



Ashfield District Council

Statement of Accounts

2013/2014

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Explanatory Foreword

1. Introduction

The accounts are prepared in accordance with the Code of Practice on Local Government Accounting in the United Kingdom 2013/14 based upon International Financial Reporting Standards (IFRS). Changes to the 'Code' have given rise to new accounting policies and the revision of others, which are summarised within the Changes in Accounting Policies paragraph. The accounts are compliant with the Accounts and Audit Regulations (England) 2011 (as amended).

The purpose of the accounts is to give electors, local taxpayers, Ashfield District Council ("the Council") Members, employees of the Council and other interested parties clear information about the Council's finances.

This foreword gives a guide to the most important matters included.

2. The Statement of Accounts

The Council's accounts for the year 2013/14 consist of the following main statements with supporting notes where applicable. Expanded definitions of each statement accompany each document within the accounts.

a. The Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

b. Audit Certificate and Opinion

The Council's accounts are subject to an external audit annually by the Audit Commission's nominated Auditor.

c. The Statement of Accounting Policies

This section summarises the accounting policies used to prepare the accounts.

d. The Core Financial Statements

• The Movement in Reserves Statement

This statement shows the movement in the different reserves held by the District Council over the year. The statement is analysed between useable reserves and unusable reserves.

• The Comprehensive Income and Expenditure Statement

This account summarises the amounts the Council has spent on its services and how this spending was paid for in a standard format to comply with the CIPFA Service Reporting Code of Practice (SeRCOP).

- The Balance Sheet

The Balance Sheet is a statement of the financial position of the Council as at the Balance Sheet date. It shows the assets and liabilities of the Council; the net assets on the balance sheet are matched by reserves held by the Council.

- The Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

e. The Supplementary Financial Statements

- The Housing Revenue Account

The Housing Revenue Account sets out the income and expenditure arising from the provision, management and maintenance of the Council's housing stock. This is separate from the rest of the Council's accounts and is required to operate with a positive working balance.

- The Collection Fund

The Collection Fund shows the amounts collected for Council Tax and National Non-Domestic Rates and how this income has been distributed to Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority.

- The Group Accounts

The Council has a group relationship with Ashfield Homes Limited and prepares consolidated group accounts to reflect that relationship.

f. Annual Governance Statement

The Annual Governance Statement sets out the Council's governance arrangements and highlights any areas where there are significant weaknesses in internal control.

g. Glossary of Terms and Abbreviations

A glossary of terms and abbreviations is included at the end of the document.

A summary of the Council's financial performance compared to the revised budget for 2013/14 is set out below.

3. Financial Overview for 2013/14

a. The General Fund Revenue Budget Statement

The Directorate Structure is the basis used for the management and delivery of services and for accounting purposes. The Council has 6 Directorates. The statement below shows the revised revenue budget compared with the actual net expenditure by Directorate and by subjective analysis.

	Revised Budget £'000	Actual £'000	Variance £'000
Subjective Analysis:			
Employee Expenses	14,648	15,397	749
Premises Expenses	1,458	1,360	(98)
Transport Related Expenses	2,357	2,187	(170)
Supplies and Services	6,127	6,448	321
Transfer Payments	34,760	35,259	499
Central & Dept Recharges	9,754	9,565	(189)
Income	(42,382)	(43,629)	(1,247)
Recharges	(12,790)	(12,502)	288
Total	13,932	14,085	153
By Directorate			
Chief Executive Officer	1,250	769	(481)
Deputy CEO (Resources)	687	1,084	397
Assistant CEO (Governance)	901	981	80
Corporate Services	732	571	(161)
Economy	3,878	3,855	(23)
Environment	6,484	6,825	341
Divisional Expenditure	13,932	14,085	153
Expenditure relating to Capital Assets, Financing and Interest including accounting adjustments required under statute	1,702	1,301	(401)
Total Net Expenditure	15,634	15,386	(248)
Funding			
Government Grants	(6,589)	(6,589)	0
Business Rates Retention	(3,859)	(3,733)	126
Council Tax	(4,995)	(4,995)	0
Total Funding	(15,443)	(15,317)	126
Net General Fund Deficit / (Surplus) for the year before transfers to/from Earmarked Reserves	191	69	(122)
Net Contribution to / (from) Earmarked Reserves	254	270	16
Net General Fund Deficit / (Surplus) for the year after transfer to/ (from) Earmarked Reserves	445	339	(106)

Employee Costs

The Council has made significant progress towards implementing its Job Evaluation Scheme. Under this review all jobs are evaluated and employment terms and conditions re-visited. Estimated costs for back-dated implementation have been identified of £958k and therefore a provision created. Although an overspend is shown against the budget of £749k, the cost is mostly being funded from the Job Evaluation Earmarked Reserve as shown at Table 23a in the accounts and in-year contribution.

The Council has also settled the majority of the Equal Pay claims and this has led to a reduction in the required provision of £141k which has been credited back to the Net Cost of Services.

The impact of the above factors result in an actual net under spend of £68k.

Premises costs

Premises costs are £98k under spent. These mainly relate to maintenance of public buildings.

Transport Related Expenses

Transport Related expenses are £170k under spent. The Council pools costs relating to operation of the Transport section and recharges these to services to reflect the use of vehicles. These contract hire charges are £149k less than budget but this is reflected in a reduction of income recharges. The cost of operation reduced due to lower depreciation.

Supplies and Services

Supplies and Services are over spent by £321k. A number of areas contributed to the variance.

- A Partnership Plus grant of £138k was paid directly to Mansfield District Council, who administer the grant, as part of a shared Community Safety Partnership, on the Council's behalf. The budget included the expected receipt of the grant and payment over to Mansfield District Council. This will also explain part of the variance in respect of grant income.
- There were a range of variances against supplies and services budgets resulting in a net under spend of £156k. Principally these included under spends on consultants £96k, software £63k, publicity and advertising £46k and overspends on purchases £35k, transfer station fees £27k.
- Internal expenses were £361k overspent. This was due to the need to increase provisions for bad debt (£90k) insurance (£56k) land charges (£40k) and to account for lower subsidy for housing benefit overpayments (£175k).
- The net cost of insurance claims is £255k. These are not budgeted for as it is dependent upon claims received and those successful. The cost of insurance is however met from the Insurance Reserve.

Transfer payments

Transfer payments were £499k higher than budgeted. These payments are mostly reimbursed by the Government through subsidy as commented on at the end of the next section. The net variance taking into consideration subsidy income is £91k. Discretionary Housing payments were under spent by £64k however any unspent grant is returned to the Government and therefore reflected in a reduction in income.

Internal recharges

Internal recharges were £189k less than budgeted but this is reflected in the reduction in recharges income. These are internal transactions and do not impact on the overall budget position.

Income

Income for the year was £1.247m higher than budget, some of which is a direct consequence of the issues reported above.

- Grants and contributions were £36.889m, £650k higher than budget

£588k was a result of higher subsidy for transfer payments made as discussed above.

Revenue Grant Contributions received of £400k to be utilised for employment opportunities. This grant is largely unspent and put to the Revenue Grant Reserve through the Movement in Reserves (table 23a).

A reduction in the Rent Subsidy of £208k as a result of lower housing benefits payments being claimed by Council tenants.

No receipt of Partnership Plus Grant as identified above £138k.

- Other income was £595k higher than budget

Fees and charges were higher by £255k due to additional planning fees £101k, Garden Waste Collection £46k, Insurance contributions £56k, Crematorium fees £72k and other income and reimbursements £52k.

Increase in debtors for overpaid housing benefit and council tax payments £268k.

Recharges

Income in respect of recharges was £288k lower than budget. This is compensated by a decrease in expenditure from contract hire charges £146k and lower general internal recharges of £189k

In summary the Divisional Net Service Expenditure is £153k higher than budgeted.

Expenditure relating to Capital Assets, Financing and Interest Costs including Accounting Adjustments made under Statute

The variance relating to these costs were £401k less than anticipated.

Direct Revenue Financing to fund the Capital Programme was £114k less than anticipated but this is only a timing issue. Contribution towards the countywide Broadband Scheme and completion of Hucknall Leisure Centre Improvements are not now expected to be concluded until 2014/15.

The remaining variance of £287k relates to accounting adjustments. This relates to items such as the Joint Crematorium balance, IAS19 pension adjustments which do not form part of the General Fund budget but are statutorily included in producing these statements.

Funding

Business Rates were £126k lower than estimated taking into consideration additional grant received to cover additional Small Business and Empty Rate Relief. From 2013/14 there has been a significant change in the basis of funding through Business Rates as outlined in the Collection Fund notes. The amount received is dependent upon rates levied, a comparison of funding requirements as determined by the Government and whether safety net or levy payments are to be received or paid. Additionally for Ashfield, the amount received is dependent on the performance of the Nottinghamshire wide pool.

In summary, the Net Deficit before Movement to Reserves is £69k, £122k better than budgeted.

Transfer to /from Reserves

The Council made a net contribution to Earmarked Reserves of £270k. The significant movement in reserves were:-

- £273k from the Insurance Reserve to the General Fund to fund the increase in provision and to reflect the current claims provision.
- £318k from the General Fund to the Revenue Grant Reserve. This movement relates to unspent grants received during the period which are to be used for specific projects in future years. These are included within 'Income' in the subjective analysis.
- £340k from the Job Evaluation Reserve contributing towards the funding of the provision created to fund Job Evaluation costs in 2014/15.

The planned withdrawals from the Corporate Improvement Fund (£313k) and Corporate Change and Renewal Fund (£339k) were not made, expenditure being funded in-year.

The Net General Fund Deficit after Movement in Reserves is £339k, £106k less than budgeted.

b. Housing Revenue Account

	Revised Budget £'000	Actual Expenditure £'000	Variance £'000
Income			
Rents, Charges and Contributions	(24,151)	(24,380)	(229)
Interest and Investment Income	(116)	(96)	20
Total Income	<u>(24,267)</u>	<u>(24,476)</u>	<u>(209)</u>
Expenditure			
Borrowing and Capital Financing Charges	2,333	2,333	0
Repairs and Maintenance	6,467	6,467	0
Supervision and Management	6,023	5,638	(385)
Interest Payable and Appropriations	3,470	3,478	8
Other Expenditure	638	597	(41)
Direct Revenue Financing	1,529	572	(957)
Transfer to/from Major Repairs Reserve	2,574	3,112	538
Total Expenditure	<u>23,034</u>	<u>22,197</u>	<u>(837)</u>
Surplus for the year	<u>(1,233)</u>	<u>(2,279)</u>	<u>(1,046)</u>

The Housing Revenue Account (HRA) outturn shows the income and expenditure arising from the provision of the Council's landlord functions. The HRA is ring fenced and required to operate with a positive working balance.

The outturn for the HRA shows an in year surplus of £ 2.3m bringing the balance at 31 March 2014 to £19.7m.

Actual income from rents is slightly higher than the budget due to lower void levels than those originally forecast and continued high collection rates.

Supervision and management shows a favourable variance of £385k. This includes a repayment of £72k from Ashfield Homes Limited, being under spent management fee returned to the Council under the protocol in place. Other variances of note were council tax payments made for empty council houses at £52k were £48k lower than budget and a budget of £150k for environmental improvements planned to be utilised in 2013/14 was unspent but is expected to be utilised in 2014/15.

Other expenditure is lower than forecast as the contribution required from the HRA to cover the cost of housing benefits over limit rent values is less than originally forecast.

Direct Revenue Financing is significantly lower than forecast due spend on the Empty Homes Scheme and Darlison Court development being less than originally expected. These works are due to continue in 2014/15.

The contribution to the Major Repairs Reserve is £538k higher than forecast as a result of major planned works forecast for completion in 2014/15 being completed early.

c. Capital Expenditure and Financing

Scheme	Capital programme £000's	Actual Expenditure £000's	Variance £000's
Housing Revenue Account			
Major Works (Decent Homes)	1,842	1,755	(87)
Windows	1,180	1,169	(11)
Sutton Pool Site (New Builds)	750	1,040	290
Management Fee	638	632	(6)
Non Traditional Structural Works	311	526	215
Sherwood Court	400	443	43
Disabled adaptations - Treated as Revenue			
Expenditure From Capital Under Statute (REFCUS)	365	361	(4)
Other HRA Schemes (less than £100k each)	247	211	(36)
External Doors (Door Security)	258	201	(57)
Communal Boiler Replacement	140	144	4
Darlison Court (New Builds)	250	74	(176)
Empty Homes	800	55	(745)
Warwick Close	100	4	(96)
Total Housing Revenue Account	7,281	6,615	(666)
General Fund			
Other General Fund Schemes (less than £100k each)	1,392	926	(466)
Local Authority Mortgage Scheme	500	500	0
Sutton Town Centre Regeneration	394	399	5
Disabled Facility Grant	430	359	(71)
Thermal Comfort Scheme	112	184	72
Nabbs Lane Cycle Track & West Hucknall Young Peoples Provision	215	140	(75)
Hucknall Leisure Centre Improvements	170	133	(37)
Sutton Lawn Young people's provision: Upgrade skate park, including lighting	117	83	(34)
Kirkby Regeneration and Civic Centre	100	45	(55)
Ellis Street Redevelopment	250	0	(250)
Further Energy Efficiency Savings	100	0	(100)
Hucknall Town Centre: Inner Relief Road	350	0	(350)
Total General Fund	4,130	2,769	(1,361)
Total Expenditure	11,411	9,384	(2,027)
Funding			
Major Repairs Reserve	6,436	5,995	(441)
Borrowing	1,347	988	(359)
Government Grants and Other Contributions	3,023	1,703	(1,320)
Revenue Contributions	305	222	(83)
Capital Receipts	300	476	176
Total Funding	11,411	9,384	(2,027)

- Housing Revenue Account (HRA)

The Empty Homes Scheme was significantly under spent by £745k as was the Darlison Court New Build Scheme by £176k. These works are expected to roll forward into 2014/15. There was an over spend on the new building at Sutton Pools of £290k due to works originally planned in 2014/15 being completed in 2013/14. Ashfield Homes Limited (AHL) managed works were £61k over spent in 2013/14 which also was due to works planned for 2014/15 being completed early.

- General Fund

There was slippage in the capital programme primarily due to the following schemes: Hucknall Inner Relief Road £350k, Ellis Street Redevelopment £250k, Further Energy Efficiency Schemes £100k, Area Committee Approved Schemes £129k and various other smaller capital schemes totalling £614k being deferred to the following year.

- Funding

The funding requirement for the capital programme has reduced as a direct result of the lower than anticipated capital expenditure in the year.

As there are existing HRA balances, these are used in part to fund the capital programme therefore there is no new borrowing for HRA. Borrowing for the General Fund is £988k.

The Council can borrow for any purpose for which it is legally entitled to incur expenditure. The Council sets its borrowing limits annually based upon tests of affordability and prudence. The current borrowing limit is £120m with an operational boundary of £110m. The outstanding borrowing as at 31st March 2014 is £70.9m.

d. Valuation of Assets

- Impairment of Council Dwelling Assets

When revaluing Council Dwellings, the Government can require the East Midland Adjustment Factor be applied. The Adjustment Factor is used to reduce the valuation of social housing from the market level to a level which reflects the Government's assessment of valuation taking account of right to buy and other factors. There has been no change in the Adjustment Factor during 2013/14.

A desktop valuation of all Council Dwellings was undertaken at 31st March 2014 which has resulted in previous impairments charged to the Housing Revenue Account being reversed to the value of £4.5m. Additionally the valuation has required that £5.0m of Capital Expenditure be impaired. The total impairment in the year is £0.5m.

- **Impairment of General Fund Assets**

A valuation exercise has been undertaken for Markets, Surplus Assets, Community Buildings and Bowls Pavilions as well as a full review of other General Fund Assets which has resulted in impairment charges of £2.15m.

- **Depreciation**

The depreciation charge has reduced from £4.7m in 2012/13 to £4.4m in 2013/14. The reduction is mainly due to a change in the asset lives for vehicles which has for the majority of the vehicle fleet been increased to seven years and no further depreciation being charged on assets which have been written down to zero in 2012/13.

e. Material Assets Acquired and New Liabilities Incurred

There are no new material assets acquired or new liabilities incurred.

f. Provisions

There has been an increase in provisions of £874k, principally to account for the following:-

- **Insurance** - A review of all outstanding insurance claims has required a decrease in insurance provisions of £5k. During the period, the Council paid a levy of £62k to the Municipal Mutual Insurance Company (MMI) triggered by a 'Scheme of Arrangement' under section 425 of the Companies Act 1985. No further levy payments are expected to fall due in 2014/15.
- **Legal costs in relation to Planning Applications** – This arises as a result of reviewing planning appeals and the payment of legal costs should these be successful. The provision has been increased by £10k in 2013/14.
- **Land Charges** – This relates to the potential refund of fees paid by Property Search Companies for access to Land Charges data. One collective claim has been paid but a further claim remains outstanding. The provision has been increased by £40k to take into consideration an estimation of settlement costs.
- **Equal pay** - This relates to unsettled legal claims received in respect of Equal Pay. Several claims were settled during the year and potential new claims received. The provision now stands at £42k.
- **Job Evaluation** – The Council has undergone a Job Evaluation/Single Status exercise in order to implement the 1997 Single Status and the 2004 National Agreement on Pay and Conditions. Although the scheme has not yet been fully

agreed an estimation of likely costs relating to compensation and back-pay for 2012/13 and 2013/14 have been identified. The provision stands at £958k.

- **Business Rates Appeals (NDR - non-domestic rates)**

Under the Business Rates Retention Scheme which came into effect on 1st April 2013 local authorities are required to provide for the potential loss of business rates as a result of businesses successfully appealing against the rateable valuation of property occupied. Two provisions have been established, one relating to new appeals received in year and one for those appeals previously received but likely to be back-dated up to 5 years. The provisions are funded from the Collection Fund and the cost shared between the members of the Business Rates pool. The total of the appeals provisions is £914k with the Council being responsible for £366k.

Except for Business Rates Appeals, the above provisions result in an increase in the Cost of Services, however the insurance, planning and job evaluation provisions have been funded from the appropriate earmarked reserves through the Movement in Reserves Statement.

g. Pension adjustment

The Council is a member of the Nottinghamshire County Council Pension Fund. As at 31st March 2014, the Pensions Reserve deficit was £60.262m compared with £58.185m at 31st March 2013. An adjustment of £2.077m is therefore reflected in the accounts.

4. The impact of the current economic climate on the Council and the services it provides

a. Impact on the Council's expenditure and income against its budget plans

(i) Overview

2013/14 was the third year of the Government's Comprehensive Spending Review. Between 2010/11 and 2015/16, it is forecast that Government funding to the Council will reduce by 32%, from £13.6m to £9.2m. This takes account of Revenue Support Grant, Retained Business Rates, New Homes Bonus, former Area Based Grant, former Government support for Council Tax Benefit and other minor grants.

The Council has responded to this reduction in funding, and a structural deficit inherited from the period before 2010, by adopting and implementing a robust Medium Term Financial Strategy (MTFS). Within 2013/14, £1.1m of recurring reductions were implemented, based upon initial plans to achieve £1.3m. This was followed by the identification of £0.8m of permanent reductions in the 2014/15 budget setting.

In 2014/15, the Council has actually set a balanced budget, i.e. one that does not require a contribution from its General Fund Reserve. However, further reductions will be required in future years because of the funding reductions referred to in the first paragraph. The current MTFS identifies the need for £1m of reductions in 2015/16 (see 4b below).

It is the intention, as in previous years, to work closely with the elected Members to identify a strategy which will bring forward the appropriate budget reductions, by Autumn 2014. Proposed reductions will strike a balance between improved efficiency, and review of the services offered.

(ii) Impact of the Localisation of Council Tax Support

The Council met its objectives in the first year of Localised Council Tax Support. The collection of Council Tax is on target to reach 99%, as in previous years. Because the Government has significantly reduced the funding available to provide this local support, Members will need to consider what form the scheme should take in future years. For 2014/15, it has been agreed that the existing scheme should be retained.

(iii) Business Rates Retention

With effect from 1st April 2013, the Business Rates Retention scheme was introduced. The new arrangements provide a direct link between business rates growth and the amount of money local authorities have to spend on services. Local authorities can keep a proportion of their business rates collected in their area after certain contributions to (levy payments) and from (safety net payments) the Government have been made.

As a result, Business Rates forecasting as a tool for forward planning is more important than ever before. This is a complex area and one which will be a challenge as the Council develops its business intelligence as well as reflecting any changes the Government makes to the scheme as result of assessing the first year operation.

As part of the business rates retention scheme, all local authorities were given the opportunity to work with neighbouring and partner authorities to develop a bid to become a local authority business rate “pool”. Ashfield is part of a Nottinghamshire NDR pool which is administered by Nottinghamshire County Council. Member authorities are treated as a single authority for the purpose of certain calculations under the business rates retention scheme. The advantage of a pool is to potentially generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area.

As a result of being in the Nottinghamshire pool the Council is forecasted to receive a returned levy of £24k.

(iv) Impact of Welfare Reform

A number of risks exist to the Housing Revenue Account (HRA), and potentially to the General Fund, relating to the many strands of Welfare Reform.

The most significant of these risks remains the future planned introduction of **Universal Credit (UC)**, which replaces Housing Benefit, as well as a range of other current benefits. This is a risk because it is planned to be paid directly to a tenant, rather than a landlord. ADC currently receives all or part of around 4,000 rent payments directly from DWP in respect of its tenants who qualify for this assistance. The Council needs to ensure that mechanisms are in place to ensure that these tenants' rents will still be paid when UC is introduced. Rental income underpins all the Council's HRA expenditure.

Other risks exist around changes to Housing Benefit, specifically around the Benefit Cap and the Under-occupancy Rules (often known as the "Bedroom Tax").

