

## Statement of Accounts 2018/19





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# Section 1

# Narrative Report

The Narrative Report largely reflects the position as it was in 2018/19 and that the 'Events after the reporting date' note in the accounts (note 4.11) gives an indication of more recent developments impacting on the Council's financial position.

## 1.1 Introduction to Nottingham City Council

Nottingham City Council is a large and diverse organisation. Building new homes, tackling fuel poverty, providing jobs, and training opportunities for young people are amongst the top priorities of the Council whose core focus and culture is to put citizens at the heart of everything it does.

Nottingham is a thriving modern city, known throughout the world for the legend of Robin Hood. It has an award-winning integrated transport system and will soon be the first city outside London to accept payment for bus and tram journeys by phone, contactless card or mobile payment app.

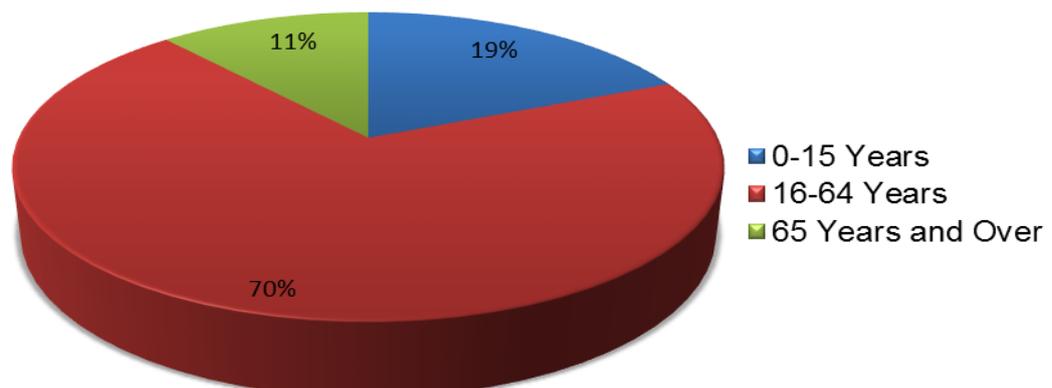
It is also a major sporting centre with the National Ice Centre, Holme Pierrepont, National Water Sports Centre, two famous football clubs and Trent Bridge International cricket ground all located in and around the city.

The Council is ambitious for Nottingham and is committed to delivering services, which meet the needs of all citizens and enables them to have opportunities to succeed in education and employment. Over the past four years, we have seen dramatic changes to Nottingham's skyline and will continue to see changes to the city's demographics. How we provide our services needs to reflect these changes and the use of technology in service delivery will become increasingly important.

### 1.1.1 Population

The most recent information available showed that Nottingham's population was 329,909 (Office for National Statistics Mid-Year Estimates 2017). Projections suggest that this could reach 363,700 by 2041, an increase of 10.2%. The age profile of Nottingham's population is shown in the chart below.

**Composition of Nottingham City Population**



### 1.1.2 The Economy and External Environment

In line with all local authorities, Nottingham has seen a substantial and sustained reduction in Government funding as a result of national austerity policies. However, the local economy has fared reasonably well since the result of the Brexit referendum. The latest data indicates that unemployment has fallen and the employment rate for the wider Nottingham economy is relatively high. Household disposable income within the city is significantly below the national average but at an estimated £12,200 per head of population is on a par with the Core Cities average. The low figure for Nottingham can be explained in part by the high student population attending the two universities in the city. There are an estimated 30,000 students currently resident in the city. The long-term trend regarding skills is positive with circa 30% of the city's working population qualified to degree level or above and an increase in the percentage of adults achieving level NVQ4 plus. There are still challenges around the 12.9% of adult city residents with no qualifications and the increase in 16 to 18 year olds not in education, employment or training.

There are 229,000 people employed in Nottingham city, of which 66.2% are in full time employment. The rate of job growth in Nottingham city is 3.9% (for comparison, Core Cities average is 3.8%).

Services are the main source of employment in Nottingham, accounting for 91.2% of the employed workforce. Manufacturing employment has been steadily declining for several decades and now accounts for less than 5% of jobs in Nottingham and 6.4% in the wider Nottingham area. Significant areas of this sector are the manufacture of food products, fabricated metal products and the printing and reproduction of recorded media.

The public sector accounts for 23% of all residents in employment as compared with 26.9% ten years ago.

Nottingham Jobs is the Council's employment and skills service and plays a key role in helping and supporting Nottingham citizens to find paid employment. This not only has positive outcomes for the local economy but also serves to improve life chances and health outcomes for individuals and their families.

There are approximately 6,900 people unemployed in Nottingham.

Since publication of the draft accounts in July 2019, there has been a major worldwide event in the unprecedented global COVID-19 pandemic. The financial statements and notes have not been adjusted for the impact of this, as it was not a condition which existed at the balance sheet date. The Council has however included a statement in the form of a non-adjusting post balance event (see page 112) to provide information that is relevant to an understanding of the financial position. Although there will be numerous issues that impact on the Council as a result of the pandemic, this has no material impact on the accounting period ending 31 March 2019.

### 1.1.3 Political and Financial Frameworks

The Council is made up of 55 Councillors and is controlled by the Labour Party who following the May 2019 local elections have 50 elected Labour Councillors. There are also two Conservative and three Independent Councillors.

The Council has adopted the Strong Leader and Cabinet model as set out in the provisions of the Local Government Act 2000 as its political management structure. Decisions are taken at meetings of full Council, Executive Board and Committees of the Board, Committees, Executive Portfolio Holders, Ward Councillors and Officers.

Full Council comprises all 55 Councillors elected to the Council. One of its functions is to agree the major policies, the “Policy Framework”, which govern the way services are provided and provide the direction for the city. Legislation prescribes that, in addition to the budget and setting of Council Tax, full Council must adopt this overall policy framework, which comprises various plans and strategies. The Council may, from time to time, decide to add other plans and strategies to this list. The Council also has an overview and scrutiny function. This holds the Executive Board to account for its decisions, undertakes reviews and makes recommendations on future policy.

The Executive Board comprises up to ten Councillors and includes the Leader of the Council and is responsible for major decisions about service delivery. The law does not allow the Executive Board to make certain decisions (sometimes referred to as ‘non- executive’ decisions) e.g. decisions about planning or licensing matters. These non-executive decisions are taken by Committees comprised of Councillors.

Councillors are supported by the Council’s Senior Management Team. For management purposes, the Council’s operations are organised into Directorates each of which is headed by a Corporate Director reporting to the Chief Executive.

The main financial objectives for the Council focus on:

- Ensuring sound financial planning and management is embedded across all areas of the Council.
- Supporting citizens to have access to value for money services, which are modern and fit for purpose.
- Maintaining good underlying financial health and good governance.
- Always taking a longer-term view.

This policy-led, medium term approach to financial planning and management is good practice and ensures that we can fund our vision, values and priorities.

The Council is committed to maintaining financial stability and delivering value for money through effective, economic and efficient services.

The Medium Term Financial Strategy (MTFS) sets out the principles we work to in order to deliver our aims and objectives. The Council operates on a principle of medium term, policy-led financial planning. This connects the vision, values and priorities with decisions made in setting the annual budget within the Medium Term Financial Plan (MTFP).

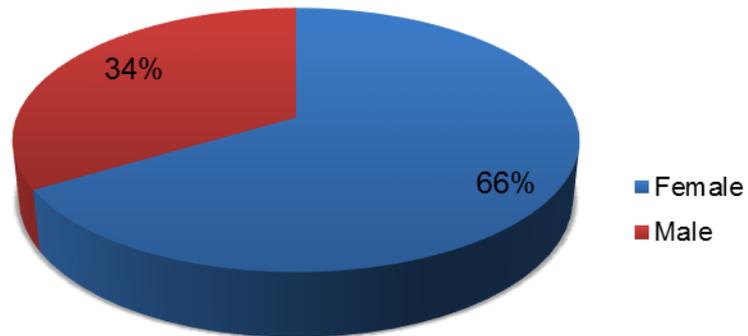
In particular, any new investment is considered in the context of how it will contribute to realising the Council’s vision and performance improvement more generally. Options are worked up for consideration and decisions to stop, reduce or reshape services are made in full knowledge of the impact on objectives. All proposals are scrutinised throughout the budget process by peers, senior colleagues and Councillors. The whole approach is informed by the use of a range of performance and financial data.

### 1.1.4 Employees

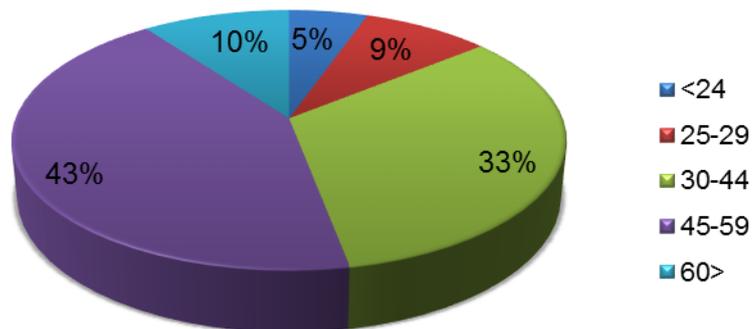
At 31 March 2019, Nottingham City Council employed 8,514 people in full time and part time contracts, including those employed in schools.

The following charts give a breakdown of employees by gender, age, contract type, ethnicity and disability.

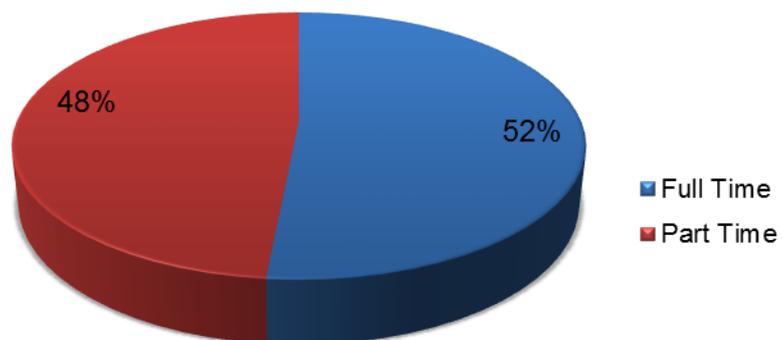
**Workforce Breakdown by Gender**  
%



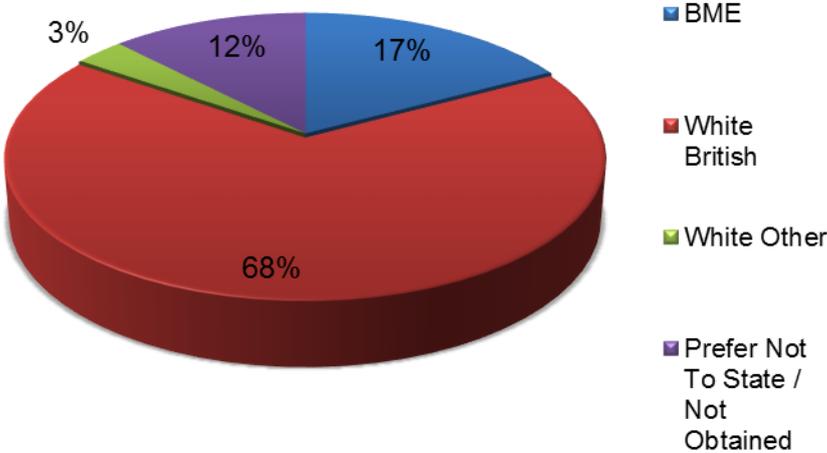
**Workforce Breakdown by Age %**



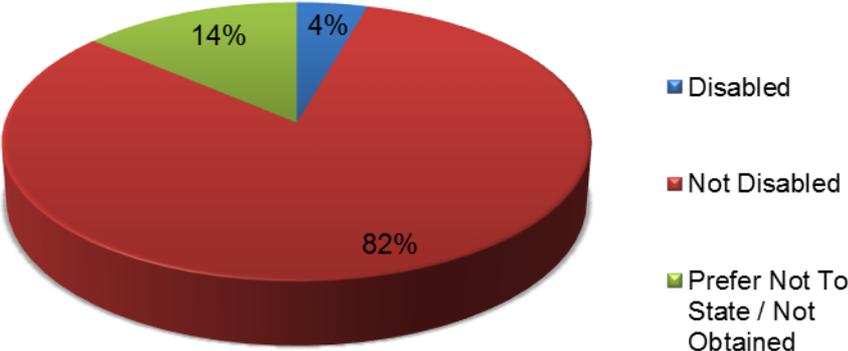
**Workforce Breakdown by Contract Type**  
%



### Workforce Breakdown by Ethnicity %



### Workforce Breakdown by Disability %



#### 1.1.5 Achievements in 2018/19

Despite the financial challenges facing the Council, significant regeneration activity is underway across Nottingham to build new homes, develop local transport infrastructure and open up key development sites across the city for regeneration. These projects aim to attract inward investment to drive growth, increase local employment opportunities and create communities where people want to live.

The achievements of 2018/19 include:

- **Broadmarsh area** – The Council has plans to dramatically transform and regenerate the Broadmarsh area of Nottingham city centre. A £250m programme of works is underway to transform the area into a great entrance into the south of the city centre with improved shopping, leisure and restaurant facilities in a vibrant new environment. Roadworks to service the new car park are underway and the contract for the Broadmarsh shopping centre was signed in January 2019.

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- **Nottingham Castle** - The whole Castle site is being restored and redesigned with Brewhouse Yard, the Caves, the Castle and grounds being brought together as a new visitor experience. In 2018/19 scaffolding was erected around the Castle and work commenced on the roof and the repairing of exterior stonework.
- **Nottingham College City Hub** - Nottingham College is a new and very different college for Nottingham – established as a result of a successful partnership between New College Nottingham and Central College Nottingham. The City Hub campus will be a landmark building for Nottingham, close to the Broadmarsh Centre and Lace Market. In 2018/19 the foundations were completed and work began on erecting the steel frame.
- **Nottingham Science Park** - Already home to some of the most innovative companies in the region, Nottingham Science Park has more land ready for development within the Enterprise Zone. Nottingham City Council and D2N2 Local Enterprise Partnership are working in partnership to develop the site, in line with the ambitions of Nottingham Growth Plan to support business expansion and create new jobs. In 2018/19 the pilings were completed and the foundations are under construction.

## 1.2 Financial Performance

### 1.2.1 Economic and Funding Overview

The Council, in line with all other local authorities across the country is continuing to operate in a challenging financial environment of reduced levels of Government funding with the full consequences of Brexit yet unknown. In the Autumn Budget published on 29<sup>th</sup> October 2018 there were no significant measures to address the rising demand and funding gaps for Adult Social Care and Children’s Services.

Revenue Support Grant (RSG) as a proportion of the Council’s total revenue funding has been significantly reduced and will continue to do so. The RSG is profiled to fall from £126.8m in 2013/14 to £25.3m in 2019/20.

Alongside this reduction in grant income, Nottingham has seen increased demand for a number of services, primarily Adult Social Care and Children in Care. These increasing care pressures and continuing funding cuts will have a significant impact on the Council’s ability to fund other local services. It is expected that this continuing trend will mean that local taxpayers will increasingly fund local services as Government funding continues to fall.

In order to respond to the funding cuts and manage the increasing pressures the construction of the Medium Term Financial Plan (MTFP) has followed the following principles:

- Take account of the Council’s priorities within the Council Plan 2015-2019 agreed by Council on 9 November 2015.
- Address demographic and service pressures.
- Reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities.

- Support the Council’s determination to be efficient, improve performance and modernise the organisation.
- Minimise the impact of service reductions and changes on vulnerable citizens by protecting frontline services.
- Pursue commercialisation opportunities to generate income for the Council.
- The Council remains committed to tackling crime and anti-social behaviour, keeping Nottingham city clean, protecting children, supporting vulnerable elderly people and tackling homelessness.
- In response to the current financial climate, the Council continues to work with council networks including the Local Government Association and the Special Interest Group of Municipal Authorities (SIGOMA) to campaign for a fairer funding settlement from central government for cities like Nottingham and other core cities.
- For 2018/19 the Government has not implemented any legislative or funding changes that have made a material impact on the Council’s Statement of Accounts.

The draft unaudited version of the Statement of Accounts was published on the Council’s website on 30 July 2019. Grant Thornton were unable to complete the audit and issue their audit opinion due to a delay in the audit completion of one of the group companies.

The CIPFA Code of Practice (Section 3.8) requires local authorities to consider any material events, which occur up to the date that the accounts are authorised for issue, and to adjust for any that provide additional evidence of conditions existing at the balance sheet date. The figures in the financial statements and notes for Nottingham City Council and for the Group have been adjusted to reflect the final audited financial position of group companies. Full details can be found on page 112 in the accounts and page 122 in Group Accounts.

As set out in 1.2.2 of the Narrative Report, consideration has been given to the impact of the COVID-19 pandemic on the accounting period ending 31 March 2019. A reassessment of the going concern assumption has also been undertaken, see Events After the Reporting Date page 112.

### 1.2.2 Addressing Risk and Future Challenges

#### **Funding Cuts**

The MTFP was updated in February 2019 and reflects the fact that despite reducing government funding, the Council expects demand for services to increase, particularly those which support children and the older population.

#### **National Non-Domestic Rates (NNDR)**

Localisation of NNDR has significant risks for the Council. Under the retention scheme, there are risks in calculating the share of the yield due to the level of unknowns including:

- The number of successful rating appeals that could be made in the year.
- The number of bankruptcies and business going into administration.

- The number of empty and new properties etc.

In mitigation, the Council works with Analyse LOCAL, which is a system developed to help local authorities to make sound and prudent estimates of its business rate income for the year ahead. It uses a wide range of historic rating information to provide the most reliable base possible on which to base decisions.

### **Brexit**

There is a high level of uncertainty about the implications of leaving the European Union. Nottingham has benefitted from European funding in the past and it is unclear whether or what other similar sources of funds will be available. The arrangements for what deal the UK will leave with is still as yet undecided but our assumption at the current time is that there will be no significant impairment on the value of the Council's assets. This will be reviewed once a course of action has been determined.

### **Commercial Income**

Investments in commercial property have been made to raise income to offset reductions in funding. Given the uncertainties over the economy as a result of Brexit, it is difficult to predict the future or whether investments will be adversely affected. This is mitigated by making sound business cases at the outset, which are checked and challenged, and robust and rigorous monthly monitoring.

### **General Data Protection Regulation (GDPR)**

This bill came into effect on 25 May 2018. This has a huge impact on all local authorities and carries fines of up to 4% of annual turnover for serious breaches of compliance. In mitigation, the Council has appointed a Data Protection Officer who will update all policies and privacy notices. Annual training sessions are delivered across the authority in addition to mandatory refresher e-learning.

### **Group Companies**

The Council has material financial interests in a number of group companies over which it has varying degrees of control or influence. There is a risk of exposure should any of the companies run into financial difficulties. This is being mitigated by the development of a robust governance and monitoring framework, which would give early warnings of any impending problems.

The group accounts included as part of the Statement of Accounts, consolidate the results of the companies with which the Council has a material interest. The relationship and further details can be found in the group accounts (section 6).

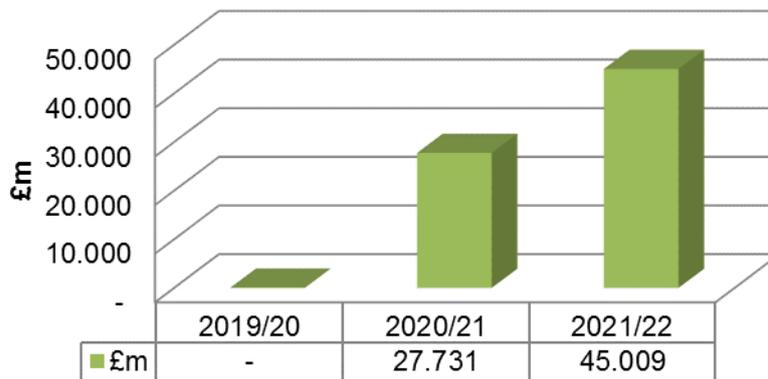
### **Universal Credit**

Universal Credit in Nottingham commenced in October 2018. As the Council needs to recover Council Tax and rents directly from residents, this gives rise to a potential increase in the level of bad debts and increase in the cost of collection.

### **Three-Year Medium Term Outlook**

Given the challenging environment that the Council continues to operate in, the budget assumptions are subject to ongoing review in light of changing circumstances. These issues have been brought together to produce a 3 year Medium Financial Outlook (MTFO) that is summarised in the table below. This confirms the need for on-going significant cost reductions in the short to medium term of £27.731m in 2020/21 and £45.009m in 2021/22.

### Medium Term Financial Outlook Gap



### COVID-19

The COVID-19 pandemic has had a considerable impact on the Council and will create further pressures on its financial position in the future, even after additional funding from Central Government. Substantial losses are expected across many of its largest income streams including Council Tax, Business Rates, commercial income, fees, and charges, whilst expenditure to support the residents and businesses of Nottingham has increased.

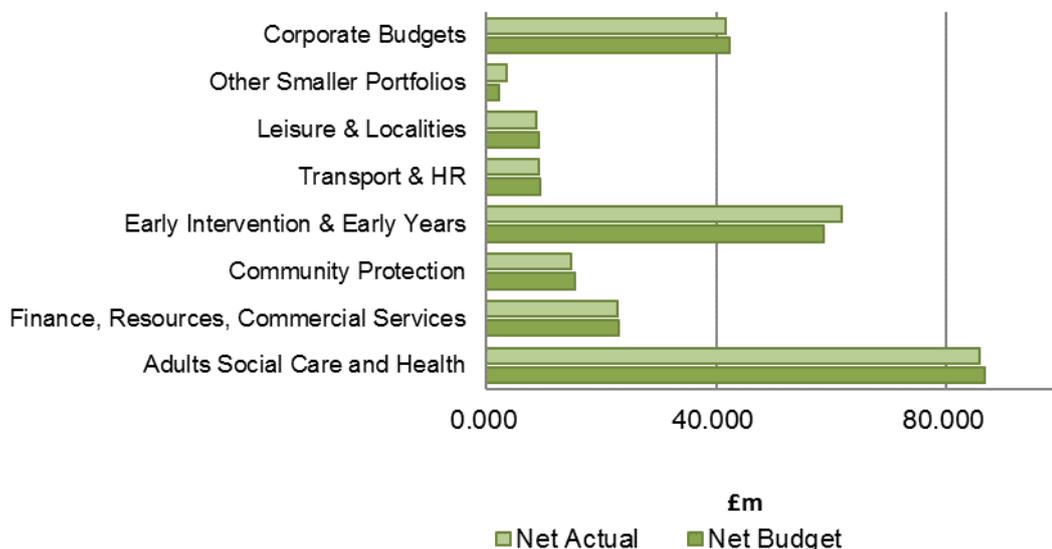
Moving forward, the Council will reset its Medium Term Financial Strategy to take account of the impact of the pandemic and the Council’s strategic objectives.

### 1.2.3 Revenue

The Council’s 2018/19 revenue outturn position is shown in the following chart. The budget set at full Council in March 2018, agreed how the Council planned to allocate its funding during the year to deliver services to the citizens and communities of Nottingham.

The revenue outturn for 2018/19 is an over spend of £1.681m, which was reported to Executive Board on 21 May 2019.

### Service Revenue Outturn



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For budget management purposes, specific grant income, charges to users and expenditure items such as employees, premises, supplies and services are organised by groups of services known as portfolios. The outturn, which was reported to Executive Board on 21 May 2019, was shown on this basis.

