Ashfield
DISTRICT COUNCIL

DRAFT

Statement of Accounts

2020/21

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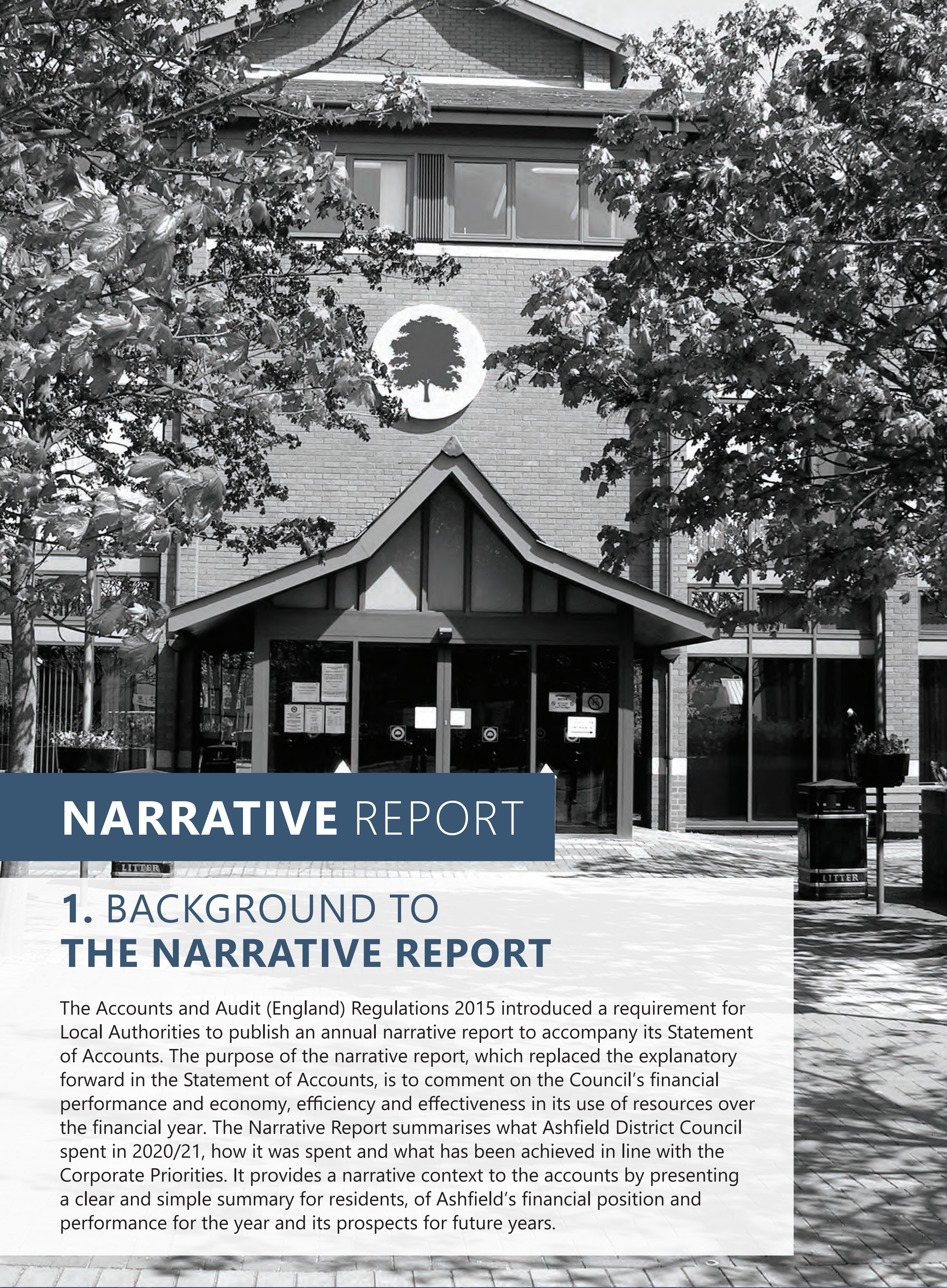


NARRATIVE REPORT

1. BACKGROUND TO **THE NARRATIVE REPORT**

The Accounts and Audit (England) Regulations 2015 introduced a requirement for Local Authorities to publish an annual narrative report to accompany its Statement of Accounts. The purpose of the narrative report, which replaced the explanatory forward in the Statement of Accounts, is to comment on the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The Narrative Report summarises what Ashfield District Council spent in 2020/21, how it was spent and what has been achieved in line with the Corporate Priorities. It provides a narrative context to the accounts by presenting a clear and simple summary for residents, of Ashfield's financial position and performance for the year and its prospects for future years.

2. COUNCIL LEADER'S **PREFACE**

Cllr Jason Zadrozny
Leader of Ashfield District Council

Despite the Covid-19 pandemic, 2020/21 has proved to be a very successful year for Ashfield both in terms of maintaining high quality service delivery and continued effective financial management.

A robust 2020/21 budget set for the year supplemented by effective, responsible financial control by accountable officers and close scrutiny by elected Members has again enabled the Council to deliver within budget.

This year I am particularly delighted with the progression of our capital programme and specifically the commencement of building our new Leisure Centre in Kirkby supported by £3m funding from our partners; Sport England and the Local Enterprise Partnership (LEP); our future planned investment in our Leisure Centres at Hucknall and Lammas and the vast improvements we have been able to make to our parks and open spaces during the last year. This has been of immense importance to assist with the health and well-being of our residents during the pandemic when access to so many facilities has been significantly compromised and for long periods of time.

The Council secured over £6.27m from the Future High Streets Fund to invest in Sutton-in-Ashfield and £62.6m Towns Fund for both Sutton and Kirkby. This investment in our District will offer huge opportunities to our local residents and businesses going forward.

In 2020/21 the Council secured over £1m in Green Homes Grant funding to support investment in both council and private housing across the District. We have also submitted a funding bid for more of this funding which, if successful, will see this investment double to over £2m. This funding will both improve energy efficiency ratings and reduce energy costs for low income households and help reduce the District's carbon footprint – something this Council is very passionate about addressing.

Ashfield is an ambitious and aspirational Council, but also one that delivers. We put our residents at the heart of everything we do.

