statutory obligation, legal requirement, Council policy or significant risk of loss or damage to Council assets, information or reputation.
Medium	Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.
Low	Current procedure is not best practice and could lead to minor inefficiencies.

Newark Castle – Limited Assurance



Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.

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.

Background and context

Newark Castle is a scheduled ancient monument and the grounds are grade two listed. Historically, the Castle was too important to be left standing in full. Currently, the monument stands as a partially destroyed structure portraying a reminder of Newark's turbulent history. Various works have been undertaken to maintain the building and projects have been set up to bring it into the limelight. Any development of the Castle offer needs to be considerate of the fact that the castle is primarily a heritage asset.

The Castle and its gardens are currently open to the public for free. There are various income streams currently in place including:-

- Tours of the Castle Under croft and Dungeons
- Weddings within the Castle grounds.

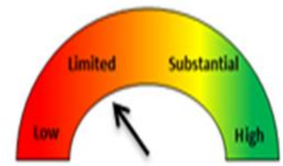
Management of the Castle has recently moved from the Parks service to Heritage improving the link with the National Civil War Museum (NCWM), which highlights some of the history behind the Castle. Prior to the move to Heritage the castle had not been audited.

Scope

The scope of the audit was to review the effectiveness of the key processes in place for income, security, maintenance and management of the Castle.

Appendix 2 Audits with limited or low assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
If the management of the castle is not effective, the Council's asset is not protected.	Medium	2	3
If the risk assessments for the castle and gardens are not up to date, the Council's asset may not be protected.	Medium	1	0
Where there is a lack of engagement with stakeholders, income opportunities for the Council may not be maximised.	Low	0	1
TOTAL		3	4



Executive Summary

Our audit work for Newark Castle has given Limited Assurance. There are a number of areas where processes and procedures have not been fully considered or formalised. There is not a clear plan in place for the maintenance of the site or its future use, which is vital to protecting the value of the asset to the council and community. This exposes the Council to financial and reputational risks.

Since taking over responsibility for the management of the Castle, a number of areas of improvement have been identified by the Business Manager and her team. Whilst they are working to implement changes, progress has been slower than planned due to COVID and documents remain in draft form.

Formalisation of all documents with a clear and prioritised plan for the Castle, incorporating the stakeholders' views would provide a clear vision and mitigate some of the risks highlighted through our work e.g. consultation responses received through the Gatehouse project consultancy.

Ensuring that risk assessments are formalised and the cash handling processes in place comply with Financial Regulations will further reduce the risks around theft, fraud and safety.

Once planned changes to processes are formalised and implemented this should allow for the assurance to be improved.

It is also important that the Castle team work with all stakeholders including Asset Management and any other relevant teams to drive forward a plan that pulls together all areas of necessary development.

Areas of Good Practice

We identified some areas of good practice including:-

- Weddings are a successful income stream for the Castle and grounds. A comprehensive business plan has been developed to build this area further.
- An events calendar for the castle has been developed.
- Links with the National Civil War museum education team have begun to be used to create a programme with schools supporting the national curriculum and raising awareness of the castle within the community. After a successful pilot this has created a potential income stream.

Management Response

The Heritage and Culture Team took over the management of Newark Castle in April 2019 and inherited several issues. Immediately, many of the issues raised within the audit were identified and work begun to rectify these, the priority being health and safety and risk management. However, the process of approval through Historic England for changes to a scheduled ancient monument caused some delay. This work has now been allocated to the asset management team and is being progressed rapidly, following a request to Policy and Finance Committee for capital funding.

Delays were further compounded by the pandemic. Since June, the Castle Operations Manager and duty manager have both been furloughed under the Coronavirus Job Retention Scheme – this has enabled the Castle to mitigate against lost income in 2020/21 and meet its budgetary requirements, but has significantly limited our ability to deliver the improvements as identified and much of the work has remained at draft stage. However, as most of the risks relate to people accessing the building, operational and financial procedures, the risk is currently being mitigated by the Castle being closed – no operational activity is being undertaken and no finances being processed. A tentative re-opening is planned for May, by which time the most significant risk actions will have been fully implemented.

Having already identified the items within this audit, this report will enable the business unit to effectively prioritise and progress actions, and potential areas of weakness will be reduced through the robust assessment of the audit.

Details of Audits 2020/21

Audit	Rating	Type of audit	Status	High	Medium	Advisory	Total
Key Control Testing (NSDC 2020/21-01)	Substantial Assurance	Risk Based	Completed	0	7	1	8
Budgetary Control Management (NSDC 2020/21-02)	High Assurance	Risk Based	Completed	0	1	0	1
General Ledger/Financial Reporting (NSDC 2020/21-03)	Substantial Assurance	Risk Based	Completed	2	1	1	4
NNDR (NSDC 2020/21-04)	Substantial Assurance	Risk Based	Completed	1	1	1	3
Information Governance (NSDC 2020/21-05)	N/A	Risk Based	Cancelled	0	0	0	0
Newark Castle (NSDC 2020/21-06)	Limited Assurance	Risk Based	Completed	3	4	0	7
Deliver an HRA affordable - Housing Growth 5 year programme (NSDC 2020/21-07)	High Assurance	Risk Based	Completed	0	1	2	3
Ensuring homes are safe and decent (NSDC 2020/21-08)	N/A	Risk Based	Cancelled	0	0	0	0
Strategic Asset Management (NSDC 2020/21-09)	N/A	Risk Based	Cancelled Included in 2021/22	0	0	0	0
Climate Change Emergency (NSDC 2020/21-10)	N/A	Risk Based	Cancelled Included in 2021/22 plan	0	0	0	0
Tourism (NSDC 2020/21-11)	N/A	Risk Based	Cancelled	0	0	0	0
Contract Management General (NSDC 2020/21-12)	N/A	Risk Based	Cancelled Included in 2021/22	0	0	0	0
Enforcement (NSDC 2020/21-13)	Substantial Assurance	Risk Based	Completed	1	4	0	5