### 1.2.4 Capital

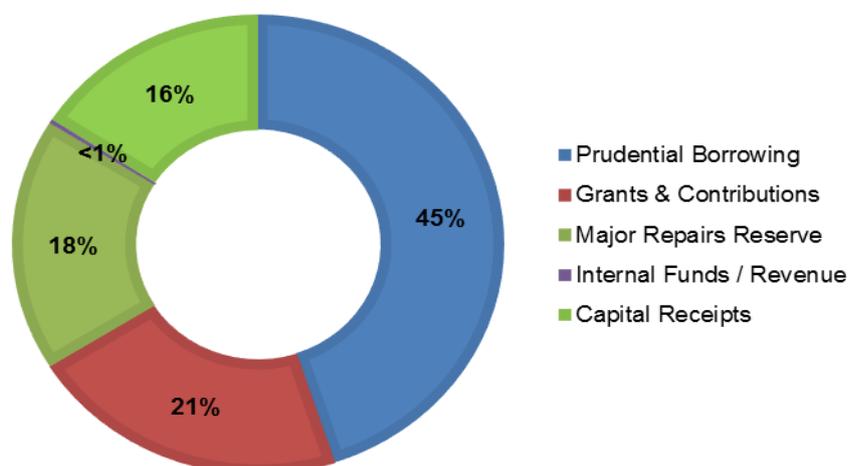
The Council's capital position as against the approved 2018/19 Capital Programme is shown below:

	Budget / Projection 2018/19 £m	Actual 2018/19 £m
<b>General Fund Capital Programme</b>		
Transport Schemes	19.696	12.079
Education / Schools	7.503	5.978
Adults & Health	0.547	0.294
Early Intervention & Early Years	0.218	0.262
Leisure & Culture	9.257	9.903
Business Growth & Transport	10.213	6.433
Energy & Sustainability	5.351	2.138
Planning & Housing	3.336	2.496
Strategic Regeneration	9.332	3.948
Community Services	2.065	2.765
Resources & Neighbourhood Regeneration	75.852	59.584
<b>Total General Fund Capital Programme</b>	<b>143.370</b>	<b>105.880</b>
Public Sector Housing	48.930	42.116
<b>TOTAL CAPITAL RESERVES</b>	<b>192.300</b>	<b>147.996</b>

The General Fund and Public Sector Housing Programmes have had project slippage in 2018/19. This slippage does not constitute project underspend or result in resources being released and the budgets will be carried forward into 2019/20 as required.

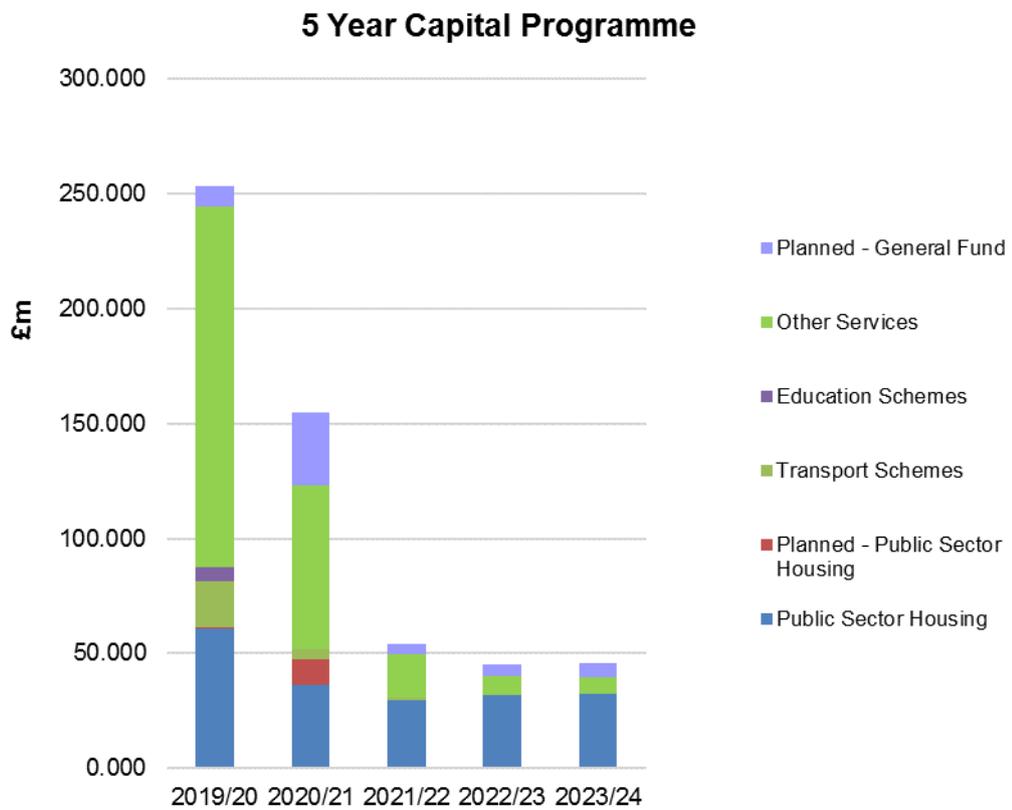
The chart below shows the funding breakdown for the 2018/19 Capital Programme:

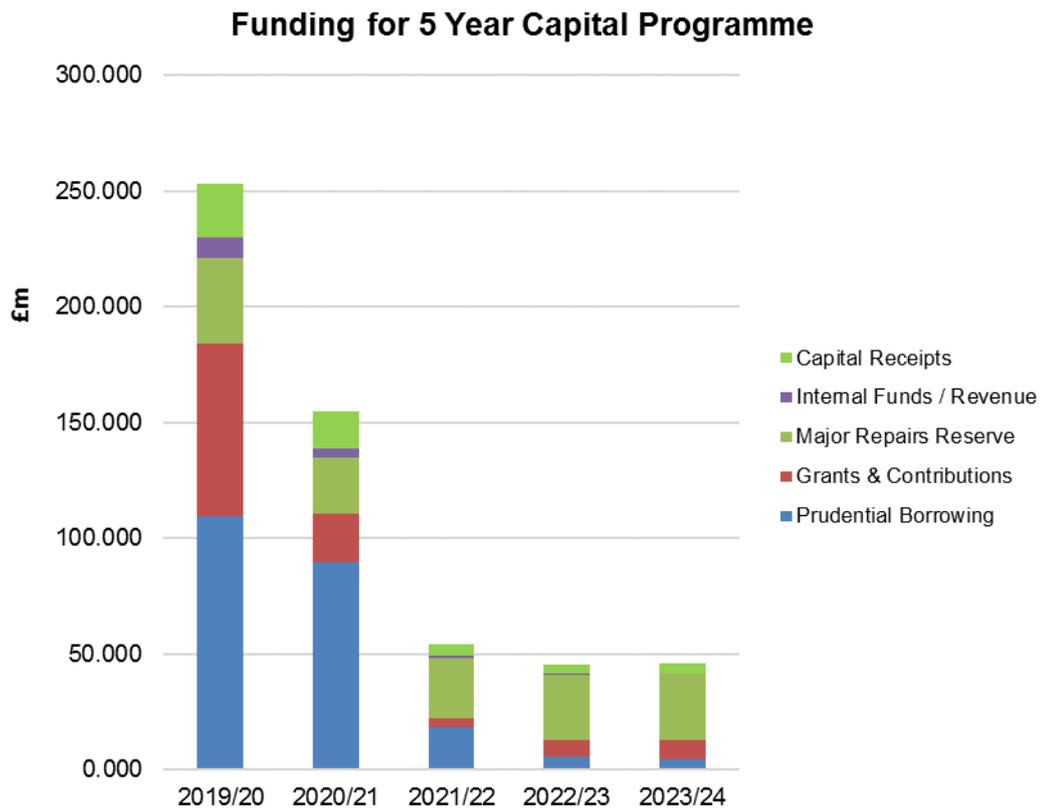
**Funding of the 2018/19 Capital Programme**



The table below shows approved major schemes (i.e. excluding schemes in development) which exceed £20m expenditure. The table shows capital expenditure incurred to 2018/19 and approved expenditure for 2019/20 to 2023/24.

CAPITAL SCHEME	Spend to 2018/19 £m	2019/20 to 2023/24 £m	TOTAL £m	DETAIL
Southern Gateway Phase 1	6.987	50.040	57.027	Regeneration of the Southside of the City
Southern Gateway Phase 2	4.363	43.780	48.143	
Nottingham Castle	7.273	24.163	31.436	Improvements to Nottingham Castle to help make it a major tourist attraction.





### 1.2.5 Balance Sheet

The following table is a summary of the balance sheet:

	31 March 2018 £m	31 March 2019 £m
Long Term Assets	2,910.572	2,996.734
Net Current Liabilities	(111.857)	(42.314)
Long Term Liabilities	(1,872.173)	(1,908.048)
<b>NET ASSETS</b>	<b>926.542</b>	<b>1,046.372</b>
Usable Reserves	234.566	227.506
Unusable Reserves	691.976	818.866
<b>TOTAL RESERVES</b>	<b>926.542</b>	<b>1,046.372</b>

The 2018/19 increase in Long Term Assets is mainly due to:

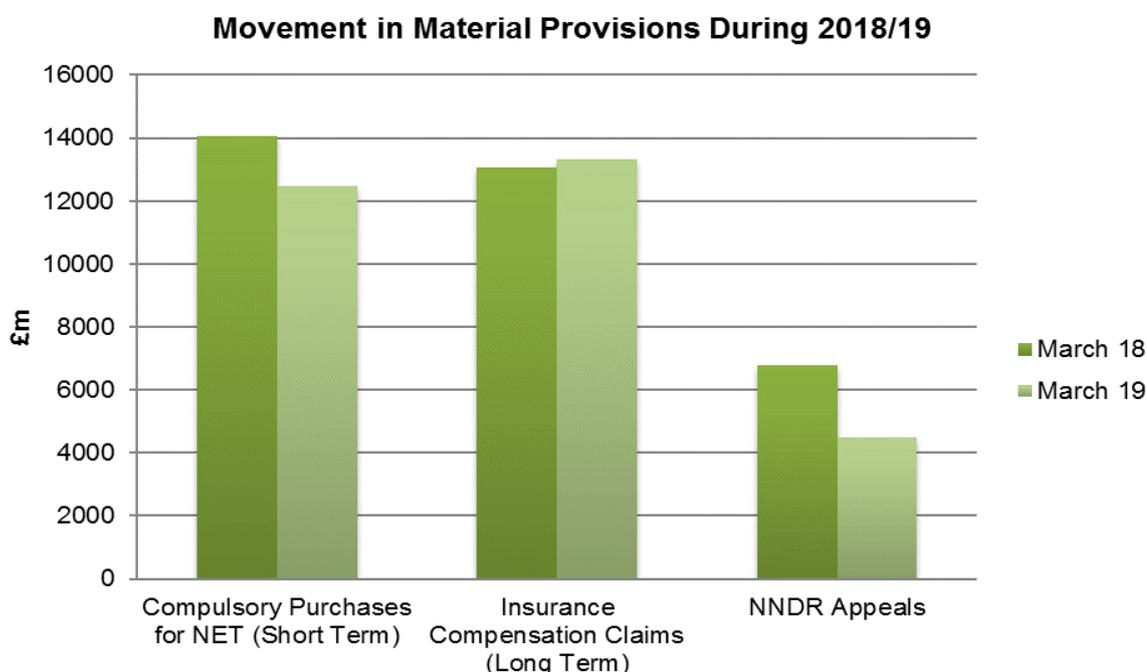
- A net increase in Property Plant & Equipment of £61.922m. Further details regarding movements in Property Plant and Equipment can be found in note 4.4.1, and
- Increase in Investment properties due to £55.170m of additional investment property purchases.

The Council has two material provisions (greater than £5m) carried within the balance sheet, the details of which are summarised below:

- Compulsory Purchases for NET (Short Term Provision) – The carrying value at 31 March 2019 (£12.469m) is for compulsory purchases of land and property required for the NET PFI where the purchase price has yet to be agreed.
- Insurance Compensation Claims (Long Term Provision) – The carrying value at 31 March 2019 (£13.310m) is to meet the cost of claims arising from self-insured risks and risks which fall below the external policy retention levels, and for payment of external insurance premiums.

NNDR Appeals as at 31 March 2019 have a carrying value of £4.480m. The figure as at 31 March 2018 was £6.764m so was previously listed as a material provision.

The movement in these provisions is shown in the chart below:



For further information, please refer to note 4.4.9 Provisions in the Balance Sheet Statement of Accounts notes.

Surpluses and deficits from previous financial years are reflected in the reserve figures brought forward in the Movement in Reserves Statement - see section 3.3 Core Statements in the Statement of Accounts. The following table summarises the movements in reserves during 2018/19:

	31 March 2018 £m	Movement 2018/19 £m	31 March 2019 £m
General Fund	5.465	2.529	7.994
Earmarked General Fund Reserves	154.584	(13.770)	140.814
Other Usable Reserves	74.517	4.181	78.698
Unusable Reserves	691.976	126.890	818.866
<b>TOTAL AUTHORITY RESERVES</b>	<b>926.542</b>	<b>119.830</b>	<b>1,046.372</b>

### 1.2.6 Pension Liability

The Council is a member of the Nottinghamshire County Council pension fund; an independent actuary evaluates assets and liabilities of that fund attributed to the Council on an annual basis. The actuary has estimated that, at 31 March 2019, the Council's fund was in deficit by £788.018m (£820.201m as at 31 March 2018). Actuarial valuations are undertaken every three years and a deficit recovery plan is in place to reduce the liability to zero within 19 years.

## 1.3 Non-Financial Performance

### 1.3.1 Consultation with Citizens

In November 2017, the Council held a 'Your City, Your Services' consultation. It allowed households to have their say on what they feel is most important to them as residents and for them to be able to express any concerns and comments. The results were available to Councillors to inform decisions made in the 2018/19 budget process.

Respondents were asked to rate a list of 26 council services on a scale of 1 to 5 where five is important. The top six services were:

- Tackling crime and anti-social behaviour
- Services to elderly and vulnerable people
- Refuse collection
- Child protection
- Public Health
- Public Transport

Areas of concern given the current economic climate were cuts to public services and the impact on their health of financial hardship caused by the cuts. There is also increased concern about Brexit and how leaving Europe will affect businesses, the voluntary sector and citizens generally.

The Council has a long-term commitment to incorporate the views of citizens into the processes of policy making and service improvement. This helps the Council to understand the issues and services that are important to people so that their priorities guide the Executive Board in developing the budget proposals.

### 1.3.2 More School Places in Good Local Primaries

In 2018, 480 school places and 26 nursery places were created following expansion programmes in Westbury Special School, Glade Hill Primary School and Middleton Primary School.

### 1.3.3 Safer Private Rented Accommodation with Selective Licensing

This year the Council introduced new licensing rules to tackle rogue landlords, improve standards and enforce basic safety requirements within the private rented sector.

### 1.3.4 Homelessness

Homelessness is on the rise across the country, but the Council continues to fund initiatives to address the issue, both to tackle rough sleeping and use of bed and breakfast as temporary accommodation. This year the Council gave additional money to fund schemes working in these areas, in addition to grants secured from the Ministry of Housing, Communities and Local Government and this remains a priority for the Council.

### 1.3.5 Greener City with Nottingham's Clean Air Plans

Nottingham is one of the first cities to have their clean air plans approved by Government. This is a testament to the numerous green initiatives that have been implemented over many years.

### 1.3.6 Plan to Improve Children's Literacy

Building on our status as a UNESCO City of Literature, the Dolly Parton Imagination Library book giving scheme was rolled out to three more wards in the city. The scheme aims to give children a love of reading and delivers a free book to a child's home every month from birth to the age of five. The scheme currently provides books to more than 4000 children in Nottingham.

### 1.3.7 Nottingham City Transport Ltd

Nottingham City Transport Ltd is a multi-award winning bus company and holds the record of being the only bus operator to have won UK Bus Operator of the Year four times. It also won the Environment Award for the world's largest fleet of Bio Gas Double Decker buses. An ambitious scheme to allow tram and bus users to pay with contactless cards, smart watches, Apple Pay, and PayPal is now set to be fully operational in April 2020. Nottingham will be one of the first cities outside London to offer the service, which is hoped to boost the local economy and make using public transport easier.

### 1.3.8 Key Headlines from the Council Plan 2015 – 2019

The Council Plan 2015-19 sets out the key priorities to be delivered over four years. This current Plan ended at the end of March 2019 and a new plan is being developed.

The latest Council Plan approved by Full Council on 9 November 2015 underpins the Council's wider Good to Great journey, with a continued emphasis on placing citizens at the heart of everything to shape service delivery going forward. This set out five key objectives for the Council, which are shown below along with the outcomes:

- Ensure that every child in Nottingham is taught in a school that is judged good or outstanding by Ofsted. We have seen sustained improvement over the period of the Council Plan. The baseline position was 69% and reached a peak of 87% by June 2018. Work will continue to support schools and to challenge schools causing concern.
- Build 2,500 new homes that Nottingham people can afford to rent or buy. At March 2019 2,293 are complete or in progress plus an additional 534 affordable homes, which are on sites controlled by the Council, are in the planning system.
- Cut the number of victims of crime by a fifth and continue to reduce anti-social behaviour. Good progress has been made and plans are in place to continue the work. There has been a move back to city focused policing as although we

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have had success in reducing anti-social behaviour, crime has risen as Government cuts have impacted on frontline policing. Nottinghamshire Police took the decision to move back to city focused policing which will increase joint working between the police and the Council.

- Tackle fuel poverty by setting up a not for profit energy company, to sell energy at the lowest possible price to Nottingham people. Robin Hood Energy Ltd (RHE) was set up in 2015 as a not for profit company to provide low cost gas and electricity. RHE customers typically save £200 per year (credit meter) or £80 per year (pre-payment).
- Guarantee a job, training place or further education plan for every 18-24 year old. All 18-24 year olds in Nottingham are guaranteed a job, training place or further education place should they want one. Since the start of the Council plan in April 2015, this has principally been achieved by securing external funding to sustain the work of Nottingham Jobs (a partnership between Nottingham City Council, the Department for Work and Pensions, and Futures).

Link to Council Plan:

<https://www.nottinghamcity.gov.uk/media/456756/3-council-plan-2015-19.pdf>

### 1.4 Explanation of Accounting Statements

The Statement of Accounts sets out the Council's financial performance for 2018/19. It is comprised of core statements and supplementary financial statements with relevant supporting notes and is shown as both single entity accounts and as consolidated group accounts. The format of the Statement of Accounts is defined by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and International Financial Reporting Standards.

An Abbreviation and Glossary section has been included in section 8 of this document.

The Statement of Accounts Core Statements are:

- The **Comprehensive Income and Expenditure Statement** (CIES) showing the Council's income and expenditure for the financial year. The top half of the statement analyses income and expenditure by portfolio. The bottom half of the statement gives a breakdown of corporate transactions and funding. Expenditure is made up of:
  - The statutory services and activities that the Council is required to deliver, for example street cleaning and refuse collection and
  - Discretionary expenditure for local priorities and needs.
- The **Movement in Reserves Statement** (MIRS) summarising the changes within the Council's reserves over the financial year. These reserves are either:
  - Useable (those that can be applied to fund expenditure or reduce local taxation), or
  - Unusable (not available to support services and are set aside for specific purposes).
- The **Balance Sheet** is a snapshot of the Council's assets, liabilities, cash balances and reserves as at 31 March 2019.

- The **Cash Flow Statement** explains the reasons for the movement in the Council's cash balances during the year and sets out whether the change is due to operating activities, new investment or financing activities.

The Supplementary Financial Statements are:

- The **Annual Governance Statement**, which sets out the governance structures of the Council and its key internal controls. A copy of the document can be viewed here:

<https://www.nottinghaminsight.org.uk/Document-Library/Document-Library/96578>

- The **Group Accounts** which report the consolidated assets and liabilities of the Council and the companies and entities over which the Council has control or significant influence.
- The **Housing Revenue Account (HRA)** records all revenue expenditure and income relating to the provision of council dwellings and related services.
- The **Collection Fund** summarises the collection of Council Tax and National Non-Domestic Rates (NNDR), and the redistribution of some of the money to the precepting authorities and central government.
- The **Expenditure and Funding Analysis (EFA)** shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and NNDR) by the Council in comparison with those resources consumed or earned by the Council in accordance with International Financial Reporting Standards (IFRS's).

The notes to these financial statements provide more detail about the Council's accounting policies and transactions.

The core financial statements have been adjusted to take account of post balance sheet adjusting events as set out on page 112.

## 1.5 Medium Term Financial Plan (MTFP)

### 1.5.1 Revenue Plans

In February 2019, the Council approved a revised MTFP covering the 3-year period from 2019/20 to 2021/22.

The MTFP reflects the culmination of the extensive work of councillors, colleagues and other stakeholders, all of which has been scrutinised throughout the process to fulfil a legal obligation to set a balanced budget for 2019/20. This is in the context of a three-year MTFP to fund provision of a wide range of services, many of them statutory.

This policy-led, medium term approach to financial planning and management is good practice and ensures that we can fund our vision, values and priorities. The MTFP has been constructed under the principles as set out in section 1.2.1.

The process included identifying budget savings and potential overspend risks for the next three years. Detailed budgets were then worked up based on current priorities and plans, underlying demographic trends and predicted inflation factors.

Local government continues to operate in a challenging environment and the budget assumptions are subject to ongoing review in light of changing circumstances. These

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issues have been brought together to produce a 3 year Medium Term Financial Outlook (MTFO) which is summarised in the following table:

	2019/20 £m	2020/21 £m	2021/22 £m
<b>Expenditure:</b>			
2018/19 Budget Requirement	246.363	246.363	246.363
Updated Budget Assumptions	16.680	36.243	52.795
<b>Sub-Total</b>	<b>263.043</b>	<b>282.606</b>	<b>299.158</b>
Savings Proposals	(23.258)	(20.471)	(22.015)
<b>Assumed Net Budget</b>	<b>239.785</b>	<b>262.135</b>	<b>277.143</b>
<b>Funding:</b>			
Retained Business Rates, Top-up	(120.961)	(114.955)	(109.250)
Council Tax	(116.101)	(119.449)	(122.884)
Collection Fund	(2.723)	-	-
<b>FUNDING GAP</b>	<b>-</b>	<b>27.731</b>	<b>45.009</b>

### 1.5.2 Capital Plans

The Council is planning to invest £553.499m over the next 5 years, enabling substantial regeneration in and around the City and allowing the Council to deliver the capital requirements that have arisen from business service needs. The capital programme and funding proposals following the 2018/19 Outturn are detailed below:

	CAPITAL PROGRAMME					Total £m
	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	
<b>Expenditure:</b>						
Public Sector Housing	60.837	36.165	29.463	31.773	32.484	<b>190.722</b>
Transport Schemes	20.088	4.310	1.420	-	-	<b>25.818</b>
Education	5.836	-	-	-	-	<b>5.836</b>
All Other Services	157.162	71.580	18.877	8.655	7.371	<b>263.645</b>
Planned Schemes - Public Sector Housing	0.510	11.338	-	-	-	<b>11.848</b>
Planned Schemes - General Fund	8.838	31.469	4.423	5.000	5.900	<b>55.630</b>
<b>TOTAL</b>	<b>253.271</b>	<b>154.862</b>	<b>54.183</b>	<b>45.428</b>	<b>45.755</b>	<b>553.499</b>
<b>Forecast Funding:</b>						
Prudential Borrowing	(109.677)	(89.691)	(18.184)	(5.494)	(4.306)	<b>(227.352)</b>
Capital Receipts	(23.278)	(15.880)	(4.732)	(4.190)	(4.190)	<b>(52.270)</b>
Internal Funds / Revenue	(9.079)	(3.850)	(1.140)	(0.115)	(0.101)	<b>(14.285)</b>
Major Repairs Reserve	(36.606)	(24.431)	(26.100)	(28.333)	(29.044)	<b>(144.514)</b>
Grants & Contributions	(74.631)	(21.010)	(4.027)	(7.296)	(8.114)	<b>(115.078)</b>
<b>TOTAL</b>	<b>(253.271)</b>	<b>(154.862)</b>	<b>(54.183)</b>	<b>(45.428)</b>	<b>(45.755)</b>	<b>(553.499)</b>
Resources Brought Forward						
<b>CUMULATIVE SURPLUS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Capital Programme includes a number of schemes that are currently at the planning stage. Before these projects can gain full approval, they will be subject to a process of business case appraisal, due diligence and confirmation of funding.