We know Ashfield, like all Councils faces future financial challenges but with our passion and desire we are confident that we will continue to invest in our District and through this deliver increased chances of an improved quality of life for our residents.

Cllr Jason Zadrozny
Leader of Ashfield District Council

3. INTRODUCTION TO THE NARRATIVE STATEMENT

BY THE CORPORATE FINANCE MANAGER (SECTION 151 OFFICER)

As the Council's Chief Finance Officer I am pleased to present Ashfield District Council's Statement of Accounts for the year ending 31st March 2021. The Statement aims to provide information to all stakeholders (residents, local businesses, Councillors, partners, members of the public) so that they can:

- Understand the overall financial position of the Council and the Outturn for 2020/21
- Have confidence that the Council has used and accounted for public money in an appropriate manner
- Be assured that the financial position of the Council is sound and secure

This Statement of Accounts has been prepared and published in accordance with the Code of Practice on Local Authority Accounting 2020/21 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Accounts and Audit (Amendment) Regulations 2021.

The Statement of Accounts should be read in the context of continuing demand and cost pressures on the services provided by the Council, and the level of resources available to fund them. This includes the additional financial challenges and government funding made available as a consequence of the Covid-19 pandemic. There remains significant uncertainty about the level of future Government funding pending the outcome, timing and impact of the delayed Spending Review, Fair Funding Review, the future level of Business Rates retention and the Business Rates re-set, the future of New Homes Bonus funding and the national response to financial recovery from the pandemic. As a consequence of the pandemic the Government agreed a one year financial settlement for 2021/22 and has indicated a full Spending Round from 2022/23. Whilst the short term funding decisions are understandable given these circumstances this does severely hamper effective longer term financial planning.

The pressures on Council services will continue to rise and the future financial position of the Council will be dependent on its ability to manage demand with reducing resources. The Council is progressing implementation of its Digital Services Transformation Strategy at a pace, which along with the review of current services and service level provision, and the identification of opportunities for additional income generation, will be critical to the Council's ongoing financial sustainability. Ashfield is not unique in this regard – all Councils face this funding uncertainty.

We know that further challenges lie ahead and the Council's Cabinet working with senior management are actively progressing options to address these challenges. The 2020/21 accounts demonstrate the Council's success, despite the impact of the pandemic, in continuing to deliver quality services within budget and this will put the Council in a good position in respect of addressing future financial challenges.

Pete Hudson ACMA, CGMA
Corporate Finance Manager (S151 Officer)

4. INTRODUCTION TO THE DISTRICT OF ASHFIELD

Ashfield is situated within North Nottinghamshire and serves a population of approximately 127,900 residents (ONS 2019 mid-year estimates) covering an area of 42 square miles across three towns (Kirkby-in-Ashfield, Sutton-in-Ashfield and Hucknall) and a number of rural villages. The area boasts a mix of beautiful countryside, complemented by award winning urban and country parks. Ashfield is one of seven District Councils in Nottinghamshire.

Ashfield has excellent transport links through the M1 motorway, bus, rail and tram links which makes the area an ideal business location. The District is also within one hour's drive of East Midlands Airport and Doncaster Sheffield Airport.

Ashfield has traditionally relied on the manufacturing sector for local employment but recognises the need to move to a more diverse local economy offering 'high value added' services as well as manufacturing. In 2020 the unemployment rate (16-64) was 4.0% which is lower than the East Midlands average (4.8%) and the national average (4.7%), however, those in employment on average earn less (£504 per week gross, an increase of 0.6% on 2019) than the average weekly pay in Great Britain (£587, no change since 2019).

The Council is working with its partners to address the skills gap and promote the area as a place to invest, particularly for Creative, Business, Professional Financial Services, Advanced Manufacturing and Knowledge Based Industries; and to connect local people to local jobs.

Since October 2016 the Council has managed its own housing stock and remains committed to providing good quality housing and continues to invest in its housing stock. In the last 3 years the Council has also acquired 34 additional properties to grow its stock and help meet the social housing needs of Ashfield residents. During 2020/21 £2.6m was spent to maintain Council houses to the Decent Homes Standard. This is significantly less than in 2019/20 (£4.3m) largely as a consequence of the pandemic delaying planned works. As at the 31st March 2021 the Council has 6,635 Council dwellings.

Although the rate of building new homes in the District has declined in the last 18 months, new properties do continue to be built and the Council Tax base continues to grow. The majority of properties within the District are categorised at the lowest levels for Council Tax billing purposes, Band A to Band C. Band A: 46%, Band B: 22% and Band C: 18%. Of the £68.834m of Council Tax raised in 2020/21, the Council received £6.418m to help provide residents with the services on which they rely.

5. GOVERNANCE & RISK

There have been no significant changes in governance arrangements during 2020/21. Details of the Council's governance arrangements, its identified potential risks and the planned mitigation of those risks is set out in the Annual Governance Statement (AGS) which includes the ongoing impacts and response to the COVID-19 pandemic together with an update regarding recovery to date. The impact of exiting the EU is to be imminently removed as a key risk from the Corporate Risk Register.

The key corporate risks and planned mitigation are shown in the table below:

Corporate Risk	Risk Mitigation
Future financial sustainability	Robust balanced budget for 2020/21. Ongoing work programme with Cabinet/CLT to identify savings and income generating opportunities to address the estimated funding gap: Digital Services Transformation agenda, service reviews, review of fees and charges, procurement savings.
Failure to adopt a Local Plan	A Member Working Group has been meeting regularly. Consultants, where appropriate have been engaged in order to develop the evidence base. Ongoing support from Members to engage in a timely way in the process and their support for the consultation process. Championing from the Chief Executive and Director. A revised timeframe has been developed and reports are being prepared for a future Cabinet relating to the Local Development Scheme and public consultation.
Delivery of Digital Services Transformation Programme	Team restructures including recruitment to key posts has taken place. Several projects are now delivering at a pace with effective project management in place to deliver future projects, savings and efficiencies. Means of funding the various projects is in place. Member Champion identified and aligned with Scrutiny Committee work plan.
Monitoring of Investment in Commercial Properties	Regular updates to CLT, Leadership and Audit Committee to monitor existing Portfolio. No further acquisition to take place following outcome of Public Works Loans Board (PWLB) consultation. Consultants remain engaged to provide specialist knowledge regarding the investment market and also to assist with the monitoring of the portfolio. Monitoring through Commercial Investment Working Group (officer group). Member training has been provided. Risks effectively managed through Covid pandemic to date. Loss of one tenant expediently replaced by another.
Data Matching and National Fraud Initiative	A Data Matching Sub Group of the Anti-Fraud Officer Working Group had been established to specifically focus on Data Matching. The Sub Group had an action plan for embedding and improving the Council's Data Matching processes and this will be monitored by the main group. Annual reports to CLT and Audit Committee also planned. Due to the COVID Pandemic and realigning of resources to meet the demands of administering and awarding COVID Grants, the progress of this work plan has not taken place although extensive use of NFI and Spotlight has taken place to assist with assessing business grant eligibility.
COVID-19 pandemic – risk developed as part of recovery work to cover communities, business, Council finances and ways of working.	Recovery work has commenced which will identify the risk to the Council and the Communities further. Internal structures have been established to oversee the local recovery work as well as play a part in the Local Resilience Forum (LRF) recovery work. An initial Recovery Strategy was reported to Cabinet on 30 June 2020. The Covid Response and Recovery Scrutiny Panel was established to focus on and monitor the Council's response and recovery and has been meeting frequently; the panel will continue to meet during 2021/22 with a revised focus on recovery.

6. CORPORATE **PLAN**

The current Corporate Plan covers the period 2019 to 2023 and was originally approved by Cabinet in September 2019 with a refresh of the Plan being approved by Cabinet in July 2020.

VISION

The purpose of the Council as set out in the current Corporate Plan is to:

a. Serve the Communities and Residents of Ashfield;

b. Provide good quality, value for money services; and

c. To act strategically and plan for the future, working with others to bring about sustainable improvements in people's lives.

PRIORITIES

The Council's Priorities as set out in the current Corporate Plan are:

a. Health & Happiness;

b. Homes & Housing;

c. Economic Growth & Place;

d. Cleaner & Greener;

e. Safer & Stronger; and

f. Innovate & Improve

Each Directorate has a number of service areas and each has a Service Plan which supports effective delivery of the Corporate Plan priorities.

OVERALL PERFORMANCE 2020/21

Corporate Plan progress is monitored through both the successful delivery of key projects and initiatives, and performance achieved against the corporate scorecard.

Overall, the corporate scorecard outturn for April 2020 to March 2021 and despite the full year and continuing impact of the Covid-19 pandemic indicates the following:-

67% of measures achieved or exceeded target, or were within a 10% variance of target.

75% of measures indicated an improved position compared to the previous year, or were within 5% of previous year's performance levels.

7. OPERATIONAL PERFORMANCE / ACHIEVEMENTS 2020/21

The Council has delivered significant achievements in 2020/21. Some of the key achievements set out by Corporate Plan Priority are:

Health and Happiness

- **Leisure:**
  - Commenced the build of the new Kirkby Leisure Centre following the contract award to Kier, including securing £3m from Sport England and the Local Enterprise Partnership (LEP) towards this key investment.
  - Successfully re-let the Leisure Operating Contract to Everyone Active for a period of 10 years.
  - Secured £280k through the National Leisure Recovery Fund to support the successful transitional reopening of leisure facilities.

- Through the Ashfield Community Fund distribution of over £40,000 to the Community and Voluntary sector in Ashfield, to help them support residents negatively impacted by Covid. In addition, the Council co-ordinated over £120k of Covid Winter Grants (food vouchers) to vulnerable residents.

- Ashfield Health and Wellbeing Partnership has launched a new strategy for 2021 – 2025, which is focussed on delivering outcomes to enable residents to have the best start in life, make healthy choices, age well, be physically active and live and work in environments that foster positive mental wellbeing.

- The Council has worked tirelessly with Public health England to provide safety advice to businesses in relation to Covid interpreting legislation, providing advice and guidance.

Homes and Housing

- Throughout the year of the pandemic we successfully eliminated homelessness by implementing the ‘everyone in’ homeless initiative.

- Ashfield has been the lead authority in securing £1m Rough Sleeper Initiative to improve opportunities and support for rough sleepers and those threatened with rough sleeping across the County.
- Work has commenced on 2 new affordable Council housing

developments. The new homes will be thermally efficient and will minimise carbon usage.

- Successful bid for £1m funding to improve thermal efficiency ratings of domestic properties, both Council owned and private sector.

- Statutory Gas Safety Checks – Despite the pandemic, achieved a compliancy rate of 99.67% with only 22 properties could not provide access due to issues such as self-isolating or shielding.

- For 2020/21, 99.37% of emergencies repairs were attended to in Government timeframes (5,356 repairs out of 5,390).

Economic Growth and Place

- Kirkby and Sutton Towns Funding – the Town Investment Plan for Kirkby and Sutton was submitted to MHCLG in February 2021 with a request for over £62m and potential investment of £99m. An announcement on the Town Deal offer is due in early June.

- The Future High Streets bid for Sutton was successful and over £6.27m has been secured to deliver projects to revitalise the town centre.

- Town centre masterplans for Kirkby and Sutton were adopted and underpinned the Towns Fund bids and Station Masterplans bids.

- Planning applications continue to be processed well above nationally prescribed standard targets, with 95% of major applications being processed within 13 weeks and 91% of minor applications within 8 weeks.

- An Economic Recovery Plan post Covid has been developed and is being implemented.

- The Council was successful in achieving the Restoring Your Railways bid

Cleaner and Greener

- A review of the standard of all of our parks, open spaces, play areas and sports facilities has been completed. Investment of £1.8m in parks and green spaces has continued with improvements completed at 19 sites. This has resulted in a significant increase in the numbers of people using them – critical during the pandemic when alternative facilities have been closed or access significantly restricted.

- The Council has developed a set of carbon emissions baseline for its activities, which can be used to track progress in the reduction of such emissions in future and is working with Nottingham City Council to develop a carbon reduction strategy and action plan.

Safer and Stronger

- The Council has responded to 2,574 reports of anti-social and nuisance behaviour between April-September 2020, a 34% increase compared to the previous year.

- CCTV is supporting the continued identification of ASB and crime and disorder across the District with the use of cameras deployed in hotspot locations to tackle both ASB and environmental crime.