Details of Audits 2020/21

Audit	Rating	Type of audit	Status	High	Medium	Advisory	Total
Debt Management (NSDC 2020/21-14)	Substantial Assurance*	Risk Based	Completed	0	0	0	0
Stakeholder Engagement (NSDC 2020/21-15)	N/A	Risk Based	Cancelled	0	0	0	0
Apprenticeships (NSDC 2020/21-16)	Substantial Assurance	Risk Based	Completed	0	2	0	2
Robin Hood Hotel (NSDC 2020/21-17)	Substantial Assurance	Risk Based	Completed	2	2	0	4
Physical and Environmental Security (NSDC 2020/21-18 - ICT)	N/A	Risk Based	Cancelled Included in 2021/22 plan	0	0	0	0
Capability and Capacity (NSDC 2020/21-19)	Unknown	Risk Based	In progress (Fieldwork)	0	0	0	0
Follow-ups (NSDC 2020/21-20)	Substantial Assurance	Risk Based	Completed	0	0	1	1
Council Tax (NSDC 2020/21-21)	Substantial Assurance	Risk Based	Completed	0	3	0	3
Gilstrap (NSDC 2020/21-22)	N/A	Finanncial	Completed	0	0	0	0
Mansfield Crematorium (NSDC 2020/21-23)	N/A	Financial	Completed	0	0	0	0
Newark Cattlemarket Rent (NSDC 2020/21-24)	N/A	Financial	Completed	0	0	0	0
Combined Assurance (NSDC 2020/21-25)	N/A	Consultancy	Completed	0	0	0	0
Flood Grant (NSDC 2020/21-26)	N/A	Financial	In progress (Fieldwork)	0	0	0	0
Cyber Security Follow-up (NSDC 2020/21-27)	Substantial Assurance	Risk Based	Completed	0	1	0	1

Appendix 3 Details of Audits 2020/21

Audit	Rating	Type of audit	Status	High	Medium	Advisory	Total
Covid Related Impacts (NSDC 2020/21-28)	Not assessed	Risk Based	Deferred to July / Aug	0	0	0	0
Covid Grants (NSDC 2020/21-29)	Substantial Assurance	Risk Based	Completed	1	1	1	3
Decision Making (NSDC 2020/21-30)	N/A	Consultancy	In progress	0	0	0	0
Buttermarket (NSDC 2019/20 -20)	Substantial Assurance	Risk Based	Completed	1	6	1	8
Strategic Risk (NSDC 2019/20-09)	Limited Assurance (Indicative)	Risk Based	Completed	7	7	3	17
Housing Options (NSDC 2019/20 - 16)	Substantial Assurance*	Risk Based	Completed	0	4	0	4
Commercialisation (NSDC 2019/20-18)	N/A	Risk Based	Not progressed	0	0	0	0
Follow-ups (NSDC -2019/20-23)	High Assurance	Risk Based	Completed	0	1	0	1
S106 (NSDC 2019/20-31)	N/A	Consultancy	Completed	7	2	0	9
NSH Key Controls (NSH 2019/20 - 06a)	Limited Assurance	Risk Based	Completed	4	6	1	11
Sub total				29	54	12	95

* Indicative Assurance

Appendix 4 Details of Audits 2021/22

Audit	Scope of work	Planned start date	Actual start date	Progress status
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form opinion on the Council's financial control environment	QRT 3 Oct 2021		
Housing Benefits & Council Tax Reduction	To provide assurance that Housing Benefit and Council Tax Reduction are paid accurately and promptly to eligible applicants and changes in circumstances are actioned correctly	QRT 2 Jul 2021		Planning
Value for Money	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.	QRT 1 Jun 2021		Planning
Strategic Risk – Financial Resilience	To provide assurance that the risk has been appropriately rated and reviewed and that the mitigating actions listed are currently in place and working effectively.	QTR 1 May 2021		Fieldwork
Company Governance (Arkwood and Active4Today)	Review of the governance arrangements in place ensuring that there is sufficient oversight and risk management processes in place.	QRT 2 Aug 2021		
Community Lottery	Review of the governance arrangements in place for the running of the Community Lottery to ensure that they are sound protecting the Council and participants	QRT 2 Sep 2021		
Cloud Hosted Services	To review recent instances of cloud/hosted services to establish the due diligence undertaken in arriving at the selected option and security deployed through that arrangement.	QRT 4 Jan 2022		
Selima HR/Payroll	To provide assurance that the computer security controls within the Selima HR and Payroll system provide a safe and secure operating environment.	QRT 4 Jan 2022		
Physical and Environmental Security	Looking at the security of Castle House, satellite locations (Brunel Drive cited as a concern), the Beacon and locations where any off-site back-ups are stored.	QRT 3 Nov 2021		

Details of 2021-22 Audits

Audit	Scope of work	Planned start Date	Actual start date	Progress status
Newark Civil War Museum and Palace Theatre	To provide independent assurance around VFM work and delivery capacity assessment being undertaken by the Council's Financial Services staff	QRT 2 Sep 2021		
Grounds Maintenance and Cleansing Service	To provide assurance over the revised arrangements in place ensuring that issues previously identified have been addressed.	QRT 3 Nov 2021		
Strategic Asset Management	To provide assurance over the arrangements in place for the operational management of the Council's land and buildings and the maintenance / improvement thereof.	QRT 3 Oct 2021		
Climate Change Emergency	Following the declaration of a climate emergency, the Council has plans in place for action to be taken by itself and within the District.	QRT 2 Aug 2021		Planning ToR agreed
Customer Services	To provide assurance on the effectiveness, impact and success of the revised arrangements following the integration of NSH staff into one Customer Services Team	QRT 3 Oct 2021		
Contract Management - General	There are effective arrangements in place which ensure that all contracts are recorded, allocated to contract managers and there are processes in place which ensure that they are managed effectively. The risks around contracts including supply chain failure, modern slavery, data sharing etc are identified and actions taken to mitigate the identified risks.	QRT 3 Oct 2021		
Health and Safety	To provide assurance that the arrangement in place for Health and Safety are effective and meet legislative requirements. To follow-up the actions made within the previous report.	QRT 2 Aug 2021		
Landlord Compliance (Compliance Services)	To ensure that those areas of compliance not previously reviewed (e.g. gas, electricity etc) are in place and that all relevant legislation is adhered to. Follow-up on those areas of compliance previously reviewed to ensure that the actions agreed have been implemented.	QRT 2 Aug 2021		