(v) The Localism Act 2011

This Act contains a number of measures which place new burdens on local government. None have yet had an impact in Ashfield, but could well do in the future.

- A referendum can be called if a proposed Council Tax increase is considered excessive
- Members of the local community can challenge and potentially bid to run services currently run by the Council
- Members of the local community can bid to buy a community asset

b. The adequacy of balances and reserves to withstand future pressures

The Council agreed a revised MTFs for its General Fund in October 2013. This set out the forecast budget shortfalls for the financial years 2015/16 to 2018/19, and the level of budget reductions required in each year was agreed, as follows:

- 2015/16 - £1.0 million
- 2016/17 - £0.9 million
- 2017/18 - £0.9 million
- 2018/19 - £0.8 million

If the Council's income and expenditure forecasts are accurate, then this level of savings will ensure that the Council's balance in its General Fund Reserve will remain above £1.5m throughout the period.

The General Fund Reserve is forecast to stand at £3.3m at 31 March 2015.

The Housing Revenue Account Balance is forecast to stand at £15.235m at 31 March 2015.

A significant amount of work has been undertaken in 2013/14, and is continuing into 2014/15, to identify the 30 year maintenance needs of the Council's 7,000 housing stock. A revised 30 Year Business Plan will be produced in 2014/15 which will set out the future expected expenditure and income under the Self Financing regime.

c. How the value of the Council's assets (or liabilities) might be affected

The economic downturn continues to impact on land and property values and will affect any council which needs to dispose of surplus assets. This will reduce the Council's ability to fund future capital projects from capital receipts.

The potential issue of an increase in bad debts is referred to in 4.a (iv) above. This will be kept under close scrutiny in 2014/15.

4. Changes to Accounting Policies

IAS 19 – Employee benefits

The amendment to the IAS 19 Standard has been fully adopted for 2013/14 and comparative figures for 2012/13 can be found at note 36g) below. The main changes are:

- Removal of the expected return on assets, replaced by a net interest cost comprising income on the assets and interest expense on the liabilities.
- A change in terminology with "service cost" now encompassing what was previously described as "current service cost", "past service cost", "curtailments" and "settlements".

5. Public Inspection of Accounts

Members of the public have a statutory right to inspect the accounts before the annual audit of the accounts is completed. The availability of the accounts for inspection is advertised in the local press.

The Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Council

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Deputy Chief Executive;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the amended audited Financial Statements.

I confirm that the amended Financial Statements were approved by the Audit and Standards Committee meeting held on
22nd September 2014.

Signed on behalf of Ashfield District Council:

Councillor Mr R Buttery
Chairman of the Audit Committee

Responsibilities of the Deputy Chief Executive

The Deputy Chief Executive is responsible for the preparation of the Council'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 2013/14 ("the Code of Practice").

In preparing this Statement of Accounts, the Deputy Chief Executive has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Deputy Chief Executive has also

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

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31st March 2014.

D. Greenwood, C.P.F.A.
Deputy Chief Executive
30th June 2014

Audit Certificate and Opinion

Independent auditor's report to the Members of Ashfield District Council

The independent auditor's governance report can be found at the end of the Statement of Accounts.

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2013/14 and its position at the year end 31st March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Accruals of Income and Expenditure

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

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

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 one working day.

Cash Equivalents are short term investments that are of a highly liquid nature. The Council has deemed that deposits held within call accounts are categorised as Cash Equivalents unless they are held as part of the Council's investment strategy in which case they are treated as short term investments.

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

4. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5. 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, i.e., 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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non Current Assets

Service revenue accounts, support services and trading accounts are charged 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, to the extent that there are no accumulated

- gains in the Revaluation Reserves 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 cover depreciation, revaluation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute 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, impairment losses and amortisations are therefore replaced by a revenue provision in the Movement in Reserves Statement on the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account.

7. Employee Benefits

a. Benefits payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and accumulated flexi time for current employees and are recognised as an expense in the services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements etc 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 wage and salary rates applicable the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus and Deficit on the Provision of Services, but then reversed out through the Movement In Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b. 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 and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves 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 the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

c. Post Employment Benefits

Most employees of the Council contribute to the Nottinghamshire Pension Fund, the Local Government Pension Scheme administered by Nottinghamshire County Council. The scheme provides defined benefits (retirement lump sums and pensions) earned as employees work for the Council.

The Nottinghamshire Pension Fund is accounted for as a defined benefit scheme:

- The liabilities of the 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 including mortality rates, employee turnover rates and projections of projected earnings for current employees.
- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pension liability is analysed into the following components:
 - i) Service Cost – this consists of:-
 - a) the increase in liabilities as result of years of service earned this year - allocated to the revenue accounts of services for which the employees worked (formerly Current Service Cost);
 - b) the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services as part of Non-Distributed Costs (formerly Past Service Cost)
 - c) Gains/Losses on Settlement and Curtailment – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefit of employees - debited or credited to the Surplus or Deficit on Provision of Services within the Comprehensive Income and Expenditure Statement as part of non-distributable costs.

ii Net interest on the defined liability (asset)

This represents the net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate. These are credited to the Financing and Investment Income and Expenditure section within the Comprehensive Income and Expenditure Statement. This replaces the 'Expected return on assets' previously required.

iii) Administration Charges

Administration costs associated with the fund are charged against the Net Cost of Services. Previously a deduction to the actual and expected returns on assets took place.

iv) Remeasurement

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 – debited or credited to Other Comprehensive income and Expenditure in the statement and the Pension Reserve (formerly actuarial gains and losses).

v) Contributions paid to the Fund

Cash paid as employer's contributions to the pension fund.

The policy has been updated to reflect the requirements of IAS 19 (2011) for 2013/14.

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.

In the Movement in Reserves Statement 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 such amounts payable to the fund but unpaid at the year-end.

The negative balance that arises on the Pensions reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

8. Events after the Balance Sheet Date

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 events 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. For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee.

9. Financial Instruments

a. Financial Liabilities

Borrowing

Borrowing is classed as either a long-term liability, if it is repayable after 12 months or longer, or a current liability, if it is repayable within 12 months. Borrowing is shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council, plus where appropriate, the amount of external interest accrued on loans where an effective interest calculation has not been made. This applies generally to outstanding PWLB loans, where the rate of interest on the loan does not vary over the life of the loan. Generally, the interest that is charged to the Comprehensive Income and Expenditure Statement financing section is the amount due in the year under the loan agreement, except where this is adjusted under effective interest rate calculations to meet the requirements of the 2013/14 Code.

Gains and Losses on Debt Re-structuring

For gains and losses on debt re-structuring arising after 1st April 2007, the full value of the gain or loss will be recognised in Surplus or Deficit on Provision of Services within the Comprehensive Income and Expenditure Statement in the year the repurchase or settlement is made. However, where a loan with the same lender is modified, i.e. where the net present value on the replacement loan varies by no more than 10% of the original loan and the exchange of loans takes place on the same day, then the effect of the resulting premium or discount can be charged to Net Operating Costs over the term of the replacement loan, rather than in the year the premium or discount arises.

Creditors

Creditors are recognised when a contractual arrangement is entered into between the Council and a supplier to provide goods and services for an agreed price. The value of the creditors recognised in the Balance Sheet represents the current value of the outstanding liabilities of the Council at 31st March 2014 as a proxy for amortised cost.

b. Financial Assets

Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are classed as either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council. The amount shown in the Balance Sheet represents the outstanding principal due to be repaid to the Council and the interest that is credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement.

Soft Loans

Soft loans arise where the Council provides a loan facility at less than market rates. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the 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 Comprehensive Income and Expenditure Statement 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.

Debtors (including mortgages)

Debtors are recognised when a contractual arrangement is entered into between the Council and a debtor to provide goods and services for an agreed price. The value of the debtors recognised in the Balance Sheet represents the current value of the outstanding debts owed to the Council at 31 March 2014 as a proxy for short term debtors.

IFRS 7 - Financial Instruments: Disclosures (transfers of financial assets).

IFRS 7 requires disclosures about the transfer of financial assets in which interests are retained with the aim of evaluating the financial risks to which an authority would be exposed.

No such event has occurred in the current financial period.

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 acquired using 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 (non-ring-fenced 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 in 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.

Non-specific Grants

These are general grants allocated by central government directly to local authorities as additional revenue funding. They are non-ring fenced and are

credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. Examples include New Homes Bonus and Council Tax Freeze Grant.

11. Intangible Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

These assets are held at cost and written off over their economic lives to the relevant service lines within the Comprehensive Income and Expenditure Statement. Where there is an indication that the asset is impaired any loss recognised will also be charged to the relevant service. Software development costs that are directly attributable to bringing a computer system or other computer operated machinery into use are treated as being of the cost of the related hardware, rather than as a separate intangible asset. During 2013/14 no assets met the 'Intangible Assets' definition.

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 jointly controlled entities 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 financial assets at cost, less any provision for losses.

(a) Joint Crematorium Committee

The Council is a constituent member of a joint crematorium committee with neighbouring authorities of Mansfield and Newark and Sherwood District Councils. Current activities are split between all the councils based on the number of residents of each district area cremated. The balance sheet is apportioned based on an average of the last 5 years' cremations from each area. The Council's share of running costs and income has been included in the Comprehensive Income and Expenditure Statement and the share of assets included within the Balance Sheet using these apportionments. Due to the nature of the relationship of the Council within the committee Group Accounts are not required for this entity. Information on the Council's share of the income and expenditure and associated assets and liabilities is shown in note 40 to the Core Financial Statements.

(b) Ashfield Homes Limited

The Council has a 100% interest in Ashfield Homes Limited through the issues of a single £1 share. The Company was formed on 26th September 2001 to carry out the housing management function on behalf of the Council with effect from 1st April 2002. Group Accounts are prepared to include the activities of this company as it is fully controlled by the Council.

13. Inventories and Long Term Contracts

Inventories are included on the balance sheet at the lower of cost and net realisable value. The cost of inventories is assigned by average cost price, except for canteen stocks which are valued at average selling price.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Properties

Following the guidance of the International Accounting Standard 40 with regard to investment properties, it has been established the Council does not hold any properties for investment purposes, as the premises leased to third parties are primarily for job creation and economic development, not capital appreciation or rental growth.

15. 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 and equipment from the lessor to the lessee. All other leases are classified as operating leases.

a. Operating Leases

The Council as Lessee

The Council acts as lessee for equipment leases only.

Rentals payable under operating leases are charged to the relevant service revenue account on a straight line basis over the term of the lease.

The Council as Lessor

The Council does act in the capacity as lessor for the leases of land and properties it owns. Rents due under operating leases are accounted for on a straight line basis as they become due. Land and property leased under operating leases are held as non-current assets within the Balance Sheet and valued in accordance with appropriate valuation practices.

b. Finance Leases

The Council as Lessee

Plant and Equipment held under finance leases are recognised on the Balance Sheet at the lower of the fair value of the asset at the lease inception and the present value of the minimum lease payments. The value of the asset is matched

by a liability to pay the finance lessor.

Lease payments are apportioned between a capital repayment to write down the finance lease liability, and a financing charge.

Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to the depreciation charge being applied over the lease term.

The Council is not required to raise Council tax to cover depreciation on leased assets. Rather, a prudent annual contribution is made from the revenue fund toward the cost of the capital investment. Adjusting transfers are made to the Capital Adjustment Account within the Movement in Reserves statement to reflect the difference between the two charges.

The Council as Lessor

The Council does not have any finance leases where it acts as lessor.

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used, the full cost of overheads and support services is shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core, which are costs relating to the Council's status as a multi-functional democratic organisation;
- Non distributed costs which are the cost of discretionary benefits awarded to employees retiring early and any impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classed 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 yields benefit to the Council for more than one financial year. Expenditure that maintains but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Property, Plant and Equipment may also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at a value reflecting the fair value of the asset.

A de-minimis asset value of £10,000 has been set and expenditure on new assets of less than this amount is charged to the service revenue account as a proxy for depreciation, unless the expenditure forms part of a larger scheme.

Measurement

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction

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

Asset Category	Basis of Valuation
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing
Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset becomes operational

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate for fair value. Where assets have a short useful life then depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to a series of beacon values at the start of the financial year.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the 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 a debit to the Revaluation Reserve to the extent that an accumulated gain has been recorded against that asset; where there is no balance or an insufficient balance on the revaluation reserve for that asset the write down of the asset value is charged against the relevant service within the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Revaluations are recorded by individual asset. 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 there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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 continued service use then it is reclassified as an asset held for sale. The asset is re-valued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet 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 are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains relating to the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to 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 Capital Receipt Reserve within 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 within the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment over a period of their estimated useful lives; freehold land is determined to have a infinite economic life and is not depreciated, assets under construction are not depreciated until they become operational in providing services. Depreciation is calculated using the straight line method. Assets are depreciated over the estimated economic life of the asset which has been assessed as being the following periods:

Council dwellings	40 years
Other HRA assets	10 - 80 years
Other Buildings	10 - 80 years
Vehicles, plant and equipment	3 - 10 years
Infrastructure	10 - 40 years
Community Assets	20 years

Revaluation gains are also depreciated. The difference between the depreciation on the current value and that which would have been charged on the historic value is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

The Council allocates the costs of an individual asset to its various components to calculate depreciation charges where the value of the asset exceeds £500K and more than one individual component exceeds 20% of the asset value. The impact on depreciation charges for assets below the threshold is not considered material. The componentisation is based on the following elements of the asset:-

- Boilers, heating and plant systems
- Lifts
- Roofs
- Windows and doors

In terms of Council Dwellings, these assets are collectively valued in excess of £500K. However, when comparing the value of depreciation charged on a component basis compared to the current 40 year life straight-line methodology, the difference is not considered material. Council Dwellings are therefore not currently subject to componentisation but the policy is to be reviewed on an annual basis.

18. Heritage Assets

The Council's Heritage Assets held are Historical Monuments, Statues and Artwork. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However no depreciation is charged on

Heritage Assets as they are deemed to have an indeterminate life and have a high residual value.

Historical Monuments

The Council has seven Cenotaphs that are located at various outside locations throughout the Council. These monuments are reported in the Balance Sheet on an average replacement cost basis which has been agreed following discussions with our internal valuer.

Statues and Artwork Collection

The collection includes Statues, Sculptures and Mosaics situated within the local town and village streets throughout the Council. The collection depicts the Council's mining and engineering history to ensure the knowledge, culture and understanding of our heritage is preserved for future generations. An artwork example would be The Flight of Fancy sculpture that represents the Rolls Royce Flying Bedstead thrust measuring machine that was developed to research the use of direct lift. These items are reported in the Balance Sheet on an historic cost basis or on an insurance valuation basis and were mainly purchased from grant funding.

Non Balance Sheet Items

The Council also holds a collection of items which are not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. These items are believed to have a value of £10k or less. The majority of the collection is street mosaics, murals and sculptures purchased through grant funding or produced by the public art events. The Council has also received a number of donations including a Knitting machine and a Stocking machine dating back to the 18th and 19th century, both of which are believed to be fore runners to the Spinning Jenny. It is difficult to obtain a valuation on these two items as there is no comparable item that provides a market value. Most assets are located on public streets, in parks or on display within public council buildings. A few items are stored securely in the Council's Council Offices and not currently available for public viewing however ways of making these items more accessible are being developed.

Heritage Assets – General

Heritage Assets are reviewed by the Council for impairments such as where an item has suffered physical deterioration or breakage. Any impairment is measured and recognised within the Revaluation Reserve. The Council works closely with the Ashfield War Memorial Committee to preserve and maintain the local historical monuments. All other Heritage Assets are reviewed and maintained as required. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

19. Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. 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 to the appropriate service revenue account in the year that the Council becomes aware of the 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 set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

b. 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.

c. 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.

20. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves. When expenditure to be

financed from a reserve is incurred, it is charged to the appropriate revenue account in that year to score against the surplus or deficit on provision of services. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

The level of reserves and balances is reviewed annually to ensure they are appropriate. The General Fund Balance, Earmarked Reserve and Reserves arising from Capital Receipts together with Capital Grants Unapplied are deemed to be usable reserves in that they may be used to fund future expenditure.

Certain reserves are kept to manage the accounting processes for capital non-current assets and retirement benefits and other accounting requirements, these are termed unusable reserves and are not available to be used to fund future expenditure.

21. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the General Fund Balance by the Movement in Reserve Statement so there is no impact on the level of Council tax.

22. Value Added Tax

Value Added Tax (VAT) is excluded from all income and expenditure received and paid by the Council except where it is classed as irrecoverable by HM Revenue and Customs.

23. The Collection Fund

i) Council Tax

The Council includes its share of the accrued Council Tax due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the local precept for Council and parish activities is reversed through the General Fund Balance to ensure only the level of Council Tax required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

ii) Business Rates

The Council includes its share of accrued Business Rates due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the forecast amount due to the Council is reversed through the General Fund Balance to ensure only the level of Business Rates required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other partners of the pool (Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority) are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

The Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into useable reserves (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves.

- The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council tax setting and dwellings rent setting purposes.
- The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement (Continued)

The movement in reserves statement for 2013/14 is set out below.

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013	<u>3,791</u>	<u>4,923</u>	<u>17,410</u>	<u>0</u>	<u>480</u>	<u>4,500</u>	<u>31,104</u>	<u>72,343</u>	<u>103,447</u>
Surplus or (deficit) on provision of services (accounting basis)	(2,348)		5,572				3,224		3,224
Other Comprehensive Expenditure and Income							0	1,243	1,243
Total Comprehensive Expenditure and Income	<u>(2,348)</u>	<u>0</u>	<u>5,572</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,224</u>	<u>1,243</u>	<u>4,467</u>
Adjustments between accounting basis & funding basis under regulations	<u>2,278</u>	<u>0</u>	<u>(3,293)</u>	<u>0</u>	<u>707</u>	<u>2,237</u>	<u>1,929</u>	<u>(1,929)</u>	<u>0</u>
Net Increase / (Decrease) before Transfers to/from Earmarked Reserves	<u>(70)</u>	<u>0</u>	<u>2,279</u>	<u>0</u>	<u>707</u>	<u>2,237</u>	<u>5,153</u>	<u>(686)</u>	<u>4,467</u>
Transfers to / (from) Earmarked Reserves	<u>(270)</u>	<u>270</u>					<u>0</u>	<u>0</u>	<u>0</u>
Increase / (Decrease) in Year	<u>(340)</u>	<u>270</u>	<u>2,279</u>	<u>0</u>	<u>707</u>	<u>2,237</u>	<u>5,153</u>	<u>(686)</u>	<u>4,467</u>
Balance at 31 March 2014	<u>3,451</u>	<u>5,193</u>	<u>19,689</u>	<u>0</u>	<u>1,187</u>	<u>6,737</u>	<u>36,257</u>	<u>71,657</u>	<u>107,914</u>
Notes		Note 23a	HRA	HRA Note 4	Note 23c	Note 23b		Note 24	

Movement in Reserves Statement (Continued)

The movement of reserves for 2012/13 for comparison purposes is set out below

	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012	<u>4,939</u>	<u>4,597</u>	<u>16,767</u>	<u>0</u>	<u>0</u>	<u>5,513</u>	<u>31,816</u>	<u>75,611</u>	<u>107,427</u>
Surplus or (deficit) on provision of services (accounting basis)	(5,952)		433				(5,519)		(5,519)
Other Comprehensive Expenditure and Income							0	1,539	1,539
Total Comprehensive Expenditure and Income	<u>(5,952)</u>	<u>0</u>	<u>433</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,519)</u>	<u>1,539</u>	<u>(3,980)</u>
Adjustments between accounting basis & funding basis under regulations	<u>5,130</u>	<u>0</u>	<u>210</u>	<u>0</u>	<u>480</u>	<u>(1,013)</u>	<u>4,807</u>	<u>(4,807)</u>	<u>0</u>
Net Increase / (Decrease) before Transfers to/from Earmarked Reserves	<u>(822)</u>	<u>0</u>	<u>643</u>	<u>0</u>	<u>480</u>	<u>(1,013)</u>	<u>(712)</u>	<u>(3,268)</u>	<u>(3,980)</u>
Transfers to / from Earmarked Reserves	<u>(326)</u>	<u>326</u>					<u>0</u>	<u>0</u>	<u>0</u>
Increase / (Decrease) in Year	<u>(1,148)</u>	<u>326</u>	<u>643</u>	<u>0</u>	<u>480</u>	<u>(1,013)</u>	<u>(712)</u>	<u>(3,268)</u>	<u>(3,980)</u>
Balance at 31 March 2013	<u><u>3,791</u></u>	<u><u>4,923</u></u>	<u><u>17,410</u></u>	<u><u>0</u></u>	<u><u>480</u></u>	<u><u>4,500</u></u>	<u><u>31,104</u></u>	<u><u>72,343</u></u>	<u><u>103,447</u></u>
Notes		Note 23a	HRA	HRA Note 4	Note 23c	Note 23b		Note 24	

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2012/13				2013/14			
Expenditure	Income	Net Expenditure		Expenditure	Income	Net Expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
16,237	(13,663)	2,574	Central Services to the Public	6,464	(3,405)	3,059	
3,358	(198)	3,160	Cultural and Related Services	3,311	(413)	2,898	
9,903	(2,907)	6,996	Environmental and Regulatory Services	10,555	(2,548)	8,007	
4,259	(1,127)	3,132	Planning Services	2,359	(1,174)	1,185	
1,170	(1,033)	137	Highways, Roads and Transport Services	612	(578)	34	
19,780	(24,236)	(4,456)	Housing Revenue Account	15,532	(24,380)	(8,848)	
36,710	(35,143)	1,567	Other Housing Services	37,211	(35,540)	1,671	
1,836	(1)	1,835	Corporate and Democratic Core	1,815	(10)	1,805	
75	0	75	Non Distributed Costs	214		214	
93,328	(78,308)	15,021	Cost Of Services	78,074	(68,048)	10,026	
Other Operating Expenditure							
		908	Net (Surplus) / Deficit on Trading Undertakings			(5)	Note 26
		203	Parish Council Precepts			180	
		391	Contribution to Housing Pooled Capital Receipts			450	
		(144)	Net Loss or (Gain) on sale of Fixed Assets			(585)	Note 14
		16,379	Total Operating Expenditure			10,066	

Comprehensive Income and Expenditure Statement (Continued)

Net Expenditure £'000		Net Expenditure £'000	Note
	Financing and Investment Income and Expenditure (Analysis)		
4,131	Interest Payable and Other Charges	3,478	Note 9
(89)	Interest Receivable and Investment Income	(69)	
2,462	Pensions Net Interest Cost	2,455	Note 36b
<u>6,504</u>		<u>5,864</u>	
<u>22,883</u>	Net Operating Expenditure	<u>15,930</u>	
	Taxation and Non-Specific Grant Income (Analysis)		
(1,202)	Government Grants	(6,589)	Note 8
(2,482)	Capital Grants Received	(3,940)	Note 8
(7,702)	NDR Receipts	(3,733)	Note 8
(5,978)	Demands on the Collection Fund - Council Tax	(4,995)	
0	Adjustment to Demands on Collection Fund	103	
<u>(17,364)</u>		<u>(19,154)</u>	
<u>5,519</u>	(Surplus) or Deficit on Provision of Services	<u>(3,224)</u>	
(2,587)	Surplus or deficit on revaluation of fixed assets	(528)	
1,048	Remeasurements on pension assets / liabilities	(715)	Note 36c
<u>(1,539)</u>	Other Comprehensive Income and Expenditure	<u>(1,243)</u>	
<u>3,980</u>	Total Comprehensive Income and Expenditure	<u>(4,467)</u>	

Balance Sheet as at 31st March 2014

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories.

1. Usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
2. Those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

As at 31st March 2013 £'000		Note	As at 31st March 2014 £'000
228,746	Property, Plant & Equipment	Note 10	229,137
538	Heritage Assets	Note 11	538
0	Intangible Assets	Note 13	0
1	Long Term Investments	Note 15	1
190	Long Term Debtors	Note 18	1,706
229,476	Long Term Assets		231,382
155	Short Term Investments	Note 15	8,173
103	Inventories	Note 16	155
6,211	Short Term Debtors	Note 18	4,522
2,022	Cash and Cash Equivalents	Note 19	3,477
726	Assets held for sale	Note 20	700
9,217	Current Assets		17,027
(215)	Bank Overdraft	Note 19	(117)
(5,040)	Short Term Borrowing	Note 15	(2,033)
(9,506)	Short Term Creditors	Note 21	(6,453)
(54)	Finance Lease repayable within 12 months	Note 15	(60)
(173)	Provisions	Note 22	(175)
(14,988)	Current Liabilities		(8,838)
(60)	Finance Lease repayable in excess of 12 months	Note 15	0
0	Long Term Creditors	Note 21	(500)
(58,185)	Pension Liability	Note 36d	(60,262)
(1,118)	Provisions	Note 22	(1,990)
(60,874)	Long Term Borrowing	Note 15	(68,884)
(21)	Deferred Capital Receipts	Note 39	(21)
(120,258)	Long Term Liabilities		(131,657)
103,447	Net Assets		107,914

Balance Sheet (Continued)

As at 31st March 2013 £'000		Note	As at 31st March 2014 £'000
	Usable Reserves		
(3,791)	General Fund Balance	MIR	(3,451)
(4,923)	Earmarked Reserves	Note 23a	(5,193)
(17,410)	Housing Revenue Account	HRA SMB	(19,689)
0	Major Repairs Reserve	HRA Note 4	0
(480)	Usable Capital Receipts Reserve	Note 23b	(1,187)
(4,500)	Capital Grants Unapplied Account	Note 23c	(6,737)
<u>(31,104)</u>			<u>(36,257)</u>
	Unusable Reserves		
(21,300)	Revaluation Reserve	Note 24	(21,414)
(110,103)	Capital Adjustments Account	Note 24	(111,450)
58,185	Pensions Reserve	Note 24	60,262
173	Accumulated Absences Account	Note 24	175
(45)	Collection Fund Adj Acc - Council Tax	Note 24	(98)
0	Collection Fund Adj Acc - NNDR	Note 24	156
747	Financial Instruments Adjustment Account	Note 24	712
<u>(72,343)</u>			<u>(71,657)</u>
<u>(103,447)</u>	Total Reserves		<u>(107,914)</u>

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or income generated from services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of borrowing to the Council. Further explanation supporting the Cash Flow can be found at Note 25.

2012/13		2013/14	
£'000		£'000	Note
(5,519)	Net surplus or (deficit) on the provision of services	3,224	
18,425	Adjustment to surplus or deficit on the provision of services for noncash movements	9,325	Note 25
(3,706)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(5,123)	Note 25
<u>9,200</u>	Net Cash flows from operating activities	<u>7,426</u>	
(5,328)	Net Cash flows from Investing Activities	(10,793)	Note 25
(5,550)	Net Cash flows from Financing Activities	4,920	Note 25
<u>(1,678)</u>	Net increase or decrease in cash and cash equivalents	<u>1,553</u>	
3,485	Cash and cash equivalents at the beginning of the reporting period	1,807	Note 19
<u>1,807</u>	Cash and cash equivalents at the end of the reporting period	<u>3,360</u>	Note 19

Notes to the Core Financial Statements

1. Accounting standards to be adopted

A number of accounting standards are to be adopted in 2014/15, however it is anticipated that these will have a minimal impact upon the Authority.

- IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council already produces Group Accounts to recognise its 100% interest in Ashfield Homes Limited. The Council has no associates and this standard would therefore have no impact on the 2013/14 statement of accounts.
- IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

The Council has one joint arrangement, the Joint Crematorium Committee. The accounting and disclosure details are shown within Accounting Policies Note 12 and Core Financial Statement Note 40. Having reviewed the IFRS requirements no material changes will be required.

- IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- IAS 1 Presentation of the Financial Statements – The change clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

2. Critical Judgements in Applying accounting policies

In applying the accounting policies as set out in the Statement of Accounting Policies the Council has had to make critical judgements about complex transactions and those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not as yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities.

3. Assumptions made about the future and sources of uncertainty

The Statement of Accounts contains estimated figures that are based upon 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 31st March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

a. 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 Council 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. It is estimated that the annual depreciation charge for Property, Plant and Equipment would increase by £469k for every year that useful lives had to be reduced.

b. Provisions

Equal Pay

The Council has revised its provision down to £42k for the settlement of claims for back pay arising from the Equal Pay issue, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Council or that precedents set by other authorities in the settlement of claims will be applicable. An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £4k to the provision needed.

Insurance

There has been a minor change to the level of insurance provision. During the period, the Council paid a levy of £62k to the Municipal Mutual Insurance Company (MMI) triggered by a 'Scheme of Arrangement' under section 425 of the Companies Act 1985. No further levy payments are expected to fall due in 2014/15.

Housing Benefit Overpayments

The Council has re-assessed the provision for bad debts relating to overpaid Housing Benefits. This provision relates specifically to those cases where

adjustment to on-going benefit is not possible and the debt is pursued through the usual recovery methods. There has been an increase in the volume of overpayments during 2013/14. Given the current position on the account and the current economic climate, this provision has been increased from £606k to £801k. A further 5% increase in bad debt would require an additional provision of £41k.

c. 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. This is detailed at note 36.

d. Arrears and Bad Debts

At 31 March 2014, the Council had a balance for outstanding debtors of £8.3m. The total impairment for doubtful debts is £2.1m, as detailed at note 18.

Business Rates Retention

With effect from 1 April 2013 the Business rates retention scheme was introduced which is a departure from the previous regime of national pooling. The Council is working with neighbouring authorities in Nottinghamshire in a pooling arrangement and has forecast a returned levy under the new scheme of £24k for Ashfield.

4. Material Items of Income and Expense

a. Pensions

The Council participates in the Local Government Pension Scheme administered locally by Nottinghamshire County Council. In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, a positive re-measurement of £715k (compared to negative re-measurement of £1.048m in 2012/13) is included in 'Other Comprehensive Income and Expenditure'.

b. Impairment of Council Housing Stock

A desktop valuation of all Council Dwellings was undertaken at 31/03/2014 which has resulted in previous impairments charged to Housing Revenue Account being reversed of £4.558m. Additionally the valuation has required that £5.033m of Capital Expenditure be impaired. The total net impairment charge in the year is £0.475m.

5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Deputy Chief Executive (Resources), whose role includes being the Chief Financial Officer, on 30 June 2014. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects.

For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee on 22 September 2014. No such events have taken place between 30th June and 22nd September 2014.

6. Adjustment between accounting basis and funding basis under statute

This note details the adjustments that are made to the financial position as identified within the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the District Council to meet future capital and revenue expenditure.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, 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. However, the balance is not available to be applied to funding Housing Revenue Account (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 Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Statement for Current Financial Period 2013/14

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(2,053)		3,112			1,059
Revaluation losses on Property Plant and Equipment	(2,151)	(498)				(2,649)
Impairment from non enhancing capital expenditure						
Capital Grants and Contributions	3,940				(2,237)	1,703
Revenue Expenditure Funded from Capital under Statute	(684)	(303)				(987)
Non current assets written off on disposal	176	356				532
Cancellation of Loan Obligation - HRA Self Financing						
Statutory Provision for the financing of capital investment	1,611					1,611
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(450)					(450)
Capital Receipts						
Capital Expenditure charged against Revenue	196	572				768
	584	127	3,112		(2,237)	1,586
Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		54		(1,183)		(1,129)
Use of the Capital Receipts reserve to finance new expenditure				476		476
Government Capital Receipts Pool						
		54		(707)		(653)

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,162)					(5,162)
Employers pension contribution payable in the year	2,370					2,370
	(2,792)					(2,792)
Collection Fund Adjustment						
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(156)					(156)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	53					53
Accumulating Short term Compensated Absences Account						
Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	(2)					(2)
Major Repairs Reserve						
Reversal of Major Repair Allowance credited to the HRA			(5,423)			(5,423)
Use of the Major Repair Reserve to finance new capital expenditure			5,423			5,423
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy		3,112	(3,112)			
		3,112	(3,112)			
Financial Instrument Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
Amortisation of Premiums and Discounts						
Financial Instruments - Reconciliation to Amortised Costs	35					35
	35					35
	(2,278)	3,293		(707)	(2,237)	(1,929)

Statement for Prior Financial Period 2012/13

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(2,331)		3,881			1,550
Revaluation losses on Property Plant and Equipment	(2,664)	(4,090)				(6,754)
Impairment from non enhancing capital expenditure						
Capital Grants and Contributions	2,482				1,013	3,495
Revenue Expenditure Funded from Capital under Statute	(1,674)	(348)				(2,022)
Non current assets written off on disposal	(59)	203				144
Cancellation of Loan Obligation - HRA Self Financing						
Statutory Provision for the financing of capital investment	1,407					1,407
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(391)					(391)
Capital Receipts	(247)					(247)
Capital Expenditure charged against Revenue	688	144				832
	(2,789)	(4,091)	3,881		1,013	(1,986)
Capital Receipts Reserve						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				(731)		(731)
Use of the Capital Receipts reserve to finance new expenditure				251		251
Government Capital Receipts Pool						
				(480)		(480)
Pension Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,028)					(5,028)
Employers pension contribution payable in the year	2,514					2,514
	(2,514)					(2,514)

	General Fund Balance £'000	Housing Revenue Account £'000	Housing Major Repair Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Reserve £'000	Movement in Unusable Reserves £'000
Collection Fund Adjustment Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	97					97
Accumulating Short term Compensated Absences Account Amount by which staff remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from that chargeable in the year in accordance with statutory requirements	24					24
Major Repairs Reserve Reversal of Major Repair Allowance credited to the HRA			(6,226)			(6,226)
Use of the Major Repair Reserve to finance new capital expenditure			6,226			6,226
Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy		3,881	(3,881)			
		3,881	(3,881)			
Financial Instrument Adjustment Account Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements						
Amortisation of Premiums and Discounts	52					52
Financial Instruments - Reconciliation to Amortised Costs	52					52
	(5,130)	(210)		(480)	1,013	(4,807)

7. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities (SeRCOP). However, decisions about resource allocation are taken by the Corporate Management Group on the basis of budget reports analysed across service divisions. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:-

- No charges are made in relation to capital items, for example depreciation or impairment of assets
- The cost of retirement benefit is based upon cash flows rather than current service cost of benefits accrued in year
- Internal charges are raised to directorates but are reversed for statutory account presentation

The out turn for the financial year as presented in the management budgetary reports is shown below.

	Grants	Other Income	Internal Recharges	Total Income	Employee Costs	Premises Expenses	Transport Related Expenses	Supplies & Services	Transfer Payments	Central Recharges	Total Costs	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Officer	(428)	(3)	(424)	(855)	364	0	21	132	0	1,107	1,624	769
Deputy CEO (Resources)	(36,238)	(979)	(1,576)	(38,793)	2,536	(14)	21	1,438	35,259	637	39,877	1,084
Assistant CEO	(18)	(346)	(477)	(841)	1,504	20	13	212	0	73	1,822	981
Corporate Services	(3)	(1,570)	(2,352)	(3,925)	1,930	853	39	1,014	0	660	4,496	571
Economy	(217)	(1,341)	(1,739)	(3,297)	2,676	165	101	2,146	0	2,064	7,152	3,855
Environment	(57)	(2,429)	(5,934)	(8,420)	6,387	336	1,992	1,506	0	5,024	15,245	6,825
Total	(36,961)	(6,668)	(12,502)	(56,131)	15,397	1,360	2,187	6,448	35,259	9,565	70,216	14,085

The figures for 2012/13 for comparison purposes are shown below.

	Grants	Other Income	Internal Charges	Total Income	Employee Costs	Premises Expenses	Transport Related Expenses	Supplies & Services	Transfer Payments	Central Recharges	Total Costs	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Officer	(56)	(2)	(412)	(470)	412	0	23	371	0	1,097	1,903	1,433
Deputy CEO (Resources)	(233)	(25)	(777)	(1,035)	745	0	9	328	0	0	1,082	47
Assistant CEO	(1)	(128)	(495)	(624)	1,132	1	11	124	0	47	1,315	691
Corporate Services	(46,715)	(2,518)	(3,261)	(52,494)	4,120	857	59	1,496	45,842	1,146	53,520	1,026
Economy	(369)	(1,006)	(1,831)	(3,206)	2,784	294	107	2,507	0	2,327	8,019	4,813
Environment	(230)	(2,970)	(5,666)	(8,866)	6,175	507	2,075	1,720	0	4,773	15,250	6,384
Total	(47,604)	(6,649)	(12,442)	(66,695)	15,368	1,659	2,284	6,546	45,842	9,390	81,089	14,394

The following reconciliation shows how the figures in the analysis provided within the management account reports relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2013/14 £'000	2012/13 £'000
Cost of Services in Service Analysis	14,085	14,394
Services not included	(205)	(231)
Amounts not reported to management	(8,847)	(4,360)
Capital items	4,766	6,033
Amounts reported below the Net cost of Service	5	(908)
Pension Adjustments under IAS 19	222	93
Net Cost of Services in Comprehensive Income and Expenditure Statement	10,026	15,021

This reconciliation shows how the figures in the analysis provided within the management account reports relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included within the Comprehensive Income and Expenditure Statement.

2013/14

	Services Analysis	Services not in analysis	Amounts not included in analysis but included in I & E	Amounts included in analysis but not included in I & E	Amounts reported below the Net Cost of Service	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reconciliation to Subjective Analysis								
Fees, Charges & Other Service Income	(19,170)	(672)	(24,483)	12,502	738	(31,085)	(738)	(31,823)
Group Companies	0	0	0	0	0	0	0	0
Interest and Investment Income	0	0	0	0	0	0	(70)	(70)
Income from Council Tax	0	0	0	0	0	0	(4,995)	(4,995)
Retained Business Rates	0	0	0	0	0	0	(3,733)	(3,733)
Government Grants and Contributions	(36,961)	0	0	0	0	(36,961)	(10,528)	(47,489)
Total Income	(56,131)	(672)	(24,483)	12,502	738	(68,046)	(20,064)	(88,110)
Employee expenses	15,397	0	0	0	0	15,397	2,455	17,852
Other Service Expenses	45,254	467	15,858	(2,937)	(733)	57,909	732	58,641
Support Service Recharges	9,565	0	0	(9,565)	0	0	0	0
Group Company Costs	0	0	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	0	4,766	0	0	4,766	0	4,766
Interest Payments	0	0	0	0	0	0	3,478	3,478
Precepts & Levies	0	0	0	0	0	0	283	283
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	450	450
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(584)	(584)
Total operating expenses	70,216	467	20,624	(12,502)	(733)	78,072	6,814	84,886
Surplus or deficit on the provision of services	14,085	(205)	(3,859)	0	5	10,026	(13,250)	(3,224)

2012/13

	Services Analysis	Services not in analysis	Amounts not included in analysis but included in I & E	Amounts included in analysis but not included in I & E	Amounts reported below the Net Cost of Service	Net Cost of Service	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reconciliation to Subjective Analysis								
Fees, Charges & Other Service Income	(19,091)	(607)	(24,145)	12,442	737	(30,664)	(737)	(31,401)
Group Companies	0	0	0	0	0	0	0	0
Interest and Investment Income	0	0	0	0	0	0	(5)	(5)
Income from Council Tax	0	0	0	0	0	0	(5,881)	(5,881)
Retained Business Rates	0	0	0	0	0	0	0	0
Government Grants and Contributions	(47,604)	0	(40)	0	0	(47,644)	(11,483)	(59,127)
Total Income	(66,695)	(607)	(24,185)	12,442	737	(78,308)	(18,106)	(96,414)
Employee Expenses	15,368	0	0	0	0	15,368	2,462	17,830
Other Service Expenses	56,331	376	19,918	(3,052)	(1,645)	71,928	1,645	73,573
Support Service Recharges	9,390	0	0	(9,390)	0	0	0	0
Group Company Costs	0	0	0	0	0	0	0	0
Depreciation, Amortisation and Impairment	0	0	6,033	0	0	6,033	0	6,033
Interest Payments	0	0	0	0	0	0	4,047	4,047
Precepts & Levies	0	0	0	0	0	0	203	203
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	391	391
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(144)	(144)
Total operating expenses	81,089	376	25,951	(12,442)	(1,645)	93,329	8,604	101,933
Surplus or deficit on the provision of services	14,394	(231)	1,766	0	(908)	15,021	(9,502)	5,519

8. Grants Income

The Council received the following government grants, contributions and donations to the Comprehensive Income and Expenditure Statement within 2013/14.

	2013/14 £'000	2012/13 £'000
Credited to Services		
Council Tax Benefit Subsidy	(14)	10,800
Rent Allowances Subsidy	19,391	19,623
Non HRA Rent Rebates	14,249	14,264
Administration Grant	853	967
Other Revenue Grants	278	208
Homelessness Grants	0	50
Total	34,757	45,912
Credited to Taxation and Non Specific Grant Income		
Local Services Support Grant (Transitional Grant)	0	0
Revenue Support Grant	5,129	149
New Homes Bonus Grant	1,399	904
Capital Grants and Contributions	3,940	2,482
Council Tax Freeze Grant	61	149
Net Non Domestic Rates Receipts	3,733	7,702
Total Grants	14,262	11,386

Memorandum Account NDR

	2013/14 £'000
Retained Business Rates - transfer from Collection Fund	12,534
Tariff payable direct to Nottinghamshire County Council	(8,925)
Retained Business Rates	3,609
Small Business & Empty Rate - Sct 31 - Grant	342
	3,951
Business Rates Levy	(201)
Share of Business Growth payable to preceptors	(41)
Returned Levy as a result of Nottinghamshire Pooling Agreement)	24
	3,733

As described within the Collection Fund notes, the Council is a member of the Nottinghamshire Retained Business Rates Pool. The Council benefitted by £24k under this arrangement as shown above.