- Domestic abuse remains a high priority, the Council has appointed a new Domestic Abuse and Vulnerability Officer in October 2020. The officer acts as the Council lead for MARAC (a multi-agency risk assessment conference) and provides key support for survivors across the District.

Innovate and Improve

- Over 60,000 payments made online throughout the year, a significant increase of 14% compared to last year and 25% higher over the last 2 years since we implemented our new 'e-store', exceeding channel shift predictions.

- During 2020/21 over 7,300 business grant payments were processed to Ashfield business, with a total value of around £30m.

- Online Benefit and Test & Trace applications implemented during the year allowed the Council to process over 2,600 online benefits related applications and receive and process almost 1,300 test and trace claims, enabling £191,000 to be paid in test and trace grants.

- At the end of September, 2020, we launched a brand new, modern, user friendly website, which was accredited by the Shaw Trust as fully meeting accessibility standards. Over the last six months, since launch, website usage statistics are indicating significant improvements, particularly regarding the customer journey and easier access to information.

- Staff sickness absence out-turn has seen an 11% reduction compared to the previous year.

- Procurement activities conducted by Nottingham City Procurement on behalf of Ashfield have delivered savings of over £2.7m in spend avoidance.

COVID 19 STATEMENT

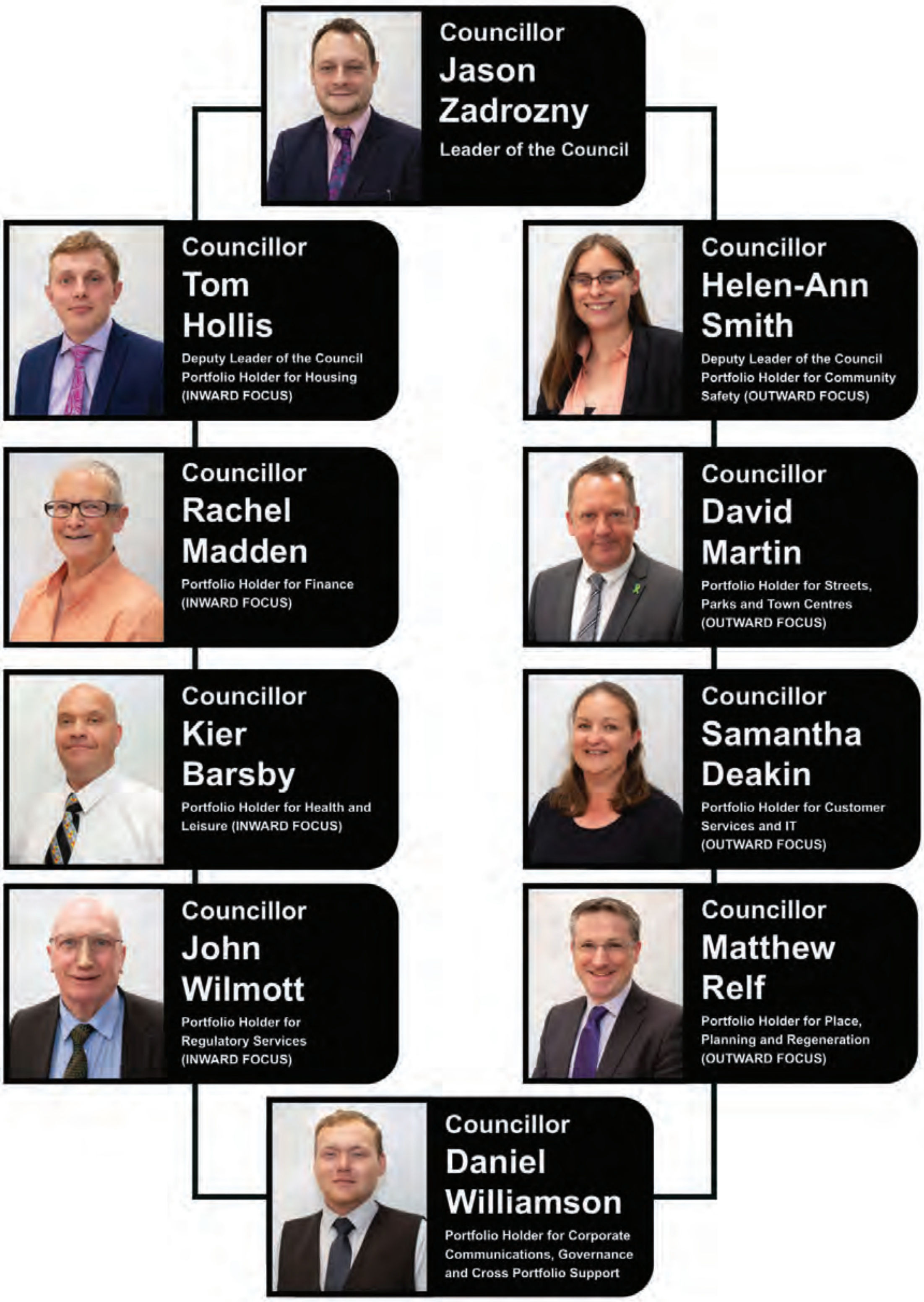
Due to the Covid-19 pandemic the Council has put in place a number of measures throughout the year to ensure that additional support and reporting mechanisms were in place (and continue to operate) to meet both additional internal and external requirements. The Council's response to the key issues presented by the Pandemic are set out in the table below:

Area of Impact	Issue / Response of the Council
Council's Workforce	From the outset of the pandemic the Council put in place a daily absence monitoring system to identify emerging pressures on key services where absence was being reported. This daily reporting has continued throughout 2020/21 and to date (June 2021). No staff have been furloughed and sickness absence for the year 2020/21 is 11% lower than in 2019/20. Wherever possible staff have been able to work from home and have been provided with the relevant ICT to facilitate agile working. The Council engaged and deployed additional agency staff as Covid Marshals throughout the year to assist with providing advice and guidance to local businesses and citizens on implementing covid secure measures and to also enforce compliance where this has been necessary.
Service Delivery	The Council has continued to deliver all of its key in-house services throughout the year including an increase to its waste collection services to respond to the additional demands presented by the pandemic, using additional agency staff when necessary. At times during the year there were staff shortages within the cemeteries team but these absences were covered through staff redeployment and agency cover to ensure effective service continuity. Most of the in-person appointments were replaced with on-line or telephone service provision to maximise the protection of both the public and Council staff. Where in-person appointments have been essential these have taken place following strict Covid-safe guidance. The Council's staff have, on behalf of the Government, processed significant volumes of business grants and business rates reliefs throughout the year to ensure local businesses are supported. Where the Council has had discretion over grant payments these are reflected in the Comprehensive Income and Expenditure Statement (CIES) but where it has acted as Agent for the Government (a conduit to pay businesses the grants to which they are entitled as directed by Government) these are not reflected in the CIES.
Supply Chains & Third Parties	Provision of leisure services by our partner 'Everyone Active' has followed the strict Government guidelines throughout the year. During the limited times when the Leisure Centres have been able to operate capacity has been significantly restricted and this placed significant financial pressure on our Leisure Partner. The Council has utilised some of its Covid-19 grant funding to support the organisation and has also worked with them to successfully secure further funding from the National Leisure Recovery Fund (NLRF – Sport England) to aid its transitional recovery. We complied with the Central Government Policy Note PPN 02/20 and 04/20 to support key suppliers to ensure business and service continuity. To comply

Area of Impact	Issue / Response of the Council
	we identified key suppliers at risk and offered support. However, due to changes in lockdown restrictions and other financial support they could access themselves, no additional support was needed, we continued to pay suppliers promptly. Other than at the very start of the pandemic when there was a national shortage, the Council has been able to access and provide relevant Personal Protective Equipment (PPE) to its workforce.
Reserves / Financial Performance / Cashflow	The Council has delivered its service well within budget for the year both for its General Fund and HRA Outturns. The unspent balance of our Covid 19 grant has been transferred to reserves and will be used to cushion any further financial implications of the pandemic going forward. The Council's reserves have further increased in 2020/21 compared with 2019/20 which has further increased the Council's financial resilience and will assist with sustainability for the future – the Council remains a 'going concern'. During the financial year the Council had no adverse impact on its cashflow at any time, principally due to most grants being received from Government in advance of the requirement to pay them to businesses.
Reporting	The Council has been reporting on both the financial and performance impacts of the pandemic throughout the year. This includes regular reports to the Corporate Leadership Team (Standing Weekly Agenda item), Cabinet, the Covid Scrutiny Panel (specifically established to monitor pandemic impacts/recovery) and the Council. The Council has also been submitting the various weekly, monthly, quarterly and ad-hoc financial reports in respect of grant processing and payment assurance to Government Departments. Where appropriate Officer Decision Records (ODR's) and Executive Decision Records (EDR's) have been prepared to record pandemic related decisions.
Other Major Risks and Recover Action	The pandemic is not yet over and the furlough scheme is still currently in place until the end of September 2021 at which time more will be known about the impact on businesses and jobs. However, the Council's recent success in securing £62.6m Towns Fund funding and £6.27m Future High Streets Fund funding along with other sources of match funding and the significant ongoing investment in our leisure provision will bring new jobs and businesses to the District and through the nature of these various projects, will boost the visitor numbers to the local economy in the coming years.

8. ORGANISATIONAL **DELIVERY**

The Council consists of 35 Councillors, controlled by the Ashfield Independents (28) with 3 Conservative, 2 non-aligned and 2 Labour Councillors. The Council's Cabinet comprises of ten Councillors:



Within Ashfield there are two parishes, Selston Parish Council and Annesley & Felley Parish Council who provide additional services to residents within their respective boundaries. The JUS-t Neighbourhood Plan was made for a substantial part of the Parish of Selston following a referendum in October 2017. Currently no neighbourhood plan has been adopted by Annesley & Felley Parish Council.

The Teversal, Stanton Hill and Skegby Neighbourhood Forum brought forward a Neighbourhood Plan for Teversal, Stanton Hill and Skegby, which was also made in October 2017. The Forum was re-designated for a further five years following a decision of the Cabinet on 27th January 2020.

MANAGEMENT STRUCTURE AND WORKFORCE

The Council's management structure – the Corporate Leadership Team (CLT) is documented in the Council's Constitution and is comprised of the Chief Executive, four Directors and the Corporate Finance Manager (& Section 151 Officer). The CLT is responsible for implementing the Council's strategic goals as determined by elected Members, and for the effective operational delivery and management of Council services.
As at 31st March 2021 the Council's workforce comprised 592 employees in post (540.19 full time equivalent posts) on the approved staffing establishment.

KEY PARTNERING ARRANGEMENTS

Ashfield District Council has key working relationships with the following organisations:

- Mansfield District Council and Newark & Sherwood District Council for owning and operating the Mansfield Crematorium.
- Mansfield District Council for delivering shared services across both authorities (Human Resources & Payroll and Legal Services).
- Ashfield District Council is the Lead Partner for the Rough Sleeper Initiative funding/service.
- Mansfield District Council – Home Options Partnership
- Mansfield District Council and Newark & Sherwood District Council – Private Sector Landlord Forum
- Broxtowe Borough Council sharing an Estates Manager, whilst Ashfield provides Business Rates processing support to Broxtowe.
- J. Tomlinson Ltd, our delivery partner for completing capital improvements to the Council's housing stock.
- Nottingham City Homes for the Lifeline Service.
- Sport & Leisure Management Ltd for operating the Council's leisure centres.
- Nottingham City Council for provision of Procurement services.
- Central Midlands Audit Partnership (CMAP) for the provision of our Internal Audit function.
- Erewash Borough Council for the provision of our Building Control function.