Appendix 4 Details of 2021-22 Audits

Audit	Scope of work	Planned start Date	Actual start date	Progress status
Care Line Services	To provide assurance that there are effective arrangements in place for the management and delivery of the Careline service and that all items of equipment are logged and accounted for.	QRT 1 May 2021		Planning
Workforce Planning	The Council has effective arrangements which ensure that there are sufficient skilled staff in place to enable effective service provision and such arrangements consider succession planning of key staff identifying positions which hold the greatest risk if vacant.	QRT 1 May 2021		In progress
Project Strategy	To provide assurance over the newly formed Corporate Property, Strategy and Delivery Business Unit's capacity to deliver key projects ensuring clear triage between 'Asset and Estates', 'Corporate Property, Strategy and Delivery' and 'Economic Development'.	QRT 3 Oct 2021		
Social Housing White Paper	To provide an independent review of the requirements of the Social Housing White Paper and the current and planned processes in place to identify and address any gaps identified.	QRT 3 Oct 2021		
Policies and Procedures	To provide an independent review of the integration of the key policies and procedures from Newark and Sherwood Homes into those of the Council.	QRT 1 Jun 2021		Fieldwork
Follow-ups (2021/22)	Follow-up of recommendations made for the progress reports and on a sample basis.	QRTs 2, 3 and 4 (Jul 21)		
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium accounts	QRT 1 Apr 2021		Completed
Combined Assurance	Updating the Assurance Map and completing the Combined Assurance report.	QRT 3 Oct 2021		
Gilstrap	Independent examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	QRT 2 Aug 2021		Planning
Test and Trace Support Payment grants	Grant certification work to ensure the grant monies have been spent appropriately.	QRT 2 Jul 2021		Planning

Deferred Audits

Audit	Rational	Change
Strategic Asset Management	Capacity - there were several vacant key posts within the Business Unit during the year.	Deferred until 2021/22
Climate Change Emergency	Further development work was being undertaken to shape the Council's ambition and direction in this area	Deferred until 2021/22
Contract Management General	Restructuring and client capacity	Deferred until 2021/22
ICT Physical and Environmental Security	Restriction to site visits due to Covid-19 pandemic	Deferred until 2021/22
Ensuring Homes are Safe and Decent	Client requested cancellation of the audit as most of the issues identified in the NSH Gas Servicing audit were still outstanding and were progressed	Agreed for some elements to be incorporated within the Landlord Compliance audit in 2021/22

Cancelled Audits

Audit	Rationale	Change
Information Governance	Replaced with more relevant audit	Cancelled and removed from the plan
Stakeholder Engagement	Replaced with more relevant audit	Cancelled and removed from the plan
Tourism	Replaced with more relevant audit	Cancelled and removed from the plan

New Audits

Audit	Scope	Change	Approval
Covid Grants	To provide assurance over the administration and effectiveness of the processes in place for the payments of Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grants (RHLG).	Addition	Agreed with the SLT
Flood Grants	For the Chief Internal Auditor to give reasonable assurance that the invoices submitted by the Authority for flood grant claims fairly represent expenditure incurred under the Scheme and that these are made in accordance with the provisions of the Memorandum of Understanding. Note: Within 30 working days of the Expiry Date the Authority's chief executive or chief finance officer will submit to DEFRA an audit opinion from the Authority's chief internal auditor .	Addition	Agreed with the SLT
Cyber Security (Follow-up)	To provide assurance that the actions agreed in the previous Cyber Security audit have been satisfactorily implemented and an improved control environment now exists.	Addition	Agreed with the SLT
Covid Related Impacts	Review of the impact of Covid on the Council's processes and system providing assurance that the alternative arrangements provide effective control and whether they will have an impact on future service provision.	Addition	Agreed with the SLT
Decision making	Ascertain the decision making process and the resources required. The outcomes of the review will support the council as it continues to explore implementation of the new political governance model.	Addition	Agreed with the SLT

Amendments to Internal Audit Plan as at July 2021

Audit	Rational	Change
Digital Strategy	Replaced by a high priority ICT audit as per the Committee approval of the ICT Audit Strategy in April 2021	Removed from the plan – be considered in 2022/23 or future audit plans in line with he annual ICT Audit Strategy refresh.
Cloud Hosted Services	Identified as a high priority audit from the ICT Audit Strategy presented to the Committee in April 2021.	Added to the plan
Selima HR/Payroll	Identified as a high priority audit from the ICT Audit Strategy presented to the Committee in April 2021.	Added to the plan
Test and Trace Support Payment	The grant terms and conditions require Chief Internal Auditor to sign a declaration confirming that adequate investigations and checks have been undertaken to ensure that the grant monies have been spent appropriately	Provisionally added to the schedule subject to approval

Appendix 7 Details of overdue actions

Audit	Priority	Agreed Action	Owner	Original Due Date	Revised (Extended) Due Date	Progress and reason for extension(s)
NSDC 2019/20-12 - Community Centres **(Limited Assurance)**	Medium	To create a service plan for the Community Centres. Outlining targets and what they want to achieve within the community. To produce a low level report annually, providing an overview of what has been achieved over the year. Can be used to provide information for councillors should this be requested.	Health Improvement & Community Relations Manager Director, Housing, Health and Well-being	Mar 2020	A&AC had previously extended the action. For further consideration buy A&AC	A wider report is required about the current position and future plans for our 4 community centres with recommendations for SLT and H&C approval . It is proposed that the report be submitted each year to Homes and Communities at the June meeting as an annual overview. The four centres / village halls are all leased and managed independently so each is responsible for its own annual plan and objective setting. Of the 4 sites in council ownership, 2 are currently subject to asset transfer and this process has been paused/stalled due to Covid.

Appendix 7 Details of overdue actions

Audit	Priority	Agreed Action	Owner	Original Due Date	Revised (Extended) Due Date	Progress and reason for extension(s)
NSDC 2019/20-01 - Key Control Testing **Substantial Assurance – Absence Management**	Medium	Review and update Managing Attendance Policy and Attendance Management Toolkit . (Accepted - this was something that we were already aware of and had made a start on when the audit took place)	Business Manager HR	Oct 2020	Mar 2021 For further consideration buy A&AC	75% progressed The document has now been reviewed and consultation will take place with the Trades Unions by the end of the month with a view to implementing on 1 July 2021. Deadline missed due to sickness.
NSDC 2019/20-01 - Key Control Testing **Substantial Assurance – Equality & Diversity**	Medium	Inclusion of Equality implications – committee reports: 1. Approached providers to source training to all NSDC managers, any other staff who author reports or lead on projects and senior HR officers on how to undertake meaningful Equality Impact Assessments. 2. Providers have submitted course outlines which are being reviewed by the Equalities Working Group. This may temporarily on hold due to the Covid-19 situation, pending a time when face to face or remote training can be programmed in. 3. Where report authors do not comply following receipt of training this will be highlighted to their managers for action.	Business Manager HR	Sep 2020	Mar 2021 For further consideration buy A&AC	75% progressed The external trainer provided a training session to HR and Transformation staff in 2020. Equalities Working Group feedback – approach the same external trainer to devise a training event that will focus on certain key equality aspects in the Committee reports. The intention is to provide this training in autumn 2021 when it may be possible to deliver it in Castle House.