Often additional capital projects emerge during the year. Where this is the case, any decision to progress the schemes will be dependent upon securing the necessary external funding, or demonstrating an appropriate return on investment based on robust business cases.

Some spending within the capital programme will be delivered in partnership with other organisations. The following summarises the major schemes with expenditure incurred from 2017/18 onwards:

- **Nottingham Castle** (£29.983m) – Scheme to develop Nottingham Castle into a world-class visitor attraction.
- **Nottingham Skills Hub** (£19.600m) – Scheme to develop a new college site.
- **Works on the southern entrance to the City** – The demolition of Broadmarsh Car Park and Bus Station commenced in July 2017. This is the first phase of a proposed programme of works on the southern entrance to the City.

# Section 2

# Statement of Responsibilities

## 2.1 Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that responsibility rests with the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The statement of accounts was approved at a meeting of the Audit Committee on 31 July 2020.

Signed:



Date:

26 March 2021

**Councillor Audra Wynter**  
Chair of the Audit Committee

### The Chief Finance Officer's Responsibilities

I am 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 (the Code).

In preparing this Statement of Accounts, I have:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the Code.
- Kept proper accounting records which were up-to-date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## Section 2 – Statement of Responsibilities

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- Assessed the Authority's and the Group's ability to continue as a going concern disclosing, as applicable, matters relating to going concern.
- Used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.
- Maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that these financial statements give a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended.

Signed: *Clive Heaphy*

Date: 26<sup>th</sup> March 2021

**Clive Heaphy**  
Strategic Director of Finance  
Loxley House  
Station Road  
Nottingham  
NG2 3NG

# Section 3

# Core Financial Statements

## 3.1 Comprehensive Income and Expenditure Statement (CIES)

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

As outlined in note 4.3.1 Prior Year Reclassifications, the 2017/18 CIES has been restated to align with the 2018/19 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

Notes	Restated 2017/18			2018/19		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	174.948	(76.528)	98.420	178.027	(90.369)	87.658
Community Protection	33.230	(11.297)	21.933	35.858	(16.641)	19.217
Early Intervention and Early Years	84.879	(25.783)	59.096	93.961	(22.595)	71.366
Education and Skills	127.971	(126.304)	1.667	123.433	(124.948)	(1.515)
Energy and Environment	31.995	(9.362)	22.633	38.484	(16.075)	22.409
Finance, Resources and Commercial Services	64.863	(28.039)	36.824	50.372	(25.553)	24.819
Housing and Planning	97.567	(110.372)	(12.805)	87.222	(111.972)	(24.750)
Leisure and Localities	45.386	(35.465)	9.921	54.598	(35.760)	18.838
Regeneration and Growth	51.307	(32.037)	19.270	45.634	(28.358)	17.276
Transport and HR	74.435	(42.703)	31.732	66.739	(34.528)	32.211
Corporate Items	180.243	(203.386)	(23.143)	206.628	(208.713)	(2.085)
Exceptional revaluation gain on HRA Council Dwellings	(51.181)	-	(51.181)	(43.541)	-	(43.541)
4.3.1 & <b>Cost of Services</b>	<b>915.643</b>	<b>(701.276)</b>	<b>214.367</b>	<b>937.415</b>	<b>(715.512)</b>	<b>221.903</b>
4.3.3 Other operating expenditure			47.590			59.382
4.3.4 Financing and investment income and expenditure			51.986			75.447
4.3.5 Taxation and non-specific grant income			(282.702)			(287.976)
4.3.6 <b>(Surplus)/Deficit on Provision of Services</b>			<b>31.241</b>			<b>68.756</b>
4.3.8 Revaluation of PPE/Heritage assets			(166.863)			(102.903)
4.3.9 Re-measurement of pension assets/liabilities			(72.893)			(85.683)
<b>Other Comprehensive Income and Expenditure</b>			<b>(239.756)</b>			<b>(188.586)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(208.515)</b>			<b>(119.830)</b>

## 3.2 Balance Sheet

This statement shows the value of assets and liabilities held by the Council as at 31 March. The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

- Usable reserves - those reserves that may be used to help provide services or reduce taxation, 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).
- Unusable reserves – those reserves that cannot be used to fund Council Services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help 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'.

Notes	31 March 2018 £m	31 March 2019 £m
4.4.1 Property, Plant & Equipment	2,496.157	2,558.079
4.4.2 Heritage Assets	58.469	59.857
4.4.3 Investment Property	236.733	284.624
Intangible Assets	5.207	3.792
4.4.14 Long Term Investments	20.395	12.895
4.4.14 Long Term Debtors	93.611	77.487
<b>Long Term assets</b>	<b>2,910.572</b>	<b>2,996.734</b>
Assets Held for Sale (current)	3.800	3.725
4.4.14 Short Term Investments	10.000	57.549
4.4.4 Inventories	2.982	3.279
4.4.5 Short Term Debtors	91.115	122.099
4.3.7 Contract Assets	-	0.061
4.4.7 Cash and Cash Equivalents	26.163	45.827
<b>Current Assets</b>	<b>134.060</b>	<b>232.540</b>
4.4.14 Short Term Borrowing	(73.785)	(86.394)
4.4.8 Short Term Creditors	(157.287)	(164.886)
4.3.7 Contract Liabilities	-	(9.974)
4.4.9 Provisions (current provisions)	(14.845)	(13.600)
<b>Current Liabilities</b>	<b>(245.917)</b>	<b>(274.854)</b>
4.4.14 Long Term Borrowing	(802.145)	(877.710)
4.3.7 Long Term Contract Liabilities	-	(0.675)
4.4.14 Other Long Term Liabilities	(211.045)	(201.078)
4.4.9 Provisions (non-current)	(19.817)	(24.137)
4.4.12 Capital Grants Receipts in Advance	(18.965)	(16.430)
4.4.13 Defined Benefit Pension Scheme	(820.201)	(788.018)
<b>Long Term Liabilities</b>	<b>(1,872.173)</b>	<b>(1,908.048)</b>
<b>NET ASSETS</b>	<b>926.542</b>	<b>1,046.372</b>
4.4.10 Usable Reserves	234.566	227.506
4.4.11 Unusable Reserves	691.976	818.866
<b>TOTAL RESERVES</b>	<b>926.542</b>	<b>1,046.372</b>

## Section 3 – Core Financial Statements

### 3.3 Movement in Reserves Statement (MIRS)

This statement shows the in-year movement of reserves, analysed into 'usable reserves' and 'unusable reserves' (see section 3.2). The Total Comprehensive Income and Expenditure from the CIES is added to the opening balance for the year. Adjustments are then made to reflect the statutory amounts required to be charged to the General Fund Balance and the HRA for Council Tax setting and dwellings rent setting purposes, to arrive at the Net Increase / Decrease before Transfers to Earmarked Reserves. The Council then has discretion to earmark General Fund Reserves for specific purposes as shown by the Transfers to / from Earmarked Reserves line. The General Fund and Earmarked General Fund in total form the statutory General Fund.

2018/19	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2018</b>	<b>5.465</b>	<b>154.584</b>	<b>4.402</b>	<b>37.161</b>	<b>13.962</b>	<b>18.992</b>	<b>234.566</b>	<b>691.976</b>	<b>926.542</b>
<b>Movement in 2018/19:</b>									
Total CIE* (Table 3.1)	(126.102)	-	57.346	-	-	-	(68.756)	188.586	119.830
Funding basis adjustments (Note 4.5.1)	114.861	-	(53.652)	(12.998)	3.239	10.246	61.696	(61.696)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(11.241)</b>	<b>-</b>	<b>3.694</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>126.890</b>	<b>119.830</b>
Transfers to/from earmarked reserves	13.770	(13.770)	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>2.529</b>	<b>(13.770)</b>	<b>3.694</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>126.890</b>	<b>119.830</b>
<b>BALANCE AT 31 MARCH 2019</b>	<b>7.994</b>	<b>140.814</b>	<b>8.096</b>	<b>24.163</b>	<b>17.201</b>	<b>29.238</b>	<b>227.506</b>	<b>818.866</b>	<b>1,046.372</b>

\* CIE - Comprehensive Income and Expenditure

2017/18	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2017</b>	<b>8.463</b>	<b>157.483</b>	<b>4.359</b>	<b>26.459</b>	<b>10.292</b>	<b>15.964</b>	<b>223.020</b>	<b>495.007</b>	<b>718.027</b>
<b>Movement in 2017/18:</b>									
Total CIE* (Table 3.1)	(86.824)	-	55.583	-	-	-	(31.241)	239.756	208.515
Funding basis adjustments (Note 4.5.1)	80.927	-	(55.540)	10.702	3.670	3.028	42.787	(42.787)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(5.897)</b>	<b>-</b>	<b>0.043</b>	<b>10.702</b>	<b>3.670</b>	<b>3.028</b>	<b>11.546</b>	<b>196.969</b>	<b>208.515</b>
Transfers to/from earmarked reserves	2.899	(2.899)	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>(2.998)</b>	<b>(2.899)</b>	<b>0.043</b>	<b>10.702</b>	<b>3.670</b>	<b>3.028</b>	<b>11.546</b>	<b>196.969</b>	<b>208.515</b>
<b>BALANCE AT 31 MARCH 2018</b>	<b>5.465</b>	<b>154.584</b>	<b>4.402</b>	<b>37.161</b>	<b>13.962</b>	<b>18.992</b>	<b>234.566</b>	<b>691.976</b>	<b>926.542</b>

\* CIE - Comprehensive Income and Expenditure

### 3.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents held by the Council during the reporting period and how these are generated or used by classifying cash flows as operating, investing and financing activities. The value of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been used to generate resources intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

Notes	2017/18 £m	2018/19 £m
<b>Net Surplus/(Deficit) on the provision of Services</b>	<b>(31.241)</b>	<b>(68.756)</b>
4.6.1 Adjustments to net surplus or deficit on the provision of services for non-cash movements	192.949	189.012
4.6.2 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(58.131)	(57.091)
<b>4.6.3 Net Cash Flows from Operating Activities</b>	<b>103.577</b>	<b>63.165</b>
4.6.4 Investing activities	(166.904)	(126.163)
4.6.5 Financing activities	69.474	82.662
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>6.147</b>	<b>19.664</b>
Cash and cash equivalents at the beginning of the reporting period	20.016	26.163
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>26.163</b>	<b>45.827</b>

# Section 4

# Notes to the Financial Statements

These notes provide information to support and help in interpreting the Financial Statements.

## 4.1 Accounting Policies

This section explains the accounting policies applied in producing the Statement of Accounts.

### 4.1.1 General Principles

#### 4.1.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end of 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003. The Statement of Accounts is prepared on a going concern basis.

#### 4.1.1.2 Accounting Convention

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.

#### 4.1.1.3 Accounting Developments and Changes during 2018/19

The following accounting standards have been adopted in 2018/19;

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiatives
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The application date and initial adoption date of the above standards is 1 April 2018. On initial application, there is no requirement to restate preceding year financial information for IFRS 9 or IFRS 15. IFRS 15 does not have a material effect on the Statement of Accounts and therefore no transitional disclosures have been made.

Financial assets and liabilities have been reclassified under IFRS 9. However, there has been no material changes to the values of these instruments. These reclassifications are detailed in note 4.4.15.

Amendments to IAS 7 require additional disclosures regarding the changes in liabilities arising from financing activities.

Amendments to IAS 12 are only applicable to the Group company accounts and not the Council's single entity accounts.

Accounting policies have been updated where applicable in relation to the above accounting standards.

In addition to the above, the accounting policy for the depreciation of council dwellings has been adjusted from unit cost to asset value basis. This simpler approach complies with the Code and ensures consistency of treatment across all property types within Property, Plant and Equipment on the Council's Balance Sheet. The adjustment does not result in a material difference to the comparable figures reported in the 2017/18 Statement of Accounts.

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

A prior period adjustment will be made to the accounts as a result of a change in accounting policies and the effect is material. 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.

Changes in accounting estimates will be accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Material errors in prior periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

### 4.1.1.5 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date of 31 March and the date when the Statement of Accounts is authorised for issue. The two types of events and the accounting treatment are given below:

- For any material events after the balance sheet date which provide additional evidence regarding conditions existing at the balance sheet date, an adjustment has been made to the Statement of Accounts.
- Material events after the balance sheet date which concerned conditions not existing at 31 March have been disclosed as a separate note to the accounts.

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

### 4.1.1.6 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accruals basis i.e. activity is accounted for in the year it takes place, not simply when cash payments are made or received. Further details are given below:

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- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure in the period during which 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. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Expenses for goods or services are recorded as expenditure when the goods or services are received by the Council rather than when payments are made.
- Where income and expenditure has been recognised but cash has not been received or paid, an appropriate class of asset or liability for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance or contract liability) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made against the loss allowance. Loss allowances are set up for expected future credit losses and are offset against the debtor balance on the Balance Sheet. The level of loss allowance is periodically reviewed with any movements being debited or credited to the CIES.
- Works are charged as expenditure once complete, prior to completion (work in progress) they are carried as inventories on the Balance Sheet.
- For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecast cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service in the CIES. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.
- Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. In the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in the relevant service. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.
- A de minimis level of £5k is used for accruals.

### 4.1.1.7 Schools

The Code confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the Council as if they were the transactions, cash flows and balances of the Council.

### 4.1.1.8 Choices permitted under IFRS

For some policies, IFRS provides different options that can be used and the Council has for a number of years, chosen to apply the following:

#### **De Minimis Capital Expenditure**

All assets acquired can be included in the Balance Sheet, regardless of their cost. However where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet:

	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010
Heritage Assets	0.005

#### **Componentisation**

Where an asset consists of significant components that have different useful lives and/or depreciation methods, these components are separately identified and depreciated accordingly. The Council has chosen to only apply componentisation where the value of the asset is in excess of £3m.

#### **Depreciation (including amortisation of intangible assets)**

Certain property, plant and equipment components and intangible assets are written down over time and charged to revenue. IFRS allows the Council to choose the asset life over which this write down occurs as well as the depreciation method. The following assets are depreciated on a straight line basis over their individually assessed useful life, unless otherwise stated:

- Buildings, dwellings, vehicles, plant, furniture and equipment.
- Infrastructure and Community are depreciated over 25 years.
- Intangible assets are depreciated over 5 years.

### 4.1.2 Policies primarily affecting the CIES

#### 4.1.2.1 Government Grants and Contributions

Government grants and other contributions are recognised as being due to the Council when the attached conditions have been satisfied and there is reasonable assurance that the grant or contribution will be received.

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Grants and contributions are credited to income when there is reasonable assurance that the attached conditions will be met. Any grants received where conditions have not been met are carried in the Balance Sheet as creditors. When all conditions are satisfied, the grant is credited to the relevant service line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

### 4.1.2.2 Business Improvement Districts (BID)

A BID scheme applies across the city. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council is the BID billing authority and acts as agent under the scheme. The BID transactions are therefore not recognised in the CIES.

### 4.1.2.3 Operating Leases

#### **Receivable (Council as lessor)**

Where the Council has granted an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight line basis over the life of the lease and any direct costs incurred in negotiating and arranging the lease are added to the carrying amount and charged as an expense over the lease term on the same basis as rental income.

#### **Payable (Council as lessee)**

Rentals paid under operating leases are charged to the service benefiting from use of the leased asset in the CIES. Charges are made on a straight-line basis over the life of the lease, regardless of the pattern of payments.

### 4.1.2.4 Employee Benefits

#### **Benefits Payable During Employment**

Wages and salaries, paid annual leave and paid sick leave are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of the holiday entitlements or for any form of leave allowed under terms and conditions of service, which employees have earned during the year and are able to carry forward into the next financial year.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the Corporate Items line or the relevant portfolio line in the CIES (depending on reason for termination) when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or are making an offer to encourage voluntary redundancy.

#### **NHS Pension Scheme**

Pension costs relating to the NHS Pension Scheme have been treated as defined contribution schemes and the costs are charged to Adults Social Care and Health in the CIES.

#### **Teachers' Pension Scheme**

Pension costs relating to Teachers' Pension Scheme have been accounted for as defined contribution schemes and the costs are charged to Education and Skills in

the CIES. The arrangements for the teachers' pension scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

### **Defined Benefit Schemes (Local Government Pension Scheme)**

Within the CIES, services have been charged with their current service cost. This represents the extent to which the pension liability has increased as a result of employee service during the year.

Past service costs (the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years), and settlements have been charged to Corporate Items in the CIES.

Net interest on the net defined benefit liability (asset), ie net interest expense for the authority (the change during the period in the net defined benefit liability (asset) that arises from the passage of time) is charged to the Financing and Investment Income and Expenditure line of the CIES – 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.

The CIES shows the re-measurements comprising:

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

### **Discretionary Benefits**

The Council 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 (including teachers) 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.

#### **4.1.2.5 Charges to Service Revenue Accounts for Non-Current Assets**

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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- Amortisation of intangible fixed assets attributable to the service.

### 4.1.2.6 Financing and Investment

The financing and investment line of the CIES is charged or credited for the following amounts relating to investments:

- Income, expenditure and changes in the fair value of investment properties – comprising of upward and downward movements in the value of properties, together with any gains and losses arising on disposal and rentals receivable and expenses incurred in relation to properties.
- Gains and losses of financial instruments including:
  - Interest revenue calculated using the effective interest method.
  - Gains and losses arising from de-recognition of financial assets measured at amortised cost.
  - Impairment losses (including reversals of impairment losses or impairment gains).
- Net interest on Defined Benefit Pension Schemes.

### 4.1.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

- The proportion of receipts relating to HRA disposals payable to the Government.
- Gains or losses on sale and de-recognition of non-current assets (excluding investment properties).
- Levies.

### 4.1.2.8 Overheads and Support Services

Overheads and support services are reported within portfolio lines of the CIES, based on the organisational structure under which the Council operates.

### 4.1.2.9 Council Tax and National Non Domestic Rates (NNDR)

As a billing authority the Council acts as agent, collecting Council Tax and NNDR on behalf of the major preceptors and central government and, as principal, collecting rates for themselves. The Council maintains a separate Collection Fund that shows the transactions for the collection from taxpayers and distribution to preceptors, the Council and the Government of Council Tax and NNDR. The Council's share of the Council Tax and NNDR is credited to the CIES. The transactions presented in the Collection Fund statement are limited to the cash flows permitted by statute for the financial year, whereas the Council will recognise income on a full accrual basis.

There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting Council Tax and NNDR belong to the bodies (ie preceptors, the Council and the Government) on behalf of which the Council collects these taxes.

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

Where debtor balances for the above are identified as impaired because of a likelihood that payments due under statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

### 4.1.2.10 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that use the assets and resources of the venturers but is not a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

### 4.1.2.11 Acquired Operations

Operations acquired by the Council are accounted for in accordance with the Code and are disclosed in the accounts. If these are material they will be disclosed separately in the CIES under the heading of 'acquired operations'.

### 4.1.2.12 Exceptional Items

Normally any material exceptional items are separately identified on the face of the CIES in order to give a fair presentation of the accounts. Where these items are less significant they are included within the cost of the relevant service.

### 4.1.2.13 Value Added Tax

Income and expenditure excludes any amounts related to VAT, except for input VAT that is irrecoverable under legislation which is charged to the service that incurs the cost.

## 4.1.3 Policies primarily affecting the Balance Sheet

### 4.1.3.1 Property, Plant and Equipment (PPE), Heritage Assets and Intangible Assets

#### **PPE - Recognition**

##### *General*

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, if 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 reliably measured. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

##### *Surplus Assets*

Assets that are surplus to service needs but that do not meet the classification of Investment Property or Assets Held for Sale are classified as PPE 'Surplus', and held at fair value pending a decision on the future use of the asset.

##### *Private Finance Initiative (PFI) and Similar Contracts*

In accordance with the code, the Council accounts for its PFI contracts in accordance with IFRS 12 Service Concession Agreements. The Council is deemed to control the services that are provided under its PFI schemes and ownership will pass to the

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Council at the end of the contracts for no additional charge (with the exception of LIFT Joint Service Centres for which there is an option to purchase). The Council carries the assets used under the contracts, on its Balance Sheet as PPE and they are accounted for in the same way as the other assets. The original recognition of assets is at fair value with a corresponding liability for the amounts due to the scheme operator.

The amounts payable to the PFI operators are comprised of 5 elements. The Current Value of Services received during the year, Finance Cost, Contingent Rent, and Lifecycle replacement costs are all posted to the CIES. The final element is a payment towards the outstanding liability on the balance sheet.

### *Finance Leases - General*

Leases are classified as finance leases where substantially all of the risks and rewards incidental to ownership of the PPE transfer from the lessor to the lessee. All other leases are classified as operating leases.

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

### *Finance Leases – where the Council is Lessee*

The asset is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE – applied to write down the lease liability and
- A finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

### *Finance Leases – the Council as Lessor*

Where the Council grants a finance lease over a property or an item of plant or equipment, the carrying amount of the asset is written off and a long term debtor raised in the Balance Sheet.

Lease rentals receivable are apportioned between the principal repayment which reduces the debtor balance and interest which is credited to the Financing and Investment Income and Expenditure line in the CIES.

### *Heritage Assets*

Acquisitions are either purchased by the City Council or donated by a third party. Purchases are initially recorded at cost while donations are held at nil value until the assets related collection is externally valued within the heritage asset valuation cycle.

Items are omitted from the Balance Sheet where the Council is unable to obtain the valuations at a cost which is commensurate with the benefits it would provide to users of the financial statements.

### *Intangible Assets*

Intangible assets where the Council has control of the asset through either custody or legal protection, for example software licences, are capitalised at cost.

### Measurement

Assets are initially measured at cost, i.e. purchase price plus any costs incurred in bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs. Assets are then carried in the Balance Sheet using the following measurement bases:

- Community and Infrastructure assets for example parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.
- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2016 based on a desktop valuation of beacon properties by Chartered Surveyors Freeman and Mitchell.
- Other land and buildings are valued at current value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of current value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at present value of the minimum lease payments.
- Heritage assets are reported in the Balance Sheet at market value and have been valued periodically by an external valuer. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are adjusted annually by the Council to provide an internal valuation which is used until the collection is periodically externally revalued. Acquisitions are held at their purchase price, adjusted annually each year (except in year of purchase), until the next valuation.
- All other assets are valued at current value.

Assets included in the Balance Sheet at current value are revalued as a minimum every 5 years. If there is evidence that there have been material changes in the value a further valuation will be undertaken.