9. FINANCIAL PERFORMANCE 2020/21

GENERAL FUND REVENUE OUTTURN

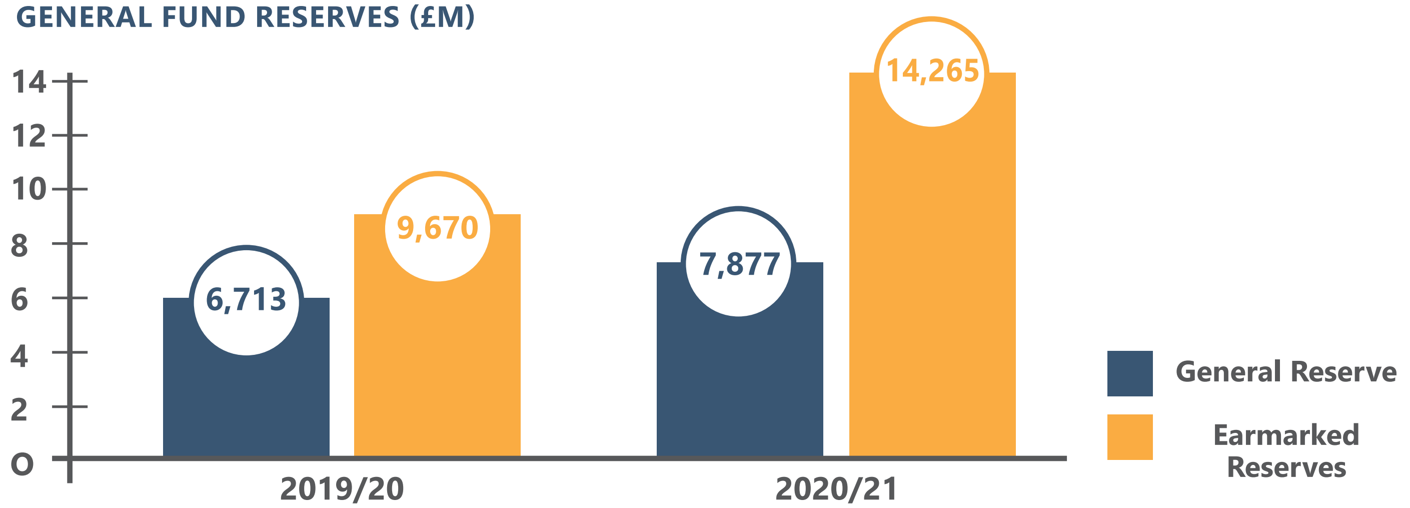
The General Fund supports the day to day running of the Council's services, excluding Council Housing provision.

Directorate	Revised Budget £'000	Outturn £'000	Variance £'000
Chief Executive	540	536	(4)
Resources & Business Transformation	958	(1,730)	(2,688)
Legal & Governance	1,809	1,654	(155)
Place & Communities	10,338	8,392	(1,946)
Housing & Assets	2,277	2,129	(148)
Net Cost of Services	**15,922**	**10,981**	**(4,941)**

Key Variance Explanations:	
Unallocated Covid funding (service related)	(1,198)
Unallocated Covid funding (support for individuals)	(1,146)
Unused budgeted transfers from earmarked reserves	(427)
New Burdens funding not utilised in 2020/21	(550)
Towns Fund and Future High Streets Capacity Funding to be used in 2022/23	(313)
Unbudgeted Investment Property Income	(250)
Housing Benefit Losses	250
Increased Planning income	(325)
Salaries and wages savings	(564)
Transport related savings	(269)
Unspent Homelessness Support and Syrian Vulnerable Persons Grant	(141)
Other net Costs/Savings	(8)
	(4,941)

GENERAL FUND RESERVES – CHANGE 2019/20 TO 2020/21

GENERAL FUND RESERVES (£M)



HOUSING REVENUE ACCOUNT (HRA)

The HRA is a ring-fenced landlord's account for the management and maintenance of the Council's housing stock. This account funds both day to day revenue costs as well as funding borrowing costs for capital work to maintain and improve council properties.

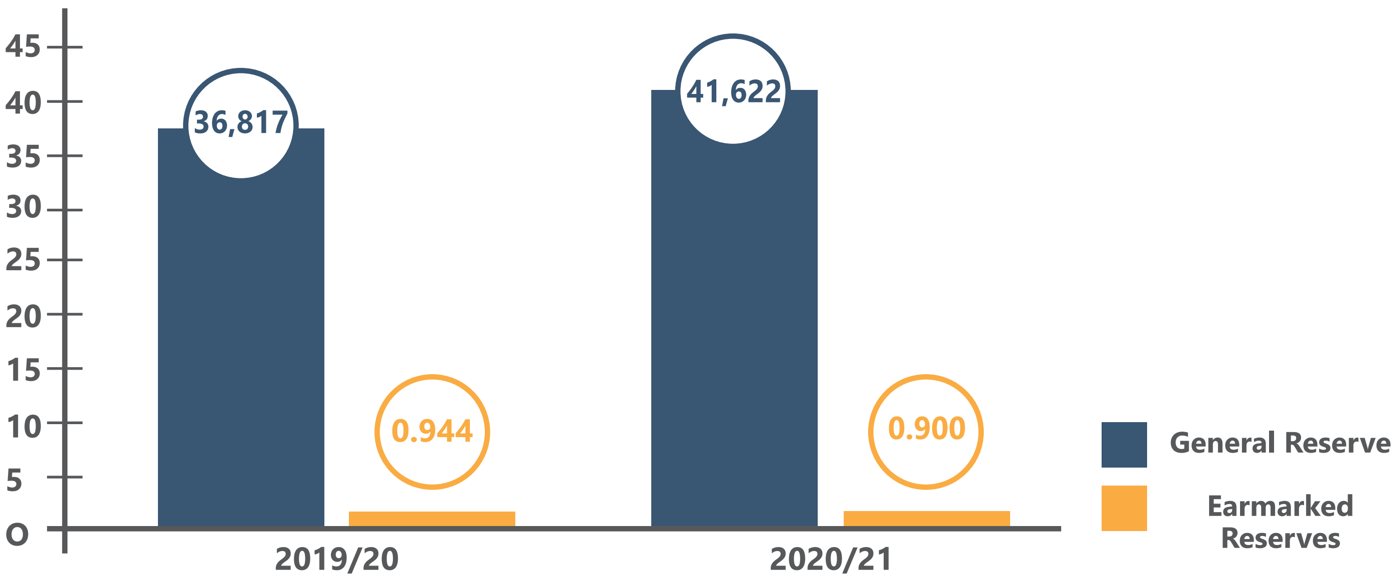
HRA OUTTURN 2020/2021

Compared to the 2020/21 revised budget the HRA achieved savings of £1.777m, these are shown in the Table below:

	£'000
Reduced income from closure of Community Centres and home improvement/garden maintenance due to the Covid restrictions.	50
Reduced Interest rates in the banking sector reduced the average annual interest rate on the HRA balances.	141
Reduced repairs and maintenance and staffing expenditure attributable to a reduction in repairs due to the Covid restrictions.	(1,220)
Reduced contribution to bad debt provision	(119)
Reduced capital expenditure largely due to the delay in new vehicle delivery.	(656)
Other various minor variances (net)	27
	(1,777)

HRA RESERVES – CHANGE 2019/20 TO 2020/21

HRA RESERVES (£M)



Further information relating to the Housing Revenue Account can be found within the Supplementary Financial Statements.