9. Interest Payable and Other Charges

	2013/14 £'000	2012/13 £'000
Loan Interest	3,081	3,566
General Fund	397	565
Total interest Payable and Other Charges	3,478	4,131

10. Tangible Non-current Assets

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra- structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2013	293,094	57,659	1,409	15,333	3,358	3,482	3,349	377,684
Additions	5,034	517		67			2,280	7,898
Disposals	(1,510)			(98)				(1,608)
Reclassifications		1,309	(56)	149			(1,402)	
Transferred to Assets Held for Sale								
Revaluations / (Impairments)								
Recognised in the Revaluation Reserve		296				(302)		(6)
Recognised in Provision of Services		(1,784)	(48)	(84)		(319)		(2,235)
As at 31st March 2014	296,618	57,997	1,305	15,367	3,358	2,861	4,227	381,733
Depreciation and Impairments								
As at 1st April 2013	(130,572)	(5,967)	(244)	(9,207)	(2,303)	(645)		(148,938)
Charge for the year	(2,318)	(989)	(62)	(956)	(39)			(4,364)
Disposals	589			81				670
Reclassifications								
Revalue / (Impairments)								
Recognised in the Revaluation Reserve	534							534
Recognised in Provision of Services	(498)							(498)
As at 31st March 2014	(132,265)	(6,956)	(306)	(10,082)	(2,342)	(645)		(152,596)
Balance Sheet Net Amount at 31st March 2014	164,353	51,041	999	5,285	1,016	2,216	4,227	229,137

The tangible non-current assets at 31st March 2013 for comparative purposes are set out below:

	Housing Revenue Account	Land and Buildings	Community Assets	Vehicles, Plant and Equipment	Infra- structure	Surplus Assets	Assets under Construction	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1st April 2012	287,386	57,819	1,409	16,201	3,358	3,482	2,261	371,916
Additions	5,841	741		1,407			2,063	10,052
Disposals	(1,070)			(2,275)				(3,345)
Reclassifications	937	38					(975)	0
Transferred to Assets Held for Sale		(616)						(616)
Revaluations / (Impairments)								
Recognised in the Revaluation Reserve		2,343		(2)				2,341
Recognised in Provision of Services		(2,666)		2				(2,664)
As at 31st March 2013	<u>293,094</u>	<u>57,659</u>	<u>1,409</u>	<u>15,333</u>	<u>3,358</u>	<u>3,482</u>	<u>3,349</u>	<u>377,684</u>
Depreciation and Impairments								
As at 1st April 2012	(124,841)	(4,825)	(178)	(9,841)	(2,263)	(645)		(142,593)
Charge for the year	(2,345)	(1,142)	(66)	(1,084)	(40)			(4,676)
Disposals	402			1,718				2,120
Reclassifications								
Revalue / (Impairments)								
Recognised in the Revaluation Reserve	301							301
Recognised in Provision of Services	(4,090)							(4,090)
As at 31st March 2013	<u>(130,572)</u>	<u>(5,967)</u>	<u>(244)</u>	<u>(9,207)</u>	<u>(2,303)</u>	<u>(645)</u>		<u>(148,938)</u>
Balance Sheet Net Amount at 31st March 2013	<u>162,521</u>	<u>51,692</u>	<u>1,165</u>	<u>6,126</u>	<u>1,055</u>	<u>2,837</u>	<u>3,349</u>	<u>228,746</u>

Capital Commitments

The Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2014/15 and future years budgeted to cost £7.3m. The major commitments are:

- Major Works: Decent Homes related work including £4.9m,
- Sutton Pools Site: New Build Properties £2.4m.

Effects of Changes in Estimates

In 2013/14, following the valuation of Markets, Surplus Assets, Community Buildings and Bowls Pavilions as well as a full review of other General Fund Assets, it was determined that the remaining lives and valuations of these non current assets required revising. The asset lives and valuations were revised on the 31st March 2014 therefore there is no change to the depreciation charged in year. However, the depreciation going forward is likely to reduce by £13k per annum.

Revaluations

The Authority 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 valuations were carried out internally. Valuations of land and buildings 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.

The significant assumptions applied in estimating the fair values are:

- It has been assumed for the purpose of these valuations that there are no onerous covenants or conditions which would be imposed on the disposals of the assets.
- The council housing stock has been valued on the basis of existing use value discounted for social housing, in accordance with the financial framework for Stock Valuation for Resource Accounting Guidance for Valuers 2010 (as supplied by the Department for Communities and Local Government).

11. Heritage Assets

	Cenotaphs	Statues and Artwork	Total
	£'000	£'000	£'000
Cost or Valuation			
1st April 2013	330	208	538
Impairment Losses/(reversals) recognised in the Revaluation Reserve			
31st March 2014	330	208	538

	Cenotaphs	Statues and Artwork	Total
	£'000	£'000	£'000
Cost or Valuation			
1st April 2012	385	208	593
Revaluations	(55)		(55)
31st March 2013	330	208	538

Cenotaphs

The Authority has seven cenotaphs at various locations throughout the authority. The valuation for these cenotaphs is based on the average replacement cost and this has been agreed following discussions with our internal valuer.

Statues and Artwork

Insurance valuations were used to value the Harold Larwood Statue in Kirkby. All other Heritage Assets comprising of Walter Jack Painting Brierley Park, Mosaic Marker Stone at Spring Street Hucknall, Flight of Fancy Statue at Hucknall Market Place and the Miners Statue at Station Road Hucknall are all valued at historic cost.

12. Tangible Non Current Asset Valuations

The following table shows the progress of the Council's rolling programme for the revaluation of non-current assets. The purpose of the rolling programme is to ensure that all assets valued at current value are re-valued at least every five years. The table shows the annual movement in asset values arising from the revaluation programme.

Property Plant and Equipment Valuations

	Housing Revenue Account £'000	Land and Buildings £'000	Community Assets £'000	Vehicles, Plant and Equipment £'000	Infra- structure £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Net book value of assets 31st March 2014	164,353	51,041	999	5,285	1,016	2,216	4,227	229,137
Valued at historical cost	(155)	(2,449)	(999)	(5,285)	(1,016)	(302)	(4,227)	(14,434)
	<u>164,198</u>	<u>48,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,914</u>	<u>0</u>	<u>214,703</u>
Crematorium Valuation (2011/12)	0	837	0	0	0	0	0	837
Valued at current value:								
31st March 2014 by the Estates Manager (MRICS) employed by ADC	162,974	2,360	0	0	0	1,914	0	167,248
31st March 2013 by the Estates Manager (MRICS) employed by ADC	0	9,115	0	0	0	0	0	9,115
31st March 2012 by the Estates Manager (MRICS) employed by ADC	1,195	35,431	0	0	0	0	0	36,626
31st March 2011 by the Estates Manager (MRICS) employed by ADC	29	813	0	0	0	0	0	842
31st March 2010 by the Estates Manager (MRICS) employed by ADC	0	36	0	0	0	0	0	36
	<u>164,198</u>	<u>48,592</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,914</u>	<u>0</u>	<u>214,703</u>

13. Intangible Non-current Assets

Intangible non-current assets relate to the purchase of software licences, which are written off over a 3 to 5 year period depending on the assumed life of the software. There have been no software purchases in 2013/14 which meet the definition of intangible non-current assets.

14. Gains and Losses from the Sale of Assets

The Comprehensive Income and Expenditure Statement includes gains and losses from the sale of Council assets. The value of the gains and losses for 2013/14 is as follows:

	2013/14 £'000	2012/13 £'000
Council house sales	(356)	(203)
Other housing revenue account assets	(53)	0
General fund assets	(176)	59
Total (Gain)/Loss	(585)	(144)

15. Financial Instruments

a. Financial liabilities held at amortised cost

	Long Term		Short Term	
	31st March 2014 £'000	31st March 2013 £'000	31st March 2014 £'000	31st March 2013 £'000
Financial Liabilities				
Borrowings at Amortised Cost	68,884	60,874	2,033	5,040
Finance Leases		60	60	54
Trade Creditors			2,718	640
Total Financial Liabilities	68,884	60,934	4,811	5,734

b. Financial Assets – Loans and receivables held at amortised cost

	Long Term		Short Term	
	31st March 2014 £'000	31st March 2013 £'000	31st March 2014 £'000	31st March 2013 £'000
Loans and Receivables				
Investments	1	1	8,173	155
Trade Debtors			4,667	826
Total Loans and Receivables	1	1	12,840	981

c. Gains and Losses on Financial Instruments

	2013/14 £'000	2012/13 £'000
Interest Expense		
Liabilities measured at 'Amortised Cost'	3,081	3,563
Interest Income		
Loans and Receivables	(77)	(84)
Net Gain / (Loss) for the Year	3,004	3,479

d. Fair Value of Assets and Liabilities carried at Amortised Cost

- Financial liabilities and financial assets (represented by loans and receivables) are carried in the Balance Sheet at amortised cost. Sector provide the fair values to be utilised.

	31st March 2014		31st March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
PWLB	27,236	28,801	22,235	25,524
Money Market	41,648	42,015	38,639	41,095
Other Local Authorities				
	<u>68,884</u>	<u>70,816</u>	<u>60,874</u>	<u>66,619</u>
Short Term Borrowing	2,033	2,033	5,040	5,040
	<u>2,033</u>	<u>2,033</u>	<u>5,040</u>	<u>5,040</u>
	<u>70,917</u>	<u>72,849</u>	<u>65,914</u>	<u>71,659</u>
Loans and Receivables				
Money Market over 12 months				
Other Securities	1	1	1	1
Direct Short Term Investments	135	135	155	155
Money Market less than 12 months	8,038	8,038		
	<u>8,174</u>	<u>8,174</u>	<u>156</u>	<u>156</u>

e. Investments

	31st March 2014 £'000	31st March 2013 £'000
Short Term Investments:		
Money Market less than 12 months	8,038	
Direct Short Term Investment		-
Investments of Joint Crematorium Committee	135	155
	<u>8,173</u>	<u>155</u>
Long Term Investments:		
Other Securities	1	1
	<u>1</u>	<u>1</u>
Total Investments	<u>8,174</u>	<u>156</u>

Under the Council's accounting policy on Cash Equivalents, instant access accounts are deemed to be classified as cash equivalents within the balance sheet and cash flow statements while short term investments (including 3 months and less) remain classified as investments.

Soft Loan

During 2010/11, the Alliance for Enterprise Partnership awarded an interest free loan of £260,000 to Roseland Community Energy Trust Ltd. As the Council was the Accountable Body for the Partnership at the time, the loan is required to be included within the Council's Balance Sheet. As the likelihood of repayment and repayment date remains uncertain the loan has been fully impaired. In respect to Financial Instruments the loan has been accounted for in accordance with the Accounting Policy and the Code.

16. Inventories

A breakdown of the balance sheet figure is given below

	Balance at 31st March 2013 £'000	Purchases £'000	Recognised as an expense £'000	Balance at 31st March 2014 £'000
Stocks	103	875	(823)	155
Work in Progress	0	0	0	0
	<u>103</u>	<u>875</u>	<u>(823)</u>	<u>155</u>

	Balance at 31st March 2012 £'000	Purchases £'000	Recognised as an expense £'000	Balance at 31st March 2013 £'000
Stocks	96	851	(844)	103
Work in Progress	0	0	0	0
	<u>96</u>	<u>851</u>	<u>(844)</u>	<u>103</u>

17. Investment Property

The Council does not hold any property for investment purposes. The estate of industrial units is held as part of the Council's regeneration activities.

18. Debtors

An analysis of the balance sheet figure is given below:

	31st March 2014 £'000	31st March 2013 £'000
Central Government Bodies	1,253	3,113
Other Local Authorities	963	844
NHS Bodies	1	1
Public Corporations and trading funds	0	0
Other entities and individuals	4,124	3,467
Provision for Bad Debt	(1,819)	(1,214)
	<u>4,522</u>	<u>6,211</u>

Long Term Debtors:

Mortgages	(6)	(6)
Council Tax	182	
NNDR	129	
Housing Benefit Overpayments	232	
Car Loans	22	40
Advances to Housing Associations	76	79
Nottinghamshire County Council	71	77
Local Authority Mortgage Scheme	1,000	0
Loan	260	260
Provision for Bad Debt	(260)	(260)
	<u>1,706</u>	<u>190</u>

In January 2014, the Council in partnership with Nottinghamshire County Council and Lloyds Bank launched the Local Authority Mortgage Scheme (LAMS). The aim of the scheme is to stimulate the local economy and housing market by supporting first-time buyers. This is achieved by Ashfield District Council providing an indemnity to Lloyds bank to enable the bank to offer suitable applicants a 95% mortgage on terms normally applicable to a 75% loan. The advance of £1m represents housing service based capital expenditure and will be in place for 5

years creating a long-term debtor on the Council's Balance Sheet. £500k of the advance has been provided by Nottinghamshire County Council (see Long Term Creditors Note 21) and will be repaid in 5 years.

The Council also has a similar arrangement with Mansfield Building Society but the Local Authority Scheme in this case is 'non-cash backed'. The Council has provided an indemnity up to £300k with any liability being shared equally with Nottinghamshire County Council. No mortgages have been awarded as yet.

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	31st March 2014 £'000	31st March 2013 £'000
Cash Overdrawn	(117)	(215)
Bank Current Accounts	0	0
Short Term Deposits	3,477	2,022
	3,360	1,807

20. Assets Held For Sale

International Reporting Standard 5 requires Non-Current Assets Held for Sale and Discontinued Operations to be reported separately in the balance sheet. Following the sale of the land at the Belper House Hostel site the Council only has one asset that meets the definition of Assets Held for Sale i.e. the Butlers Hill site.

	31st March 2014 £'000	31st March 2013 £'000
Opening Balance	726	110
Transfer From Property Plant and Equipment	0	616
Disposals	(110)	
Revaluations / (Impairments)		
Recognised in the Revaluation Reserve	84	0
Recognised in Provision of Services	0	0
Closing Balance	700	726

21. Creditors

An analysis of the balance sheet figure is given below:

	31st March 2014	31st March 2013
	£'000	£'000
Central Government Bodies	1,084	1,918
Other Local Authorities	2,651	4,175
NHS Bodies	0	0
Public Corporations and trading funds	0	0
Other entities and individuals	2,718	3,413
	6,453	9,506

Long Term Creditors

Other Local Authorities	500	0
	500	0

22. Provisions

The Council has created provisions in respect of a number of issues that may result in a cost to the Council. These are analysed below for 2013/14 with 2012/13 provided for comparative purposes.

	Balance at 31st March 2013 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31st March 2014 £'000
Short Term:				
Accumulated Absences	(173)	(175)	173	(175)
Long Term:				
Equal Pay Claims	(499)	(18)	475	(42)
Local Land Charges Fees	(110)	(40)	40	(110)
Planning Appeal Costs	(30)	(10)	0	(40)
Job Evaluation	0	(958)	0	(958)
NDR Appeals (In Year)	0	(97)		(97)
NDR Appeals (Backdated)	0	(269)		(269)
Insurance Funds:				
Municipal Mutual Insurance (MMI)	(78)	(40)	62	(56)
Liability	(383)	(111)	123	(371)
Property	(18)	(43)	14	(47)
Computer	0			0
Total	(1,291)	(1,761)	887	(2,165)
	Balance at 31st March 2012 £'000	Receipts In Year £'000	Payments In Year £'000	Balance at 31st March 2013 £'000
Short Term:				
Accumulated Absences	(197)	(173)	197	(173)
Long Term:				
Equal Pay Claims	(150)	(367)	18	(499)
Local Land Charges Fees	(100)	(10)		(110)
Planning Appeal Costs	(10)	(20)		(30)
Insurance Funds				
Municipal Mutual Insurance (MMI)	(50)	(28)		(78)
Liability	(254)	(181)	52	(383)
Property	(18)	(24)	24	(18)
Computer	0	0	0	0
Total	(779)	(803)	291	(1,291)

a. Accumulated Absences

The provision represents the value of employee benefits, mainly flexi time and annual holiday entitlement not taken at 1 April 2014. This is a short term liability.

b. Equal Pay Claims

The Single Status Agreement (1997) and a Pay and Grading Agreement (2004) between employers and trades unions require all local authorities to undertake a Job Evaluation and Single Status review.

The Council although nearing completion, has not yet implemented pay, terms and conditions which comply with these agreements and as a result equal pay claims have been lodged against the Council. The majority of claims submitted prior to the current financial year have been settled during the period. The provision has been adjusted to take into account the receipt of new claims and the likelihood of further submissions. The probable cost to the Council is considered to be £42k.

c. Local Land Charges Search Fees

The provision arises from the Government's decision to revoke the Personal Search fee and the possibility of claims for refunds in respect of fees collected in previous years. The estimate provides for the outstanding claims, interest and costs based upon data currently available. The potential for new claims to be submitted is not known at this point. This aspect has therefore been recognised as a Contingent Liability.

d. Planning Appeal Costs

This arises as a result of reviewing planning appeals and the payment of legal costs should these be successful. The provision has been increased from £30k in 2012/13 to £40k in 2013/14.

e. Job Evaluation

As part of the Single Status / Job Evaluation project back-dated pay costs associated with implementation of the scheme have been identified. The provision includes compensation payments relating to 2012/13 of £383k and back-dated pay for 2013/14 of £575k. These costs are being funded by in-year contributions and a transfer from the Job Evaluation Reserve.

f. Insurances

At the end of the year the Council had a £474k insurance provision which is maintained to meet its outstanding liability (within the policy excess) for claims in line with the reserves calculated by the Council's Insurers. Most claims come to fruition within 1-2 years. The factors affecting these values can change and the Insurance Companies regularly review the reserves. The main risk is that several incurred but not reported claims could affect its adequacy. Over and above this provision the Council also maintains additional insurance within the Internal Insurance Fund Reserve.

23. Usable Reserves

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

a. Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances to earmarked reserves for future expenditure plans.

	Balance at 31st March 2014 £'000	Movements in Year £'000	Balance at 31st March 2013 £'000	Movements in Year £'000	Balance at 31st March 2012 £'000
Corporate Improvement	423	0	423	(186)	609
District Planning Inquiry	74	(23)	97	(18)	115
Elections	102	33	69	26	43
Harold Farr Bequest	13	0	13	0	13
Joint Use Maintenance Fund	187	165	22	22	0
Corporate Change and Renewal Fund	2,075	200	1,875	26	1,849
Asset Renewal Reserve	379	154	225	(150)	375
Job Evaluation	0	(340)	340	340	0
LAMS Reserve	3	3	0	0	0
LEGI Reserve	4	0	4	(117)	121
Joint Crematorium Reserve	654	33	621	11	610
Insurance Related Funds	154	(273)	427	(151)	578
Revenue Grant Reserve	1,125	318	807	523	284
	5,193	270	4,923	326	4,597

b. Capital Grants Unapplied Reserve

This reserve details the amounts received in unspent capital grant and contribution income that does not have material conditions attached and is therefore available for financing future capital expenditure purposes.

	2013/14 £'000	2012/13 £'000
Opening Balance	4,500	5,513
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	3,940	2,482
Application of Capital Grants and Contributions within the period and adjusted through the Capital Adjustment Account	(1,703)	(3,495)
Closing balance	6,737	4,500

c. Capital Receipts Reserve

	2013/14 £'000	2012/13 £'000
Opening Balance	480	0
PWLB - Self Financing Debt Repayment	0	0
PWLB - Self Financing Debt Interest	0	0
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	1,183	731
Government Capital Receipts Pool	0	0
Use of PWLB - Self Financing Debt Repayment to Reduce Capital Financing Requirement	0	0
PWLB - Self Financing Debt Interest	0	0
Use of the reserve to finance new expenditure	(476)	(251)
Closing Balance	1,187	480

24. Unusable Reserves

The unusable reserves arise from accounting entries and cannot be used to finance expenditure. The table below contains an analysis of the unusable reserves.

	Balance at 31st March 2014 £'000	Movements in Year £'000	Balance at 31st March 2013 £'000	Movements in Year £'000	Balance at 31st March 2012 £'000
Revaluation Reserve	(21,414)	(114)	(21,300)	(2,185)	(19,115)
Capital Adjustment Account	(111,450)	(1,347)	(110,103)	2,064	(112,167)
Pensions Reserve	60,262	2,077	58,185	3,562	54,623
Accumulated Absences Reserve	175	2	173	(24)	197
Collection Fund Adjustment Account - Council Tax	(98)	(53)	(45)	(97)	52
Collection Fund Adjustment Account - NNDR	156	156	0	0	0
Financial Instruments Adjustment Account	712	(35)	747	(52)	799
	(71,657)	686	(72,343)	3,268	(75,611)

a. Revaluation Reserve

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

- revalued downward
- depreciated at the higher than cost carrying value
- disposed of and the gains are realised.

	2013/14 £'000	2012/13 £'000
Opening Balance	(21,300)	(19,115)
Asset Impairment	0	0
Revaluation of Assets	(528)	(2,642)
Heritage Assets	0	55
Adjustment between current value depreciation and historic cost depreciation	414	402
Write out of revaluation on disposal; property, plant and equipment	0	0
Closing Balance	<u>(21,414)</u>	<u>(21,300)</u>

The reserve contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created; prior to this date revaluation gains were consolidated into the Capital Adjustment account.

b. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of these assets under statutory provision.

The table below identifies the transactions posted to this account during the period.

	2013/14 £'000	2012/13 £'000
Opening Balance	(110,103)	(112,167)
<u>Adjustments between accounting basis & funding basis under regulations</u>		
Charges for depreciation and impairment of non current assets	(1,059)	(1,550)
Revaluation losses on Property Plant and Equipment	2,649	6,754
Capital Grants and Contributions	(1,703)	(3,495)
Revenue Expenditure Funded from Capital under Statute	987	2,022
Carrying Value of non current assets written off on disposal	1,048	1,225
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,633)	(1,369)
Statutory Provision for the financing of capital investment	(1,611)	(1,407)
Capital Expenditure charged against Revenue	(768)	(832)
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	450	391
Capital receipts under £10k charged against Revenue	0	247
Unapplied receipts	707	480
Transferred Asset Principal Repayment - NCC	0	0
Reversal of Major Repair Allowance credited to the HRA	5,423	6,226
Use of the Major Repair Reserve to finance new capital expenditure	(5,423)	(6,226)
Cancellation of Loan Obligation - HRA Self Financing	0	0
<u>Other Reserve Movements</u>		
Adjustment between current value depreciation and historic cost depreciation	(414)	(402)
Write out of revaluation on disposal; property, plant and equipment	0	0
Closing Balance	(111,450)	(110,103)

c. Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding those benefits in accordance with statutory provision.

The debit balance on the Pension Reserve shows a substantial shortfall in the resources the Council has set aside to meet the benefits earned by past and current employees.

	2013/14 £'000	2012/13 £'000
Opening Balance	58,185	54,623
Actuarial (gains) or losses on pension assets and Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(715)	1,048
Employers pension contribution payable in the	5,162	5,028
	(2,370)	(2,514)
Closing Balance	60,262	58,185

d. Accumulated Absences Reserve

The Accumulated Absences Account absorbs the difference that would otherwise arise on the General Fund Balance from providing for compensated absences earned but not taken in year.