Increases in valuations are credited to services within the CIES where they arise from the reversal of a revaluation or an impairment loss previously charged on the same asset. Any gains in excess of previous revaluation losses are matched by credits to the Revaluation Reserve.

Any revaluation losses are firstly written down against any previous revaluation gains held in the Revaluation Reserve. Where there are no previous revaluation gains, the losses are charged to the relevant portfolio line of the CIES.

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

### Impairment

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

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- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up. If there is no balance of revaluation gains the impairment loss is charged to the relevant portfolio line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant portfolio line of the CIES only.

### Depreciation and Amortisation

Depreciation is provided for on all PPE assets. The annual charge to the CIES is calculated by dividing the value less any residual value of the asset by the estimated asset life. There is no depreciation on the assets in the year of acquisition, although a full year of depreciation is charged in the year of disposal. In accordance with recommended accounting practice, depreciation is not provided for in respect of freehold land, Heritage Assets, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

- Buildings and Dwellings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life.
- Infrastructure and Community – straight-line allocation generally over 25 years.
- Finance leases - over the lease term. If the lease term is shorter than the asset's estimated useful life and ownership of the asset does not transfer to the authority at the end of the lease period.
- Intangible assets – amortised on a straight line basis over the economic life, which is generally assessed to be 5 years.

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Revaluation Reserve is reduced for the depreciation relating to revaluation gains with a corresponding credit to the Capital Adjustment Account.

### Componentisation

Where an asset consists of significant components that have different useful lives and/or depreciation methods to the remainder of asset, these components are separately identified and depreciated. A component value must be at least 20% of the whole asset. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the parts have been grouped to determine the depreciation charge. Componentisation only applies to enhancement and acquisition expenditure and revaluations carried out from 1st April 2010 with a de-minimis level of £3m.

### Fair Value Measurement

Some non-financial and financial assets of the Council are measured at fair value at the reporting date. Fair value assumes the transaction takes place either:

- In the principal market for the asset or liability, or
- The most advantageous market for the asset or liability.

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

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

Valuation techniques are used which maximise the use of observable inputs and minimise the use of unobservable inputs. After reviewing the inputs used the valuation is categorised within the following fair value hierarchy:

Level 1 – quote prices (unadjusted) in active markets for identical assets / liabilities that can be accessed at the measurement date.

Level 2 – inputs other than quoted prices within level 1, that are observable either directly or indirectly.

Level 3 – unobservable inputs

### **Disposal**

Assets are written out of the balance sheet on disposal through sale, granting of a finance lease, donation and transfer. This includes assets transferred because of schools academisation.

#### **4.1.3.2 Investment Property**

Investment properties are those used solely to earn rentals and/or for capital appreciation. It does not apply to properties which are being used to deliver services for the Council.

Investment properties are measured initially at cost. They are not depreciated but are revalued annually at fair value as outlined in note 4.1.3.1.

#### **4.1.3.3 Interests in Companies and Other Entities**

Inclusion in the Council's group accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as financial assets at costs, less any provision for losses.

#### **4.1.3.4 PPE Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. Assets held for sale are carried at the lower of carrying value and fair value less costs to sell.

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

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### 4.1.3.5 Inventories

Inventories are largely valued at latest purchase price and any difference between this and actual cost is not considered to be material. Other less significant stocks are valued at average or actual cost.

### 4.1.3.6 Financial Assets

IFRS 9 replaces IAS 39 as the accounting standard for Financial Instruments and includes the recognition and measurement of Financial Assets. The main difference is the new standard requires recognition of credit loss allowances or changes to the fair value of financial assets to be recognised in the revenue accounts as they arise, whereas previously under IAS 39, impairment would be recognised at a later stage when a credit loss event has occurred.

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

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

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

#### **Financial Assets Measured at Amortised Cost**

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

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

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

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

### Expected Credit Loss Model

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

The Council has extended the simplified approach to lease receivables and trade receivables and contract assets where there is a significant financing component.

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.

The Council has a portfolio of a significant number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

The Council has grouped the loans into three groups for assessing loss allowances:

Group 1 – these loans were made to companies under control of the Council and within the group accounts. A scoring matrix system has been used to assess the risk of default for each loan. Loss allowances for these loans can be assessed on an individual basis.

Group 2 – these loans were made to non-controlled companies (outside of the Council group accounts). A scoring matrix system has been used to assess the risk of default for each loan. Loss allowances for these loans can be assessed on an individual basis.

Group 3 – for the residual group of loans, the Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

### Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

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- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

The Council may, where it sees fit, and within the guidelines of the Code decide to designate investments in equity instruments to FVOCI or transact reclassifications, modifications or de-recognition or transfer of financial assets when applicable transactions occur.

### 4.1.3.7 Financial Liabilities

Financial liabilities except those held for trading are recognised on the Balance Sheet initially at fair value and carried at their amortised cost. Interest payable is charged to the Financing and Investment Income and Expenditure line of the CIES. The amount shown in the Balance Sheet is the carrying amount of the loan as at 31<sup>st</sup> March.

Financial liabilities held for trading are recognised at fair value through profit and loss.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council 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 CIES 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.

### 4.1.3.8 Provisions

Provisions have only been recognised in the accounts where there is a legal or constructive obligation to transfer economic benefits as a result of a past event and where such an amount can be reliably estimated. Provisions are charged to the CIES and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is eventually incurred, it is charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it is apparent that the provision is not required or is lower than originally anticipated, the provision is reversed and credited back to the relevant service.

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

### 4.1.3.9 Contingent Liabilities

Where a potential provision cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is instead disclosed in the notes as a contingent liability. A contingent liability also occurs where a liability may arise but is dependent upon the outcome of future events before it can be confirmed.

### 4.1.3.10 Defined Benefit Schemes (Local Government Pension Scheme)

For defined benefit schemes, pension fund assets are accounted for at fair value.

Pension liabilities are measured on an actuarial basis, using an assessment of the future payments that will be made for retirement benefits earned to date by employees. This assessment includes assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the Single Equivalent Discount Rate which uses the annualised Merrill Lynch AA rated corporate bond yield curve and assumes the curve is flat beyond the 30 year point. The estimate of the Council's past service liability duration is 19 years.

### 4.1.3.11 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Transfers to and from reserves are shown in the MIRS and not within services. Expenditure is charged to the CIES and not directly to any reserve. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and are not usable resources for the Council.

### 4.1.4 Policies affecting the Cash Flow Statement

#### 4.1.4.1 Cash and Cash Equivalents

The Council's Cash Flow Statement reflects the movements in cash and cash equivalents during the year and is shown net of bank overdrafts that are repayable on demand. Cash is represented by cash in hand and deposits with the Council's own bank. Cash equivalents are deposits with financial institutions repayable without penalty on notice of not more than 24 hours. This includes Council deposits in other UK bank call accounts and Money Market Funds.

### 4.1.5 Policies used to account on a Funding Basis

In a number of areas statutory provisions require the Council to account for transactions relating to the General Fund (and subsequently the amount to be raised from Council Tax) differently from the treatment required by IFRS. In each case the adjustment required is offset by a transfer to a specific reserve. The adjustments are shown within the MIRS as adjustments between accounting basis and funding basis under statutory provisions.

#### 4.1.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

Instead of these charges the Council is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (at least 2% of the adjusted Capital Financing Requirement, excluding amounts attributable to HRA). The difference between the two transactions is adjusted within the Capital Adjustment Account.

For the HRA, depreciation is replaced by a contribution to the Major Repairs Reserve.

#### 4.1.5.2 Gains and Losses on Sale of Assets

Where sale proceeds are in excess of £10k, the gain or loss on sale or disposal (including finance leases) is removed from the CIES and adjusted with the Usable Capital Receipts Reserve (sale proceeds) and the Capital Adjustment Account (carrying value in the Balance Sheet).

## **Section 4 – Notes to the Financial Statements**

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A proportion of receipts relating to HRA disposals is payable to the Government and a corresponding sum is therefore transferred back from the Capital Receipts Reserve to the General Fund.

### **4.1.5.3 Capital grants**

Capital Grants are reversed out of the General Fund to the Capital Grants Unapplied Account. When the grant is applied to fund capital expenditure, it is posted to the Capital Adjustment Account.

### **4.1.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Certain items of expenditure and related grant funding charged to the CIES under IFRS may be treated as capital for funding purposes. A transfer is made between the General Fund and the Capital Adjustment Account reserve for these items.

### **4.1.5.5 Employee Benefits**

Accruals made for holiday entitlements or leave are reversed out of the General Fund to the Accumulated Absences Account.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, 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 but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to 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.

### **4.1.5.6 Termination Benefits - Pension Enhancements**

Pension costs calculated according to IAS 19 are replaced by the actual pension payment for the year. The difference between the two transactions is transferred between the General Fund and the Pensions Reserve.

### **4.1.5.7 Financial Liabilities**

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund to be spread over future years. The gain or loss is spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The difference between the two approaches is transferred between the General Fund and the Financial Instruments Adjustment Account.

### **4.1.5.8 Financial Assets**

Statutory provisions allow the General Fund to be charged with the actual interest receivable for the financial year. The adjustment to the CIES for soft loans is therefore removed and adjusted within the Financial Instruments Adjustment Account.

### **4.1.5.9 Use of Reserves**

The Council may make a charge against the General Fund to set aside specific amounts as reserves for future policy purposes or to cover contingencies. The

Council may then also choose to use these reserves to reduce the impact on the General Fund when the expenditure is incurred.

### 4.1.6 Accounting Policies not relevant or not material

The accounting policies are reviewed each year to assess whether it is appropriate for individual policies to be included. There are a number of accounting policies that have not been included above, because the statements are not materially affected by their implementation or they are not relevant. These policies include:

- Use of capital receipts to fund disposal costs
- Intangible Assets – Recognition of website development and other internally generated assets
- Restructuring of loan portfolios and treatment of bonds
- Community Infrastructure Levy
- Subsequent revaluation of assets held for sale
- Jointly controlled assets
- Provision for back pay arising from unequal pay claims
- Treatment of foreign currency translations
- Discontinued operations
- Carbon Reduction Commitment Scheme
- Contingent Assets

## Section 4 – Notes to the Financial Statements

### 4.2 Expenditure and Funding Analysis (EFA) and Notes

#### 4.2.1 Expenditure and Funding Analysis

The objective of the EFA is to demonstrate to Council Tax payers how the funding available to the Council (government grants, rents, Council Tax and NNDR) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

As outlined in note 4.3.1 Prior Year Reclassifications, the 2017/18 EFA and associated notes have been restated to align with the 2018/19 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged. In note 4.2.3 there is also a reclassification within expenditure type.

	Restated 2017/18			2018/19		
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	95.194	3.226	98.420	85.462	2.196	87.658
Community Protection	17.333	4.600	21.933	14.705	4.512	19.217
Early Intervention and Early Years	56.436	2.660	59.096	61.740	9.626	71.366
Education and Skills	0.922	0.745	1.667	(1.957)	0.442	(1.515)
Energy and Environment	18.475	4.158	22.633	18.345	4.064	22.409
Finance, Resources and Commercial Services	23.196	13.628	36.824	22.804	2.015	24.819
Housing and Planning	(41.512)	28.707	(12.805)	(44.840)	20.090	(24.750)
Leisure and Localities	8.451	1.470	9.921	8.512	10.326	18.838
Regeneration and Growth	(0.103)	19.373	19.270	0.815	16.461	17.276
Transport and HR	7.230	24.502	31.732	9.387	22.824	32.211
Corporate Items	(36.683)	13.540	(23.143)	(34.430)	32.345	(2.085)
Exceptional revaluation gain on HRA Council Dwellings	-	(51.181)	(51.181)	-	(43.541)	(43.541)
<b>Net Cost of Services</b>	<b>148.939</b>	<b>65.428</b>	<b>214.367</b>	<b>140.543</b>	<b>81.360</b>	<b>221.903</b>
Other income and expenditure (SURPLUS)/DEFICIT ON PROVISION OF SERVICES	(143.085)	(40.041)	(183.126)	(132.996)	(20.151)	(153.147)
	<b>5.854</b>	<b>25.387</b>	<b>31.241</b>	<b>7.547</b>	<b>61.209</b>	<b>68.756</b>
	Note 4.2.3	Note 4.2.2		Note 4.2.3	Note 4.2.2	
Opening General Fund, Earmarked General Fund Reserves and HRA Balance at 1 April	(170.305)			(164.451)		
(Surplus)/Deficit on General Fund and HRA Balance in Year	5.854			7.547		
<b>Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*</b>	<b>(164.451)</b>			<b>(156.904)</b>		

\*For a split of this balance between General Fund, Earmarked General Fund Reserves and HRA - see the Movement in Reserves Statement.

#### 4.2.2 EFA Note - Adjustments between Funding and Accounting Basis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the CIES. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

## Section 4 – Notes to the Financial Statements

	Restated 2017/18				2018/19			
	Adjustments for Capital Purposes	Net Change for the Pension	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net Change for the Pension	Other Differences	Total Adjustments
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	0.745	2.481	-	3.226	0.201	1.995	-	2.196
Community Protection	2.792	1.808	-	4.600	2.706	1.806	-	4.512
Early Intervention and Early Years	(0.835)	3.495	-	2.660	6.789	2.837	-	9.626
Education and Skills	0.203	0.542	-	0.745	0.028	0.414	-	0.442
Energy and Environment	2.684	1.474	-	4.158	2.788	1.276	-	4.064
Finance, Resources and Commercial Services	10.379	3.249	-	13.628	(0.601)	2.616	-	2.015
Housing and Planning	28.259	0.448	-	28.707	19.662	0.428	-	20.090
Leisure and Localities	(0.598)	2.068	-	1.470	8.713	1.613	-	10.326
Regeneration and Growth	18.613	0.760	-	19.373	15.795	0.666	-	16.461
Transport and HR	22.317	2.185	-	24.502	21.201	1.623	-	22.824
Corporate Items	22.633	(8.639)	(0.454)	13.540	14.482	17.722	0.141	32.345
Exceptional revaluation gain on HRA Council Dwellings	(51.181)	-	-	(51.181)	(43.541)	-	-	(43.541)
<b>Net Cost of Services</b>	<b>56.011</b>	<b>9.871</b>	<b>(0.454)</b>	<b>65.428</b>	<b>48.223</b>	<b>32.996</b>	<b>0.141</b>	<b>81.360</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(59.709)	22.399	(2.731)	(40.041)	(39.715)	20.504	(0.940)	(20.151)
<b>DIFFERENCE BETWEEN GENERAL FUND SURPLUS OR DEFICIT AND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES</b>	<b>(3.698)</b>	<b>32.270</b>	<b>(3.185)</b>	<b>25.387</b>	<b>8.508</b>	<b>53.500</b>	<b>(0.799)</b>	<b>61.209</b>

### Adjustments for Capital Purposes

Included within Net Cost of Services:

- Fixed asset adjustments for depreciation, impairment and revaluation gains and losses.
- Revenue expenditure funded from capital under statute (REFCUS).

Included within Other Income and Expenditure from the Expenditure and Funding Analysis:

- Other operating expenditure:
  - Net gains and losses on the disposal of fixed assets
  - HRA capital receipts pooling payment
- Financing and investment income and expenditure:
  - Investment Properties gains and losses on disposals and movements in valuation
  - Investment impairment
  - Statutory charges for capital financing including Minimum Revenue Provision
  - Capital expenditure funded from the General Fund Balance and transfers to the Major Repairs Reserve
- Taxation and non-specific grant income and expenditure:
  - Capital grants where conditions permit the application for capital financing

### Net Change for the Pensions Adjustments

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

## **Section 4 – Notes to the Financial Statements**

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- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### **Other Differences**

For services this includes employee benefit accruals, and for:

- Financing and investment income and expenditure - timing differences for premiums and discounts.
- Taxation and non-specific grant income and expenditure - the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

## 4.2.3 EFA Note - Analysis of Items in Net Expenditure Chargeable to the General Fund and HRA

This note shows the income and expenditure by portfolio.

2018/19	Adult Social Care and Health	Community Protection	Early Intervention and Early Years	Education and Skills	Energy and Environment	Finance, Resources and Commercial Services	Housing and Planning	Leisure and Localities	Regeneration and Growth	Transport and HR	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Income</b>																		
Council Tax and NDR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(205.361)	(205.361)	(205.361)	
Fees, charges, other income	(17.445)	(13.390)	(2.455)	(9.300)	(15.485)	(17.004)	(110.178)	(34.785)	(11.472)	(28.765)	(6.400)	(266.679)	-	(26.943)	-	(26.943)	(293.622)	
Government Grants and Contributions	(72.924)	(3.251)	(20.140)	(115.643)	(0.590)	(8.549)	(1.790)	(0.993)	(16.849)	(5.763)	(202.313)	(448.805)	-	-	(38.792)	(38.792)	(487.597)	
Interest and investment income	-	-	-	(0.005)	-	-	(0.004)	0.018	(0.037)	-	-	(0.028)	-	(5.677)	-	(5.677)	(5.705)	
<b>Total Income</b>	<b>(90.369)</b>	<b>(16.641)</b>	<b>(22.595)</b>	<b>(124.948)</b>	<b>(16.075)</b>	<b>(25.553)</b>	<b>(111.972)</b>	<b>(35.760)</b>	<b>(28.358)</b>	<b>(34.528)</b>	<b>(208.713)</b>	<b>(715.512)</b>	<b>-</b>	<b>(32.620)</b>	<b>(244.153)</b>	<b>(276.773)</b>	<b>(992.285)</b>	
<b>Expenditure</b>																		
Employee expenses	25.718	21.335	39.369	65.537	15.226	25.560	5.229	19.038	7.161	16.094	13.850	254.117	-	1.033	-	1.033	255.150	
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-	-	53.132	-	53.132	53.132	
Levies	-	-	-	-	-	-	-	-	-	-	-	-	0.075	-	-	0.075	0.075	
Other service expenses	150.113	10.011	44.966	57.454	19.194	22.797	61.903	25.234	22.012	27.821	160.433	601.938	-	23.221	-	23.221	625.159	
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	70.951	-	70.951	70.951	
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.292	(4.927)	(4.635)	(4.635)	
<b>Total Expenditure</b>	<b>175.831</b>	<b>31.346</b>	<b>84.335</b>	<b>122.991</b>	<b>34.420</b>	<b>48.357</b>	<b>67.132</b>	<b>44.272</b>	<b>29.173</b>	<b>43.915</b>	<b>174.283</b>	<b>856.055</b>	<b>0.075</b>	<b>148.629</b>	<b>(4.927)</b>	<b>143.777</b>	<b>999.832</b>	
<b>TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES</b>	<b>85.462</b>	<b>14.705</b>	<b>61.740</b>	<b>(1.957)</b>	<b>18.345</b>	<b>22.804</b>	<b>(44.840)</b>	<b>8.512</b>	<b>0.815</b>	<b>9.387</b>	<b>(34.430)</b>	<b>140.543</b>	<b>0.075</b>	<b>116.009</b>	<b>(249.080)</b>	<b>(132.996)</b>	<b>7.547</b>	

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Restated 2017/18	Adult Social Care and Health	Community Protection	Early Intervention and Early Years	Education and Skills	Energy and Environment	Finance, Resources and Commercial Services	Housing and Planning	Leisure and Localities	Regeneration and Growth	Transport and HR	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Income</b>																		
Council Tax and NNDR Fees, charges, other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(195.627)	(195.627)	(195.627)	
Government Grants and Contributions	(17.829)	(8.439)	(1.497)	(8.417)	(9.278)	(17.352)	(109.250)	(32.522)	(11.618)	(35.497)	(2.475)	(254.174)	-	(15.536)	-	(15.536)	(269.710)	
Interest and investment income	(58.699)	(2.858)	(24.286)	(118.067)	(0.083)	(10.638)	(1.122)	(2.931)	(20.199)	(7.206)	(200.891)	(446.980)	-	-	(48.564)	(48.564)	(495.544)	
	-	-	-	(0.004)	-	(0.049)	-	(0.012)	(0.220)	-	(0.020)	(0.305)	-	(8.407)	-	(8.407)	(8.712)	
<b>Total Income</b>	<b>(76.528)</b>	<b>(11.297)</b>	<b>(25.783)</b>	<b>(126.488)</b>	<b>(9.361)</b>	<b>(28.039)</b>	<b>(110.372)</b>	<b>(35.465)</b>	<b>(32.037)</b>	<b>(42.703)</b>	<b>(203.386)</b>	<b>(701.459)</b>	<b>-</b>	<b>(23.943)</b>	<b>(244.191)</b>	<b>(268.134)</b>	<b>(969.593)</b>	
<b>Expenditure</b>																		
Employee expenses	24.860	17.746	40.489	68.430	12.636	26.769	5.175	19.458	7.903	18.279	11.120	252.865	-	0.693	-	0.693	253.558	
Interest payments	-	-	-	(0.002)	-	-	-	-	-	(0.009)	-	(0.011)	-	50.460	-	50.460	50.449	
Levies	-	-	-	-	-	-	-	-	-	-	0.072	0.072	-	-	-	-	0.072	
Other service expenses	146.862	10.884	41.730	58.982	15.200	24.466	63.685	24.458	24.031	31.663	155.511	597.472	-	0.822	-	0.822	598.294	
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	(0.139)	72.465	-	72.326	72.326	
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.253	0.495	0.748	0.748	
<b>Total Expenditure</b>	<b>171.722</b>	<b>28.630</b>	<b>82.219</b>	<b>127.410</b>	<b>27.836</b>	<b>51.235</b>	<b>68.860</b>	<b>43.916</b>	<b>31.934</b>	<b>49.933</b>	<b>166.703</b>	<b>850.398</b>	<b>(0.139)</b>	<b>124.693</b>	<b>0.495</b>	<b>125.049</b>	<b>975.447</b>	
<b>TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES</b>	<b>95.194</b>	<b>17.333</b>	<b>56.436</b>	<b>0.922</b>	<b>18.475</b>	<b>23.196</b>	<b>(41.512)</b>	<b>8.451</b>	<b>(0.103)</b>	<b>7.230</b>	<b>(36.683)</b>	<b>148.939</b>	<b>(0.139)</b>	<b>100.750</b>	<b>(243.696)</b>	<b>(143.085)</b>	<b>5.854</b>	

## 4.3 Comprehensive Income and Expenditure Statement Notes

### 4.3.1 Prior Year Reclassifications

In line with the CIPFA reporting requirements the service part of the CIES is based on the organisational structure of the Council i.e. portfolios. It is the Council's policy to review and change the portfolio structures on an annual basis. A report is taken by the Leader of the Council to the City Council Committee in May each year detailing changes to the portfolios for the coming year. This results in a change in segmental reporting so that it aligns to the new reporting structure of the Council. The 2017/18 CIES and associated notes have been restated where required to align with the 2018/19 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

The following table analyses the reclassification of Portfolios within the CIES Cost of Services with regards to 2017/18 and the restated figures:

Portfolios as shown in the 2017/18 Statement of Accounts		Reclassification movements of 2017/18 to align with the 2018/19 Portfolios		Restated 2017/18	
	£m		£m		£m
Adults and Health	98.419	Adult Social Care and Health	98.420	Adult Social Care and Health	98.420
Business, Education & Skills	3.140	Education and Skills	1.083	Community Protection	20.689
		Regeneration and Growth - Economic Development	2.057	Community Protection - Security and Logistics	0.954
			3.140	Community Protection - Legal and Democratic	0.290
				<b>Community Protection</b>	<b>21.933</b>
Community and Customer Services	28.605	Community Protection	20.689	Early Intervention and Early Years	59.149
		Education and Skills - One Nottingham	0.140	Early Intervention and Early Years - Strategy and Improvement	(0.053)
		Housing and Planning - Customer Access Programme	0.880	<b>Early Intervention and Early Years</b>	<b>59.096</b>
		Regeneration and Growth - Crime and Drugs Partnership	0.264	Education and Skills	1.083
		Transport and HR - Human Resources and Organisational Transformation Directorate	6.632	Education and Skills - One Nottingham	0.140
			28.605		
Early Intervention and Early Years	59.175	Early Intervention and Early Years	59.149	Education and Skills - Woodfield Supported Employment	0.444
		Finance, Resources and Commercial Services - Analysis and Insight Service	0.026	<b>Education and Skills</b>	<b>1.667</b>
			59.175	Energy and Environment	16.155
				Energy and Environment - Street Scene, Grounds Maintenance and Neighbourhood Services Directorate	6.346
Energy and Sustainability	16.156	Energy and Environment	16.155	Energy and Environment - Traffic and Safety Flood Risk	0.132
				<b>Energy and Environment</b>	<b>22.633</b>
Leisure and Culture	8.606	Leisure and Localities	8.606	Finance, Resources and Commercial Services	28.644
				Finance, Resources and Commercial Services - Analysis and Insight Service	0.026
Neighbourhood Services and Local Transport	41.058	Transport and HR	25.160	Finance, Resources and Commercial Services - Nottingham Catering, Business Development and Innovation, Commercial and Operational Support Services	8.154
		Community Protection - Security and Logistics	0.954	<b>Finance, Resources and Commercial Services</b>	<b>36.824</b>
		Education and Skills - Woodfield Supported Employment	0.444	Housing and Planning	(13.685)
		Energy and Environment - Street Scene, Grounds Maintenance and Neighbourhood Services Directorate	6.346	Housing and Planning - Customer Access Programme	0.880
		Finance, Resources and Commercial Services - Nottingham Catering, Business Development and Innovation, Commercial and Operational Support Services	8.154	<b>Housing and Planning</b>	<b>(12.805)</b>
			41.058	Leisure and Localities	8.606
Planning, Housing and Heritage	(13.553)	Housing and Planning	(13.685)	Leisure and Localities - Neighbourhood Management	1.315
		Energy and Environment - Traffic and Safety Flood Risk	0.132	<b>Leisure and Localities</b>	<b>9.921</b>
			(13.553)	Regeneration and Growth	15.882
Resources and Neighbourhood Regeneration	31.263	Finance, Resources and Commercial Services	28.644	Regeneration and Growth - Economic Development	2.057
		Community Protection - Legal and Democratic	0.290	Regeneration and Growth - Crime and Drugs Partnership	0.264
		Early Intervention and Early Years - Strategy and Improvement	(0.053)	Regeneration and Growth - Directorate	1.067
		Leisure and Localities - Neighbourhood Management	1.315	<b>Regeneration and Growth</b>	<b>19.270</b>
		Regeneration and Growth - Directorate	1.067	Transport and HR	25.160
			31.263	Transport and HR - Human Resources and Organisational Transformation Directorate	6.632
Strategic Infrastructure and Communications	15.822	Regeneration and Growth	15.882	Transport and HR - NET Project	(0.060)
		Transport and HR - NET Project	(0.060)	<b>Transport and HR</b>	<b>31.732</b>
			15.822	Corporate Items	(23.143)
Corporate Items	(23.143)	Corporate Items	(23.143)	Exceptional revaluation gain on HRA Council Dwellings	(51.181)
Exceptional revaluation gain on HRA Council Dwellings	(51.181)	Exceptional revaluation gain on HRA Council Dwellings	(51.181)	<b>Exceptional revaluation gain on HRA Council Dwellings</b>	<b>(51.181)</b>
<b>COST OF SERVICES</b>	<b>214.367</b>		<b>214.367</b>		<b>214.367</b>

## Section 4 – Notes to the Financial Statements

The Portfolio reclassifications have also been applied to the EFA and other notes that are analysed by Portfolios.

### 4.3.2 Specific Grants Credited to Services

The following grants, contributions and donations for specific services are included within the Cost of Services as income:

	Restated 2017/18 £m	2018/19 £m
<b>Revenue Grants</b>		
Ministry of Housing, Communities and Local Government: PFI Grant	(2.899)	(2.898)
Department for Education: Dedicated School Grant	(111.487)	(109.739)
Department for Education: PFI Grant	(5.620)	(5.620)
Department for Education: Universal Free School Meals	(1.761)	(1.522)
Department of Transport: PFI Grants	(61.491)	(61.491)
Department for Work & Pensions: Housing Benefit Admin	(1.706)	(1.574)
Improved Better Care Fund	(8.377)	(11.723)
Section 31 NNDR Grant	(4.526)	(6.972)
Mandatory Rent Allowances: Subsidy	(77.848)	(77.758)
Public Health	(34.723)	(33.830)
Pupil Premium Grant	(7.133)	(6.761)
Rent Rebates Granted to HRA Tenants	(58.491)	(56.868)
<i>Other Revenue Grants</i>	(26.823)	(29.851)
<b>Contributions</b>	(44.095)	(42.198)
<b>TOTAL</b>	<b>(446.980)</b>	<b>(448.805)</b>

2017/18 has been restated to separately show Improved Better Care Fund and Section 31 NNDR Grant. These had previously been reported as Other Revenue Grants.

### 4.3.3 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2017/18 £m	2018/19 £m
Removal of Schools converting to Academies	30.315	55.435
Write out of asset values due to replacement and demolition	19.930	4.868
Payments to the Government Housing Capital Receipts Pool	2.089	2.086
Reversal of Deferred Capital Receipt	0.172	-
Levies	-	0.075
Net Gain/Loss on the disposal of non-current assets	(4.916)	(3.082)
<b>TOTAL</b>	<b>47.590</b>	<b>59.382</b>

#### 4.3.4 Financing and Investment Income and Expenditure

Financing and Investment is shown in the table below. Further information on Trading Operations can be found in note 4.7.1:

	2017/18			2018/19		
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m
Net Interest on Pension Fund	22.328	-	22.328	20.473	-	20.473
Interest and similar charges and income	50.460	(5.884)	44.576	-	(0.592)	(0.592)
Interest revenue/costs calculated using the effective interest rate method	-	-	-	53.132	(3.704)	49.428
Impairment Losses	-	-	-	19.107	-	19.107
Impairment of Equity Holding	-	-	-	7.500	-	7.500
Trading Operations	0.879	(1.434)	(0.555)	1.572	(1.939)	(0.367)
Income and expenditure in relation to investment properties and changes in their fair value	2.094	(12.963)	(10.869)	6.168	(19.555)	(13.387)
Other Finance and Investment items	0.169	(3.663)	(3.494)	0.115	(6.830)	(6.715)
<b>TOTAL</b>	<b>75.930</b>	<b>(23.944)</b>	<b>51.986</b>	<b>108.067</b>	<b>(32.620)</b>	<b>75.447</b>

#### 4.3.5 Taxation and Non-Specific Grant Income

	2017/18 £m	2018/19 £m
<b>Revenue:</b>		
<i>Council Tax income</i>		
Demand on the Collection Fund	(100.947)	(110.406)
Apportionment of Collection Fund Surplus/Deficit	(2.954)	(1.231)
<i>National Non Domestic Rates (NNDR)</i>		
Demand on the Collection Fund	(67.489)	(66.961)
Top Up Grant	(26.693)	(27.496)
Apportionment of Collection Fund Surplus/Deficit	0.972	(4.344)
Other	(0.498)	(0.498)
<i>Non-ringfenced government grants</i>		
Revenue Support Grant	(44.485)	(34.981)
New Homes Bonus	(4.079)	(3.811)
<b>Capital:</b>		
<i>Government Departments</i>	(32.846)	(36.073)
<i>Other</i>	(3.683)	(2.175)
<b>TOTAL</b>	<b>(282.702)</b>	<b>(287.976)</b>

## Section 4 – Notes to the Financial Statements

### 4.3.6 Expenditure and Income analysed by Nature

	Restated 2017/18 £m	2018/19 £m
<b>Income</b>		
Council Tax and NNDR	(197.609)	(210.936)
Fees, charges, other income	(269.710)	(293.623)
Government grants and contributions	(532.073)	(525.845)
Interest and investment income	(8.712)	(5.705)
<b>Total Income</b>	<b>(1,008.104)</b>	<b>(1,036.109)</b>
<b>Expenditure</b>		
Employee expenses	263.045	288.317
Interest payments	72.776	73.605
Levies	0.072	0.075
Other service expenses	599.733	626.423
Capital charges including depreciation, amortisation, impairment, revaluations	56.254	59.106
Payments to Housing Capital Receipts Pool	2.089	2.086
Disposal of assets	45.376	55.253
<b>Total Expenditure</b>	<b>1,039.345</b>	<b>1,104.865</b>
<b>(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES</b>	<b>31.241</b>	<b>68.756</b>

The figures for 2017/18 are shown as restated due to the change in classifications of expenditure type for this note, the total value is unchanged.

### 4.3.7 Revenue from Contracts with Service Recipients

The notes provided in this section include 2017/18 comparative figures prepared under IFRS 15. In line with note 4.1.1.3 the core statements for 2017/18 do not reflect these adjustments.

Revenue included in the CIES for contracts with service recipients:

	2017/18				2018/19			
	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	-	(0.097)	(17.732)	(17.829)	-	(0.113)	(17.332)	(17.445)
Community Protection	(1.533)	(0.079)	(4.266)	(5.878)	(7.667)	(0.070)	(3.521)	(11.258)
Early Intervention and Early Years	-	-	(1.497)	(1.497)	-	-	(2.414)	(2.414)
Education and Skills	-	-	(8.262)	(8.262)	-	(0.023)	(9.179)	(9.202)
Energy and Environment	-	-	(9.278)	(9.278)	-	-	(15.485)	(15.485)
Finance, Resources and Commercial Services	(0.021)	(1.377)	(14.089)	(15.487)	(0.017)	(2.024)	(13.605)	(15.646)
Housing and Planning	(2.170)	-	(7.177)	(9.347)	(2.038)	-	(8.198)	(10.236)
Leisure and Localities	(0.130)	(1.594)	(28.814)	(30.538)	(0.125)	(1.734)	(30.562)	(32.421)
Regeneration and Growth	-	-	(2.333)	(2.333)	-	-	(2.211)	(2.211)
Transport and HR	(11.080)	(0.649)	(15.941)	(27.670)	(1.269)	(0.306)	(25.056)	(26.631)
Corporate Items	-	-	(2.481)	(2.481)	-	-	(6.400)	(6.400)
Financing and Investment Income and Expenditure	-	-	(2.601)	(2.601)	-	(0.441)	(9.835)	(10.276)
<b>Revenue from contracts with service recipients</b>	<b>(14.934)</b>	<b>(3.796)</b>	<b>(114.471)</b>	<b>(133.201)</b>	<b>(11.116)</b>	<b>(4.711)</b>	<b>(143.798)</b>	<b>(159.625)</b>
Impairment of receivables				2.342				1.338
<b>TOTAL INCLUDED IN THE CIES</b>				<b>(130.859)</b>				<b>(158.287)</b>

## Section 4 – Notes to the Financial Statements

Transaction price is calculated and allocated in accordance with legislation and reflects the Council's legal ability to recover costs from the service recipients.

The Council typically satisfies its performance obligations upon delivery of goods or services to recipients. Standard payment terms are either 30 days for services where invoices are raised e.g. Commercial Waste Collection or immediate where payment is made at the point at which the service or good is received e.g. admission to leisure centres. Contracts do not typically contain financing components and the consideration received is not variable.

Revenue is recognised either over time or at a point in time. Revenue recognised over time is measured using the input method, based on costs incurred or resources consumed as applicable to individual contracts. Revenue is recognised at a point in time when the service recipient obtains control of the promised goods or services from the Council.

Timing of revenue recognition	2017/18		2018/19	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(12.826)	(2.108)	(8.562)	(2.554)
Sale of goods	-	(3.796)	-	(4.711)
Charges for services	(76.862)	(37.609)	(99.288)	(44.510)
<b>TOTAL</b>	<b>(89.688)</b>	<b>(43.513)</b>	<b>(107.850)</b>	<b>(51.775)</b>

Amounts included in the Balance Sheet for contracts with service recipients are shown in the table below:

	31 March 2018 £m	31 March 2019 £m
Receivables included in debtors	39.468	56.068
Contract assets	-	0.061
Contract liabilities	(8.728)	(10.649)
<b>TOTAL</b>	<b>30.740</b>	<b>45.480</b>

The contract assets and contract liabilities shown in the table above are included within debtors and creditors in the 2017/18 Balance Sheet. Had IFRS 15 not been applied to 2018/19 the same would apply.

For most goods and services provided by the Council payment is made at the point of provision or when an invoice is raised to the service recipient. Services where payment is made in advance of receipt are recognised as contract liabilities, these include:

- Planning and Building Control Fees
- Advance ticket sales for performances at the Theatre Royal and Concert Hall
- Licensing

For Planning and Building Control Fees income is recognised in the CIES when the application is approved or the inspection regime is completed. For advance ticket sales, income is recognised when the show has been performed and for Licensing

## Section 4 – Notes to the Financial Statements

income is recognised as licences are issued and enforcement activity is carried out. The contract liabilities balance is reduced as income is recognised in the CIES. Where the right of the Council to income is conditional on the provision of further goods or services to the customer, such income is recorded as a contract asset. This is applicable to income relating to service charges for commercial property owned by the Council. Costs are recognised as services are provided to customers. At year end where services are not complete, the cost is de-recognised in the CIES and recognised as a contract asset on the balance sheet.

Changes in the contract assets and contract liabilities balances during the year are as follows:

	2017/18		2018/19	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
<b>Balances at 1 April</b>	-	(5.005)	-	(8.728)
Reversal for amounts recognised in the CIES in year	-	5.005	-	8.148
Increases (decreases) due to cash received (paid)	-	(8.728)	0.061	(10.069)
<b>BALANCE AT 31 MARCH</b>	<b>-</b>	<b>(8.728)</b>	<b>0.061</b>	<b>(10.649)</b>

The value of revenue that is expected to be recognised in the future but has performance obligations that are unsatisfied (or partially unsatisfied) at the year end is shown in the table below:

	31 March 2018 £m	31 March 2019 £m
Not later than one year	(8.148)	(9.680)
Later than one year	(0.580)	(0.969)
<b>TOTAL</b>	<b>(8.728)</b>	<b>(10.649)</b>

### 4.3.8 Revaluation of Property, Plant and Equipment (PPE)/Heritage assets

During 2018/19 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £101.516m for PPE assets (see note 4.4.1) and £1.388m for Heritage Assets (see note 4.4.2). There are no charges within Other Operating Expenditure relating to physical damage and demolition of assets in 2018/19.

4.3.9 Transactions Relating to Post-employment Benefits (including Pensions)

The tables below show how the IAS19 Employee Benefits standard impacts on the CIES:

	Local Government Pension Scheme		Teachers Benefits	
	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m
<b>Cost of Services:</b>				
Service cost	43.197	68.168	-	-
Administration expenses	0.412	0.453	-	-
<b>Financing and Investment Income and Expenditure:</b>				
Net interest on the defined liability (asset)	21.502	19.572	0.826	0.901
<b>Total Charged to (Surplus)/Deficit on Provision of Services</b>	<b>65.111</b>	<b>88.193</b>	<b>0.826</b>	<b>0.901</b>
<b>Other Comprehensive Income and Expenditure (OCIE):</b>				
Re-measurements of the net defined benefit liability (asset):				
Return on Fund assets in excess of interest	0.178	(65.204)	-	-
Change in financial assumptions	(71.794)	88.032	(1.277)	1.367
Change in demographic assumptions	-	(107.916)	-	(1.962)
<b>Total Charged to OCIE</b>	<b>(71.616)</b>	<b>(85.088)</b>	<b>(1.277)</b>	<b>(0.595)</b>
<b>TOTAL CHARGED TO THE CIES</b>	<b>(6.505)</b>	<b>3.105</b>	<b>(0.451)</b>	<b>0.306</b>

These transactions are summarised in the following table:

	2017/18 £m	2018/19 £m
<b>Comprehensive Income and Expenditure Statement:</b>		
Cost of services	43.609	68.621
Financing and Investment income and expenditure	22.328	20.473
Other Comprehensive Income and Expenditure	(72.893)	(85.683)
<b>TOTAL</b>	<b>(6.956)</b>	<b>3.411</b>

## 4.4 Balance Sheet Notes

### 4.4.1 Property Plant and Equipment

2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Gross Book Value b/f	921.179	903.458	214.380	700.755	33.050	24.996	28.181	2,825.999
Accumulated Depreciation b/f	-	(6.315)	(102.179)	(210.843)	(10.305)	-	-	(329.642)	(28.180)
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	(0.200)	-
<b>Net Book Value at 1 April 2018</b>	<b>921.179</b>	<b>897.143</b>	<b>112.201</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.181</b>	<b>2,496.157</b>	<b>273.097</b>
Additions - Capital Expenditure	32.431	7.037	11.354	17.657	1.075	0.182	14.538	84.274	-
Depreciation Charge	(16.998)	(26.499)	(14.959)	(28.121)	(1.099)	(0.030)	-	(87.706)	(12.776)
Revaluations - Recognised in Revaluation Reserve	26.878	68.295	-	-	-	6.343	-	101.516	0.725
Revaluations - Recognised in the CIES	43.541	(1.788)	-	-	-	0.747	-	42.500	(0.571)
Derecognition - Disposals	(13.538)	(55.694)	(0.463)	-	-	(3.944)	-	(73.639)	-
Derecognition - Other	(2.470)	(0.395)	-	-	(0.390)	(1.612)	-	(4.867)	-
Other Movements - Transfers to Assets Held for Sale	-	(0.159)	-	-	-	0.180	-	0.021	-
Other Movements - Other	9.193	5.644	(0.117)	-	-	2.670	(17.567)	(0.177)	-
<b>Net Book Value at 31 March 2019</b>	<b>1,000.216</b>	<b>893.584</b>	<b>108.016</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>25.152</b>	<b>2,558.079</b>	<b>260.475</b>
Gross Book Value c/f	1,000.216	896.415	222.746	718.412	33.654	29.532	25.158	2,926.133	300.524
Accumulated Depreciation c/f	-	(2.831)	(114.730)	(238.964)	(11.323)	-	(0.006)	(367.854)	(40.049)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	(0.200)	-
<b>NET BOOK VALUE AT 31 MARCH 2019</b>	<b>1,000.216</b>	<b>893.584</b>	<b>108.016</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>25.152</b>	<b>2,558.079</b>	<b>260.475</b>

2017/18

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	835.958	854.468	218.355	678.567	32.268	35.018	53.488	2,708.122	290.321
Accumulated Depreciation b/f	-	(60.162)	(94.190)	(183.601)	(9.280)	-	(0.005)	(347.238)	(16.536)
Accumulated Impairment b/f	-	(0.015)	-	-	(0.200)	-	-	(0.215)	-
<b>Net Book Value at 1 April 2017</b>	<b>835.958</b>	<b>794.291</b>	<b>124.165</b>	<b>494.966</b>	<b>22.788</b>	<b>35.018</b>	<b>53.483</b>	<b>2,360.669</b>	<b>273.785</b>
Additions - Capital Expenditure	29.239	9.289	3.549	22.513	0.958	1.243	30.128	96.919	-
Depreciation Charge	(26.126)	(26.274)	(15.420)	(27.242)	(1.068)	(0.572)	-	(96.702)	(12.776)
Revaluations - Recognised in Revaluation Reserve	23.112	141.469	-	-	-	0.627	-	165.208	9.117
Revaluations - Recognised in the CIES	51.181	(1.041)	-	-	-	(6.579)	-	43.561	2.237
Derecognition - Disposals	(14.549)	(0.410)	(0.055)	-	-	(5.247)	-	(20.261)	-
Derecognition - Other	(3.663)	(45.274)	(0.038)	-	-	(1.270)	-	(50.245)	-
Impairments - Recognised in the CIES	-	0.015	-	-	-	-	-	0.015	-
Other Movements - Transfers to Assets Held for Sale	-	-	-	-	-	(2.680)	-	(2.680)	-
Other Movements - Other	26.027	25.078	-	(0.325)	(0.133)	4.456	(55.430)	(0.327)	0.734
<b>Net Book Value at 31 March 2018</b>	<b>921.179</b>	<b>897.143</b>	<b>112.201</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.181</b>	<b>2,496.157</b>	<b>273.097</b>
Gross Book Value c/f	921.179	903.458	214.380	700.755	33.050	24.996	28.181	2,825.999	301.277
Accumulated Depreciation c/f	-	(6.315)	(102.179)	(210.843)	(10.305)	-	-	(329.642)	(28.180)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	(0.200)	-
<b>NET BOOK VALUE AT 31 MARCH 2018</b>	<b>921.179</b>	<b>897.143</b>	<b>112.201</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.181</b>	<b>2,496.157</b>	<b>273.097</b>

## Section 4 – Notes to the Financial Statements

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### Depreciation

In line with the Accounting Policies for PPE (notes 4.1.1.8 and 4.1.3.1) the following useful lives and depreciation rates have been used in the calculation of depreciation:

	Standard Life	Overall Range
Council Dwellings – Existing Use Value - Social Housing		20-60
Other Land and Buildings		10-75
Furniture & Equipment	5 years	5-22
Vehicles	7 years	4-23
Infrastructure and Community Assets	25 years	3-75

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Where the Council departs from standard lives, the lives used are within the overall range outlined in the table above.

### Revaluations

The Council carries out a rolling programme that ensures that all PPE carried at 'current value' is revalued at least every 5 years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historical cost as a proxy for current value.

During 2018/19, the Council's internal valuers completed asset valuations for operational properties in compliance with the 5-year requirement. In addition, internal valuers completed a number of reviews outside the Council's 5-year property revaluation programme, for properties undergoing significant changes because of capital investment, material impairment or reclassification. A desktop review of Depreciated Replacement Cost (DRC) based valuations using up to date build rates resulted in additional valuations in 2018/19.

A desktop valuation of Council Dwelling beacon properties by Chartered Surveyors Freeman and Mitchell was also completed in 2018/19.

### Valuers' Assumptions - Cyclical and Non-Cyclical Valuations

- States of Repair - All properties have been assumed to be in good condition unless specific disrepair has been identified and this has been taken into account in the valuation.
- Contamination – Unless there is specific evidence, it is assumed that the properties are not, nor are likely to be affected by land contamination and that there are no ground conditions that affect the present or future use of the properties. Where there is evidence of contamination, this has been reflected in the valuation unless the cost of decontamination work would be immaterial.
- Title - It is assumed that there are no encumbrances on title.
- Council Housing Stock Valuation – beacon revaluation (see note 5.1.3.3 for details).

### Material Revaluation Gains, Losses and Impairments

Four properties/sites with a total value of £55.435m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent.

## Section 4 – Notes to the Financial Statements

Material revaluation gains included an increase of £70.419m for Council Dwellings. There were no material revaluation losses in 2018/19.

In line with the Accounting Policies for PPE, the Council's componentisation policy has been applied to recognition, revaluation and depreciation of fixed assets during 2018/19.