Appendix 7 Details of overdue actions

Audit	Priority	Agreed Action	Owner	Original Due Date	Revised (Extended) Due Date	Progress and reason for extension(s)
NSDC 2019/20-01 - Key Control Testing **Substantial Assurance – Equality & Diversity**	Medium	**Reporting to Committee all equality and diversity actions:** Going forward, we will report on all actions to the Policy & Finance Committee after year end.	Business Manager HR	Sep 2020	Mar 2021 For further consideration buy A&AC	25% progressed The Equalities Strategy document was subject to a "light touch" refresh and was presented to P&F (Oct 2020). The strategy will be fully reviewed when we have the data from the 2021 census to ensure that any plans put in place meet the needs of the community. Members will be aware that lockdown has continued into 2021 and therefore we are not yet in a position to take a report to P&F. However, given the time that the Covid pandemic has gone on, and given the fact that a third wave may be likely, we will provide a holding report to P&F in September to satisfy audit requirements and keep the committee abreast of the work of the council.

Appendix 7 Details of overdue actions

Audit	Priority	Agreed Action	Owner	Original Due Date	Revised (Extended) Due Date	Progress and reason for extension(s)
NSDC 2018/19-05 - Emergency Planning **(Substantial Border Line Assurance)**	Medium	Ensure that interim reviews are done in order to maintain awareness of the flood plan and it's dated areas	Business Manager, Public Protection & Emergency Planning & CCTV Officer	May 2020	Nov 2020 For further consideration buy A&AC	50% progressed The Environment Agency (EA) has completed the local flood response plan , local copies have been changed to reflect this , a further review of the LRF generic flood guidance document has been delayed until an unknown date owing to the Covid work pressures on the EA. The local guidance will remain current until further notice. Ongoing Covid response delaying debrief of major flood events.
NSDC 2018/19-05 - Emergency Planning **(Substantial Border Line Assurance)**	Medium	Refresh the flood plan in line with guidance produced by the Multi-Agency.	Business Manager, Public Protection & Emergency Planning & CCTV Officer	May 2020	Nov 2020 For further consideration buy A&AC	As above

AUDIT AND ACCOUNTS COMMITTEE
28 JULY 2021

COMMITTEE MEMBER TRAINING AND BI-ANNUAL REVIEW OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION AND THE COMMITTEE

1.0 Purpose of Report

1.1 To provide Members with an update to the recent skills questionnaire circulated to all Committee members.

1.2 To propose a training programme for members of the Committee.

1.3 To update members on the Bi-annual review of effectiveness of the Internal Audit function and the Committee.

2.0 Introduction

2.1 During the Committee meeting on 21 April 2021 Assurance Lincolnshire reported that they were collating responses to the skills questionnaire that was circulated to members during March.

2.2 Overall there were only three responses to the questionnaire by members of the Committee. The majority of the responses were positive in nature and therefore a broad programme of activity has been suggested for members to partake in.

2.3 Should any member request an individual session in relation to any part of their role as a member of this Committee, this would be accommodated and those members should contact the Business Manager – Financial Services whenever they require.

3.0 Training Programme

3.1 The table in the paragraph below shows the sessions that are to be put in place in order to ensure that members of the Committee receive a broad understanding of the their roles and responsibilities as Committee members together with assistance for some of the more technical reports that are brought to the Committee, such as the end of year financial statements and the Treasury Management Strategy (and associated documents).

3.2

Session Title	Proposed Date	Description
Mazars – Roles and Responsibilities of Local Authority Audit Committees	24th June 2021	The session will cover the roles and responsibilities of the Audit Committee as well as good practices, followed by a panel Q&A in the second half
End of Year Statement of Accounts	21st July 2021	To gain an understanding of the financial statements, notes to the accounts in order to be able to

		objectively challenge the information in the accounts
Governance, Risk Management and Financial Management	22nd September 2021	The session will take members through the statutory role of the committee and a high level overview of its remit in relation to risk and financial management
Treasury Management	1st December 2021	The session will give members an understanding of their roles and responsibilities in respect of Treasury Management, the reports they should expect to receive and the focus areas for challenge

3.3 It is anticipated that the sessions identified above will give members the insight that they require into the various responsibilities they hold as members of this committee.

3.4 The sessions relating to the Annual Statement of Accounts and Treasury Management have been, and will continue to be, annual sessions to keep members abreast of the latest developments. This will then aid their scrutiny of the reports relating to those areas.

3.5 The Business Manager – Financial Services will continue to review external sources for other sessions that may be available for members to attend and will promote those to members at that time.

Bi-Annual Review of Effectiveness of the Internal Audit function and the Committee

3.6 A session has been proposed for 25th August 2021 for the review the effectiveness of both the Internal Audit function and this Committee. As in previous years the self-assessment of the Committee will follow the questionnaire provided within CIPFA's Practical Guidance for Audit Committees. It is suggested that the Chair together with another member of the Committee undertake this, facilitated by the Business Manager – Financial Services and a representative from Assurance Lincolnshire.

3.7 Once the self-assessment of the Committee has been concluded, the representative from Assurance Lincolnshire will depart from the session in order for the remaining panel to assess the effectiveness of the Internal Audit function. A framework for that assessment will be provided to the panel members prior to the session.

3.8 It is proposed that a member be selected as a recommendation of this report to join the Chair and Business Manager – Financial Services in creating the panel to conduct the review.

4.0 <u>RECOMMENDATIONS</u>

(a) Members approve the training programme as described at paragraph 3.2
(b) Members nominate a representative to accompany the Chair and the Business Manager – Financial Services in the review of the effectiveness of Internal Audit and the Committee

<u>Background Papers</u>

Nil

For further information please contact Nick Wilson on extension 5317.

Sanjiv Kohli
Deputy Chief Executive/Director – Resources and S151 Officer

AUDIT AND ACCOUNTS COMMITTEE
28 JULY 2021

FINANCIAL MANAGEMENT CODE OF PRACTICE SELF-ASSESSMENT

1.0 Purpose of the Report

1.1 To inform SLT of CIPFA's Financial Management Code which is applicable from 2021/22.

2.0 Background

2.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) has introduced a new Financial Management Code (FM Code). This sets out for the first time, the standards of financial management for local authorities.

2.2 The FM Code is designed to support good practice in financial management and to assist local authorities to demonstrate their financial sustainability.