	2013/14 £'000	2012/13 £'000
Balance Brought Forward	173	197
Movement in Year	2	(24)
Closing Balance	175	173

e. Financial Instruments Adjustment Account

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	2013/14 £'000	2012/13 £'000
Opening Balance	747	799
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(35)	(52)
Closing Balance	712	747

f. Collection Fund Adjustment Account

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

	2013/14	2012/13
	£'000	£'000
Opening Balance	(45)	52
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(53)	(97)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	156	
Closing Balance	58	(45)

25. Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

a. Net Cash Flows from Operating Activities

	2013/14 £'000	2012/13 £'000
Net Surplus or (Deficit) on the Provision of Services-	3,224	(5,519)
Adjust net surplus or (deficit) on the provision of services for non cash movements:		
Depreciation and Impairment	7,014	11,431
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	0	0
Adjustments for effective interest rates	39	(94)
Increase/Decrease in Interest Creditors	0	0
Increase/Decrease in Creditors	(3,552)	1,357
Increase/Decrease in Debtors	1,164	1,463
Increase/Decrease in Inventories	(52)	(7)
Pension Liability	2,792	2,514
Contributions to/(from) Provisions	872	536
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	1,048	1,225
	9,325	18,425
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:		
Capital Grants credited to surplus or deficit on the provision of services	(3,940)	(2,975)
Proceeds from the sale of short and long term investments		
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(1,183)	(731)
	(5,123)	(3,706)

b. Net Cash Flows from Operating Activities (Interest)

Operating activities within the cashflow statement include the following cash flows relating to interest:

Ordinary interest received	60	50
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year		0
Interest Received	<u>60</u>	<u>50</u>
Interest charge for year		0
Adjustments for differences between Effective Interest Rates and actual interest payable	40	(94)
Other interest:		
Interest Paid	<u>40</u>	<u>(94)</u>

c. Net Cash Flows from Investing Activities

	2013/14 £'000	2012/13 £'000
Purchase of Property, Plant and Equipment, investment property and intangible assets	(7,898)	(10,052)
Sale of short and long term investments	(8,018)	1,018
Long term loans granted	0	0
Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,183	731
Other capital cash receipts	0	0
Capital Grants Received	3,940	2,975
Other capital cash receipts in advance		0
Total Cash Flows from Investing Activities	<u>(10,793)</u>	<u>(5,328)</u>

d. Cash Flow - Financing Activities

	2013/14 £'000	2012/13 £'000
Cash receipts of short and long term borrowing	10,000	15,000
Repayment of Short-Term and Long-Term Borrowing	(5,037)	(20,600)
Collection Fund Adjustment Account	(103)	0
Payments for the reduction of a finance lease liability	60	50
Total Cash Flows from Financing Activities	<u>4,920</u>	<u>(5,550)</u>

26. Trading Operations

Trading undertakings are maintained by the Council to meet the Regeneration objective.

The markets section has had a £61k reduction in expenditure from £483k in 2012/13 to £422k in 2013/14. The reduction in expenditure includes a £39k reduction in asset maintenance charges, which have been reallocated to the asset maintenance budget for 2013/14. There has also been an £18k reduction in trade waste charges to the markets; whilst all other expenditure has also been reduced. There has also been a £3k increase in income from £330k in 2012/13 to £333k in 2013/14. These combined result in a smaller loss than the previous year.

The main reason for the change in net expenditure for Industrial Estates is due to the 2012/13 net expenditure including an impairment charge of £979k. The 2013/14 income of £404k is broadly consistent with 2012/13.

	2013/14		2012/13
	Expenditure	Income	Net
	£'000	£'000	Expenditure
			£'000
Markets	422	(333)	89
Industrial Estates	310	(404)	(94)
Total	<u>732</u>	<u>(737)</u>	<u>(5)</u>

27. Agency Services

The Council had a Management Contract with Selston Parish Council; this was terminated on 31st December 2013. The Council was paid on a recharge basis by Selston Parish Council and included a charge for some general services connected with the general management of the contract. The charge to Selston Parish Council for the contract for 2013/14 was £6,025.

	2013/14	2012/13
	£'000	£'000
Expenditure incurred on behalf of Selston Parish Council	123	168
Receipts from Selston Parish Council	(123)	(168)
Net (Surplus)/Deficit	<u>0</u>	<u>0</u>

28. Member's Allowances

The total amount paid under the members' allowances scheme during the year was £401,444 (£405,008 in 2012/13).

29. Officers' Remuneration and Exit Packages

a. Officers' Remuneration

The remuneration paid to the Council's senior officers was as follows:

Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Total Remuneration Exc. Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Executive Officer	103,512	0	549	0	104,061	23,120	127,181
Deputy Chief Executive (Resources)	82,679	0	3	0	82,682	18,243	100,925
Assistant Chief Executive (Governance)	71,000	0	164	0	71,164	15,904	87,068
Service Director Corporate	71,000	0	90	0	71,090	15,904	86,994
Service Director Economy	71,000	0	243	0	71,243	15,904	87,147
Service Director Environment	71,000	0	242	0	71,242	15,904	87,146

The information for 2012/13 on a similar basis for comparative purposes is:

Post	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compensation for Loss of Office	Total Remuneration Exc. Pension Contributions	Pension Contributions	Total Remuneration
	£	£	£	£	£	£	£
Chief Executive Officer	101,012	0	49	0	101,061	21,045	122,106
Deputy Chief Executive (Resources)	81,199	0	12	0	81,211	17,911	99,122
Assistant Chief Executive (Governance)	71,000	0	65	0	71,065	15,904	86,969
Service Director Corporate	71,000	0	121	0	71,121	15,904	87,025
Service Director Economy	71,000	0	226	0	71,226	15,904	87,130
Service Director Environment	71,000	0	223	0	71,223	15,904	87,127

The number of employees whose remuneration (excluding employers' pension contributions) was £50k or more in bands of £5,000 was as follows. This includes all senior management from the above tables

Remuneration (£)	2013/14	2012/13
50,000 – 54,999	0	1
55,000 – 59,999	1	1
60,000 – 64,999	0	0
65,000 – 69,999	1	0
70,000 – 74,999	5	4
75,000 – 79,999	0	0
80,000 – 84,999	1	1
85,000 – 89,999	0	0
90,000 – 94,999	0	0
95,000 – 99,999	0	0
100,000 – 104,999	1	1

b. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Table A shows the costs without pension strain adjustments as per IAS 19; Table B does include these adjustments:

Table A

(a) Exit Package Cost Band (Including Special Payments)	(b) Number of Compulsory Redundancies		(c) Number of Other Departures Agreed		(d) Total Number of Exit Packages by Cost Band		(e) Total Cost of Exit Packages in Each Band (£)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	7	1	7	19	14	20	95,748	229,817
£20,001 - £60,000	3	1	7	5	10	6	324,561	180,787
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	84,544	0
£100,001 - £200,000	0	0	0	0	0	0	0	0
TOTAL	10	2	15	24	25	26	504,853	410,604

Table B

(a) Exit Package Cost Band (Including Special Payments)	(b) Number of Compulsory Redundancies		(c) Number of Other Departures Agreed		(d) Total Number of Exit Packages by Cost Band		(e) Total Cost of Exit Packages in Each Band (£)	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	7	1	7	19	14	20	95,148	231,955
£20,001 - £60,000	3	1	7	5	10	6	320,907	185,056
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	81,848	0
£100,001 - £200,000	0	0	0	0	0	0	0	0
TOTAL	10	2	15	24	25	26	497,903	417,011

Some cost bands have been combined to maintain confidentiality.

30. Audit Costs

The fees payable to KPMG in 2013/14 and 2012/13 with regard to external audit services are:

	2013/14 £'000	2012/13 £'000
External audit services carried out by the appointed auditor*	74	74
Statutory Inspection	5	2
Certification of Grant Claims	22	14
	101	90

* A fee rebate of £10k (£8k 2012/13) was received from the Audit Commission with regard to external audit costs and will offset the total amount payable in respect of audit costs. The Certification of Grant claims for 2013/14 includes an accrual of £7k for additional work carried out for 2012/13.

31. 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. The disclosure of these transactions allows readers to assess the extent to which there exists the possibility that the Council might have been constrained in its ability to operate independently or might have secured the ability to influence another party's ability to bargain freely with the Council.

a. Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operate, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Details of grants received from the Government are set out in Note 8 of the accounts.

b. Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 28.

All members served the full 2013/14 financial year except Councillor Mr J. Aspinall, who served following a by-election on 2nd May 2013.

The Council made payments to a range of voluntary organisations totalling £56,019 in 2013/14 under the Members Community Support Scheme. No grants

were made to organisations whose senior management included close members of the families of Members.

The Board of Ashfield Homes Ltd, an arm's length housing management company wholly owned by the Council included at 31st March 2014 members of Ashfield District Council on its Board. These were Councillor L. M. Gibbons, Councillor J. Grundy, Councillor S. T. Carroll and Councillor T. Keetley. The related party transactions are shown as part of the Group Accounts.

The Council is jointly responsible for the operation of the Mansfield and District Joint Crematorium Committee along with Mansfield District Council and Newark and Sherwood District Council. Details of the Council's share of transactions are shown at Note 40. There are three elected members of the Council who are also members of the Committee; for 2013/14 these were initially Councillor T. Locke, Councillor S.T. Carroll and Councillor J. M. A. Wilmott until 6th June 2013. From 6th June 2013, the elected members appointed to the board were Councillor K. Barsby, Councillor A. Davidson and Councillor J. M. A. Wilmott.

Payments totalling £282,756 were made to Parish Councils

- A total of £239,108 was paid to Selston Parish Council, including £148,060 relating to the precept and a further £89,962 in parish aid grant
- A total of £43,648 was paid to Annesley and Felley Parish Council, including £32,003 relating to the precept and a further £11,645 in parish aid grant.

During 2013/14 there were four elected members of the Council who were also parish councillors; three were members of Selston Parish Council, and the other one was a member of both Selston Parish Council and Annesley and Felley Parish Council.

In all instances where payments are involved, proper consideration of declarations of interest has been given. The relevant members did not take part in any discussion or decision relating to payments. Details of all transactions are recorded in Register of Members' Interests, which is available for public inspection.

The disclosure note has been prepared using the Council's Register of Members Declarations of Interest and appointments made by the Council in addition to a specific declaration obtained in respect of related party transactions.

c. Officers

During 2013/14, the Chief Executive declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 as a Director of a voluntary organisation, Ashfield Voluntary Action. The Council made payments totalling £23,907 to the charity, of which £14,500 was funding for the Warm Homes Project.

The charity also made payments to the Council, totalling £137,888, of which £127,042 was for the provision of a payroll service and £10,636 for the lease and service charge of a building owned by the Council. The Chief Executive did not

take part in any discussion, decision or administration relating to these transactions.

32. Capital Financing Requirement

	2013/14 £'000	2012/13 £'000
Opening Capital Financing Requirement	98,659	98,796
Capital Investment		
Operational Assets	7,898	10,052
Non Operational Assets	0	0
REFCUS	987	2,022
Leasing	0	0
Other (LAMS)	500	0
	<u>9,385</u>	<u>12,074</u>
Sources of Finance		
Capital Receipts	476	251
Reserves	196	400
Crematorium investments	26	
Government Grants and Other Contributions	1,703	3,495
Major Repairs Reserve	5,423	6,226
Minimum Revenue Provision	1,611	1,407
Revenue Contributions	572	432
PWLB - Self Financing Debt Repayment		0
	<u>10,007</u>	<u>12,211</u>
Closing Capital Financing Requirement	98,037	98,659
Movement in the Year	(622)	(137)
Explanation of Movement in the Year		
Increase in Underlying Need to Borrow (unsupported by Government Financial Assistance)	989	1,270
PWLB - Self Financing Debt Repayment	0	0
Adjustment to prior Years	0	0
Minimum Revenue Provision	(1,611)	(1,407)
	<u>(622)</u>	<u>(137)</u>

33. Assets held as Lessee

a. Finance Leases

The Council has commitments to make future payments under finance leases which comprise payments in settlement of the long term liability and future financing costs.

	As at 31st March 2014 £'000	As at 31st March 2013 £'000
Finance Lease Liabilities		
Current	60	54
Non Current	0	60
Finance Costs Payable in Future Years	5	16
	65	130

The minimum lease payments will be payable over the following years.

	As at 31st March 2014 £'000	As at 31st March 2013 £'000
Within one year	65	65
Between one and five years	0	65
	65	130

The assets acquired under this lease, lifeline monitoring equipment, are carried at the following net amount within the balance sheet.

	As at 31st March 2014 £'000	As at 31st March 2013 £'000
Equipment	101	152

34. Assets held as Lessor

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases as at 31st March 2014 was £8.923m and as at 31 March 2013 was £9.030m (these properties were subject to accumulated depreciation and impairment of £2.010m in 2014 and £1.816m 2013). The net book value of these assets is £6.913m in 2014 and £7.214m in 2013.

The future minimum lease payments receivable under non-cancellable leases in future years are:-

	2013/14 £'000	2012/13 £'000
Within 1 Year	203	175
Between 2 and 5 Years	191	153
Later than 5 Years	126	151
	520	479

35. Impairment

During 2013/14 the Council recognised impairment losses as detailed in the following table:

	2013/14 £'000	2012/13 £'000
Impairment Losses recognised within the surplus or Deficit of the provision of services	2,733	6,754
Impairment Losses recognised in Other Comprehensive Income and expenditure and taken to the Revaluation Reserve	0	55
	<u>2,733</u>	<u>6,809</u>

36. Retirement Benefits

a. Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered locally by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and the employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

The latest available membership data is shown in the table below.

	Number	Salaries/ Pensions £'000	Average Age
Active members	427	8,872	46
Deferred pensioners	426	829	46
Pensioners	649	3,673	71
Unfunded Pensioners	185	313	75

The pension scheme is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of Nottinghamshire County Council. Day to day administration of the fund is undertaken by a team within the County Council. Where appropriate some functions are delegated to the Fund's professional advisors.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

b. Transactions relating to retirement benefits

The costs of retirement benefits are recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The charge that is required to be made against Council Tax is based on the cash payable in the year, therefore the real cost of retirement benefits is reversed out in the General Fund Balance. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance during the year:

	2013/14	2012/13	2012/13
		As per revised	Disclosed
	£'000	IAS19 stmt	£'000
		£'000	£'000
Comprehensive Income and Expenditure Statement			
Cost of Services:			
Service cost	2,702	2,560	2,359
Loss (gain) on curtailments	0	0	201
Net Interest on the defined liability (asset)	2,455	2,462	n/a
Interest cost	n/a	n/a	5,136
Expected return on scheme assets	n/a	n/a	(3,325)
Administration expenses	5	6	n/a
Charge to the Income and Expenditure Statement -			
Surplus or Deficit on Provision of Services	5,162	5,028	4,371
Actual Return on Scheme Assets	3,984	9,008	9,002
Movement on the General Fund Balance:			
reversal of net charges made for retirement benefits in accordance with IAS 19	(5,162)	(5,028)	(4,731)
Actual amount charged against the General Fund			
Balance for pensions in the year:			
employers' contributions payable to scheme	2,370	2,514	2,514

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement – Surplus or Deficit on the Provision of Services, a positive re-measurement of £715k (£1.048 negative re-measurement in 2012/13) has been included in Other Comprehensive Income and Expenditure.

c. Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2013/14	2012/13 As per revised IAS19 stmt	2012/13 Disclosed
	£'000	£'000	£'000
Opening Defined Benefit Obligation	124,490	113,576	113,576
Current service cost	2,593	2,359	2,359
Past Service Cost including curtailments	109	201	0
Interest cost	5,277	5,136	5,136
Contributions by scheme participants	570	578	578
Change in financial assumptions	267	7,187	0
Change in demographic assumptions	6,414	0	0
Experience loss/(gain) on defined benefit obligation	(11,929)	194	0
Actuarial (gains) and losses	0	0	7,381
Losses/ (gains) on Curtailment	0	0	201
Benefits paid (net of transfers in)	(3,999)	(4,438)	(4,438)
Unfunded pension costs	(300)	(303)	(303)
Closing Defined Benefit Obligation	123,492	124,490	124,490

Reconciliation of fair value of the scheme assets:

	2013/14	2012/13 as per revised IAS19 stmt	2012/13 disclosed
	£'000	£'000	£'000
Opening fair value of Scheme assets	66,305	58,953	58,953
Expected rate of return	0	0	3,325
Interest on assets	2,822	2,674	0
Return on assets less interest	1,162	6,333	0
Actuarial gains and (losses)	(5,695)	0	5,676
Administration expenses	(5)	(6)	0
Employer contributions	2,370	2,514	2,514
Contributions by scheme participants	570	578	578
Benefits paid	(4,299)	(4,741)	(4,741)
Closing fair value of Scheme assets	63,230	66,305	66,305

The interest income on assets and interest expense on liabilities is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £3.984m (2012/13: £9.008m).

The positive or negative re-measurement is recognised within Other Comprehensive Income and Expenditure.

Remeasurements and Other Comprehensive Income

	2013/14	2012/13 as per revised IAS19 stmt
	£'000	£'000
Return on plan assets in excess of interest	1,162	6,333
Other actuarial gains/(losses) on assets	(5,695)	0
Changes in financial assumptions	(267)	-7,187
Change in demographic assumptions	(6,414)	0
Experience gain/(loss) on defined benefit obligation	11,929	-194
Changes in effect of asset ceiling	0	0
Remeasurements	715	(1,048)

Statement of Recognised Income and Expense

	2012/13 disclosed £'000
Actual return less expected return on pension scheme assets	5,676
Experience gain	(194)
Changes in assumptions underlying the present value of the scheme liabilities	(7,187)
Actuarial (loss)/ gain in pension scheme	(1,705)
Decrease/ increase in irrecoverable surplus	0
Actuarial gain (loss) recognised within Other Comprehensive income and expenditure	(1,705)

d. Scheme history

	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Present value of liabilities	(120,675)	(96,379)	(113,576)	(124,490)	(123,492)
Fair value of assets	55,255	58,192	58,953	66,305	63,230
Surplus/(deficit) in the scheme	(65,420)	(38,187)	(54,623)	(58,185)	(60,262)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £60.262m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy because the deficit on the pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Pension Scheme by the Council in the year to 31st March 2014 are £2.370m.

e. Projected Pension Expenses

The projected pension expenses for the year to 31st March 2015 are:

	£'000
Service Cost	2,047
Interest Cost	2,605
Administration expenses	4
Total	4,656
Employer Contributions	2,122

These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31st March 2014. These projections are based on the assumptions as at 31st March 2014, as described in the actuary's report.

f. 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 County Council Fund liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2013.

The principal assumptions used by the actuary were:

	2013/14	2012/13
Long-term expected rate of return on assets in the scheme:	4.40%	5.70%
<i>Mortality assumptions:</i>		
Longevity at 65 for current pensioners:		
Men	22.0	18.7
Women	25.1	22.8
Longevity at 65 for future pensioners:		
Men	24.1	20.7
Women	27.4	24.6
Financial Assumptions:		
Increase in Retail Price Index	3.50%	3.30%
Increase in Consumer Price Index	2.70%	2.50%
Rate of increase in salaries	4.50%	4.70%
Rate of increase in pensions	2.70%	2.50%
Rate for discounting scheme liabilities	4.40%	4.30%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

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

	31st March 2014		31st March 2013	
	£'000		£'000	
Equities	46,158	73.00%	48,403	73.00%
Gilts	5,058	8.00%	4,641	7.00%
Other Bonds	3,162	5.00%	3,978	6.00%
Property	6,955	11.00%	7,957	12.00%
Cash	1,897	3.00%	1,326	2.00%
	63,230	100.00%	66,305	100.00%

Sensitivity Analysis

	£000	£000	£000
Adjustment to discount rate:	+0.1%	0.0%	-0.1%
Present value of total obligation	121,447	123,491	125,571
Projected service cost	2,000	2,047	2,095
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	123,784	123,491	123,200
Projected service cost	2,047	2,047	2,047
Adjustment to pension increases & deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	125,311	123,491	121,702
Projected service cost	2,095	2,047	1,999
Adjustment to mortality age rating assumption	+ 1 year	None	- 1 year
Present value of total obligation	119,051	123,491	127,973
Projected service cost	1,976	2,047	2,119

g. Amendments to IAS 19 – Employee Benefits

To demonstrate the impact of the changes resulting from IAS19 a reconciliation of disclosed and revised values for 2012/13 has been produced:

CI&E	DISCLOSED			REVISED FOR IAS19 CHANGES			Variance
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
Central Services to the Public	16,237	13,663	2,574	16,237	13,663	2,574	
Cultural and Related Services	3,358	198	3,160	3,358	198	3,160	
Environment and Regulatory Services	9,903	2,907	6,996	9,903	2,907	6,996	
Planning Services	4,259	1,127	3,132	4,259	1,127	3,132	
Highways and Transport Services	1,170	1,033	137	1,170	1,033	137	
Other Housing Service - General Fund	36,710	35,143	1,567	36,710	35,143	1,567	
Housing Revenue Account	19,781	24,236	(4,455)	19,781	24,236	(4,455)	
Corporate and Democratic Core	1,836	1	1,835	1,836	1	1,835	
Non Distributed Costs	69	0	69	75	0	75	6
Cost of Services	93,323	78,308	15,015	93,329	78,308	15,021	
Other Operating Expenditure (Note 9)			1,358			1,358	
<i>Financing and Investment Income and Expenditure:</i>						0	
Interest pd/received			4,042			4,042	
Pensions Interest			1,811			2,462	651
Taxation and Non-Specific Grant Income			(17,364)			(17,364)	
Surplus or Deficit on Provision of Services	93,323	78,308	4,862	93,329	78,308	5,519	
Surplus (-) or Deficit on Revaluation of Non Current Assets (Note 12)			(2,587)			(2,587)	
Actuarial Gains (-)/Losses on Pension			1,705			1,048	(657)
Other Comprehensive Income and Expenditure			(882)			(1,539)	
Total Comprehensive Income and Expenditure			3,980			3,980	0

MIRS adjustments (note 7)

Reversal of CI&E items	(4,371)	(5,028)	
Er's contributions	<u>2,514</u>	<u>2,514</u>	
	(1,857)	(2,514)	(657)

Impact on Pension Reserve

Opening Balance	54,623	54,623	
Actuarial Gain	1,705	1,048	
CI&E	4,371	5,028	
Er's contributions	<u>(2,514)</u>	<u>(2,514)</u>	
	58,185	58,185	0

Impact on Cash Flow Statement

Net surplus or (deficit) on the provision of services	-4862	-5519	
Adj for noncash movements	17768	18425	
Adjust for investing and financing activities	<u>(3,706)</u>	<u>(3,706)</u>	
Net Cash flows from operating activities	9,200	9,200	0

37. Contingent Liabilities

a. Insurance

The Independent Insurance Company who was the Council's Liability Insurer between 1992 and 1998 was forced into liquidation in 2001. As at 31st March 2014 there is one claim outstanding and this is provided for within the insurance provision. Should any further claims arise then it is likely that the whole or at least part of this amount would be a liability for the Council.