Capital Spending 2020/21

Capital monies are spent on building or enhancing the Council's asset base. There are rules and regulations regarding what can be classed as capital expenditure and this expenditure must be financed separately from the day to day running costs of the Council. During 2020/21 the Council spent £11.8m on capital works. Key projects were:

NEW KIRKBY LEISURE CENTRE

Almost £1m was spent on the new Leisure Centre at Kirkby, the building of which commenced in late 2020/21.

PARKS AND OPEN SPACES

Over £1m capital funding has been spent on Parks and Open Spaces infrastructure across the whole District during 2020/21.

DISABLED FACILITIES GRANTS

The Council spent £691k to meet the statutory duty to provide Mandatory Disabled Facilities Grants to qualifying applicants under the Housing Grants Construction and Regeneration Act 1996. These grants provide the funds for adaptations to modify environments to restore or enable independent living, privacy, confidence and dignity for individuals and their families in non-Council dwellings.

INVESTMENT PROPERTY ACQUISITION

£3.3m was spent on the acquisition of an investment property in April 2020. The Council has since taken a decision not to acquire any further investment properties (unless for regeneration purposes within the District) following the outcome of the consultation undertaken in 2020 which would now restrict access to Public Works Loan Board funding as a borrowing source should this acquisition strategy continue.

HOUSING PROJECTS

£5.1m was spent in 2020/21 on improvements to Council dwellings throughout the District ensuring that the Decent Homes Standard is maintained and on the other projects including the acquisition of houses to add to the Council's stock to help meet the social housing demands of our residents and undertaking disabled adaptations to Council properties.

Balance Sheet

PROPERTY, PLANT & EQUIPMENT (PPE)

The value of PPE increased by £7.770m to £305.143m as at 31st March 2021. This increase is due to increases in revaluations (mainly to the leisure centres) and new additions exceeding depreciation, disposals and impairment in the year.

Council dwellings are valued utilising the East Midland Adjustment Factor, as required by Government. This Adjustment Factor reduces the value 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.

INVESTMENT PROPERTIES & ASSETS HELD FOR SALE

The overall value of Investment Properties decreased in year by £2.4m. This decrease was due to valuation reductions of £5.8m across the portfolio which were partially offset by the £3.3m purchase of one investment property in April 2021. The Asset Held for Sale value decreased by £0.7m in the year; this was largely due to the transfer out of this category of the Brook Street, Sutton in Ashfield.

LONG TERM PROVISIONS

The value of Long Term provisions increased by £11k to £2.315m at the end of March 2021. The main provision within this is £1.984m in respect of Business Rates appeals.

PENSION LIABILITY

The Council is a member of the Nottinghamshire County Council Pension Fund. The Pension Liability increased by £31.193m to £124.085m at 31st March 2021 largely due to changes to the financial assumptions of a lower discount rate and an increased inflation rate in line with economic information, as advised by Barnett Waddingham, the Council's Pensions Actuary, both of which increase the pension liability. The increase in liability due to the changes in the financial assumptions is partly offset by investment returns by the Fund and the pension payments made during 2020/21.

10.OUTLOOK

BUDGETS AND FUNDING

There is significant uncertainty about the level of funding the Council will receive beyond 2021/22 pending the outcome and impact of the following:

- The impact of and recovery from the Covid-19 pandemic;
- The next Spending Review;
- Fair Funding Review;
- Business Rates – future levels of retention and clarification of what will happen around the baseline re-set; and
- Future of New Homes Bonus funding and distribution methodology

It is anticipated that a key outcome of the above will be a redistribution of resources to address the national social care pressure in both Adults' and Children's services and as District Councils do not provide these services, District Councils' resources will reduce.

Ashfield District Council, like most Councils, receives support from Local Government Futures (LG Futures) and has used their resource forecasting model and the Council's own forecast expenditure requirements to estimate the anticipated funding gap for the next four financial years. Notwithstanding the uncertainty brought about by the aforementioned factors, the estimated cumulative funding gap from 2022/23 to 2025/26 is £3m with the largest proportion of this (£2.46m) front-loaded into 2022/23.

As set out in the Council's 2021/22 Budget Setting Report robust plans are in place to identify options and implement actions to address the future estimated financial challenge. This includes a line by line review of all of the Council's budgets and Medium Term Financial Strategy (MTFS) assumptions; a review of fees and charges and income generating opportunities; a review of procurement and contracting arrangements; a review of services and future service delivery options; and delivery of financial efficiencies from the investment in technology via the Council's Digital Transformation Strategy. It also includes progressing at a pace the development and delivery of our Local Plan clearly setting out our aspirations for the District in terms of where we want to see both business and homes growth, and attract developers to help deliver that vision. The Corporate Leadership Team and the Council's Cabinet meet frequently to progress this work.

The Council has a strong track record of setting a balanced and deliverable budget and this robust approach will continue with the future development of the MTFS to ensure the Council's ongoing financial sustainability.

The Medium Term Financial Strategy will be updated and re-presented to Cabinet in Autumn 2021 to reflect the 2020/21 Outturn and progress on identifying savings to help close the estimated funding gap.

CAPITAL INVESTMENT

Recent announcements made by Government to invest £62.6m in Kirkby and Sutton from the Towns Fund and over £6.27m from the Future High Streets Fund, coupled with our own significant investment plans for our leisure provision which are currently being delivered at a pace, will bring about new opportunities for the whole District. The investment will deliver jobs and further education opportunities, long-term economic and productivity growth, new homes, improved transport infrastructure, reduced carbon and new cultural and visitor facilities.