2.3 Local government finance in the UK is governed by legislation, regulation and professional standards. The general financial management of a local authority, however, has not, until now, been supported by a professional code. The FM Code has been introduced because of the exceptional financial pressures faced by local authorities in recent years which have revealed concerns about fundamental weaknesses in financial management and the ability of some organisations to maintain services in the future.

Whilst there is much good practice across the sector, any failures threaten stakeholders' confidence in local government as a whole and more importantly, risk to the services on which local people rely.

2.4 CIPFA's intention is that the Financial Management Code (FM Code) will have the same standing as the Prudential Code for Capital Finance in Local Authorities (CIPFA, 2017), which promotes the financial sustainability of local authority capital expenditure and associated borrowing. So, although the FM Code does not have legislative backing, it applies to all local authorities.

2.5 While the FM Code applies to all local authorities, it recognises that some have different structures and legislative frameworks. Where compliance with the Code is not possible, adherence to the principles is still considered appropriate.

3.0 **Responsibility**

3.1 CIPFA considers the application of the FM Code to be a professional responsibility of all its members, regardless of their role in the financial management process. More specifically, the FM Code clarifies CIPFA's understanding of how the Chief Financial Officer (CFO) should satisfy their statutory responsibility for good financial administration. The primary purpose of the FM Code is to establish how the CFO – regardless of whether or not they are a CIPFA member, should demonstrate that they are meeting their statutory responsibility for sound financial administration.

3.2 CIPFA considers application of the FM Code to be the collective responsibility of each authority's organisational leadership team. For the purposes of the code the 'Leadership Team' is defined as the collective group of elected members and senior officers. Therefore, it will include the full Council and policy and governance committees as well as senior officers.

4.0 **Application**

4.1 CIPFA has recognised the ambition within the Code, as well as the timescale and wider resource challenges facing local authorities. As a result, CIPFA considers 2020/2021 to be the commencement of a shadow year, and that by 31 March 2021 local authorities should be able to demonstrate that they are working towards full implementation of the Code.

4.2 The first full year of compliance with the FM Code will therefore be 2021/22.

5.0 **Compliance**

5.1 It is for each authority to determine whether it meets the standards and to make any changes that may be required to ensure compliance. Authorities should be able to provide evidence that they have reviewed their financial management arrangements against the standards and that they have taken such action as may be necessary to comply with them.

5.2 It is important to note, also, that the financial management standards are minimum standards.

6.0 **CIPFA principles of good financial management**

6.1 The FM Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that an authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. It must also assure itself that its processes are proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

6.2 The underlying principles that inform the FM Code have been developed in consultation with senior practitioners across the sector and associated stakeholders. The principles have been designed to focus on an approach that will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable.

6.3 The 6 Principles of Good Financial Management set out in the FM Code are:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.

- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

- Adherence to professional **standards** is promoted by the leadership team and is evidenced.

- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

7.0 **CIPFA Financial Management standards and FM Code self-assessment**

7.1 The FM Code sets out the 17 CIPFA Financial Management Standards against which a self-assessment has been undertaken.

7.2 The self-assessment exercise reflects current processes and practices against the FM Standards using a RAG Rating approach.

7.3 The Standards and RAG Rating approach is summarised below with full details attached at **Appendix A**.

RAG Rating	**Progress Report**
GREEN	Compliance is being demonstrated
AMBER	Minor to Moderate improvements are required to demonstrate full compliance
RED	Moderate to Significant improvements are required to demonstrate full compliance

Standard Reference	**Financial Management Standard**	**RAG Rating**
Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team		
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	AMBER
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	GREEN
Section 2: Governance and Financial Management Style		
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	GREEN
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	GREEN
E	The financial management style of the authority supports financial sustainability.	GREEN

Section 3: Long to Medium-Term Financial Management		
F	The authority has carried out a credible and transparent financial resilience assessment.	GREEN
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	GREEN
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	GREEN
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	GREEN
Section 4: The Annual Budget		
J	The authority complies with its statutory obligations in respect of the budget setting process.	GREEN
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	GREEN
Section 5: Stakeholder Engagement and Business Plans		
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	GREEN
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	AMBER
Section 6: Monitoring Financial Performance		
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	GREEN
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	GREEN
Section 7: External Financial Reporting		
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	GREEN
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	GREEN

8.0 Actions

8.1 The following actions have been identified to enhance our compliance and will be carried out over the course of the next year;

- Embed fully the new performance management framework

- Complete actions identified within the VFM self-assessment
- Internal Audit progress reports to be tabled at SLT meetings from July 2021
- Review project management toolkit to ensure this includes a section on how to undertake an options appraisal
- Review of Financial Procedure Rules to allow for the transfer of budget by Directors, within their directorate area, up to a cumulative limit of £50,000 in conjunction with the wider review of Governance
- Development of Asset Management Strategy to supplement the Capital Strategy
- Develop a Workforce Planning Strategy which meets the needs of the organisation, supports the delivery of the Community Plan and which represents value for money.
- Further work needed to align budget monitoring reporting to service performance management reporting.

9.0 Financial Implications

9.1 There are no direct financial implications arising from this report.

10.0 RECOMMENDATION

That the Committee note the assurance that NSDC meet the standards of CIPFA's Financial Management Code as evidenced from the self-assessment and accept the actions required to be undertaken

Reason for Recommendation

To ensure compliance with CIPFA's Financial Management Code

Background Papers

For further information please contact Nick Wilson on extension 5317.

Nick Wilson
Business Manager – Financial Services

CIPFA FM Code Assessment

Ref	Description	Pages of Code	Detail	CFO assessment and actions required	RAG RATING
Responsibilities of the Chief Finance Officer and Leadership Team					
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	17/18	The Leadership team (elected members and senior officers) is able to demonstrate that the services provided by the authority provide value for money, to include: • **Economy** (spending less); • **Efficiency** (spending well); • **Effectiveness** (spending wisely); • **Equity** (spend fairly) The authority has a clear and consistent understanding of what value for money means to it and its leadership team. There are suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services. The authority is able to demonstrate the action that is has taken to promote value for money and what it has achieved.	The Council's Community Plan is refreshed each year and contains the Authority's key objectives based on local needs. The MTFP is revised each year to support the objectives in the Community Plan and is supported by effective risk management and whole of life costing. Directorate Business Plans each year are referenced to the Community Plan Objectives. The MTFP drives the budget for each year. For 2021/22 an annual VFM self-assessment has been completed For 2021/22 improvements have been made to the Performance Management Framework which now aligns with the Community Plan Objectives with key statutory and non-statutory indicators of performance. **Action:** • Embed fully the "new" performance management framework. • Complete actions identified in the VFM self-assessment. • Develop a Workforce Planning Strategy which meets the needs of the organisation, supports the delivery of	