In September 1992 Municipal Mutual Insurances (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders including local authorities established a 'scheme of arrangement' for the orderly run down of the company. The Council's current MMI liability is £411k.

Under the 'scheme of arrangement' a levy was paid of £62k during 2013/14. There is not expected to be any further levy payment in 2014/15 however payments may be required after 2014/15.

b. Ashfield Homes Limited

The Council is the parent company and sole owner of Ashfield Homes Limited (AHL). In the event of the Management Agreement between the Council and AHL ending, all assets and liabilities of AHL would transfer to the Council. This includes all liabilities relating to pension obligations. The Council has specifically indemnified AHL in respect of these. It is expected that any pension fund deficit will be reduced by continued additional employers' contributions. The actuarial valuation of the pension fund deficit for AHL at 31st March 2014 was £8.707m.

c. Equal Pay Issues

Equal Pay Claims following resolution of the current Job Evaluation / Single Status exercise

The Council has made good progress towards implementation of Job Evaluation/Single Status and negotiations are taking place with respective parties to seek agreement on the final proposals. A provision has been established for compensation and back pay arrangements.

Employment pay and policies should be equitable going forward. However, upon implementation of Job Evaluation, there remains the potential for individual employee groups to make retrospective equal pay claims covering the period of up to six years prior to the implementation date. Given the process has not concluded it is not presently possible to quantify the nature or quantum of any claim that may arise. The Council intends to fund any such claims that may materialise through the Corporate Change and Renewal Fund Reserve.

d. Teversal Grange Trust

As outlined at Note 42, the Council acts as the sole trustee to the Teversal Community Centre and Recreation Ground. The Trust accounts for 2013/14 show a deficit position of £57k and therefore there are insufficient resources to maintain the fixed assets going forward. Discussions are taking place with interested parties to seek a successful outcome which are likely to include an element of financial support from the Council. At this stage, proposals are not sufficiently defined to determine the impact on the Council.

e. Local Land Charges Search Fees

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £60,380 plus interest and costs. The provision has been updated accordingly.

The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

38. Contingent Assets

a. VAT Reclaim

During 2011/12, Her Majesty's Revenues and Customs (HMRC) determined that the provision of trade waste collection services is classified as non-business and therefore VAT is not chargeable. The Council has submitted a retrospective claim in respect of overpaid VAT which if successful could generate £157k. HMRC have requested further information which has been supplied. The case is currently on-going.

39. Deferred Credits

The balance on this account represents the capital income still to be received from the sale of Council houses where deferred payments have been agreed. It equates to long-term debtors – Council house sales.

	2013/14 £'000	2012/13 £'000
Balance Brought Forward	(21)	(21)
Receipts in Year	0	0
Balance Carried Forward	<u>(21)</u>	<u>(21)</u>

40. Joint Crematorium Committee

The Council's share (currently 45.82% share) of income, expenditure, assets and liabilities in respect of the Joint Crematorium Committee is as follows;

	2013/14 £'000	2012/13 £'000
Gross Income	(672)	(608)
Gross Expenditure	394	376
Net (Surplus)/Deficit	<u>(278)</u>	<u>(232)</u>
Total Assets at Year End	1,714	1,673
Total Liabilities at Year end	(184)	(241)
Net Assets at Year End	<u>1,530</u>	<u>1,432</u>

41. Nature and Extent of Risks Arising from Financial Instruments

a. Credit Risk

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

This risk is minimised by an investment policy which requires that deposits are not made with financial institutions unless they meet minimum standards. It also imposes a maximum amount which can be invested with each financial institution.

The credit criteria in respect of financial assets held by the Council are as detailed below:

Financial Asset Category	Criteria		Maximum Investment
Deposits with banks & building societies	Short Term	Minimum F1	£5m per counter-party
	Long Term	Minimum A	£5m per counter-party

The following analysis summarises the Council's potential exposure to credit risk, based on experience of default and failure to collect over the last 5 financial years, adjusted to reflect current market conditions.

	Amount at 31st March 2014	Historical Experience of default	Historical experience adjusted for market conditions at 31st March 2014	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and financial institutions	3,477	0.0	0.5	17
Bonds	0	n/a	0.0	0
Customers - Sundry Debtors	1,053	6.22	3.0	32
Housing Benefit Overpayments	974	82.0	82.0	799

The Council does not allow credit for its customers, and at the 31st March 2014, £2.027m was due for payment. The past due amount can be analysed by age as follows:

	31st March 2014 £'000	31st March 2013 £'000
Less than 2 months	800	407
2 to 6 months	434	306
6 to 12 months	267	173
More than 1 year	526	445
	2,027	1,331

b. Liquidity Risk

The Council manages its cash flow on a daily basis to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

An analysis of the long term borrowings included in the balance sheet is shown below

Source of Loan	Ranges of Interest Rates Payable %	Carrying Amount	
		31st March 2014 £'000	31st March 2013 £'000
Public Works Loan Board	3.55% to 9.875%	27,236	22,235
Money Market	1.9% to 7.95%	43,681	38,639
Other Local Authorities		0	0
		70,917	60,874
		31st March 2013 £'000	31st March 2012 £'000
Maturity Within:			
Less than a year	7.95%	2,033	0
1-2 years		0	2,032
2-5 years	1.9% to 9.875%	5,744	729
5-10 years	3.55% to 6.1%	23,929	14,676
More than 10 years	3.76% to 9.25%	39,211	43,437
		70,917	60,874

c. Market Rate Risk

The impact of a one percent rise in interest rates at 31st March 2014 is minimal as regards interest payable and nil on interest receivable. This is due to most borrowings being on fixed rate terms. However, the fair value of financial liabilities would decrease. This is a memorandum item only and would not change the Balance Sheet or other accounts.

d. Price Risk

The Council does not invest in equity shares and is not a shareholder in any businesses (other than AHL Ltd). The Council is not therefore exposed to any losses arising from movements in the price of shares.

e. Foreign Exchange Risk

The Council has no financial assets or liabilities that are denominated in foreign currency and therefore has no exposure to gains or losses arising from movements in exchange rates.

42. Trust Funds

The District Council acts as the sole trustee to the Teversal Community Centre and Recreation Ground. Funds are on deposit with Co-operative Bank plc and the day to day activities are included within the Council's ledger. Balances at the year end are transferred between the Council's main account and the Community Centre account, any balances due are carried as a debtor or creditor on the balance sheet. The annual return is completed and audited by the Council and sent to the Charity

Commission by the end of January in the year following the year of account. The Community Centre's accounts have been evaluated and excluded from the group accounts.

The purpose of Teversal Community Centre is for the "Provision and maintenance of a community centre and recreation ground for the use of the inhabitants of Teversal, Stanton Hill, Skegby and the neighbourhood thereof without distinction of political, religious or other opinions including use for meetings, lectures and classes and for other forms of recreation and leisure time occupation, with the object of improving the conditions of life for the said inhabitants".

In the financial year 2013/14 the net loss was £57,328 reducing the net value of assets to £32,023 as at the balance sheet date. The Trust will require financial support to maintain the assets going forward although the nature and level of this support is yet to be determined as referenced at Note 37d.

There are a number of smaller trust funds where the Council acts as the sole trustee. A review of these funds is currently being undertaken to determine their relevance and the extent of the Council's responsibilities in its capacity as trustee. None of these funds are included in the balance sheet or within the group accounts.

The purpose of the Beecroft Charity is for "the purchase of coal for poor people living in Sutton in Ashfield". There has been no expenditure in respect of this charity within the last year. There are no other assets or liabilities relating to this trust fund apart from the bank balance.

The William Barratt Prize fund exists for the purchase of "prizes for swimming for children attending elementary school". There has been no expenditure in respect of this charity within the last year. There are no other assets or liabilities relating to this trust fund apart from the bank balance.

There are two other trust funds which the Council have a responsibility to and their current status is being investigated. They are:

- William Booth's Charity for the Poor, which holds investment units that generate income. The income from this charity should be used by the trustees in making payments to, or for the benefit of residents in Annesley Woodhouse experiencing hardship. This charity was removed from the Charities Register on 12th February 2004 but has not yet been wound up. The charity holds 174 units administered by CCLA Investment Management Limited and the last valuation of these units within the financial year, as at the 31st March 2014 was £2008.43.
- Wansley Hall Trust Fund does not appear on the Charity Commission's database, and there are no legal documents in relation to this being a trust.

The Council is continuing to review these charities, with a view winding them up and handing over the funds to a local cause which has the same aim of benefiting the residents of Ashfield.

Analysis of current bank activity:

Name of Trust Fund	Balance as at 31st March 2013 £	Income £	Expenditure £	Balance as at 31st March 2014 £
Teversal Community Centre and Recreation Ground	44,437		40,015	4,422
Beecroft Charity	267	1		268
William Barratt Prize Fund	233			233
Wansley Hall Trust Fund	403	1		404
William Booth Charity	1,720	80		1,800
	47,060	82	40,015	7,127

There are three recreation charities that the Council are also sole trustees for where no bank account exists. These are:

- Sutton-in-Ashfield Recreation Grounds 2006 Trust which includes responsibility for a part of Sutton Lawn, part of Priestsic Road recreation ground and part of the Lammas recreation ground.
- Kirkby-in-Ashfield Recreation Ground, Lord Francis Park, responsibility extends to only a part of the Lord Francis Park recreation ground.
- Skegby Recreation Ground, responsibility extends to only a part of the Skegby recreation ground.

In each case the value of the parcels of land would be low as they are parts of larger recreational areas which cannot be used for any other purpose. At present there is no valuation of the land areas attributable to the trusts. There are no other assets or liabilities relating to these trusts. Governance arrangements need establishing for each of these.

Supplementary Financial Statements

Housing Revenue Account – Income and Expenditure Statement

2012/13 £'000		2013/14 £'000	Note
	Income		
(23,232)	Dwelling Rents (gross)	(23,552)	
(168)	Non-dwelling Rents (gross)	(165)	
(469)	Charges for Services and Facilities	(397)	
(367)	Contribution Towards Expenditure	(266)	
0	Sums directed by the Secretary of State that are income in accordance with IFRS	0	
(24,236)	Total Income	(24,380)	
	Expenditure		
6,466	Repairs and Maintenance	6,467	
5,909	Supervision and Management	5,638	
16	Rents, Rates, Taxes and other charges	56	
699	Rent Rebate Subsidy Limitation	378	
116	HRA Subsidy Payable (including MRA)	0	Note 9
6,435	Depreciation and impairments of fixed assets	2,816	
9	Debt Management Costs	13	
86	Increase in the Bad Debt Provision	120	
19,736	Total Expenditure	15,488	
(4,500)	Net Cost of HRA Services as included in the whole authority Comprehensive Income & Expenditure Account	(8,892)	
44	HRA share of Corporate and Democratic Core	44	
(4,456)	Net Cost of HRA Services	(8,848)	
(203)	Gain or loss on sale of HRA non current assets	(409)	
4,343	Interest payable and similar charges	3,781	
(117)	Interest and investment income	(96)	
	Pensions Interest Cost and expected return on Pensions assets	0	
(433)	(Surplus) or deficit for the year on HRA services	(5,572)	

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. Councils 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 HRA Statement.

Statement of Movement on the HRA Balance

Statement of Movements

2012/13 £'000		2013/14 £'000	Note
(16,767)	Balance on the Housing Revenue Account at the end of the previous year	(17,410)	
(433)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(5,572)	
	Adjustments between accounting basis and funding basis under statute		
(348)	Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year	(303)	
(4,090)	Impairment of fixed assets charged to HRA	(498)	
203	Gain or (loss) on sale of HRA fixed assets	410	
	Net (Increase) or decrease in the HRA Balance before transfers to or from reserves:		
3,881	Transfer from Major Repairs Reserve	3,112	Note 4.
0	Amortisation of Premiums and Discounts	0	
0	Voluntary set aside for debt management	0	
144	Capital expenditure funded by the HRA	572	
(210)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	3,293	
(643)	Increase or Decrease in the year to the Housing Revenue Account Balance	(2,279)	
(17,410)	Balance Carried forward	(19,689)	

Notes to the Housing Revenue Account

1. The number and types of dwellings in the housing stock

	As at 31st March 2014 Number	As at 31st March 2013 Number
Houses and bungalows	4,673	4,692
Low rise flats	1,766	1,796
Medium rise flats	462	462
Total Dwellings	6,901	6,950
 Garages and Garage Plots	 671	 671

2. Housing stock valuations

Description	As at 31st March 2014 £'000	As at 31st March 2013 £'000
Operational assets		
- Council Dwellings	161,635	160,147
- Other land and buildings	2,718	2,375
Total	164,353	162,522

3. Vacant Possession Value of Council Dwellings

	As at 31st March 2014 £'000	As at 31st March 2013 £'000
Market value - Vacant possession	475,397	471,018
Existing use value for social housing	161,635	160,146
Difference	313,762	310,872

The 'difference' between the market value and the Balance Sheet value for dwellings represents the economic cost to the Government of providing Council housing at less than open market rents. The vacant property adjustment factor for the East Midlands remains at 34% for 2013/14

4. Major Repairs Reserve

During 2001/02 the Council established a Major Repairs Reserve. The reserve is utilised to fund capital expenditure on Council properties.

	2013/14 £'000	2012/13 £'000
Balance brought forward	0	0
Financing of HRA Capital Expenditure	5,423	6,226
Transfer to/from HRA Reserve	(3,112)	(3,881)
Less Depreciation	(2,311)	(2,345)
Balance Carried Forward	0	0

5. Capital Expenditure

	2013/14 £'000	2012/13 £'000
Operational assets		
Dwellings	6,254	5,951
Other land and buildings	0	0
Revenue Expenditure Funded from Capital Under Statute	361	419
Total Operational Assets	6,615	6,370
Funded by:		
Unsupported borrowing	0	0
Capital receipts and grants	620	0
Contributions from Revenue	572	144
Major Repairs Reserve	5,423	6,226
Total Funding	6,615	6,370

6. Capital Receipts from Disposal of Assets

	2013/14 £'000	2012/13 £'000
Disposal of dwellings	1,326	904
Disposal of other land and buildings	0	0
Disposal of non-operational assets	180	0
Mortgage Repayments	0	0
Total from Disposals	1,506	904

7. Depreciation in the year ending 31st March

	2013/14 £'000	2012/13 £'000
Operational assets		
- Dwellings and garages	2,227	2,243
- Other land and buildings	91	101
Total	2,318	2,344

8. Impairment

A desktop valuation of all council dwellings was undertaken at 31/03/2014 which has required that capital expenditure of £5.0m on council dwellings is to be impaired. Impairment of £4.5m previously made in respect to Council Dwellings has been reversed. The total net impairment in the year is £0.5m.

9. Pension Contribution

A contribution of £335k has been made for 2013/14 to the back funding costs relating to employees transferred to Ashfield Homes Limited.

10. Rent Arrears

	As at 31st March 2014 £'000	As at 31st March 2013 £'000
Current tenants	385	299
Former tenants	255	212
Total rent arrears	640	511
Overpayments	(235)	(191)
Total arrears	405	320
Deduct - Provision for bad debts	(229)	(188)
Net arrears	176	132

11. Subsidy Limitation

Council tenants on low incomes can receive financial assistance with their rent under the Housing Benefit Scheme. Approximately 62% of tenants rent was met by housing benefit during 2013/14 (65% in 2012/13).

The cost of housing benefits was transferred to the General Fund with effect from the 1st April 2004. The housing revenue account reimburses the General Fund for benefits not funded by Central Government due to rent rebate subsidy limitation. During 2013/14, this amounted to £378k.

Collection Fund

2012/13 £'000		2013/14 £'000	Note
INCOME			
46,882	Income from Council Tax	48,788	
	Transfers from General Fund:		
10,670	Council Tax Benefits	0	Note 7
102	Charitable Relief	0	Note 7
31,152	Income Collectable from Business Ratepayers	32,417	Note 3
	Contributions:		
698	Towards Previous Years Deficit - Council Tax	0	
	Towards Previous Years Deficit - NDR	0	
89,504	Total Income	81,205	
EXPENDITURE			
57,071	Precepts and Demands	47,965	Note 5
	Business Rates:		
31,127	Payment to Billing Authority	12,534	
0	Share of NDR income to major preceptors	3,133	
	Payment to Central Government	15,667	
	Transitional Protection - NDR	150	
127	Costs of Collection	128	Note 3
	Bad and Doubtful Debts & Provisions:		
295	Council Tax Write Offs	287	
(18)	Council Tax Provisions	48	
0	NDR Write Offs	127	
0	NDR Provisions	153	
0	Provisions for Appeals	914	
	Contributions:		
	Distribution of Surplus - NDR	0	
	Distribution of Surplus - Council Tax	0	
88,602	Total Expenditure	81,106	
(902)	Movement on Fund Balance - Council Tax	(488)	
0	Movement on Fund Balance - NNDR	389	
479	Opening Balance - Council Tax	(423)	Note 6a
0	Opening Balance - NNDR	0	Note 6b
0	Closing Balance - Council Tax	(911)	Note 6a
0	Closing Balance - NNDR	389	Note 6b
(423)	Balance at 31st March	(522)	

Notes to the Collection Fund

1. General

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities such as Ashfield District Council to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from tax-payers and distribution to local authorities and the Government of council tax and non-domestic rates.

2. Business Rates Retention

With effect from 1st April 2013, the Business Rates Retention scheme was introduced. The new arrangements provide a direct link between business rates growth and the amount of money local authorities have to spend on services. Local authorities can keep a proportion of their business rates collected in their area after certain contributions to the Government have been made.

As part of the business rates retention scheme, all local authorities were given the opportunity to work with neighbouring and partner authorities to develop a bid to become a local authority business rate "pool". Ashfield is part of a Nottinghamshire NDR pool which is administered by Nottinghamshire County Council. Member authorities are treated as a single authority for the purpose of certain calculations under the business rates retention scheme. The advantage of a pool is to potentially generate additional business growth through collaborative working and to smooth out the impact of volatility in business rates income across a wider economic area.

The Council distributes NDR from the pool to the main preceptors and central government. Previously the government received all the income due under NDR and distributed this back to authorities by mainstream funding through the formula grant system.

3. Income from Business Ratepayers

National Non-Domestic Rates (NNDR) are paid by businesses. Central Government specifies an annual rate in the pound 47.1p in 2013/14 and local businesses pay an annual NNDR bill calculated by multiplying the rateable value of their premises by this annual rate; there are reliefs for small businesses, charities etc. The Council is responsible for collecting the NDR income and then distributing to Central Government and Preceptors as outlined above.

Non domestic rateable value as at 31st March 2014 was £78.2m (£77.6m in 2012/13). The NNDR income collectable in 2013/14 after reliefs was £32.417m (£31.254m in 2012/13).

	2013/14	2012/13
	£'000	£'000
Business Rates Income	32,417	31,152
Add:		
Transfers from General Fund	0	102
	32,417	31,254
Less:		
Cost of Collection Allowance	128	127
	32,289	31,127
Net Contribution to National Pool		

The Council receives an allowance from the Collection Fund towards the collection of Business Rates.

4. Council Tax

The Council set a band D Council Tax of £167.22 for the financial year 2013/14. When taking into account parish precepts, the equivalent average Council Tax is £173.25.

The Council tax base, which is used in the tax calculation, is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where exemptions or discounts apply, converted to an equivalent number of band D dwellings.

The tax base for the year was 29870.3 as shown below.

	Total Net No. of Dwellings	Ration to Band "D"	Band "D" Equivalents
Disabled Persons Relief	64.3	5/9	35.7
Band "A"	18,028.6	6/9	12,019.1
Band "B"	8,629.3	7/9	6,711.7
Band "C"	7,043.4	8/9	6,260.8
Band "D"	3,223.5	1	3,223.5
Band "E"	1,100.5	11/9	1,345.0
Band "F"	372.9	13/9	538.7
Band "G"	105.6	15/9	175.9
Band "H"	10.2	2	20.4
Total	38,578.3		30,330.8
Less Provision for Bad Debts			460.5
Council Tax Base for 2013/14			29,870.3

The Band D Council Tax, including parish precepts, is calculated as follows:

Council requirement from the Collection Fund	<u>£5,174,975</u>
Divided by Council Tax Base	29870.3
Equals Band D equivalent	£173.25

5. Precepts and Demands

The Council also collects tax on behalf of other authorities.