### Valuation at 31 March 2019

The Council's rolling revaluation programme is summarised below:

DESCRIPTION	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Carried at depreciated historical cost			108.016	479.448	22.131		25.152	634.747
Valued at depreciated current value as at:								
2014/15		8.520						8.520
2015/16		21.212						21.212
2016/17		27.418						27.418
2017/18		71.540						71.540
2018/19	1,000.216	764.894				29.532		1,794.642
<b>NET BOOK VALUE AT 31 MARCH 2019</b>	<b>1,000.216</b>	<b>893.584</b>	<b>108.016</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>25.152</b>	<b>2,558.079</b>

### Surplus Assets

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£m	£m	£m	£m
Land	-	15.891	-	15.891
Leisure / Other	-	4.386	-	4.386
Offices	-	9.000	-	9.000
Retail	-	0.225	-	0.225
Services	-	0.030	-	0.030
<b>Total</b>	<b>-</b>	<b>29.532</b>	<b>-</b>	<b>29.532</b>

Please refer to note 4.4.3 Investment Properties for Fair Value disclosures including methodologies, techniques and hierarchies.

### Capital Commitments

At 31 March 2019, the Council had entered into a number of contracts for the construction or enhancement of PPE with future costs estimated as £132.368m. The equivalent figure as at 31 March 2018 was £89.633m. The commitments have increased due to a number of additional schemes being approved as at the 31 March 2019. The major commitments are summarised below:

## Section 4 – Notes to the Financial Statements

Capital Programme Element	Major Schemes	31 March 2019 £m
Public Sector Housing	Decent Homes - Safe	5.987
Public Sector Housing	Decent Homes - Warm & Modern	1.649
Public Sector Housing	Additional Tenant Priorities	3.420
Public Sector Housing	Building A Better Nottingham	8.203
Public Sector Housing	Other Public Sector Housing Schemes	0.960
Education	Middleton Primary Expansion	1.980
Other Services	Eastcroft Plant Works	1.822
Other Services	Skills Hub	19.600
Other Services	Nottingham Science Park	7.155
Other Services	Southside Regeneration	41.013
Other Services	Third Party Loans	23.199
Other Services	Nottingham Castle Transformation	16.100
Other Services	Other Schemes (under £1.000m)	0.656
Transport	Various	0.624
<b>TOTAL</b>		<b>132.368</b>

### 4.4.2 Heritage Assets

The Council's register of Heritage Assets includes over 95,000 items (excluding the natural history collection). The natural history collection is a collection of animals, plants and other living things which hold no monetary value and are held by the Council solely for their scientific value. The Council holds its Heritage Assets as a contribution to the knowledge and cultural development of both citizens and visitors. The Heritage Assets items are either held on display at one of the Council's museums or held in storage, where access is encouraged.

These collections are reported either at cost or an adjusted external valuation, based on an annually updated market value, usually provided for insurance purposes. Items reported at cost are usually awaiting a market valuation.

Collections:	Byron	Costume	Decorative Art	Fine Art	Human & Social History	Industrial History	Civic Regalia & Silver	Wollaton Non-Operational Buildings	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2017	14.657	0.562	4.031	35.513	0.665	0.015	1.372	-	56.815
Additions	-	-	-	0.007	-	-	-	-	0.007
Revaluations	0.337	0.023	0.093	0.817	0.015	-	0.031	0.331	1.647
<b>31 March 2018</b>	<b>14.994</b>	<b>0.585</b>	<b>4.124</b>	<b>36.337</b>	<b>0.680</b>	<b>0.015</b>	<b>1.403</b>	<b>0.331</b>	<b>58.469</b>
Revaluations	0.270	0.021	0.074	0.654	0.012	-	0.026	0.331	1.388
<b>31 MARCH 2019</b>	<b>15.264</b>	<b>0.606</b>	<b>4.198</b>	<b>36.991</b>	<b>0.692</b>	<b>0.015</b>	<b>1.429</b>	<b>0.662</b>	<b>59.857</b>

### Preservation and Management

Each of the collections is managed by a curator who is responsible for their care and management in accordance with Nottingham City Council policies and national guidelines. This policy requires that Heritage Assets are only disposed of when it is considered that they no longer contribute to the interest of the general public in their subject area. Although acquisitions are rare and primarily made by donation, on those rare occasions when a particularly important asset is available for purchase, the

Council will apply for funding and undertake the purchase, provided that it meets the Council's objectives.

#### 4.4.3 Investment Property

There are no restrictions on the Council's ability to sell its investment property or on its right to related income and the proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or to conduct repairs, maintenance or enhancement.

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

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	146.809	236.733
Additions	94.924	55.170
Disposals	(3.607)	(2.694)
Net gains/(losses) from fair value adjustments	(1.394)	(4.645)
Transfers to / from Property Plant and Equipment	0.001	0.060
<b>BALANCE AT 31 MARCH</b>	<b>236.733</b>	<b>284.624</b>

Details of related income and expenditure included in the CIES are shown in note 4.3.4.

#### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2019 £m
Industrial	-	58.837	-	58.837
Land	-	17.850	-	17.850
Leisure / Other	-	11.578	-	11.578
Office	-	86.462	-	86.462
Retail	-	108.607	-	108.607
Services	-	1.290	-	1.290
<b>Total</b>	-	<b>284.624</b>	-	<b>284.624</b>

#### Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties:

Investment properties are assets which are judged to be held solely to generate rental income or for capital appreciation purposes. All valuations have been assessed at level 2 for valuation purposes. When assessing the value, the strongest regard is given to recent comparable market evidence for rents and yields, but other factors may also be integrated and considered such as covenant strength of occupiers, nearby factors that may affect value, general market movements, macro-economic

## Section 4 – Notes to the Financial Statements

and political factors, and general market knowledge acquired from actively managing a portfolio of investment properties.

### Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

### Valuation Techniques

IFRS13 Fair Value accounting has been used during financial year 2018/19 for investment properties.

### Valuation Process for Investment Properties

The fair value of the Council's investment properties is measured annually. The valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

#### 4.4.4 Inventories

	2017/18				2018/19			
	Consumable Stores	Maintenance Materials	Client services work in progress	Total	Consumable Stores	Maintenance Materials	Client services work in progress	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April</b>	<b>0.758</b>	<b>0.150</b>	<b>1.901</b>	<b>2.809</b>	<b>0.645</b>	<b>0.245</b>	<b>2.092</b>	<b>2.982</b>
Purchases	3.490	0.224	11.955	15.669	3.031	0.043	8.324	11.398
Recognised as an expense in the year	(3.603)	(0.129)	(11.764)	(15.496)	(3.077)	(0.150)	(7.874)	(11.101)
<b>BALANCE AT 31 MARCH</b>	<b>0.645</b>	<b>0.245</b>	<b>2.092</b>	<b>2.982</b>	<b>0.599</b>	<b>0.138</b>	<b>2.542</b>	<b>3.279</b>

#### 4.4.5 Short Term Debtors

	Restated 31 March 2018 £m	31 March 2019 £m
Prepayments	5.536	15.887
Local Taxation	5.894	7.041
Trade	39.468	56.068
Other receivable amounts	40.217	43.103
<b>TOTAL</b>	<b>91.115</b>	<b>122.099</b>

The figures for 2017/18 are shown as restated due to the change in classifications of debtors for this note, the total value is unchanged.

#### 4.4.6 Debtors for Local Taxation

The Council's share of aged debtors for Council Tax and NNDR excluding the allowance for non-collection is shown in the table below:

	2017/18			2018/19		
	Council Tax £m	NNDR £m	Total £m	Council Tax £m	NNDR £m	Total £m
Up to 1 year	8.894	2.626	11.520	9.112	2.864	11.976
1 to 3 years	7.313	1.339	8.652	7.413	1.694	9.107
Over 3 years	6.241	1.441	7.682	6.627	1.777	8.404
<b>TOTAL</b>	<b>22.448</b>	<b>5.406</b>	<b>27.854</b>	<b>23.152</b>	<b>6.335</b>	<b>29.487</b>

#### 4.4.7 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises the following elements:

	31 March 2018 £m	31 March 2019 £m
Cash held by the Authority	0.208	0.248
Bank current accounts	4.646	12.479
Short-term deposits	21.309	33.100
<b>TOTAL</b>	<b>26.163</b>	<b>45.827</b>

The Council has offset overdrafts of £9.971m (£6.997m in 2017/18) against credit balances held within its bank current accounts.

#### 4.4.8 Short Term Creditors

	Restated 31 March 2018 £m	31 March 2019 £m
Receipts in Advance	(43.698)	(38.627)
Trade	(56.152)	(72.449)
Other payables	(57.437)	(53.810)
<b>TOTAL</b>	<b>(157.287)</b>	<b>(164.886)</b>

The figures for 2017/18 are shown as restated due to the change in classifications of creditors for this note and overall the total value is unchanged.

#### 4.4.9 Provisions

##### Current Provisions

These are amounts set aside to meet specific expenditure in 2019/20.

The NET2 provision has reduced during 2018/19 due to acquisition prices being agreed on compulsory purchases. The closing balance is for compulsory purchases where the purchase price has yet to be agreed.

## Section 4 – Notes to the Financial Statements

	Compulsory Purchases for NET2	Job Evaluation	Other	Total
	£m	£m	£m	£m
<b>Balance at 1 April 2018</b>	<b>(14.065)</b>	<b>(0.304)</b>	<b>(0.476)</b>	<b>(14.845)</b>
Additional provisions made	-	-	(0.714)	(0.714)
Amounts used	1.596	-	0.363	1.959
<b>BALANCE AT 31 MARCH 2019</b>	<b>(12.469)</b>	<b>(0.304)</b>	<b>(0.827)</b>	<b>(13.600)</b>

### Non-Current Provisions

These accounts represent amounts set aside to meet specific expenditure in future years.

	Injury and Damage Compensation Claims	NNDR Appeals	Financial Guarantees	Total
	£m	£m	£m	£m
<b>Balance at 1 April 2018</b>	<b>(13.053)</b>	<b>(6.764)</b>	<b>(0.000)</b>	<b>(19.817)</b>
Additional provisions made	(3.996)	-	(6.348)	(10.344)
Amounts used	3.740	0.975	-	4.715
Reduction in provision	-	1.309	-	1.309
<b>BALANCE AT 31 MARCH 2019</b>	<b>(13.309)</b>	<b>(4.480)</b>	<b>(6.348)</b>	<b>(24.137)</b>

### Insurance Compensation Claims

The Council maintains an insurance provision to meet the cost of claims arising from self-insured risks, risks which fall below the external policy retention levels and for payment of external insurance premiums.

The majority of costs met from the provision arise from property damage, liability claims made against the Council and motor accidents involving Council motor vehicles. In order to limit the Council's exposure to these risks the policies for external fire, motor and liability claims have been arranged with excesses of £0.250m, £0.100m and £0.350m respectively. To further protect the Council's exposure to significant payments, aggregate stop losses are in place, which limit the total value of claims that the Council will have to fund in one policy year. The stop losses for the 2018/19 policy year were £5m across motor and liability claims and £2m for property. Other costs falling on the provision include self-insured risks and the payment of insurance premium for policies where the risk has been transferred to the market.

Contributions to the insurance provision arise from annual charges to service areas. These maintain the insurance provision at a sufficient level to meet current claim liabilities, which includes an element of incurred but not reported claims. In addition to the known and estimated liabilities there are also potential liabilities on the fund that have not been included in the fund balance and are included in the reserve.

### **National Non-Domestic Rates (NNDR)**

This represents the Council's share of NNDR appeals provision. The Council bears a risk of non-collection of NNDR following appeals. £0.975m is the value of successful appeals charged against the provision in 2018/19. A decrease of £1.309m in the provision has been made as a result of the assessment of outstanding appeals at 31st March 2019.

### **Financial Guarantees**

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided financial guarantees in respect of Robin Hood Energy Ltd (RHE), a wholly owned subsidiary of the Council, to a maximum total value of £12m, which is 80% of the liability to its wholesale energy suppliers. These energy suppliers require companies such as RHE to either lodge cash or require a financial guarantee to cover advance purchases of energy.

The Council has also given RHE a Deed of Guarantee Bond in relation to pension fund obligations. The guarantee is limited to a maximum of 80% of fund liabilities and subject to a cap of £0.696m (with the balance to be provided by RHE).

These financial guarantees have been assessed and recognised in the accounts as a provision of £6.348m based on the probability of being called as at 31 March 2019.

## Section 4 – Notes to the Financial Statements

### 4.4.10 Usable Reserves

Movements in the Council's usable reserves are summarised in the Movement in Reserves Statement (Table 3.3).

Details of the Earmarked General Fund reserves are shown below:

	2017/2018		2018/19		
	Balance at 1 April 2017 £m	Net Movements £m	Balance at 31 March 2018 £m	Net Movements £m	Balance at 31 March 2019 £m
<b>Restricted Reserves:</b>					
Capital	20.452	2.029	22.481	(0.626)	21.855
Schools	18.750	(2.294)	16.456	(0.593)	15.863
<b>Other Reserves:</b>					
Asset Maintenance	3.753	0.263	4.016	0.029	4.045
Contingency & Risk	15.066	5.457	20.523	8.957	29.480
Information Technology	8.432	(0.546)	7.886	(1.316)	6.570
Local Economy	6.512	0.380	6.892	(0.764)	6.128
Private Finance Initiatives	43.757	1.109	44.866	3.554	48.420
Services	9.534	(2.533)	7.001	0.711	7.712
Transformation	1.402	3.753	5.155	(6.103)	(0.948)
Treasury Management	9.552	(4.711)	4.841	(18.324)	(13.483)
Workforce	20.273	(5.806)	14.467	0.705	15.172
<b>TOTAL</b>	<b>157.483</b>	<b>(2.899)</b>	<b>154.584</b>	<b>(13.770)</b>	<b>140.814</b>

Restricted reserves have been identified separately as they are generally not available to support General Fund revenue expenditure.

The detailed categories are explained below:

#### Capital

Sums that have been set aside in previous years to provide additional funding for the capital programme or to manage the impact of new capital schemes that have not yet been included in the capital programme.

#### Schools

This represents funds that have been allocated to schools under Local Management of Schools legislation, and which remains unspent at the year end. This reserve is not available to support other General Fund expenditure.

#### Asset Maintenance

These reserves are available to help maintain the Council's properties and other assets, particularly where there are significant and/or periodic requirements to ensure the Council's assets are adequately maintained.

#### Contingency & Risk

Certain areas of expenditure are subject to volatility. Reserves are therefore set aside to help manage the impact on the General Fund of significant changes in costs year on year in specific areas.

These reserves reflect the potential future liabilities in relation to insurance claims, Housing Benefits and Business Rates and provide resources to help reduce or deal with risk management issues that arise.

### **Information Technology**

These reserves are set aside to provide a source of funding for any major changes to information technology that may be required.

### **Local Economy**

The Council has set aside reserves that will allow investment in the local economy. These are generally used to help local businesses and residents.

### **Private Finance Initiatives**

PFI reserves exist for a number of schemes as a result of Government funding received in advance to finance future years' liabilities. This income is therefore set aside to ensure sufficient funds are available to cover the cost of contracts in future years.

### **Services**

Where services have identified one-off items of revenue expenditure that are likely to be incurred in future years.

### **Transformation**

These reserves are available to help meet costs incurred when implementing business and service efficiencies within the Council, including the cost of implementing the new Enterprise Resource Planning system ahead of business change benefits.

### **Treasury Management**

Impact of economic or financial market volatility and compliance with IFRS 9 impairment losses which are subject to annual review.

### **Workforce**

Initially set up to meet costs relating to job evaluation and equal pay, this reserve is now available to fund pension costs, residual equal pay costs and other workforce issues.

## Section 4 – Notes to the Financial Statements

### 4.4.11 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions for meeting expenditure from the General Fund. These reserves represent differences due to timing of funding certain items of expenditure and are not available as a source of general funding.

	2017/18 £m	2018/19 £m
Revaluation Reserve	529.088	590.222
Capital Adjustment Account	987.174	1,019.951
Account	(6.146)	(5.854)
Pensions Reserve	(820.201)	(788.018)
Deferred Capital Receipts Reserve	2.146	2.143
Collection Fund Adjustment Account	3.937	4.585
Accumulated Absences Account	(4.022)	(4.163)
<b>TOTAL UNUSABLE RESERVES</b>	<b>691.976</b>	<b>818.866</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made arising from increases in the value of its PPE. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, when the reserve was first created. Gains arising prior to 1 April 2007 are consolidated into the balance on the Capital Adjustment Account.

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	<b>392.902</b>	<b>529.088</b>
Upward revaluation of assets	215.848	115.613
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(48.985)	(12.710)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	166.863	102.903
Difference between fair value depreciation and historical cost depreciation	(12.875)	(14.133)
Accumulated gains on assets sold or scrapped	(17.802)	(27.636)
Amount written off to the Capital Adjustment Account	(30.677)	(41.769)
<b>BALANCE AT 31 MARCH</b>	<b>529.088</b>	<b>590.222</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 financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement. Depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on Investment Properties, gains recognised on donated assets yet to be consumed by the Council, and revaluation gains accumulated on PPE prior to 1 April 2007.

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	<b>971.110</b>	<b>987.174</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Amortisation of intangible assets	(1.561)	(1.772)
Charges for depreciation of non-current assets	(96.702)	(87.706)
Charges for impairment of non-current assets	0.015	(7.500)
Revaluation losses on Property, Plant and Equipment	43.560	42.517
Movements in the market value of Investment Properties	(1.394)	(4.645)
Revenue expenditure funded from capital under statute (REFCUS)	(5.216)	(4.567)
REFCUS expenditure funded by grants	3.777	3.305
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(74.113)	(81.271)
Adjusting amounts written out of the Revaluation Reserve	30.677	41.769
	(100.957)	(99.870)
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	15.463	23.376
Use of Capital Receipts Reserve to repay debt	-	13.672
Use of the Major Repairs Reserve to finance new capital expenditure	24.115	26.339
Application of grants to fund capital expenditure	33.501	28.002
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	26.761	28.392
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	0.728	7.852
Adjustment to MRP as a result of PFI Projects	6.932	4.668
Capital expenditure charged against the General Fund and HRA balances	10.258	0.461
<b>Reduction in Liabilities &amp; Repayment of Long Term Debtors etc:</b>		
Principal Repayment of Capital Loans	(0.737)	(0.115)
	117.021	132.647
<b>BALANCE AT 31 MARCH</b>	<b>987.174</b>	<b>1,019.951</b>

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### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses for certain financial instruments and for bearing losses or benefiting from gains as per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are debited or credited to the CIES when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

Similar treatment is applied to loans raised by the Council with variable interest rates applied (Lenders Option Borrowers Option loans), and for monies advanced by the Council at less than the market interest rate (soft loans).

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	<b>(6.400)</b>	<b>(6.146)</b>
Premiums incurred in the year	0.363	0.363
Discounts incurred in the year	(0.072)	(0.072)
Lenders Option Borrowers Option Loans	0.005	0.005
Soft Loans	(0.042)	(0.004)
<b>BALANCE AT 31 MARCH</b>	<b>(6.146)</b>	<b>(5.854)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. Post-employment benefits are accounted for in the CIES as the benefits are earned by employees accruing years of service, liabilities are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as employer's contributions are made to pension funds or eventually the Council will pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. Statutory arrangements ensure that funding will have been set aside by the time the benefits are due to be paid.

## Section 4 – Notes to the Financial Statements

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	<b>(860.824)</b>	<b>(820.201)</b>
Remeasurements of the net defined benefit liability/asset	72.893	85.683
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(65.937)	(89.094)
Employer's pensions contributions and direct payments to the pensioners payable in the year	33.667	35.594
<b>BALANCE AT 31 MARCH</b>	<b>(820.201)</b>	<b>(788.018)</b>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until the cash is received, and it is then transferred to the Capital Receipts Reserve.

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	<b>1.235</b>	<b>2.146</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.017)	(0.003)
Created in year	1.100	-
Reversal in year	(0.172)	-
<b>BALANCE AT 31 MARCH</b>	<b>2.146</b>	<b>2.143</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NNDR income in the CIES as it falls due, compared with the statutory arrangements (funding basis) for paying across amounts to the General Fund from the Collection Fund.

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	<b>1.460</b>	<b>3.937</b>
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	2.477	0.648
<b>BALANCE AT 31 MARCH</b>	<b>3.937</b>	<b>4.585</b>

## Section 4 – Notes to the Financial Statements

### Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements (funding basis) require it to be treated as an unusable reserve so that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2017/18 £m	2018/19 £m
<b>Balance at 1 April</b>	<b>(4.476)</b>	<b>(4.022)</b>
Settlement or cancellation of accrual made at the end of the preceding year	4.476	4.022
Amounts accrued at the end of the current year	(4.022)	(4.163)
<b>Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis</b>	<b>0.454</b>	<b>(0.141)</b>
<b>BALANCE AT 31 MARCH</b>	<b>(4.022)</b>	<b>(4.163)</b>

### 4.4.12 Capital Grants Received in Advance

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if they are not met.

The balances at the year-end are as follows:

	2017/18 £m	2018/19 £m
Department for Education	(0.103)	(0.173)
Department for Transport	-	(3.348)
Ministry of Housing, Communities and Local Government	(10.635)	(4.794)
Office for Low Emission Vehicles	(3.503)	(1.077)
S106 Contributions - Affordable Housing	(2.399)	(2.659)
S106 Contributions - Open Space	(1.259)	(1.728)
S106 Contributions - Education	-	(2.108)
S106 Contributions - Transport / Public Realm / Training	(0.977)	(0.252)
Other Grants and Contributions	(0.089)	(0.291)
<b>TOTAL</b>	<b>(18.965)</b>	<b>(16.430)</b>

### 4.4.13 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments as employees earn their future entitlement.

The Council participates in three post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by Nottinghamshire County Council.
- The Teachers' Pension Scheme, managed by the Department for Education (DfE) and administered by Capita Business Services Ltd.

## Section 4 – Notes to the Financial Statements

- The NHS Pension Scheme, administered by the NHS Business Services Authority.

Further details for these schemes can be found in Appendix A.

The following tables explain the amounts in the financial statements. Teachers Benefits data is in respect of additional pensions granted at retirement by the Council and are paid for by the Council as they become due.

### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Teachers Benefits	
	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m
<b>Opening balance at 1 April</b>	<b>(1,883.534)</b>	<b>(1,860.099)</b>	<b>(40.347)</b>	<b>(37.818)</b>
Current service cost	(52.248)	(50.899)	-	-
Interest cost	(49.980)	(46.937)	(0.826)	(0.901)
Change in financial assumptions	71.794	(88.032)	1.277	(1.367)
Change in demographic assumptions	-	107.916	-	1.962
Liabilities assumed/extinguished on settlements	14.517	0.017	-	-
Estimated benefits paid net of transfers in	47.949	50.643	-	-
Past Service costs including curtailments	(0.983)	(17.459)	-	-
Contributions by scheme participants and other employers	(8.681)	(9.033)	-	-
Unfunded pension payments	1.067	1.032	2.078	2.095
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>(1,860.099)</b>	<b>(1,912.851)</b>	<b>(37.818)</b>	<b>(36.029)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2017/18 £m	2018/19 £m
<b>Opening balance at 1 April</b>	<b>1,063.057</b>	<b>1,077.716</b>
Interest on assets	28.478	27.365
Return on assets less interest	(0.178)	65.204
Administration expenses	(0.412)	(0.453)
Contributions by the employer including unfunded	31.589	33.499
Contributions by scheme participants and other employers	8.681	9.033
Estimated benefits paid plus unfunded net of transfers in	(49.016)	(51.675)
Settlement prices received/paid	(4.483)	0.173
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>1,077.716</b>	<b>1,160.862</b>

The total return on the fund assets for the year to 31 March 2019 is £92.569m.