				the Community Plan and which represents value for money	
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	18/19	In summary this Statement requires that the CFO: Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest. Must be actively involved in, and able to bring influence to bear on, all material business decisions Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. Must lead and direct a finance function that is resourced to be fit for purpose. Must be professionally qualified and suitably experienced.	The Chief Finance Officer (CFO) is a suitably qualified Accountant with membership of two professional bodies – ICAEW and CIPFA. The CFO reports directly to the Chief Executive. The responsibilities of the role of Chief Finance Officer (S151) is detailed within the Constitution. The CFO is on the Senior Leadership Team and has influence on all material businesses decisions, ensuring financial implications are provided on all reports (including Committee Reports) The CFO has oversight of all financial risks in the development of Medium and Longer Term Financial Planning. Ensures that all statutory requirements affecting the Council's finances are complied with. Through the Finance Team, provides financial and treasury performance monitoring reports throughout the year to the Corporate Policy and Resources Committee. The CFO leads the corporate fraud function. The CFO sits on the Board of the Council's wholly owned subsidiary Arkwood Limited and is the Council's representative on the JV company RHH Newark Limited. The CFO ensures financial probity and consistent delivery to the Council's objectives. The annual Statement of Accounts receives unqualified external audit opinions.	

				The Finance Team has an establishment of 17 FTE of which 2 are professionally qualified accountants (CIPFA), 2 are currently undertaking their professional qualification (CIPFA). 1 is currently CIMA qualified with another ACCA part qualified. 6 are AAT qualified. All aspects of the finance function receive substantial or high assurance ratings.	
Governance and Financial Management Style					
C	The leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control.	21	The leadership team espouses the Nolan principles of: • Selflessness • Integrity • Objectivity • Accountability • Honesty • Leadership (actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs) The authority has a clear framework for governance and internal control. The leadership team has established effective arrangements for assurance, internal audit and internal accountability.	The Nolan principles are integral to the values of the Council which are actively promoted. Any behaviour not consistent with these values are immediately addressed. The Chief Executive and Leadership team have made it clear that adherence to these values is mandatory (reference to Chief Executive's message at Staff Roadshow in 2019/20). Internal Audit complete one to one meetings with each of the Directors in order to identify critical areas of their responsibility of which they would seek assurance over the current processes and risk profiles. These one to ones then form the basis of the internal audit plan, along with the outcomes of the assurance mapping exercise (completed with Business Managers) for which is then presented to SLT for their review and onward recommendation to the Audit and Accounts Committee. Following this, the Internal Audit Plan is then approved at the Audit and Accounts Committee. The Internal Audit Annual Report as required by the Accounts and Audit regulations and the Public Sector Internal Audit Standards, gives the Chief Auditor's opinion on the overall adequacy and effectiveness of the organisation's governance arrangements, risk management and internal control environment, drawing attention to any issues particularly	

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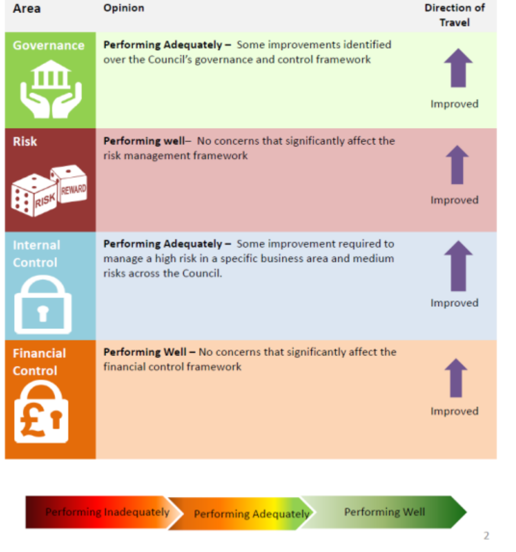
<td>The leadership team espouses high standards of governance and internal control.

The leadership team nurtures a culture of effective governance and robust internal control across the authority.</td>
<td>relevant to the preparation of the Annual Governance Statement. It also sets out key themes arising from the work of the Audit Team during the financial year, and compared the audit work undertaken with that planned, summarising the performance of the Internal Audit function against its performance measures and targets.

The report for 2020/21 presented an improving picture of the levels of assurance in place throughout the organisation. This included two areas of improvement (Financial Control and Risk) which are now performing well, whilst two areas are consistent with their assurance level from the previous financial year of performing adequately (Governance and Internal Control)


A process is in place whereby all audit reports with either Limited or Low draft status are taken to SLT prior to them report being finalised. The service owner attends to review the</td>
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				action plan and agree with SLT the dates for completion of each of the actions. Internal Audit attend each of the Directorate Management Team meetings to report the current status of audits and actions. Directors are then responsible for ensuring that agreed actions are completed or extensions are approved where necessary. Any extensions granted are then reported on to the Audit and Accounts Committee. **Action:** As SLT currently receive only Limited and Low reports together with opening and closing positions on the Audit Plan, progress reports (in line with the Audit and Accounts progress reports) will be tabled at future SLT meetings from July 2021.	
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	22	The authority are aware of the provisions of the CIPFA Delivering Good Governance Framework. The authority has sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements. The authority has in place a suitable code of governance.	The Councillors Commission are responsible for monitoring the operation of the Constitution, agreeing and updating the Local Governance Code. The Audit and Accounts Committee are delegated with reviewing the adequacy of governance arrangements (including such matters as internal control and risk management). The Committee receive a draft Annual Governance Statement (AGS) for scrutiny and consideration prior to approving the final AGS and action plan, which is subsequently monitored and reported on. The Audit and Accounts Committee undertake a bi-annual self-assessment in relation to their effectiveness benchmarked against the CIPFA Practical Guidance for Audit Committees. The last review was completed in July 2019 and reported to the November 2019 Committee with an action plan created in relation to those points whereby best practice was not met.	