	2013/14 £'000	2012/13 £'000
Nottinghamshire County Council	35,641	42,501
Nottinghamshire Police Authority	5,067	5,928
Nottinghamshire Fire Authority	2,082	2,482
Ashfield District Council	4,995	5,957
Selston Parish Council	148	172
Annesley/ Felley Parish Council	32	31
	47,965	57,071

6. Distribution of the Collection Fund Balance

6a) Council Tax Balance Distribution

a) Council Tax	2013/14 £'000	2012/13 £'000
Nottinghamshire County Council	(676)	(314)
Nottinghamshire Police Authority	(96)	(45)
Nottinghamshire Fire Authority	(40)	(19)
Ashfield District Council	(99)	(45)
	(911)	(423)

6b) NNDR Balance Distribution

b) NDR	2013/14 £'000	2012/13 £'000
Nottinghamshire County Council	35	0
Nottinghamshire Police Authority	3	0
Nottinghamshire Fire Authority	156	0
Ashfield District Council	195	0
	389	0

The surplus or deficit on the Collection Fund now consists of two elements:-

- Council Tax:- the surplus or deficit of this element is distributed between the Council (as billing authority), Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority on the basis of estimates of the year-end balance on 15th January each year. Any remaining surplus or deficit will be carried forward to the following year and will influence the level of Council Tax to be raised for that year.
- NDR:- the surplus or deficit of this element is distributed between the Council (as billing authority), Nottinghamshire County Council, Nottinghamshire Fire Authority

and Central Government on proportions outlined in the Business Rates Retention scheme, on the basis of estimates of the year-end balance on 31st January each year. Any remaining surplus or deficit will be carried forward to the following year and will influence the level of resources available in that year.

The distribution of the Collection Fund balance based upon the actual position is shown in the tables above.

7. Transfers from General Fund

The Council Tax Benefit reforms have led to Council Tax benefit being awarded as a discount and reduced from the total Council Tax due. No transfer to the General Fund is required.

Under the Retained Business Rates Scheme NDR charitable relief is met by the partners of the pool with no contributions being necessary from the Council's General Fund.

	2013/14 £'000	2012/13 £'000
Council Tax Benefits	0	10,670
NNDR Charitable Relief	0	102
	<u>0</u>	<u>10,772</u>

8. Collection Fund Adjustment Account

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

	2013/14 £'000	2012/13 £'000
Balance at 1 April	(45)	52
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(53)	(97)
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from NDR income calculated for the year in accordance with statutory requirements	156	
Balance at 31 March	<u>58</u>	<u>(45)</u>

Group Accounts

Group Accounting Policies

1. General

The accounting policies of Ashfield Homes Limited are congruent where appropriate with the Council with one minor exception in respect of the valuation of stocks. The variation is not material to require any restatement.

Group Explanatory Foreword

1. General

The Council has 100% interest in Ashfield Homes Limited (AHL). This company was formed on 26th September 2001 and commenced business to undertake the Housing Management function on behalf of the Council on 1st April 2002. The following group financial statements show the consolidated position of the Council and its interest in AHL.

2. Other entities

The Council has no other interests as at 31st March 2014.

3. Voting rights and ownership

The Council has 4 voting representatives on the board of AHL out of a total of 12 members. AHL is limited by guarantee and does not have share capital. In the event of AHL being wound up, residual assets would be transferred to the Housing Revenue Account after settlement of outstanding debts and liabilities. If assets were insufficient the Council's liability is limited to £1.

4. Turnover

The turnover of AHL in 2013/14 was reported to be £11m.

5. Independent Auditors

The AHL accounts are being audited by KPMG LLP, 2 Cornwall Street, Birmingham B3 2DL which is ongoing. The accounts will be formally approved at a board meeting expected to take place on the 23 July 2014.

6. Accounts

Further information about AHL's accounts is available from:

Company Accountant,
Ashfield Homes Limited,
Broadway,
Brook Street,
Sutton-in-Ashfield,
Nottinghamshire,
East Midlands,
NG17 1AL.

Group Movement in Reserves Statement

	Council's Usable Reserves £'000	Council's Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries £'000	Total Group Reserves £'000
Balance at 31 March 2013	<u>31,104</u>	<u>72,343</u>	<u>103,447</u>	<u>1,313</u>	<u>104,760</u>
Surplus or (deficit) on provision of services (accounting basis)	3,224	0	3,224	37	3,261
Other Comprehensive Expenditure and Income	<u>0</u>	<u>1,243</u>	<u>1,243</u>		<u>1,243</u>
Total Comprehensive Expenditure and Income	<u>3,224</u>	<u>1,243</u>	<u>4,467</u>	<u>37</u>	<u>4,504</u>
Adjustments between Group Accounts and Authority Accounts	<u>1,929</u>	<u>(1,929)</u>			<u>0</u>
Net Increase / Decrease before Transfers	<u>5,153</u>	<u>(686)</u>	<u>4,467</u>	<u>37</u>	<u>4,504</u>
 Balance at 31 March 2014	 <u>36,257</u>	 <u>71,658</u>	 <u>107,914</u>	 <u>1,350</u>	 <u>109,264</u>

Group Movement in Reserves Statement

	Council's Usable Reserves £'000	Council's Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Subsidiaries £'000	Total Group Reserves £'000
Balance at 31 March 2012	<u>31,816</u>	<u>75,611</u>	<u>107,427</u>	<u>1,120</u>	<u>108,547</u>
Surplus or (deficit) on provision of services (accounting basis)	(5,519)	0	(4,862)	193	(4,669)
Other Comprehensive Expenditure and Income	<u>0</u>	<u>1,539</u>	<u>882</u>	<u>0</u>	<u>882</u>
Total Comprehensive Expenditure and Income	(5,519)	1,539	(3,980)	193	(3,787)
Adjustments between Group Accounts and Authority Accounts	<u>4,807</u>	<u>(4,807)</u>	<u>0</u>		<u>0</u>
Net Increase / Decrease before Transfers	(712)	(3,268)	(3,980)	193	(3,787)
Balance at 31 March 2013	<u>31,104</u>	<u>72,343</u>	<u>103,447</u>	<u>1,313</u>	<u>104,760</u>

Group Comprehensive Income and Expenditure Statement

2012/13				2013/14			
Expenditure	Income	Net Expenditure		Expenditure	Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
16,237	(13,663)	2,574	Central Services to the Public	6,464	(3,405)	3,059	
3,358	(198)	3,160	Cultural and Related Services	3,311	(413)	2,898	
9,903	(2,907)	6,996	Environmental and Regulatory Services	10,555	(2,548)	8,007	
4,259	(1,127)	3,132	Planning Services	2,359	(1,174)	1,185	
1,170	(1,033)	137	Highways, Roads and Transport Services	612	(578)	34	
20,923	(25,746)	(4,823)	Housing Revenue Account	16,862	(25,938)	(9,076)	
36,710	(35,143)	1,567	Other Housing Services	37,211	(35,540)	1,671	
1,836	(1)	1,835	Corporate and Democratic Core	1,815	(10)	1,805	
75	0	75	Non Distributed Costs	214	0	214	
94,471	(79,818)	14,653	Cost Of Services	79,404	(69,606)	9,798	
Other Operating Expenditure							
		908	Net (Surplus) / Deficit on Trading Undertakings			(5)	
		203	Parish Council Precepts			180	
		391	Contribution to Housing Pooled Capital Receipts			450	
		(144)	Net Loss or Gain on sale of Fixed Assets			(585)	
		16,011	Total Operating Expenditure			9,838	

Group Comprehensive Income and Expenditure Statement (Continued)

2012/13 Net Expenditure £'000		2013/14 Net Expenditure £'000
	Financing and Investment Income and Expenditure (Analysis)	
4,131	Interest Payable and Other Charges	3,478
(104)	Interest and Investment Income.	(80)
0	Other Income	0
2,652	Pensions Interest Cost and Expected Return	2,657
<u>6,679</u>		<u>6,055</u>
	Taxation and Non-Specific Grant Income (Analysis)	
(1,202)	Government Grants	(6,589)
(2,482)	Capital Grants and Contributions	(3,940)
(7,702)	Contribution from NNDR Pool	(3,733)
(5,978)	Demands on the Collection Fund	(4,995)
0	Adjustment to Demands on Collection Fund	103
<u>(17,364)</u>		<u>(19,154)</u>
<u>5,326</u>	(Surplus) or Deficit on Provision of Services	<u>(3,261)</u>
	Surplus or deficit on revaluation of fixed assets (Reserve movement not investment)	
(2,587)		(528)
1,048	Actuarial (gains) / losses on pension assets / liabilities	(715)
<u>(1,539)</u>	Other Comprehensive Income and Expenditure	<u>(1,243)</u>
<u>3,787</u>	Total Comprehensive Income and Expenditure	<u>(4,504)</u>

Group Balance Sheet

As at 31st March 2013 £'000		As at 31st March 2014 £'000
228,774	Property, Plant & Equipment	229,169
538	Heritage Assets	538
0	Intangible Assets	0
1	Long Term Investments	1
190	Long Term Debtors	1,706
229,503	Long Term Assets	231,414
155	Short Term Investments	8,173
416	Inventories	429
5,877	Short Term Debtors	4,460
4,357	Cash and Cash Equivalents	5,229
726	Assets held for sale	700
11,531	Current Assets	18,991
(215)	Bank Overdraft	(117)
(5,040)	Short Term Borrowing	(2,033)
(10,516)	Short Term Creditors	(7,084)
(54)	Finance Lease repayable within 12 months	(60)
(191)	Provisions	(190)
(16,016)	Current Liabilities	(9,484)
(60)	Finance Lease repayable in excess of 12 months	0
0	Long Term Creditors	(500)
(58,185)	Pension Liability	(60,262)
(1,118)	Provisions	(1,990)
0	Capital Grants Receipts in Advance	0
(60,874)	Long Term Borrowing	(68,884)
(21)	Deferred Capital Receipts	(21)
(120,258)	Long Term Liabilities	(131,657)
104,760	Net Assets	109,264
Reserves:		
(31,104)	Usable Reserves	(36,257)
(72,343)	Unusable Reserves	(71,657)
(1,313)	Reserves - Group Entities	(1,350)
(104,760)	Total Reserves	(109,264)

Group Cash Flow Statement

2012/13 £'000		2013/14 £'000
(5,326)	Net surplus or (deficit) on the provision of services	3,261
18,482	Adjustment to surplus or deficit on the provision of services for noncash movements	8,795
(3,706)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(5,123)
<u>9,450</u>	Net Cash flows from operating activities	<u>6,933</u>
(5,344)	Net Cash flows from Investing Activities	(10,813)
(5,492)	Net Cash flows from Financing Activities	4,865
<u>(1,386)</u>	Net increase or decrease in cash and cash equivalents	<u>985</u>
5,514	Cash and cash equivalents at the beginning of the reporting period	4,127
<u><u>4,127</u></u>	Cash and cash equivalents at the end of the reporting period	<u><u>5,112</u></u>

Group Segmental Report

The results of Ashfield Homes Limited do not form part of the Councils standard management budgetary reports. The results of AHL together with consolidation adjustments are therefore a further reconciling item between the segment report as identified within the single entity accounts and the results as presented within the Group Comprehensive Income and Expenditure Accounts.

	2013/14 £'000	2012/13 £'000
Cost of Services in Service Analysis	14,085	14,394
Services not included	(205)	(231)
Amounts not reported to management	(8,847)	(4,360)
Capital items	4,766	6,033
Amounts reported below the Net cost of Service	5	(908)
Subsidiary Company Results	(228)	(368)
Pension Adjustments under IAS 19	222	93
Comprehensive Income and Expenditure Statement	9,798	14,653

The reconciliation of the Group Segmental Report to the Group Comprehensive Income and Expenditure Account for 2013/14 is set out below

	£'000	£'000	£'000	£'000
Reconciliation to Subjective Analysis				
Fees, Charges & Other Service Income	(31,823)	(11,922)	10,364	(33,381)
Interest and Investment Income	(70)	(11)	0	(81)
Income from Council Tax	(4,995)	0	0	(4,995)
Retained Business Rates	(3,733)	0	0	(3,733)
Government Grants and Contributions	(47,489)	0	0	(47,489)
Total Income	(88,110)	(11,933)	10,364	(89,679)
Employee Expenses	17,852	202	0	18,054
Other Service Expenses	58,641	11,694	(10,364)	59,971
Support Service Recharges	0	0	0	0
Depreciation, Amortisation and Impairment	4,766	0	0	4,766
Interest Payments	3,478	0	0	3,478
Precepts & Levies	283	0	0	283
Payments to Housing Capital Receipts Pool	450	0	0	450
Gain or Loss on Disposal of Fixed Assets	(584)	0	0	(584)
Total operating expenses	84,886	11,896	(10,364)	86,418
Group surplus or deficit on the provision of services	(3,224)	(37)	0	(3,261)

The reconciliation of the Group Segmental Report to the Group Comprehensive Income and Expenditure Account for 2012/13 for comparative purposes is set out below

	Total Single Entity £'000	Subsidiary Amounts £'000	Consolidation adjustments £'000	Group Total £'000
Reconciliation to Subjective Analysis				
Fees, Charges & Other Service Income	(31,401)	(11,963)	10,453	(32,911)
Interest and Investment Income	(5)	(15)	0	(20)
Income from Council Tax	(5,881)	0	0	(5,881)
Retained Business Rates	0	0	0	0
Government Grants and Contributions	(59,127)	0	0	(59,127)
Total Income	(96,414)	(11,978)	10,453	(97,939)
Employee Expenses	17,830	0	0	17,830
Other Service Expenses	73,573	11,785	(10,453)	74,905
Support Service Recharges	0	0	0	0
Depreciation, Amortisation and Impairment	6,033	0	0	6,033
Interest Payments	4,047	0	0	4,047
Precepts & Levies	203	0	0	203
Payments to Housing Capital Receipts Pool	391	0	0	391
Gain or Loss on Disposal of Fixed Assets	(144)	0	0	(144)
Total operating expenses	101,933	11,785	(10,453)	103,265
Group surplus or deficit on the provision of services	5,519	(193)	0	5,326

Notes to the Group Accounts

With the exception of the Cash Flow Statement, to provide consistency with the single entity presentation, there are no specific notes provided for the group accounts as they are not materially different from the Council's notes. The accounts of Ashfield Homes Limited along with the notes are available from the address given in note 6 on the Group Accounts Explanatory Foreword.

1. Cash Flow Statement Notes:

2012/13 £'000	1a. Net Cash Flows from Operating Activities	2013/14 £'000
(5,326)	Net Surplus or (Deficit) on the Provision of Services	3,261
	Adjust net surplus or deficit on the provision of services for non cash movements:	
11,449	Depreciation and Impairment	7,030
	Soft Loans (non Subsidiary)-Interest adjustment credited to I+E	
0	Account during year	0
(94)	Adjustments for effective interest rates	39
0	Increase/Decrease in Interest Creditors	0
1,395	Increase/Decrease in Creditors	(3,897)
1,499	Increase/Decrease in Debtors	938
(31)	Increase/Decrease in Inventories	(13)
2,500	Pension Liability	2,781
539	Contributions to/(from) Provisions	869
	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	
1,225		1,048
0		
18,482		8,795
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities:	
	Capital Grants credited to surplus or deficit on the provision of services	
(2,975)		(3,940)
0	Proceeds from the sale of short and long term investments	0
	Proceeds from the sale of property plant and equipment, investment property and intangible assets	
(731)		(1,183)
(3,706)		(5,123)

2012/13 £'000	1b. Net Cash Flows from Operating Activities (Interest)	2013/14 £'000
	Operating activities within the cashflow statement include the following cash flows relating to interest:	
50	Ordinary interest received	60
0	Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	0
<u>50</u>	Interest Received	<u>60</u>
	Interest charge for year	0
(94)	Adjustments for differences between Effective Interest Rates and actual interest payable	40
	Other interest:	
<u>(94)</u>	Interest Paid	<u>40</u>

2012/13 £'000	1c. Cash Flows from Investing Activities	2013/14 £'000
(10,068)	Property, Plant and Equipment Purchased	(7,918)
1,018	Purchase of short and long term investments	(8,018)
0	Long term loans granted	0
731	Proceeds from the sale of property plant and equipment, investment property and intangible assets	1,183
0	Proceeds from short-term and long-term investments	0
0	Other capital cash receipts	0
2,975	Capital Grants Received	3,940
0	Other capital cash receipts in advance	0
<u>(5,344)</u>	Total Cash Flows from Investing Activities	<u>(10,813)</u>

2012/13 £'000	1d. Cash Flows from Financing Activities	2013/14 £'000
15,000	Cash receipts of short and long term borrowing	10,000
(20,600)	Repayment of Short-Term and Long-Term Borrowing	(5,037)
62	Other receipts from financing activities	11
(4)	Other payments for financing activities	(169)
50	Payments for the reduction of a finance lease liability	60
<u>(5,492)</u>	Total Cash Flows from Financing Activities	<u>4,865</u>

Annual Governance Statement

Annual Governance Statement 2013/14

1. Scope of Responsibility

Ashfield District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The management of the Council's housing stock is contracted to Ashfield Homes Ltd. For the purpose of assurance, reliance is placed upon the 2013/14 Assurance Statement provided by the management of Ashfield Homes Ltd.

Ashfield District 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*. A copy of the Code can be obtained from Ashfield District Council, Council Offices, Urban Road, Kirkby in Ashfield, Nottingham NG17 8DA. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009.

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 and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The current governance framework has been in place within Ashfield District Council for the year ended 31st March 2014 and up to the date of approval of accounts and except for the details of significant control issues at section 5, accords with proper practice.

3. The Governance Framework

Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area

The Council approved a new Corporate Plan in March 2012 which established the Council's vision and priorities both internally and externally. The original plan was drawn up following extensive consultation with our communities and stakeholders and drives the Council's future budget and service delivery plans.

The Council's vision is further articulated in the Ashfield Sustainable Community Strategy 2010-2026 which sets out a vision for the District to which the Council and its partners are committed. The vision is underpinned by aims to improve the economic, social and environmental conditions of the district.

Divisional Business Plans link directly to the Corporate Plan and external funding bids and additional expenditure allocations are evaluated against those plans. Progress against the objectives/outcomes detailed in the Corporate Plan and associated strategies are monitored by Cabinet, the Council and Corporate Management Group on a regular basis.

In addition to the above, the Council actively promotes Citizens Panels as a vehicle for formulating a vision and providing feedback on implementation. The Council is also a key player in the Ashfield & Mansfield Community Safety Partnership.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

Functions and roles of the Council, the Cabinet and Committees, Members and officers are clearly defined in its Constitution. This includes schemes of delegation for decision making and also a Member/officer protocol and codes of conduct for members and officers.

A Cabinet Business Development Meeting operated throughout the year, functioning as a forum for the Executive and senior officers to discuss issues and options before a formal report is prepared and submitted for approval.

Individual Portfolio holders are nominated by the Leader to have responsibility for the oversight of specific Divisions and receive regular briefings from the appropriate senior manager usually a Head of Service.

Working relationships with Members at ward level are pro-active. Members and officers also interact in the annual programme of reviews undertaken by the Scrutiny Committee.

Promoting the values of the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The regulatory content work is defined in the Constitution and this is underpinned by codes, policies and procedures addressing conduct, standards and governance issues. The Audit Committee has met throughout the year and the Monitoring Officer has advised Council, Committees and Members as appropriate.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The constitution is periodically updated to reflect changing circumstances within the Council.

Decision making is based on informed assessment with reference to risk and performance management. Advice is received as to potential statutory, policy, financial and equality implications. Scrutiny Committee has met regularly to review Cabinet decisions prior to their implementation.

We develop the capacity and capability of Members and officers to be effective

There is a structured training programme for Members and the Council has achieved the Members' Development Charter. During 2012/13 a structured programme of training events for third tier officers and above, has been implemented successfully. This has continued during 2013/14 and will continue for the foreseeable future. This programme will include financial training elements.

Employees are subject to an annual appraisal, in which managers and employees can identify training needs. These are met by the Council's training budget.

We engage with local people and other stakeholders to ensure robust accountability

The Council has consulted a range of stakeholders when refreshing its corporate strategies (e.g. Corporate Plan, Sustainable Community Strategy, Annual Budget, Local Development Framework) but recognises there are further opportunities where the public could be engaged.

The Citizens' Panel is engaging in focussed consultations.

The Consultation and Engagement Strategy was agreed at Cabinet in July 2013.

Internal Control Environment

The key elements of the internal control environment include:

- Establishing and monitoring the achievement of the Council's objectives/outcomes and maintaining a performance management framework and financial strategy.

The Council's objectives are contained in the Corporate Delivery Plan, Community Strategy and other specific Strategies and Plans. Progress against these objectives is monitored by the Council on a regular basis. In addition, all Services have Business Plans which link to the Corporate Delivery Plan and which are monitored on a regular basis. The Scrutiny function is well established and has an agreed programme of scrutiny reviews.

- The facilitation of policy and decision-making through a Constitution and code of conduct.

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of full Council, the Cabinet, Committees, Scrutiny Committees /Panels and the process for determining the Council's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Portfolio Holders, Committees and officers are specified. The Constitution contains a local Code of Corporate Governance outlining the Council's aims. Council and Committee meetings are open to the public except where personal or confidential matters are being disclosed. The Council publishes a Forward Plan of key decisions to be made.

- Ensuring compliance with established policies, procedures, laws and regulations through the work of the Monitoring Officer, reviews of reports, Internal Audit reviews and ensuring that employees are adequately trained and experienced.