## Section 4 – Notes to the Financial Statements

The net pension liability shown in the balance sheet as at 31 March is as follows:

	Local Government Pension Scheme		Teachers Benefits	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£m	£m	£m	£m
Present value of obligation	(1,845.240)	(1,899.095)	-	-
Fair value of scheme assets (bid value)	1,077.716	1,160.862	-	-
<b>Net Liability</b>	<b>(767.524)</b>	<b>(738.233)</b>	-	-
Present value of unfunded obligation	(14.859)	(13.756)	(37.818)	(36.029)
<b>NET LIABILITY IN BALANCE SHEET</b>	<b>(782.383)</b>	<b>(751.989)</b>	<b>(37.818)</b>	<b>(36.029)</b>

The Council has a share of responsibility for some of the funded and unfunded liabilities of the historic Nottinghamshire County Council, prior to the re-organisation of local government in 1998. As such, 29.3% share of the assets and liabilities attributable to the historic council are included in the figures above, as in previous years.

The Council additionally has responsibility for the Fund liabilities of Nottingham City Transport Limited accrued prior to 26 October 1986. These liabilities and a respective share of Fund assets are included in the figures above as in previous years.

The liabilities show the Council's commitment to pay post-employment (retirement) benefits. The total liability of £788.018m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit are in place to safeguard the financial position of the Council:

- The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

### 4.4.14 Financial Instruments

The operation of the Council's Treasury Management function is regulated through the Local Government Act 2003 and supplementary guidance issued by the Ministry of Housing, Communities and Local Government, CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council approves an annual treasury strategy, reviewing risk and expected activities during the year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 requires disclosure of information pertaining to the scope, significance and risk associated with the Council's financial instruments.

#### Categories of Financial Instruments

A financial instrument arises from a contract which creates a financial asset in one organisation and a financial liability in another. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

The following categories of financial instrument are carried in the Balance Sheet:

## Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2018 £m	31 March 2019 £m						
<b>Amortised Cost</b>								
Principal	0.813	0.813	93.611	77.487	10.000	57.500	73.786	97.949
Cash & Cash Equivalents	-	-	-	-	26.154	45.827	-	-
Investment accrued Interest	-	-	-	-	0.009	0.049	-	-
<b>Amortised Cost Total</b>	<b>0.813</b>	<b>0.813</b>	<b>93.611</b>	<b>77.487</b>	<b>36.163</b>	<b>103.376</b>	<b>73.786</b>	<b>97.949</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>0.813</b>	<b>0.813</b>	<b>93.611</b>	<b>77.487</b>	<b>36.163</b>	<b>103.376</b>	<b>73.786</b>	<b>97.949</b>
Non-financial Instrument	19.582	12.082	-	-	-	-	17.328	24.150
<b>TOTAL</b>	<b>20.395</b>	<b>12.895</b>	<b>93.611</b>	<b>77.487</b>	<b>36.163</b>	<b>103.376</b>	<b>91.114</b>	<b>122.099</b>

The equity investments in controlled entities are taken out of Financial Assets at amortised cost and shown in Non-financial Instruments as they are accounted for in the Group Accounts.

## Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2018 £m	31 March 2019 £m						
<b>Amortised Cost</b>								
Principal	(801.219)	(876.789)	-	-	(64.366)	(76.451)	(85.841)	(110.504)
Loans Accrued Interest	-	-	-	-	(9.419)	(9.943)	-	-
Market Loan Effective Interest Rate Adjustment	(0.926)	(0.921)	-	-	-	-	-	-
PFI and finance lease liabilities	(201.026)	(191.383)	-	-	(7.018)	(9.641)	-	-
Growing Places Fund and other	-	-	(10.019)	(9.695)	-	-	(8.507)	(8.420)
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>(1,003.171)</b>	<b>(1,069.093)</b>	<b>(10.019)</b>	<b>(9.695)</b>	<b>(80.803)</b>	<b>(96.035)</b>	<b>(94.348)</b>	<b>(118.924)</b>
Non-financial Instrument	-	-	-	-	-	-	(71.446)	(54.382)
<b>TOTAL</b>	<b>(1,003.171)</b>	<b>(1,069.093)</b>	<b>(10.019)</b>	<b>(9.695)</b>	<b>(80.803)</b>	<b>(96.035)</b>	<b>(165.794)</b>	<b>(173.306)</b>

## Notes:

The principal element of borrowings plus PFI and finance lease liabilities equates to external debt for comparison against the operational boundary.

	Borrowings		Long-term		Current	
			31 March 2018	31 March 2019	31 March 2018	31 March 2019
			£m	£m	£m	£m
PWLB			(751.583)	(827.773)	(44.511)	(63.601)
Market Loans			(49.926)	(49.921)	(0.495)	(0.496)
Temporary Debt & Other			(0.636)	(0.016)	(28.779)	(22.297)
<b>Total Borrowings</b>			<b>(802.145)</b>	<b>(877.710)</b>	<b>(73.785)</b>	<b>(86.394)</b>

PWLB borrowings are long term loans of which the majority are at a fixed interest rate with a variety of maturity dates becoming due over the next 50 years. The Public Works Loans Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury.

Market Loans are long term loans all of which are at a fixed interest rate taken from Banks, £34m of these loans are known as LOBO loans where, at specific points, the

## Section 4 – Notes to the Financial Statements

lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty.

Temporary Debt & Other are mainly loans taken at fixed interest rates for a duration of less than 12 months from another local authority.

### Financial Instruments – Items of interest, expense, gains and losses

The following table discloses the income and expenditure recognised in the CIES for all financial assets and liabilities not held at fair value (calculated using the effective interest method):

	Restated 2017/18 £m	2018/19 £m
Interest expense	50.420	53.128
Expected Loss - Impairment Allowances	-	26.607
Fees and other expenses	-	0.062
<b>Services</b>	<b>50.420</b>	<b>79.797</b>
Interest income on financial assets measured at amortised cost	(2.190)	(3.643)
Interest and other income - impaired financial assets	(0.078)	-
Other income	(0.854)	(1.052)
Dividend Income	(2.014)	(1.375)
<b>Total Income in (Surplus)/Deficit on Provision of Services</b>	<b>(5.136)</b>	<b>(6.070)</b>
<b>NET GAIN/(LOSS) FOR THE YEAR</b>	<b>45.284</b>	<b>73.727</b>

The 2017/18 figures have been restated to include the income and expenditure of the HRA in line with the CIES.

### Financial Instruments – Fair Values

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

All of the council's financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- PWLB loans borrowed by the Council have been valued on the basis of using the PWLB new borrowing (certainty rate) discount rates matching the remaining duration of the loans.
- The fair values of other long-term borrowing has been estimated using the new PWLB Certainty Rate loan discount rates (UK government gilt prices plus a margin of 80 bpts) for the most appropriate maturity and repayment profiles as proxy for fair value in the absence of any detailed market transactions.

## Section 4 – Notes to the Financial Statements

- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- Where appropriate the fair value for long term debtors has been estimated using a PWLB equivalent discount rate for new fixed rate loans with the most appropriate maturity and repayment profile as at 31st March 2019. The fair value on the remaining long term debtors is deemed to be the balance outstanding at 31<sup>st</sup> March 2019.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities that the council can access at the measurement date e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values calculated are as follows:

	Fair value level	31 March 2018		31 March 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
PWLB debt	2	(796.094)	(927.119)	(891.375)	(1,049.428)
Market loans	2	(50.421)	(77.484)	(50.417)	(78.726)
Stock	2	(0.627)	(0.754)	-	-
PFI and finance leases	2	(208.044)	(311.220)	(201.024)	(291.302)
Other debt	*	(28.788)	(28.788)	(22.313)	(22.313)
Trade creditors	*	(85.841)	(85.841)	(110.504)	(110.504)
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(1,169.815)</b>	<b>(1,431.206)</b>	<b>(1,275.633)</b>	<b>(1,552.273)</b>
Money Market & Pooled Funds (< 1 year)	*	21.309	21.309	33.100	33.100
Other Investments (< 1 year)	*	10.000	10.000	57.549	57.549
Investments (> 1 year)	2	-	-	-	-
Shares in unlisted companies	**	20.395	20.395	12.895	12.895
Debtors	*	73.786	73.786	97.949	97.949
Long-term debtors	2	93.611	105.712	77.487	109.035
<b>TOTAL FINANCIAL ASSETS</b>		<b>219.101</b>	<b>231.202</b>	<b>278.980</b>	<b>310.528</b>

\* The fair value of short term financial assets and liabilities including trade receivables/payables is assumed to be approximate to the carrying amount.

## Section 4 – Notes to the Financial Statements

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\*\* The fair value of shares in unlisted companies that are within the NCC group are shown at cost less impairment. In 2018/19 £7.500m of shares in Robin Hood Energy Ltd have been fully impaired.

The fair value of the debt is greater than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market as at the balance sheet date.

This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £845.808m would be valued at £1,013.357m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,230.204m.

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2019) arising from a commitment to receive interest from lenders above current market rates.

The long term debtors as at 31 March 2019 show a carrying amount of £77.487m. The main debtors sub-categories include £32.886m Nottingham Express Transit (NET), £18.773m loans to subsidiaries, £14.694m other third party loans and £11.134m other long term debtors.

The stock of £0.627m at 31 March 2018 in the above below was repurchased by the council in 2018/19. This included £0.619m of listed debt on the London Stock Exchange.

### **Financial Guarantee**

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The details for the financial guarantees provided by the council can found in the provisions note 4.4.9.

### **Soft Loans**

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are £0.374m issued in 2014 then £0.150m issued in 2017 and £0.090m issued in 2018 to Nottingham Castle Trust. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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 at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited

to the 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. The detailed soft loan information is as follows:

	2017/18 £m	2018/19 £m
<b>Opening balance</b>	<b>0.260</b>	<b>0.367</b>
Nominal value of new loans granted in year	0.150	0.090
Fair Value adjustment on initial recognition	(0.072)	(0.034)
Other changes	0.029	0.030
<b>Closing balance at end of year</b>	<b>0.367</b>	<b>0.453</b>
Nominal value	<b>0.524</b>	<b>0.614</b>

#### 4.4.15 IFRS 9 Transitional Disclosure Notes

##### Reclassification and re-measurement of financial assets at 1 April 2018

This note shows the effect of reclassification and re-measurement of financial assets following the adoption of IFRS 9 Financial Instruments by the Code.

	Carrying amount brought forward at 1 April 2018 £m	Amortised cost £m
<b>Previous classifications</b>		
Loans and receivables	223.955	223.955
<b>Reclassified amounts at 1 April 2018</b>	<b>223.955</b>	<b>223.955</b>
<b>Remeasured carrying amounts at 1 April 2018</b>	<b>223.955</b>	<b>223.955</b>

##### Effect of Asset Reclassification and Re-measurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

##### New Classifications at 1 April 2018

	Amortised Cost £m	Non-financial instrument balances £m	Total Balance Sheet carrying amount £m
<b>Remeasured carrying amounts at 1 April 2018</b>	<b>223.955</b>	<b>17.328</b>	<b>241.283</b>
<b>Reclassified amounts:</b>			
Non-current investments	20.395	-	<b>20.395</b>
Long-term debtors	93.611	-	<b>93.611</b>
Current investments	36.163	-	<b>36.163</b>
Current debtors	73.786	17.328	<b>91.114</b>
<b>Total</b>	<b>223.955</b>	<b>17.328</b>	<b>241.283</b>

## Section 4 – Notes to the Financial Statements

### 4.5 Movement in Reserves Statement Notes

#### 4.5.1 Adjustments between Accounting Basis and Funding Basis under Regulations

2018/19	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	1.768	0.004	-	-	-	(1.772)
• Depreciation	68.941	18.765	-	-	-	(87.706)
• Revaluation Losses	0.640	(43.141)	-	-	-	42.501
• Investment Property Movement	4.628	0.017	-	-	-	(4.645)
• Assets Held for Sale Movement	(0.016)	-	-	-	-	0.016
• Derecognition of Fixed Assets	0.928	4.033	-	-	-	(4.961)
• (Loss)/Gain on Sale of Fixed Assets	53.351	(3.059)	26.018	-	-	(76.310)
• Charges for Investment Impairment	7.500	-	-	-	-	(7.500)
	<b>137.740</b>	<b>(23.381)</b>	<b>26.018</b>	<b>-</b>	<b>-</b>	<b>(140.377)</b>
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute	1.262	-	-	-	-	(1.262)
• Statutory Minimum Revenue Provision for Capital Financing	(28.392)	-	-	-	-	28.392
• Voluntary Revenue Provision for Capital Financing	(7.125)	(0.727)	-	-	-	7.852
• PFI Minimum Revenue Provision	(4.668)	-	-	-	-	4.668
• Capital Expenditure charged in year to General Fund Balance	(0.461)	-	-	-	-	0.461
• Transfer to/from Major Repairs Reserve	-	(29.578)	-	3.239	-	26.339
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.086	-	(2.086)	-	-	-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(23.376)	-	-	23.376
• Use of Capital Receipts Reserve to repay debt	-	-	(13.672)	-	-	13.672
• Capital grants & contributions to be applied in future years	(18.958)	-	-	-	18.958	-
• Capital grants applied in year	(19.290)	-	-	-	(8.712)	28.002
• Other Items (long term debtors)	-	-	0.118	-	-	(0.118)
	<b>(75.546)</b>	<b>(30.305)</b>	<b>(39.016)</b>	<b>3.239</b>	<b>10.246</b>	<b>131.382</b>

Continued on the next page

2018/19	Usable Reserves					Unusable Reserves £m
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Other Movements</b>						
Pension Fund						
• Net charges made for Retirement Benefits in accordance with IAS19	89.094	-	-	-	-	(89.094)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(35.594)	-	-	-	-	35.594
• Financial Instrument Adjustment Account	(0.326)	0.034	-	-	-	0.292
• Transfer to/(from) Collection Fund Adjustment Account	(0.648)	-	-	-	-	0.648
• Employee Benefits	0.141	-	-	-	-	(0.141)
	52.667	0.034	-	-	-	(52.701)
<b>TOTAL ADJUSTMENTS</b>	<b>114.861</b>	<b>(53.652)</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(61.696)</b>

## Section 4 – Notes to the Financial Statements

2017/18	Usable Reserves					Unusable Reserves £m
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	1.556	0.005	-	-	-	(1.561)
• Depreciation	68.917	27.785	-	-	-	(96.702)
• Impairment	(0.015)	-	-	-	-	0.015
• Revaluation Losses	7.485	(51.045)	-	-	-	43.560
• Investment Property Movement	1.489	(0.095)	-	-	-	(1.394)
• Derecognition of Fixed Assets	46.582	3.663	-	-	-	(50.245)
• (Loss)/Gain on Sale of Fixed Assets	(0.793)	(3.938)	27.499	-	-	(22.768)
	125.221	(23.625)	27.499	-	-	(129.095)
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute	1.158	0.281	-	-	-	(1.439)
• Statutory Minimum Revenue Provision for Capital Financing	(26.761)	-	-	-	-	26.761
• Voluntary Revenue Provision for Capital Financing	-	(0.728)	-	-	-	0.728
• PFI Minimum Revenue Provision	(6.932)	-	-	-	-	6.932
• Capital Expenditure charged in year to General Fund Balance	(6.542)	(3.717)	-	-	-	10.259
• Transfer to/from Major Repairs Reserve	-	(27.785)	-	3.670	-	24.115
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.089	-	(2.089)	-	-	-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(15.463)	-	-	15.463
• Capital grants & contributions to be applied in future years	(11.418)	-	-	-	11.418	-
• Capital grants applied in year	(25.111)	-	-	-	(8.390)	33.501
• Other Items (long term debtors)	0.172	-	0.755	-	-	(0.927)
	(73.345)	(31.949)	(16.797)	3.670	3.028	115.393

Continued on the next page

2017/18	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	£m
<b>Other Movements</b>						
Pension Fund						
• Net charges made for Retirement Benefits in accordance with IAS19	65.937	-	-	-	-	(65.937)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(33.667)	-	-	-	-	33.667
• Financial Instrument Adjustment Account	(0.288)	0.034	-	-	-	0.254
• Transfer to/(from) Collection Fund Adjustment Account	(2.477)	-	-	-	-	2.477
• Employee Benefits	(0.454)	-	-	-	-	0.454
	29.051	0.034	-	-	-	(29.085)
<b>TOTAL ADJUSTMENTS</b>	<b>80.927</b>	<b>(55.540)</b>	<b>10.702</b>	<b>3.670</b>	<b>3.028</b>	<b>(42.787)</b>

## Section 4 – Notes to the Financial Statements

### 4.5.2 Post-employment Benefits Transactions

The Council recognises the cost of retirement benefits in the cost of services when they are earned by employees; rather than when the benefits are eventually paid as pensions. The charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been applied to the General Fund Balance via the MIRS during the year:

	Local Government Pension Scheme		Teachers Benefits	
	2017/18 £m	2018/19 £m	2017/18 £m	2018/19 £m
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(65.111)	(88.193)	(0.826)	(0.901)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	31.589	33.499	-	-
Retirement benefits payable to pensioners	-	-	2.078	2.095

These transactions can be summarised as follows:

	2017/18 £m	2018/19 £m
<b>Movement in Reserves Statement:</b>		
Reversal of Charges made in accordance with the Code	(65.937)	(89.094)
Charges to General Fund made on a funding basis	33.667	35.594
<b>TOTAL</b>	<b>(32.270)</b>	<b>(53.500)</b>

## 4.6 Cash Flow Statement Notes

### 4.6.1 Non Cash Movements in Surplus/Deficit on the Provision of Services

	2017/18 £m	2018/19 £m
Depreciation	96.702	87.706
Impairment and movement in asset valuations	(43.575)	(42.500)
Amortisation	1.561	1.773
Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	-	14.879
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	0.042	(0.031)
Adjustment for effective interest rates	(0.004)	(0.040)
Increase/decrease in provision for impairments/doubtful debts re: Loans & Advances	-	10.460
Net PFI Debtor Adjustments	8.157	-
Increase/Decrease in Interest Creditors	5.978	1.049
Increase/Decrease in Creditors	11.630	4.688
Increase/Decrease in Interest and Dividend Debtors	1.319	0.070
Increase/Decrease in Debtors	0.694	(30.920)
Increase/Decrease in Contract Assets	-	0.061
Increase/Decrease in Inventories	(0.173)	(0.297)
Movement in Pension Liability	32.270	53.500
Other non cash adjustment	0.315	(0.361)
Contributions to/(from) Provisions	(5.024)	3.075
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	81.663	81.255
Movement in Investment Property values	1.394	4.645
<b>TOTAL</b>	<b>192.949</b>	<b>189.012</b>

### 4.6.2 Investing or Financing Activities in Surplus/Deficit on the Provision of Services

	2017/18 £m	2018/19 £m
Capital Grants credited to surplus or deficit on the provision of services	(28.889)	(30.957)
Net adjustment from the sale of short and long term investments	(0.077)	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(29.165)	(26.134)
<b>TOTAL</b>	<b>(58.131)</b>	<b>(57.091)</b>

## Section 4 – Notes to the Financial Statements

### 4.6.3 Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £m	2018/19 £m
Interest received	3.956	3.473
Interest paid	(32.288)	(44.706)
Dividends received	2.514	1.200
	<b>(25.818)</b>	<b>(40.033)</b>

### 4.6.4 Investing Activities

	2017/18 £m	2018/19 £m
Purchase of property, plant and equipment, investment property and intangible assets	(223.705)	(148.231)
Purchase of short-term and long-term investments	(7.500)	(57.500)
Other payments for investing activities	(23.903)	(10.754)
Proceeds from short-term and long-term investments	27.448	10.000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	8.206	26.019
Other receipts from investing activities	52.550	54.303
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(166.904)</b>	<b>(126.163)</b>

### 4.6.5 Financing Activities

	2017/18 £m	2018/19 £m
Cash receipts of short and long-term borrowing	208.500	150.525
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6.931)	(4.669)
Repayments of short and long-term borrowing	(132.095)	(63.194)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>69.474</b>	<b>82.662</b>

### 4.6.6 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2018 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2019 £m
Long-term borrowings	(802.145)	(75.570)	0.005	(877.710)
Short-term borrowings	(73.785)	(12.085)	(0.524)	(86.394)
Lease liabilities	(2.202)	0.001	-	(2.201)
On balance sheet PFI liabilities	(205.841)	4.668	2.349	(198.824)
Growing Places Fund and other	(18.526)	0.324	0.088	(18.114)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,102.499)</b>	<b>(82.662)</b>	<b>1.918</b>	<b>(1,183.243)</b>

## 4.7 Other Notes

### 4.7.1 Trading Operations

Trading operations generate income in a competitive commercial environment. Those operations that are significant or with a turnover of greater than £5m or surplus / deficit in excess of £1m are shown separately in the table below, with all others grouped together as smaller activities:

	2017/18			2018/19		
	Expenditure	Income	(Surplus) Deficit	Expenditure	Income	(Surplus) Deficit
	£m	£m	£m	£m	£m	£m
<b>Included within Services:</b>						
Car Parking	5.993	(7.733)	(1.740)	6.292	(7.451)	(1.159)
Commercial Waste	3.838	(4.985)	(1.147)	5.510	(7.318)	(1.808)
Education Catering	7.592	(8.156)	(0.564)	5.496	(6.473)	(0.977)
Garage	7.781	(1.619)	6.162	5.465	(0.362)	5.103
Highways	1.250	(2.247)	(0.997)	3.687	(0.645)	3.042
Leisure Centres	6.064	(7.393)	(1.329)	6.829	(7.160)	(0.331)
Markets	-	-	-	2.533	(1.278)	1.255
Property	6.388	(10.321)	(3.933)	19.794	(10.106)	9.688
Royal Centre Theatre	16.898	(15.107)	1.791	19.166	(17.559)	1.607
Smaller activities	5.428	(5.863)	(0.435)	4.257	(3.973)	0.284
<b>Included in Finance and Investment:</b>						
Commercialism Services	0.011	(0.478)	(0.467)	0.023	(0.155)	(0.132)
Investment Properties	2.094	(12.963)	(10.869)	6.168	(19.556)	(13.388)
Smaller Activities	0.868	(0.956)	(0.088)	1.549	(1.784)	(0.235)
<b>TOTAL (SURPLUS)/DEFICIT</b>	<b>64.205</b>	<b>(77.821)</b>	<b>(13.616)</b>	<b>86.769</b>	<b>(83.820)</b>	<b>2.949</b>

Generally the trading operations are included within the cost of services in the CIES. The net surplus of trading operations which are not an integral part or do not directly support NCC's services are charged to Financing and Investment Income and Expenditure.

In 2017/18 Markets was included within smaller activities.

### 4.7.2 Agency Services

The Council does not receive any significant income for agency services.

### 4.7.3 Jointly Controlled Operations

Nottingham City Council (NCC) runs a joint operation with Leicestershire County Council (LCC) to provide shared transactional finance, human resources and payroll services to both councils under the name of East Midlands Shared Services (EMSS). EMSS operates under a Joint Committee established under section 102 of the Local Government Act 1972. The Joint Committee does not have separate legal personality and so is not a separate entity.

Operations relating to EMSS are carried out at both NCC and LCC premises, with LCC being the employing authority and NCC the host authority. In line with the partnership agreement, the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of costs for NCC of 57.4%.