				Due to the pandemic, three actions are still outstanding, albeit these have been partially completed. An annual report, detailing the work of the Committee during the year is tabled at Full Council for wider Members review. The Local Governance Code is contained within the NSDC Constitution. Governance frameworks can be identified throughout our policies and procedures.	
E	The financial management style of the authority supports financial sustainability	22/23	Strong financial management is assessed against a hierarchy of 1. delivering accountability, 2. supporting performance 3. enabling transformation.	A Medium Term Financial Plan (MTFP), covering a four year period, is approved with the budget prior to each financial year and is revised part way through the year in order to stay contemporary. This MTFP identifies future efficiency targets and additional income projections which will be monitored against in future reports. The financial planning cycle started for 2020/21, 2021/22 and MTFP period with SLT reviewing the council's priorities in the context of local and national factors e.g. COVID and the refresh of the Community Plan. Elected members are consulted on the revisions to the Community Plan which is then approved by Council. The MTFP drives the annual budget setting process and all budgets are compiled in consultation with business managers/budget holders and their delivery plans in accordance with the approved Community Plan. The draft budget and MTFP are then presented to the Senior Leadership Team during November. Members are consulted on the draft budget and MTFP through the January cycle of Operational Committees. The presentation of the full budget at Policy and Finance Committee prior to adoption at Council. At	

				each stage, it is possible to amend the budget and MTFP prior to adoption at full Council. NSDC has a constitution which details Committee functions, member and officer delegations. The Constitution also includes the Financial and Contract Procedure Rules which set out responsibilities of Senior Officers, Budget Managers and employees. The Finance team provide a Finance Business Partnering Role in support of services providing financial oversight and active monthly budget monitoring to ensure sustainable VFM services continue to be delivered in accordance with the approved budget, MTFP and Community Plan objectives. A finance representative is represented on all major capital projects. A finance officer Chairs the Capital Programme Forum. Budget monitoring and forecasting reports are tabled at SLT and each of the functional committees together with Policy and Finance Committee.	
Long to Medium Term Financial Management					
	The authority has carried out a credible and transparent financial resilience assessment	26	The authority has undertaken a financial resilience assessment. That assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios.	A full risk assessment is undertaken for our Medium Term Financial Plan and a Strategic Risk is recorded relating to financial resilience due to future uncertainties. As part of the budget setting process an adequacy of reserves review is completed by the S151 Officer to ensure that reserves are neither too low nor too high. An actual balance as per the previous year-end together with forecast positions for the	

			The authority has taken appropriate action to address any risks identified as part of the assessment	current and the following years year-end position are also included. The budget process also identifies a range of different potential risks and identifies any liabilities that may arise as a result of these as part of its robustness of estimates review. At the end of each financial year an outturn report is presented to Policy and Finance Committee setting out the overall outturn position for the authority showing the major movements on the Balance Sheet, together with the movements on provisions and bad debts and the movement on all reserves.	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	26	The authority has a sufficiently robust understanding of the risks to its financial sustainability. The authority has a strategic plan and long-term financial strategy that addresses adequately those risks. The authority reports effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short- and medium-term decision making.	Financial sustainability remains a Strategic Risk and is therefore reported to Members as part of the Strategic Risk Register twice per annum. The MTFP sets out the resources needed in order to deliver the Council's approved Community Plan, together with the forecast receipts for all types of income. There are shortfalls in forecast resources needed compared with forecast income which is explicitly reported in the first table within the MTFP. The report continues and explains how the authority plans to mitigate those shortfalls in resources over the medium term, in order to ensure that the Authority remains sustainable over the medium term. There is an ongoing level of uncertainty both from the impact of Covid-19 on the organisation in relation to additional costs, and reduced service income, in addition to its investments. In addition the review of Local Government Finance has now been delayed for 2 years. Reserves have been created to	

				mitigate some of the impacts together with the additional mitigations referred to above.	
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	26/27	The authority is aware of its obligations under the Prudential Code. The authority has prepared a suitable capital strategy. The authority has a set of prudential indicators in line with the Prudential Code. The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.	NSDC complies with the requirements of the Prudential code. The full Council approves annually a Capital Strategy, a Treasury Management Strategy and an Investment Strategy. Performance of Treasury Management is monitored by the Audit and Accounts Committee whereby a mid-year and Annual Treasury Report is recommended by the Committee to the full Council. These reports (including the Strategy as approved at the beginning of the year) include prudential indicators for the authority to monitor itself against. The authority does not borrow for the purposes of generating an investment yield. The primary driver for borrowing is to deliver capital/regeneration projects for the long term benefits for the community- any positive return from a project is secondary to the primary objective of regeneration and economic growth.	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	27	The authority has in place an agreed medium term financial plan. The medium-term financial plan is consistent with and integrated into relevant service plans and its capital strategy. The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.	The Medium Term Financial Plan is approved during the March Council Tax setting Council meeting, after having been scrutinised at the February Policy and Finance Committee meeting. It is then refreshed at the mid-year and reported to the Full Council for noting. The Budget provides for a £200k Contingency Budget to manage any in year variances to demand leading to additional expenditure/increases in bad debt provision necessary. An approved minimum General Fund Working Balance is set at £1.5m to mitigate any in year financial risks	

			The medium-term financial plan has been tested for resilience against realistic potential variations in key drivers of cost and demand.		
The Annual Budget					
J	The authority complies with its statutory obligations in respect of the budget setting process	29	The authority is aware of its statutory obligations in respect of the budget-setting process. The authority has set a balanced budget for the current year. The authority is likely to be able to set a balanced budget for the forthcoming year. The authority is aware of the circumstances under which it should issue a Section 114 notice and how it would go about doing so.	As legislation requires the full Council sets a balanced budget on an annual basis. It has not had to utilise the General Fund Balance to balance the budget 2021/22 (nor for a number of years). NSDC will be able to set a balanced budget for the forthcoming year as it has earmarked reserves to mitigate the anticipated reductions in government funding. As at the end of the 2019/20 the authority had £1.360m set aside in an earmarked reserve specifically relating to the MTFP with a budgeted transfer of £1.684m anticipated to be transferred in during 2020/21. Additionally to this, the authority has £0.793m set aside in an NNDR volatility reserve to mitigate any financial pressures due to reductions in business rates receivable. Each year once the outturn position for the authority has been finalised, reserves are reviewed with surplus funds in reserves being reallocated appropriately. Any deficit/surplus funds generated in year in line with that reported to Policy and Finance Committee throughout the year within the Budget monitoring and forecasting report, will be transferred from/allocated into reserves accordingly. NSDC is aware of the circumstances and the process for issuing a Section 114 notice, but does not envisage this to be an even remote possibility over the medium term.	
	The budget report includes a statement by the chief finance officer on the robustness of the	29/30	The authority's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the	The budget report contains and reports on the most significant estimates and identifies the sensitivity against these. It also sets out the value of reserves as per the previous year end	