11. EXPLANATION OF THE FINANCIAL STATEMENTS

The Statement of Accounts is for the financial year 31st March 2021 and as required by the Code, comprises of Core and Supplementary Statements, together with Disclosure Notes. The style and format of the Accounts complies with the local authority accounting standards.

The Core Financial Statements

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

This Statement records all of the Council's income and expenditure for the year. It includes both the amounts spent on local taxpayer services and also local rent payer services. The top half of the statement provides analysis of spend by Directorate on services that the Council is required to undertake by law (statutory duties such as street cleansing, planning and registration) and discretionary services focussed on local priorities and need. The bottom half of the statement deals with corporate transactions and funding.

MOVEMENT IN RESERVES STATEMENT (MIRS)

This statement summarises the movement in year on the Council's different reserves. These reserves are analysed into 'useable reserves' (i.e. those that can be used to fund expenditure or reduce local taxation) and 'unusable reserves' which must be set aside for specific purposes (as they relate to gains and losses on statutory adjustment accounts).

BALANCE SHEET

The Balance Sheet is a 'snapshot' of the Council's financial position at the end of March 2021. It shows the Council's assets, liabilities, cash balances and reserves at 31st March 2021.

CASH FLOW STATEMENT

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

The Supplementary Financial Statements

HOUSING REVENUE ACCOUNT (HRA)

This Account separately identifies expenditure incurred in the provision, management and maintenance of the Council's housing stock and demonstrates how this has been funded from rents, service charges and other income. In accordance with the Local Government and Housing Act 1989 this is maintained as a separate account and must operate with a positive working balance.

THE COLLECTION FUND

The Collection Fund details all monies due from Council Tax and Non Domestic Rate payers and redistribution of some of these payments to other organisations on whose behalf the Council collects these taxes including the County Council and the Nottinghamshire Police and Crime Commissioner and Fire & Rescue Authorities.

Annual Governance Statement (AGS)

This Statement sets out the Council's governance structures and its key internal controls.

Other Key Sections in the Statement of Accounts

STATEMENT OF RESPONSIBILITIES
This Statement sets out the respective responsibilities of the Council and the Chief Finance Officer.

ACCOUNTING POLICIES
These Policies explain the treatment and basis of the figures in the accounts in accordance with proper accounting practices.

NOTES TO THE FINANCIAL STATEMENTS
These provide additional information on important points included in the Core Financial Statements.

EXPENDITURE AND FUNDING ANALYSIS (EFA)
This Statement shows how annual expenditure is used and funded from Council resources in comparison with how those resources are consumed or earned by the Council. It also shows how this expenditure is allocated for decision making purposes across the Council's Directorates.

GLOSSARY OF TERMS AND ABBREVIATIONS
Key terms used throughout this Statement of Accounts are more fully explained.

FURTHER INFORMATION
If you require further information concerning the Council's 2020/21 Accounts please contact:

The Corporate Finance Manager
Ashfield District Council
Urban Road,
Kirkby in Ashfield,
Nottinghamshire
NG17 8DA

Telephone: **01623 457362** or
Email: **Pete.Hudson@ashfield.gov.uk**

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 Corporate Finance Manager;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

I confirm that the Financial Statements were approved by the Audit Committee meeting held on 27th September 2021.
Signed on behalf of Ashfield District Council:

Councillor D. Walters
Chairman of the Audit Committee

RESPONSIBILITIES OF THE CORPORATE FINANCE MANAGER

The Corporate Finance Manager 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 2020/21 ("the Code of Practice").

In preparing this Statement of Accounts, the Corporate Finance Manager 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 Corporate Finance Manager 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 2021.

P. Hudson, ACMA, CGMA
Corporate Finance Manager & Section 151 Officer
27th September 2021

AUDIT CERTIFICATE **AND OPINION**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASHFIELD DISTRICT COUNCIL

These 4 pages are left blank for the independent auditor's report.

STATEMENT OF **ACCOUNTING POLICIES**

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the financial year 2020/21 and its position at the year-end 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue 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 highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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 on assets used by the service where 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 and 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 amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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 for 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 in exchange for those benefits. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in 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 Nottinghamshire Pension Fund 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.

- Liabilities are discounted to their value at current prices using a discount rate based on an appropriate rate of return on high quality corporate bonds.

- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.

a) Quoted securities – current bid price

b) Unquoted securities – professional estimate

c) Unitised securities – current bid price

d) Property – market value

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

• Service Cost comprising

a) Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked

b) Past Service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs

c) Net interest on the net defined liability (asset), i.e. the net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

d) Re-measurement comprising:

• the return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

• actuarial gains and losses - changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

e) Contributions paid to Nottinghamshire Pension
Fund - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement this means that there are transfers 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 pensioners 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 REPORTING PERIOD

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

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument, which are initially measured at fair value, and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate of interest for each instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally borrowed.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

b. Financial Assets

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

- amortised cost

- fair value through profit or loss (FVPL), and

- fair value through other comprehensive income (FVOCI)
  The authority’s business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets measured at amortised costs

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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.

c. Expected Credit Loss Model

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

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

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. For example, New Homes Bonus funding.

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.

During 2020/21, no Council assets met the 'Intangible Assets' definition.

12. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has no 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.

(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 the current year's 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 39 to the Core Financial Statements.

13. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included on the balance sheet at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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

The Council does hold properties for investment purposes.

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

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

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

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.

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

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

a. Operating Leases

The Council as Lessee

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

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

The Council as Lessor

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

16. OVERHEADS AND SUPPORT SERVICES

The cost of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

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 is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not 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.

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**
Investment Properties	**Fair value to reflect market conditions at the end of the reporting period**
Infrastructure, community assets and assets under construction	**Depreciated historic cost once the asset becomes operational**

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

Costs of dismantling assets such as roofs, windows and heating systems in Council Dwellings are included in the costs paid to the main contractor. The main contractor is responsible for the disposal of the dismantled assets. The dismantled assets have been assessed by the valuer as only having a negligible value.

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 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 an 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 District. 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 that 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 forerunners 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 are 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 the Provision of Services in the Comprehensive Income and Expenditure Statement. 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 non-current assets, financial instruments retirement benefits and employee benefits; 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 that does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the Comprehensive Statement of Income and Expenditure in the year. Where the Council has decided to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts so that 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.

24. FAIR VALUE MEASUREMENT

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

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