The Council has in place Budget and Policy Framework Procedure Rules which set out how budget and policy decisions are made. Key roles are performed by statutory officers, including the Monitoring Officer and the Section 151 Officer. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. Internal Audit operates to the standard set out in the "Code of Practice for Internal Audit in Local Government in the UK" and has also adopted the Public Sector Internal Audit Standards (PSIAS) during 2013/2014. In addition, Scrutiny Committees, External Audit and other external inspection agencies contribute to the review of the Council's compliance with its policies, procedures, laws and regulations.

- Identifying, assessing and managing risks to the Council's objectives by identifying risks and monitoring the controls and action plans aimed at reducing those risks.

A Risk Management framework has been established which aims to embed risk management into the operational management of the Council. Key risks have been identified in a corporate Risk Register which is linked to a

computerised performance management system. A Risk Strategy has been approved by the Cabinet which provides a comprehensive methodology for the management of risk. Key risks are reported to the Council's Divisional Management Teams, Corporate Management Group and the Cabinet. An operational Risk Management Group deals with the reduction of insurance risk.

- Ensuring economical, effective and efficient use of resources and securing continuous improvement by ensuring adherence to the Council's contract procedure rules and procurement strategy and undertaking best value service reviews.

The Council's budget process establishes the resources required to deliver services and objectives, which involves a review of the overall use of resources. A Medium Term Financial Strategy (MTFS) is prepared to ensure that resources are available to meet ongoing commitments. An ongoing programme of service reviews is bringing forward options to reduce the net cost of Council services. Internal Audit's annual plan of work includes reviewing the use of resources and changes to existing work methodology.

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 (2010) as set out in the application note to Delivering Good Governance in Local Government: Framework.

- The financial management of the Council and reporting is managed through having adequate financial regulations and contract procedure rules, regular financial monitoring and a continuous risk based internal audit of financial and other key systems and the application of specific treasury management policies and procedures.

The Council aims to set a balanced budget with integrated revenue and capital budgets. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budgets are monitored regularly and Members receive financial information which is relevant, understandable and consistent with underlying financial records. Financial reserves are kept under review and the Council maintains an adequate internal audit function. Financial procedures are identified in approved Financial Regulations. There are also Anti-fraud and Corruption and Whistle-blowing policies. The Audit Committee meets regularly to receive relevant reports on internal and external audit issues. A Treasury Management Policy has been adopted and approved by Council. The Council prepares its accounts in accordance with professional guidance and complies with the statutory timetable for publication.

- The performance management of the Council and the reporting of performance through the performance management framework including the reporting to Elected Members.

The Council's Corporate Plan reflects national and local priorities and contains targets to be met in achieving its objectives. Targets are included in Divisional Business Plans and individual Personal Development Reviews.

A Corporate Performance Management Framework is in place which includes quarterly reviews by the Corporate Management Group and reports regularly to Cabinet and Scrutiny Committee. For several years, a computerised Performance Management System has been used to enable effective performance monitoring of improvement activity and measures. Progress against the Corporate Plan priorities, is regularly monitored and appraised by the Cabinet, Scrutiny Committee and the Corporate Management Group.

4. Review of Effectiveness

Ashfield District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by:

- Corporate Management Group comprising of the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment;
- Internal Audit;
- External Audit's comments in the Annual Audit Letter;
- Other significant partner organisation's Governance Statements;
- Other review agencies and inspectorates reports.

The following processes have been applied during the year, the totality of which supports the review of effectiveness of the system of internal control:

(a) Decision Making

Full Council approves all the policies. Full Council approves the annual budget and Council Tax.

Cabinet (Executive) has authority from Full Council to deliver Policy. Cabinet works to a Forward Plan of Key Decisions. The work of the Cabinet is scrutinised by the Scrutiny Committee. Decisions made by the Cabinet can be "called in" to be reconsidered.

The Council has an Audit Committee which reviews the work of both Internal and External Audit, agrees the Audit Plan and reviews the adequacy of internal control.

Officers prepare written reports for Cabinet which are appraised in accordance with the Council's policies and forward plans

Separate Committees deal with quasi-judicial matters such as Planning, and Licensing issues.

(b) Compliance

The Council's statutory officers are the Chief Executive, the Monitoring Officer and the Section 151 Officer (Deputy Chief Executive - Resources). They are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically

responsible for the proper discharge of the Council's financial arrangements and must advise elected Members where any proposal is unlawful or where expenditure is likely to exceed resources.

Chief Officers and senior managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented.

(c) Internal Audit

- Role of Internal Audit

The primary role of Internal Audit is to independently review, appraise and report on the adequacy and effectiveness of the control environment comprising of risk management, control and governance, and the arrangements made by management and Councillors for securing economic, efficient and effective use of resources.

- Audit Standards

The Internal Audit Service ensures its standards are maintained with due regard to:

- The Code of Practice for Internal Audit in Local Government;
- The Chartered Institute of Public Finance and Accountancy (CIPFA) professional guidelines.
- Public Sector Internal Audit Standards (PSIAS)

- Operation of Internal Audit

The scope and extent of each audit is governed by the results of an audit risk assessment. The risk assessment is based upon a number of risk factors and this forms the basis of the three-year Strategic Audit Plan. The risk assessment also takes into consideration those risks identified in the Corporate Risk Register and focuses upon the key objectives as identified in the Council's Corporate Delivery Plan. Provision has been made within the plan for I.T. audit. A detailed programme of work is agreed with management and Members. The overall three-year strategy and plan, renewed each year, is formally agreed by senior management and presented to the Audit Committee.

On the conclusion of the assignment, an Audit Report incorporating a plan for implementation of recommendations is agreed and issued to the appropriate Head of Service and the Chief Finance Officer. Quarterly reports summarising findings and recommendations not implemented have been presented to the Corporate Management Group and to the Audit Committee.

The Chief Internal Auditor has direct access and freedom to report to all senior management including the Chief Executive and Members of the Council and is able to provide an independent opinion on the adequacy and effectiveness of the system of internal financial control.

(d) Audit Committee

The purpose of the Audit Committee is to provide independent assurance of the management's arrangements for ensuring a sound system of internal control which facilitates the effective exercise of the Council's functions and ensuring it has appropriate arrangements for the management of risk.

The terms of reference for the Audit Committee take into account CIPFA's 'Audit Committees – Practical Guidance for Local Authorities'.

(e) Other explicit review / assurance mechanisms

The Council reviews its Constitution in detail on an annual basis.

The Overview and Scrutiny Committee has carried out a programme of Scrutiny reviews on different services

Reports are presented to the Cabinet on a minimum of two occasions per year to review the financial position of the Council. One report includes the Medium Term Financial Strategy.

Financial Regulations and Contract Procedure Rules are reviewed by the Council annually.

Assurance is obtained on an annual basis from Chief Officers and Heads of Service as to the adequacy of internal control within their Divisions.

Assurance is gained from the Council's External Auditor through the Annual Audit Letter which is presented to Members.

Assurance is also obtained from Ashfield Homes Limited and Mansfield District Council (re Mansfield Crematorium Joint Committee).

(f) Financial Systems of the Council.

These systems are reviewed annually by Internal Audit. The overall outcome of the audits conducted in 2013/14 indicate that no significant risks to the internal control system existed although areas for improvement continue to be identified.

We have been advised on the implications of the result of the review of effectiveness of the Council's system of internal control by the Deputy Chief Executive (Resources) and where appropriate the Cabinet and the officers within the Corporate Management Group plan to address weaknesses and ensure continuous improvement of the system of internal controls in place.

5. Significant Governance Issues

The following represent the key issues in relation to governance which remain outstanding as at 27th June 2014.

Issue	Action
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1	<p>The issue of Member conduct was highlighted in the Council's Peer Review (July 2013).</p> <p>The Review stated "On a very serious note, there is widespread awareness across the council and beyond of regular verbal abuse of officers by a small number of elected members. Such behaviour is simply not acceptable and must be eradicated....</p> <p>...what is still taking place.....is having a de-stabilising effect on the council."</p> <p>Events during the early months of 2014 have sharpened the focus of this issue. Given the challenges set out below and elsewhere, this de-stabilising effect is likely to impact on the effectiveness of the Council's managerial leadership in its attempts to meet these challenges.</p>	<p>A further, more specific report has been produced by the Local Government Association entitled "Review of Ethical Governance".</p> <p>This report makes recommendations relating to how Member conduct might be improved.</p> <p>This report will be presented to all Members. A range of actions is likely to be recommended to the Council, designed to improve relationships between Members and also between Members and officers.</p>
2	<p>There have been significant changes to the financial regime which funds local government on England. Although much of the funding which supports local authorities is now based around the performance of the local economy, as it is reflected in business activity and house building, a significant sum is still provided through Revenue Support Grant (£3.9 million in 2014/15, reducing to £2.6 million in 2015/16). This Grant is expected to continue to reduce significantly over the period of the next Parliament.</p> <p>In addition, the Council's ability to increase Council Tax is unlikely to keep pace with inflationary increases in expenditure.</p> <p>As a result, the Council has</p>	<p>Work is underway to update the Medium Term Financial Strategy (MTFS) The publication of the next MTFS is planned for October 2014. The reason for this date is to enable an informed view to be taken of a number of key factors, some of which are identified as risks within this statement:</p> <ul style="list-style-type: none"> • The 2013/14 Revenue Budget Outturn and implications for reserves. • The achievement of the agreed 2014/15 budget reductions. • The outcomes and cost implications of the Job Evaluation / Single Status initiative. • The results of the first year of working under Business Rates Retention, and specifically the level of benefit which ADC will achieve through the Nottinghamshire Business Rates Pool, which is dependent upon the outturn positions of seven other authorities.

	<p>identified the following savings targets for future financial years:</p> <ul style="list-style-type: none"> • 2015/16 - £1.0 million • 2016/17 - £0.9 million • 2017/18 - £0.9 million • 2018/19 - £0.8 million 	<ul style="list-style-type: none"> • Further work to be undertaken around future resources which are locally influenced (Business Rates, New Homes Bonus, and Council Tax). <p>Various mechanisms are in place for the identification of efficiencies and service changes between CMG and Executive Members.</p> <p>Initial proposals for 2015/16 budget reductions will be included in the MTFS report in October 2014.</p>
3	<p>Considerable risk to the Council's Housing Revenue Account (HRA) exists around the Government's plans for Welfare Reform.</p> <p>The most significant of these risks remains the future planned introduction of Universal Credit (UC), which replaces Housing Benefit, as well as a range of other current benefits. This is a risk because it is planned to be paid directly to a tenant, rather than a landlord. ADC currently receives all or part of around 4,000 rent payments directly from DWP in respect of its tenants who qualify for this assistance.</p> <p>The Council needs to ensure that mechanisms are in place to ensure that these tenants' rents will still be paid when UC is introduced. Rental income underpins all the Council's HRA expenditure.</p> <p>A further difficulty exists in that the Government has not clearly defined when the changes will take place.</p> <p>Other risks exist around changes Housing Benefit, specifically around the Benefit Cap and the Under-occupancy Rules (often known as the "Bedroom Tax").</p>	<p>The Council has increased its provision for bad debts within the HRA.</p> <p>The multi-disciplinary and multi-agency Welfare Reform Group continues to work pro-actively to assist tenants and minimise any potential losses to the Council. Examples of this approach include:</p> <ul style="list-style-type: none"> • Additional tenancy management resource at AHL • Additional money management resource at AHL • Development of a "Move Assist" policy for those tenants wishing to "downsize" • Expenditure of over £150k on Discretionary Housing Payments to assist qualifying tenants whose benefit has been reduced

4	<p>The Council's Job Evaluation / Single Status initiative has not yet been completed.</p> <p>Agreement has been reached with one trade union but is still awaited from the other union.</p> <p>The continuing risk is that the Council may be subject to Equal Pay Claims in the absence of an agreement.</p>	<p>Council agreed the proposed agreement in October 2013.</p> <p>Plans and resources are all in place to enable the review to be fully implemented during 2014/15.</p>
5	<p>The number of Housing Benefit overpayments has continued to increase year on year since 2011/12. Various reasons exist for this increase including delays in receiving information and processing of information received. Delays in processing may also potentially have an adverse effect on the Council's Housing Subsidy claim.</p>	<p>Management are currently addressing this issue and monitoring performance with the intention of eliminating backlogs.</p>
6	<p>The Internal Audit Section is a significant element of the Council's internal control system. Staffing has reduced from 4FTE in post 2010 to 2.2 FTE in post during 2012/13 and one vacancy. Consequently the Internal Audit Plan for part of 2013/14 and all of 2014/15 has had to be reduced to reflect the reduction in staff resources.</p> <p>The Council has bought in additional resources from Mansfield DC on a temporary basis to assist with the priority areas of the Audit Plan.</p>	<p>The provision of the Internal Audit Service is currently being reviewed pending the outcome of a proposal to form an Internal Audit Consortium with other local authorities in the Nottinghamshire area.</p> <p>If successful, this consortium would result in much greater resilience and a greater ability to provide additional suitably skilled auditors to undertake the Audit Plan.</p>

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 improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor C. Baron
Leader of the Council

P.G. Marshall
Chief Executive

Date

Date

Glossary of Terms and Abbreviations

Accounting Period – The period of time covered by the accounts that is normally the year commencing on 1st April and finishing on 31st March. The end of the accounting period is the balance sheet date.

Accrual – An amount included in the accounts to cover income or expenditure relating to an accounting period but for which payment has not yet been made or received. The concept is that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial Gains and Losses – For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- the actuarial assumptions have changed

Agency Services – Services, which are performed by the Council, where the authority legally responsible for the service reimburses the Council (the authority doing the work) for the cost of the work.

Amortisation – The reduction in the value of an asset over its useful life.

Arms Length Management Organisation (ALMO) – A related organisation established to manage a specific activity, in this case to manage the Council's housing stock.

Ashfield Homes Limited – An arms length management organisation that manages the Council's housing stock.

Assets Held for Sale – Those assets that are actively being marketed with the expectation that disposal will occur within a 12 month period.

Balance Sheet – A statement of the recorded assets, liabilities and other balances as they stand in monetary terms, at the end of an accounting period.

Billing Authority – A local authority responsible for collecting the Council Tax and National Non-Domestic Rates from within its district boundaries (the Council is a billing authority).

Budget – A statement defining the Council's financial plans over a specified period of time (usually an accounting period 1st April to 31st March).

Business Rates/ Non Domestic Rates (NDR) – Income collected from business ratepayers, based on a national rate in the pound set by Central Government multiplied by the rateable value of the premises they occupy. This rate is collected by the billing authority on behalf of Central Government and is redistributed from the billing authority's NNDR pool between itself, Central Government and Nottinghamshire County Council and Nottinghamshire Fire and Rescue Authority.

Capital Expenditure – Expenditure on new assets such as land, buildings and other structures or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing – The raising of money to pay for capital expenditure. Methods include borrowing, leasing, using capital receipts, government grants or contributions, major repairs reserve or from revenue contributions.

Capital Financing Charges – The annual costs to services for the use of assets comprising depreciation, leasing charges and other costs of funding capital expenditure.

Capital Receipts – The income from the sale of council houses, buildings, land and other assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by central government, but they cannot be used to finance revenue expenditure.

Cash Equivalents – They are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Code – The Code refers to the code of practice on local authority accounting. The code of practice is based upon approved accounting standards and provides the accounting standards under which the Statement of Accounts is prepared. From 2010/11 the Code is based on International Financial Reporting Standards.

Community Assets – Assets that may have restrictions on their use and disposal. Examples include playing fields and parks.

Council Tax – A tax levied by the local Council, which is the billing authority, on households within its area and distributed to the County Council, Police and Fire Authorities, and to the Council's own General Fund.

Council Tax Bands – All domestic properties in a Local Authority's area are valued by Central Government's Valuation Office Agency, and placed in one of 8 bands ranging from A to H. Each Band is averaged out in relation to Band D, Bands A to C paying less, and Bands E to H paying more on an increasing scale.

Council Tax Benefit – Assistance provided to adults on low incomes to help them pay their council tax bill.

Current Assets – The assets held by an organisation at the balance sheet date that will be used in the next accounting period e.g. inventories, cash and trade receivables.

Current Liability – The liabilities held by an organisation at the balance sheet date that will be repaid within the next year e.g. creditors, overdrafts.

Current Service Cost (Pensions) - The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme – A pension scheme where the benefits are set independently of the contributions paid and the performance of the investments in the fund.

De Minimis – A term generally used to describe something that is too small to be considered.

Depreciation – The measure of the reduction in value of a non current asset due to age, consumption or other reduction in useful life during the accounting period.

Discretionary Benefits – Retirement Benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

Earmarked Reserves – Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Expected Rate of Return on Pension Assets – For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value – The amount for which an asset could be exchanged; or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

Financial Instruments – Contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another.

Finance Lease – A lease that transfers all of the risks and rewards of ownership of an asset to the lessee.

Formula Grant - The main grant paid by central government to a local authority towards the costs of all its services.

General Fund – The main revenue fund of the Council. Day to day spending on services is met from this fund. The exception to this is for the provision of Council dwellings which is met from the Housing Revenue Account.

Housing Benefit – Allowances paid to persons on low income to meet, in whole or part, their rent. The Local authority pays the benefit but most of the cost is refunded by central government through rent allowances for private sector tenants and the rent rebate element of housing subsidy for the Council's own tenants.

Housing Revenue Account / (HRA) – This is a statutory account which covers all revenue expenditure and income related to the provision of Council dwellings. It includes an optional sub – division, the Housing Repairs Account.

Housing Subsidy – The Government grant paid to housing authorities towards the cost of providing, managing and maintaining Council dwellings.

Impairment – The reduction in the market value of a non current asset due to significant changes in the market (i.e. Introduction of new technology), obsolescence, or damage, etc.

Intangible Assets – Assets that do not have physical substance but are identifiable and controlled by the Council, e.g. IT software.

Interest Cost (Pensions) – For defined benefit schemes, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

IFRS – International Financial Reporting Standards. Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements.

Long Term Borrowing / investment – Borrowing / investments repayable after more than one year.

Long Term Receivables – Amounts due to the council more than one year after the Balance Sheet date.

Minimum Revenue Provision (MRP) – The minimum amount that must be charged against the Council's revenue accounts each year, as a provision to repay borrowing and finance leases.

Manage and Operate Partnership (MOP) – the agreement to undertake highways work in partnership with neighbouring Authorities and Nottinghamshire County Council.

Net Book Value – The amount at which non-current assets are included in the balance sheet, i.e. their historic value or current valuation less depreciation.

Net Realisable Value – The open market value of an asset in its existing use.

Non Current Assets – Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year, for example, land, buildings and equipment.

Non – Distributed Costs – Overheads for which no specific user benefits and are not apportioned to services.

Non – Operational Assets – Non-current assets held but not currently used by the Council in delivering services; for example property surplus to requirements or land awaiting sale or redevelopment.

Operating Lease – An operating lease is a rental agreement that places all of the risks and rewards of ownership of an asset with the lessor.

Operational Assets – Non-current assets held and used in delivering services.

Past Service Cost - For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept – The amounts of tax that the Council is required to raise through Council Tax on behalf of other authorities for services they provide in the Billing Authority's area.

Precepting Authorities – Those Authorities who are not Billing Authorities, e.g. “major” Authorities such as the County Council and Police and Fire Authorities and “local Precepting Authorities” such as Parish, Town or Community Councils.

Projected Unit Method - An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is one in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners, deferred pensioners and their dependents, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Provision - An amount set aside to provide for a liability that it is likely will be incurred but the exact amount and the date on which it will arise are uncertain.

Public Works Loan Board (PWLb) – A Central Government agency, that provides loans to Local Authorities.

Related Party Transactions – A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserve – An amount set-aside for a specific purpose in one financial year and used to meet expenditure in future years. There are two types of reserves, usable and unusable reserves. Usable reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Unusable reserves are other reserves, such as the revaluation reserve, that arise from accounting requirements

Residual Value – the net realisable value of an asset at the end of its useful life.

Retirement Benefits – All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure Funded from Capital under Statute (REFCUS) – Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revenue Expenditure – Spending on day-to-day items, including, salaries and wages, premises costs and supplies and services.

Revenue Support Grant (RSG) – Contribution from Central Government towards the cost of local authority services.

Scheme Liabilities – The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method to reflect the benefits that the employer is committed to provide for service up to the valuation date.

Service Reporting Code of Practice (SeRCOP) – The SeRCOP provides refers to the code of practice on local authority financial reporting to stakeholders. The SeRCOP is based on International Financial Reporting Standards.

Short Term Borrowing/ Investments – Borrowing and investments repayable on demand or within one year.

Statement of Recommended Practice (SORP) – The previous accounting standards prior to the adoption of IFRS that governed the Statement of Accounts within Local Authority Accounting in the United Kingdom.

Tangible Assets – Assets with physical substance.

Trade Payables (Creditors) – An amount owed by the Council for work done, goods received or services provided but for which payment has not yet been made.

Trade Receivables (Debtors) – An amount owing to the Council but for which money has not yet been received.

Useful Life – The period over which the local authority will derive benefits from the use of a tangible non-current asset.

Vested Rights – In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme
- for deferred pensioners, their preserved benefits
- for pensioners, pensions to which they are entitled

They include where appropriate the related benefits for spouses or other dependants.

Work In Progress / WIP – the cost of work done on an uncompleted project as at the Balance Sheet date.



Independent auditor's report to the members of Ashfield District Council

We have audited the financial statements of Ashfield District Council for the year ended 31 March 2014 on pages 18 to 131. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Deputy Chief Executive and auditor

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, the Deputy Chief Executive is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Deputy Chief Executive; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 132 to 142 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Ashfield District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Ashfield District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

John Cornett

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

26 September 2014