	estimates and a statement on the adequacy of the proposed financial reserves.		adequacy of the proposed financial reserves. The report accurately identifies and considers the most significant estimates used to prepare the budget, the potential for these estimates to be incorrect and the impact should this be the case. The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future. The report sets out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is taking to address any shortfall.	and includes projections of usable reserves as at the year-end for the current and next financial years. The CFO's overarching statement on the robustness of estimates and adequacy of reserves is highlighted to both the Policy and Finance Committee and full Council within the budget report. The authority has two specific reserves set aside to mitigate future funding uncertainties – the MTFP reserve and the NNDR volatility reserve. The report includes an actual balance of reserves as per the previous year end, together with a forecast to the current year end and a proposed balance as per the following year end.	
Stakeholder Engagement and Business Plans					
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	31	The authority knows who its key stakeholders are. The authority has sought to engage with key stakeholders in developing its long-term financial strategy, its medium term financial plan and its annual budget. The authority has assessed the effectiveness of this engagement.	To inform the community plan refresh in 2020/21, informal consultation took place with our residents in the form of feedback from our residents and from local community groups who had mobilised to support communities during the pandemic. The results from feedback informed the annual refresh of the Community Plan. Business plans were prepared and approved by SLT in January 2021 for a 14 month period, taking into account the anomalies that COVID 19 has brought. Business Plans set out the key activities that a Business Unit will undertake, alongside their performance indicators to demonstrate how the Council will monitor if a service is high performing. The Business Plans should also correlate with activities included in the approved	

			The authority has a plan to improvement its engagement with key stakeholders.	Community Plan. Business Plans are prepared in conjunction with Financial Services to ensure there activities are planned for in the budget planning process. The business planning cycle was refreshed during 2020/21 to inform a robust cycle of key council activities throughout a particular financial year e.g. business plan development, budget development, Community Plan refresh and customer insight activities. It is intended that this cycle will be followed during 2021/22. A budget strategy is drafted and presented to the Policy and Finance Committee during the June cycle of meetings to set the context and the high level assumptions to be used in the budget production. Financial services officers then liaise with budget holders to review their anticipated resource requirements, based on their deliverable objectives within the Community Plan. Once this has been built, a report to SLT on the overall budget (with projected Business Rates and Council Tax allocations) is presented at the end of November for senior management approval. Reports to individual committees are presented in the January cycle of meetings for scrutiny before the whole budget is presented to Policy and Finance Committee in February (including actual Business Rates allocations based on NNDR1, and forecast Council Tax allocations assuming the level Council will approve in March). The report is then presented to Council in March to set the Council Tax level and approve the budget. A full district wide consultation with residents, Parish and Town Councils and other stakeholders will take place in 2022 to inform the refresh of the Community plan for 2023 onwards.	

M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	31/32	The authority has a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication ‘Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal’. The authority offers guidance to officers as to when an option appraisal should be undertaken. The authority’s approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options. The authority’s approach to option appraisal includes suitable mechanisms to address risk and uncertainty. The authority reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s).	The Council tables reports to both its Senior Leadership Team and Committees which include options appraisals as part of its decision making process. All items added into the Capital programme have an assessment made against a set of criteria in order to evaluate their value for money. This set of criteria is annually reviewed and approved as part of the Council’s Capital Strategy. Projects are managed in accordance with the project management toolkit which was approved for use in May 2019. Within this document a template business case is included which references the sections to be included within a completed business case. The document does not go on to describe how to undertake an options appraisal. **Action:** Review project management toolkit (due for review May 2022) to ensure this includes a section on how to undertake an options appraisal.	
Monitoring Financial Performance					
	The leadership team takes action using reports enabling it to identify and correct emerging risks to its	33	The authority provides the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability.	Accountants regularly attend Directorate Management Team meetings to review budget performance. This review allows the Directors to question their Business Managers on forecast variances and remedy potential issues.	

	budget strategy and financial sustainability		The reports cover both forward- and backward looking information in respect of financial and operational performance. There are mechanisms in place to report the performance of the authority's significant delivery partnerships. The reports are provided to the leadership team in a timely manner and in a suitable format. The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action	Senior Leadership Team then review quarterly forecast budget monitoring information, having been through the Directorate process, to assess the overall Council position. The reports have been revised in recent years in order to give SLT the information that they require. These reports are consistent with the monitoring reports that are tabled at each Committee and are reported to SLT prior to the Committee cycle, to ensure that SLT have had the opportunity to feed into the report where necessary. **Action:** Review of Financial Procedure Rules to allow for the transfer of budget by Directors, within their directorate area, up to a cumulative limit of £50,000 in conjunction with the wider review of Governance.	
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	33	The authority has identified the elements of its balance sheet that are most critical to its financial sustainability. The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet. The authority is taking action to mitigate the risk identified.	Asset Management – the Authority has a capital strategy but needs to develop an Asset Management Plan for all of its assets. Investments / Long term debt – through treasury management and prudential code updates. Debtors – Report on debt is tabled at SLT quarterly including Sundry Debt, Council Tax, NNDR, Housing Benefit Overpayments and Rents Cash / Long term Borrowing – through prudential code and treasury management update reports.	

			The authority reports unplanned use of its reserves to the leadership team in a timely manner. The monitoring of balance sheet risks is integrated into the authority's management accounts reporting processes.	Provisions – very few and reported on exception basis. Pension Liabilities – through the scheme administrator – Nottinghamshire County Council. Any budget implications picked up through final accounts, budget reports and budget monitoring. Reserves – budget monitoring reports include potential changes to levels of reserves based on the forecast outturn position. A session is held annually with SLT detailing the actual levels of reserves – with details of individual reserves. **Action:** Development of Asset Management Strategy to supplement the Capital Strategy	
External Financial Reporting					
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom	35	The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements. The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements. These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.	The CFO is part of the leadership team. The draft annual statement of accounts, incorporating the statement of responsibilities is considered by the leadership team. Signed statement of responsibilities included in Statement of Accounts. Included in job description and included in personal appraisal objectives.	

			The authority's financial statements have hitherto been prepared on time and in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	The accounts have been produced each year in line with the date as set out in the Accounts and Audit Regulations 2015 (as amended from time to time).	
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions		The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget. The information in these reports is presented effectively. These reports are focused on information that is of interest and relevance to the leadership team. The leadership team feels that the reports support it in making strategic financial decisions.	Outturn information presented quarterly and at the end of the year with explanations for all significant variations. The reports are supplemented by a commentary from the Business Manager – Financial Services The reports describe, based on Directorate summaries, the major variances compared to budget that are affecting the forecast outturn position **Action:** Further work needed to align budget monitoring reporting to service performance management reporting.	