## Section 4 – Notes to the Financial Statements

A summary of the income and expenditure of EMSS, and the associated amounts included in NCC's accounts is shown below:

	Total EMSS		Amounts included within NCC Accounts	
	2017/18	2018/19	2017/18	2018/19
	£m	£m	£m	£m
<b>Income:</b>				
Direct external income - LCC	(1.414)	(1.548)	-	-
Direct external income - NCC	(0.617)	(0.570)	(0.617)	(0.570)
<b>Total Income</b>	<b>(2.031)</b>	<b>(2.118)</b>	<b>(0.617)</b>	<b>(0.570)</b>
<b>Expenditure:</b>				
Direct costs incurred by LCC	6.259	6.206	-	-
Direct costs incurred by NCC	0.267	0.254	0.267	0.254
Third party payments to LCC	-	-	2.766	2.710
<b>Total Expenditure</b>	<b>6.526</b>	<b>6.460</b>	<b>3.033</b>	<b>2.964</b>
<b>NET EXPENDITURE</b>	<b>4.495</b>	<b>4.342</b>	<b>2.416</b>	<b>2.394</b>

### 4.7.4 Councillors' Allowances

The Council paid the following amounts to Councillors during the year:

	2017/18	2018/19
	£m	£m
Allowances	1.032	1.056
Expenses	0.001	0.003
<b>TOTAL</b>	<b>1.033</b>	<b>1.059</b>

#### 4.7.5 Officers Remuneration

The remuneration paid to the Council's senior employees is as follows:

POST HOLDER	2017/18 £	2018/19 £
<b>Chief Executive - Ian Curryer</b>		
- Salary, Fees & Allowances	163,216	160,094
- Pension Contributions	-	-
	<b>163,216</b>	<b>160,094</b>
<b>Corporate Director - Children and Adults</b>		
- Salary, Fees & Allowances	142,814	145,670
- Pension Contributions	19,566	19,957
	<b>162,380</b>	<b>165,627</b>
<b>Corporate Director for Strategy and Resources</b>		
- Salary, Fees & Allowances	122,412	123,423
- Pension Contributions	16,521	16,909
	<b>138,933</b>	<b>140,332</b>
<b>Corporate Director - Commercial and Operations</b>		
- Salary, Fees & Allowances	122,412	124,860
- Pension Contributions	16,770	14,199
	<b>139,182</b>	<b>139,059</b>
<b>Corporate Director - Development and Growth <sup>1</sup></b>		
- Salary, Fees & Allowances	137,638	58,604
- Pension Contributions	18,856	8,029
	<b>156,494</b>	<b>66,633</b>
<b>Corporate Director - Development and Growth <sup>2</sup></b>		
- Salary, Fees & Allowances	-	72,835
- Pension Contributions	-	9,978
	-	<b>82,813</b>
<b>Programme Director - Midland Engine <sup>3</sup></b>		
- Salary, Fees & Allowances	-	110,357
- Pension Contributions	-	15,119
	-	<b>125,476</b>
<b>Strategic Director of Finance and Section 151 Officer</b>		
- Salary, Fees & Allowances	44,482	98,702
- Pension Contributions	6,094	13,522
	<b>50,576</b>	<b>112,224</b>
<b>Strategic Director of Development (and Deputy Chief Executive) <sup>4</sup></b>		
- Salary, Fees & Allowances	-	44,047
- Pension Contributions	-	-
	-	<b>44,047</b>

1. 2017/18 post holder left 31.08.18 appointed to Strategic Director of Development 01.09.18.

2. New post holder appointed 01.09.18.

3. Fully funded post through Midlands Engine grant.

4. Strategic Director of Development new post in structure. Appointed 01.09.18 working part time.

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A total of 173 employees (excluding senior employees) received remuneration of more than £0.050m, of which 67 are employed directly by schools. The figures do not include staff employed by academy schools as they are not Council employees:

Remuneration Banding £	Number of Employees			
	2017/18		2018/19	
	School Based Staff	Other Staff	School Based Staff	Other Staff
50,000 - 54,999	25	33	18	38
55,000 - 59,999	14	24	16	17
60,000 - 64,999	12	17	14	23
65,000 - 69,999	14	8	10	5
70,000 - 74,999	3	4	5	10
75,000 - 79,999	1	4	1	1
80,000 - 84,999	1	5	-	2
85,000 - 89,999	1	3	1	6
90,000 - 94,999	1	4	1	1
95,000 - 99,999	1	-	1	1
100,000 - 104,999	-	-	-	1
125,000 - 129,999	-	-	-	1
<b>TOTAL</b>	<b>73</b>	<b>102</b>	<b>67</b>	<b>106</b>
<b>GRAND TOTAL</b>		<b>175</b>		<b>173</b>

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

Type of Exit Package	2017/18			2018/19		
	Up to £20,000	£20,001 to £40,000	£40,001 to £1,500,000	Up to £20,000	£20,001 to £40,000	£40,001 to £1,500,000
<b>Number of:</b>						
Compulsory redundancies	72	10	5	42	9	15
Other departures agreed	6	3	1	17	6	1
<b>TOTAL DEPARTURES</b>	<b>78</b>	<b>13</b>	<b>6</b>	<b>59</b>	<b>15</b>	<b>16</b>
Total Cost	£486,456	£343,482	£312,175	£413,255	£470,041	£1,010,786

#### 4.7.6 External Audit Costs

The Council has incurred the following costs for the audit of the Statement of Accounts, certification of grant claims and returns (which relate to prior year claims) and other services provided by the external auditors:

	2017/18 £m	2018/19 £m
Statutory audit	0.172	0.136
Certification of Housing Benefit grant claim	0.018	0.012
Certification of other grant claims and returns	0.011	0.008
Fees payable in respect of other services provided by the external auditors during the year	-	0.010
<b>TOTAL</b>	<b>0.201</b>	<b>0.166</b>

#### 4.7.7 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by DSG provided by the Department for Education. This is a ring fenced grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) (No.2) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows:

Notes	Central Expenditure £m	ISB £m	Total £m
A Final DSG for 2018/19 before Academy recoupment			<b>266.333</b>
B Academy figure recouped for 2018/19			<b>(156.594)</b>
C Total DSG after Academy recoupment for 2018/19			<b>109.739</b>
D Plus: Brought forward from 2017/18			<b>8.500</b>
E Carry forward to 2019/20 agreed in advance			<b>4.832</b>
F Agreed initial budgeted distribution in 2018/19	28.412	87.238	<b>115.650</b>
G In year Adjustments	3.227	(5.245)	<b>(2.018)</b>
H Final Distribution for 2018/19	31.639	81.993	<b>113.632</b>
I Less Actual central expenditure	30.002		
J Less ISB deployed to schools		(81.993)	
K Plus Local Authority contribution 2018/19	-	-	-
<b>L CARRY FORWARD TO 2019/20 AGREED IN ADVANCE</b>	<b>1.637</b>	<b>-</b>	<b>6.469</b>

Notes to DSG:

- A Figure as announced by the Department for Education (DfE) in March 2019.
- B Figure recouped from the Council in 2018/19 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recoupment for 2018/19.
- D Figure brought forward from 2017/18 as agreed with the DfE.
- E The amount which the Council planned after consultation with the schools forum to carry forward to 2019/20, rather than distribute in 2018/19.

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- F Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- G Changes to the initial distribution.
- H Budgeted distribution of DSG as at the end of the financial year.
- I Actual amount of central expenditure items in 2018/19.
- J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools' budget shares).
- K Any contribution from the Council in 2018/19 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2019/20. The total figure is the carry forward to 2019/20 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

### 4.7.8 Related Parties

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

#### Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the CIES note 4.3.5. Capital grants received in advance as at 31 March 2019 are shown in note 4.4.14.

#### Councillors/Officers

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2018/19 is shown in the Councillors' allowances note 4.7.4.

During 2018/19 payments, receipts and balances outstanding for works and services to other organisations (the majority being transactions with the Council's subsidiaries) in which Councillors or relevant officers had an interest were as follows:

	2017/18 £m	2018/19 £m
Payments	104.707	102.603
Receivables	(26.023)	(37.554)
Debtors	8.149	19.241
Creditors	(8.896)	(5.878)

Details of transactions are recorded in the Register of Members' Interest, which is open to public inspection during office hours.

### Other Public Bodies

The Council has pooled budget arrangements with Integrated Community Equipment and Loan Services (ICELS), Better Care Fund and the Adult Safeguarding Partnership Board. There were no significant transactions with ICELS and Adult Safeguarding Partnership Board in 2018/19. Transactions for the Better Care Fund are detailed in note 4.7.9.

The Council paid £0.075m in 2018/19 (£0.072m 2017/18) to the Environment Agency for flood defence.

### Entities Controlled or Significantly Influenced by the Council

The following are significant related-party transactions with the Council's subsidiary and associated companies.

	Restated 2017/18		2018/19	
	Payments £m	Receipts £m	Payments £m	Receipts £m
Enviroenergy Ltd	0.710	(5.257)	0.825	(6.100)
Futures Advice, Skills and Employment Ltd	3.027	(0.046)	1.504	(1.039)
Inspired Spaces	10.537	-	10.063	-
Nottingham City Homes (NCH) Ltd	75.497	(11.213)	64.978	(13.569)
Nottingham City Transport	6.725	(2.753)	6.709	(1.666)
Nottingham Revenues & Benefits Ltd	0.060	(7.066)	-	(5.997)
Robin Hood Energy Ltd	18.483	(9.595)	17.020	(4.441)
Other Related Parties	1.935	(3.973)	3.431	(4.726)

	Restated 2017/18		2018/19	
	Debtors £m	Creditors £m	Debtors £m	Creditors £m
Enviroenergy Ltd	14.664	(0.197)	15.839	(0.159)
Futures Advice, Skills and Employment Ltd	-	(0.378)	-	(0.565)
Nottingham City Homes (NCH) Ltd	30.291	(9.462)	32.293	(10.356)
Nottingham City Transport	0.732	-	0.078	(0.075)
Nottingham Revenues and Benefits Ltd	1.110	(1.564)	1.114	(2.000)
Robin Hood Energy Ltd	12.446	(3.538)	26.686	(2.050)
Other Related Parties	3.600	(0.109)	4.097	(0.335)

The 2017/18 figures have been restated as prior year figures did not include the subsidiaries and associates that are not included in the Council's Group Accounts.

#### 4.7.9 Pooled Budgets

The Better Care Fund (BCF) is a local single pooled budget. The BCF is a partnership scheme under Section 75 of the National Health Service Act 2006 which allows budgets to be pooled between NHS organisations and local authorities. This is a partnership of equal control between the Council and NHS Nottingham City Clinical Commissioning Group (CCG). The Council is acting as 'host' in relation to the Partnership Agreement to manage the delegated functions and pooled budgets, however both partners remain equally responsible and accountable for those functions being carried out in a suitable manner. Overall strategic oversight responsibility sits with the Nottingham City Health and Wellbeing Board. However, a Commissioning Sub-Committee has been formally established to take strategic

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funding decisions relevant to the pooled budgets, which has equal voting rights between the two partners. Performance in relation to the BCF indicators is also monitored by the Greater Nottingham CCG's Quality and Performance Committee and updates from the Nottingham City Health and Wellbeing Board are routinely presented to the CCG's Governing Body.

The aim of the BCF is to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. Funding and expenditure in connection with the BCF was as follows:

	2018/19 £m
<b><u>Funding</u></b>	
NHS Nottingham City Clinical Commissioning Group	(22.306)
Nottingham City Council (Capital)	(2.261)
Nottingham City Council(Improved Better Care Fund)	(11.723)
<b>Total Funding</b>	<b>(36.290)</b>
<b><u>Expenditure</u></b>	
Access & Navigation	1.994
Integrated Care	13.806
Assistive Technology	0.678
Carers	0.714
Co-ordinated Care	10.678
Capital Grants	2.261
Facilitating Discharge	2.339
Independence Pathway	1.021
Primary Care	2.725
Programme Costs	0.074
<b>Total Expenditure</b>	<b>36.290</b>
Brought forward pool	-
<b>BALANCE CARRIED FORWARD</b>	<b>-</b>

#### 4.7.10 Road Charging Schemes under the Transport Act 2000

The Council introduced the workplace parking levy on 1 April 2012 charged under section 178-190 of the Transport Act 2000 (the Act). As per section 180 and 181 of the Act, all monies which are raised by the levy are to be re-invested in the City Councils Transport Plan. The figures for the year ending 31 March 2019 are as follows:

	2017/18 £m	2018/19 £m
Income	(9.178)	(10.114)
Expenditure	0.219	0.577
<b>NET INCOME</b>	<b>(8.959)</b>	<b>(9.537)</b>

#### 4.7.11 Leases

##### Council as Lessee

##### Finance Leases

The assets acquired under finance leases are carried as PPE in the Balance Sheet within the classification of Other Land and Buildings. The net amount at 31 March 2019 was £22.758m (31 March 2018: £24.286m).

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years. The minimum lease payments are made up of the following amounts:

	31 March 2018 £m	31 March 2019 £m
Finance lease liabilities*:		
current	0.001	0.001
non-current	2.201	2.200
Finance costs payable in future years	12.411	12.175
<b>MINIMUM LEASE PAYMENTS</b>	<b>14.613</b>	<b>14.376</b>

\* Net present value of minimum lease payments

The finance costs which the Council has committed to are significant when compared to the lease liabilities, because the property leases are for a period of 99 years or more and the majority of payments made are for the interest element.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2018 £m	31 March 2019 £m	31 March 2018 £m	31 March 2019 £m
Not later than one year	0.236	0.236	0.001	0.001
Between one and five years	0.945	0.945	0.006	0.007
Later than five years	13.432	13.195	2.195	2.193
<b>TOTAL</b>	<b>14.613</b>	<b>14.376</b>	<b>2.202</b>	<b>2.201</b>

## Section 4 – Notes to the Financial Statements

The Council has committed to a number of long term property leases, this is evidenced with the high value of minimum lease payments which have been committed to be paid later than five years.

The Council has not sub-let any of the properties held under these finance leases.

### Operating Leases

The future minimum lease payments due under non-cancellable leases are:

	31 March 2018 £m	31 March 2019 £m
Not later than one year	0.885	0.715
Between one and five years	2.640	2.490
Later than five years	8.762	8.140
<b>TOTAL</b>	<b>12.287</b>	<b>11.345</b>

The expenditure charged to the CIES during 2018/19 in relation to these leases was £0.912m (£0.777m in 2017/18).

### Council as Lessor

#### Finance Leases

As a lessor, the Council has an investment in finance leases. This is made up of the minimum lease payments expected to be received over the remaining term, together with the residual value anticipated for the property at the end of the lease. The minimum lease payments comprise the settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years. The gross investment is made up of the following amounts for all finance leases:

	31 March 2018 £m	31 March 2019 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	50.752	50.314
Anticipated residual value of property	14.612	16.145
<b>GROSS INVESTMENT IN THE LEASE</b>	<b>66.386</b>	<b>67.481</b>

\* Net present value of minimum lease payments

The finance income which the Council will receive in future years is significant when compared to the lease debtors. This is because a number of assets are being leased for a period of 999 years which means the majority of current payments are for the interest element of the debtor.

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March	31 March	31 March	31 March
	2018	2019	2018	2019
	£m	£m	£m	£m
Not later than one year	0.063	0.116	0.061	0.113
Between one and five years	0.288	0.465	0.281	0.453
Later than five years	66.035	66.900	64.858	64.803
<b>TOTAL</b>	<b>66.386</b>	<b>67.481</b>	<b>65.200</b>	<b>65.369</b>

The Council has committed to leasing out a number of assets on long term leases. This is evidenced with the high value of minimum lease payments which will be received in the period later than five years.

The Council has not set aside an allowance for uncollectable amounts on the above finance leases.

### Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- The provision of community services, such as sports facilities, tourism services and community centres.
- Economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March	31 March
	2018	2019
	£m	£m
Not later than one year	15.458	16.695
Between one and five years	54.714	60.666
Later than five years	212.323	343.431
<b>TOTAL</b>	<b>282.495</b>	<b>420.792</b>

### Contingent Rents

The minimum lease payments identified in the tables above do not include rents that are contingent on events taking place after the lease was entered into, such as:

- The level of sales achieved by the tenant.
- Rate of inflation.
- Usage.

For operating leases where the Council is lessor there were contingent rents receivable by the Authority in 2018/19 of £0.240m (2017/18 £0.663m). There were no contingent rents for any of the other types of lease arrangement.

## Section 4 – Notes to the Financial Statements

### 4.7.12 Capital Expenditure and Capital Financing

Capital expenditure relates to the acquisition of new assets and the development of existing assets, which will be of benefit to the Council for more than one year. Expenditure by service over the last two years has been as follows:

	2017/18 £m	2018/19 £m
Planning and Housing	55.247	44.613
Jobs, Growth and Transport	13.994	18.748
Strategic Regeneration	130.251	63.531
Other	20.714	21.104
<b>CAPITAL EXPENDITURE</b>	<b>220.206</b>	<b>147.996</b>

The capital programme is actively managed throughout the year in line with agreed approvals and changes in funding.

The treatment of capital expenditure and financing generates some of the main differences between the funding basis and IFRS basis. The capital focus of the funding basis is to ensure that sufficient cash is raised to finance capital expenditure. The major differences are:

- Certain items of revenue expenditure which can be treated as capital under statute under the funding basis.
- Items of capital expenditure which are financed by a charge to revenue.
- Capital grants which are used to finance capital expenditure rather than being credited to revenue.
- Making a revenue provision for repayment of borrowing (replacing depreciation) based on a calculation of the net capital financing requirement.

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and Public Finance Initiative (PFI) contracts), together with the resources that have been used to finance it:

	2017/18 £m	2018/19 £m
<b>Capital Investment on IFRS Basis</b>		
Property, Plant and Equipment	96.919	84.274
Investment Properties	94.924	55.170
Intangible Assets	1.160	0.240
Long Term Debtors	14.487	3.745
Long Term Investments	7.500	-
<b>Total Additions to Assets on IFRS Basis</b>	<b>214.990</b>	<b>143.429</b>
Revenue Expenditure Funded from Capital under Statute	5.216	4.567
<b>Total Expenditure to be Financed from Capital Sources</b>	<b>220.206</b>	<b>147.996</b>
<b>Financing</b>		
Capital receipts	(15.463)	(23.376)
Government grants and other contributions	(37.279)	(31.307)
Sums set aside from revenue	(34.374)	(26.800)
<b>UNDERLYING BORROWING REQUIREMENT IN YEAR</b>	<b>133.090</b>	<b>66.513</b>

#### 4.7.13 Capital Financing Requirement (CFR)

The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be repaid. The CFR is also used to calculate the statutory minimum charge for debt repayment known as the Minimum Revenue Provision.

Where capital expenditure is financed by borrowing, the expenditure results in an increase in the CFR. Further adjustments are made to include assets acquired under PFI contracts included in the Balance Sheet, and provisions for debt repayment included in the funding basis in the table below:

	2017/18 £m	2018/19 £m
<b>Opening Capital Financing Requirement</b>	<b>1,280.545</b>	<b>1,369.830</b>
Increase in underlying need to borrow:		
Unsupported by government financial assistance	133.090	66.513
Statutory Minimum Revenue Provision	(27.488)	(28.392)
Voluntary Revenue Provision	-	(7.851)
Voluntarily Set Aside Capital Receipts	-	(13.672)
PFI Liability Discharged	(17.947)	(7.017)
New Capital Loans not financed by Unsupported borrowing	0.541	-
Other Items	1.089	(3.369)
<b>CLOSING CAPITAL FINANCING REQUIREMENT</b>	<b>1,369.830</b>	<b>1,376.042</b>

#### 4.7.14 Private Finance Initiatives and Similar Contracts

The Council has four PFI arrangements which have been recognised on the Council's Balance Sheet:

##### **NET**

The Council reached financial close on NET Phase Two in December 2011. This PFI arrangement was to incorporate an additional two tram lines within the City's current tram network. The additional two tram lines became operational August 2015.

The concession agreement runs from 15 December 2011 to 20 March 2034. At the end of the contract the title to the property transfers to the Council (or a continuing concessionaire) at nil cost with the assets in a satisfactory condition for its continued operational use.

##### **Building Schools for the Future (BSF)**

The Council received handover of two PFI schools, Big Wood Phase 1 / Oak Field in 2009/10, Big Wood Phase 2 in 2010/11. The contract for these PFI schools will end in 2034.

A further PFI school, Farnborough School was handed over in 2013/14, the land element being recognised as an operational asset in 2014/15. The PFI contract for Farnborough School expires August 2038.

Upon expiry of the contract terms, all assets under this programme will be passed back to the City Council.

##### **Local Improvement Finance Trust (LIFT) Joint Service Centres**

The Council has completed two new Joint Service Centres located in Hyson Green and Bulwell and have been procured using the LIFT vehicle in partnership with NHS

## Section 4 – Notes to the Financial Statements

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Nottingham City. The Council has recognised its share of occupancy of both sites on the Balance Sheet.

The contract expiry and the asset treatment are as follows:

- Mary Potter Centre (Hyson Green), contract expires October 2032. The Council does not have an option to purchase the asset when the contract expires.
- Bulwell Riverside (Bulwell), contract expires October 2036 at which time the Council has an option to purchase the asset.

Clifton Cornerstone Joint Service Centre was procured in 2007. This arrangement has been treated as an operating lease so is excluded from the Council's Balance Sheet and the PFI tables shown below.

### **Street Lighting Contract**

In May 2010 the Council entered into a PFI arrangement for Street Lighting. The first five years of the contract provided for the replacement of outdated lighting columns, together with modifications to other columns that have an acceptable residual life. The contract also allows for adjustments and operation and maintenance of the street lighting network.

The contract expires August 2035 when the assets will revert back to the City Council at nil cost.

### **Future Contractual Payments**

The next table shows the Council's future contractual payments. The future Service Charge payments are estimated using the Service Charge payments incurred during 2018/19, which are then inflated using the inflation rate implicit with each PFI arrangement:

## Section 4 – Notes to the Financial Statements

	2019/20	2020/21 - 2023/24	2024/25 - 2028/29	2029/30 - 2033/34	2034/35 - 2038/39	Total
	£m	£m	£m	£m	£m	£m
<b>NET</b>						
Repayment of Liability	6.598	28.770	31.879	36.205	-	<b>103.452</b>
Interest Charges	12.486	41.477	31.042	9.984	-	<b>94.989</b>
Service Charges	20.466	87.111	121.713	137.707	-	<b>366.997</b>
<b>NET Unitary Charge</b>	<b>39.550</b>	<b>157.358</b>	<b>184.634</b>	<b>183.896</b>	<b>-</b>	<b>565.438</b>
<b>BSF</b>						
Repayment of Liability	1.430	7.724	12.734	17.064	7.003	<b>45.955</b>
Interest Charges	3.487	12.577	11.812	6.106	0.972	<b>34.954</b>
Service Charges	3.342	14.224	19.874	22.485	9.653	<b>69.578</b>
<b>BSF Unitary Charge</b>	<b>8.259</b>	<b>34.525</b>	<b>44.420</b>	<b>45.655</b>	<b>17.628</b>	<b>150.487</b>
<b>LIFT</b>						
Repayment of Liability	0.484	2.284	3.424	4.254	2.083	<b>12.529</b>
Interest Charges	1.059	3.827	3.667	2.118	0.395	<b>11.066</b>
Service Charges	1.169	4.976	6.951	7.126	2.466	<b>22.688</b>
<b>LIFT Unitary Charge</b>	<b>2.712</b>	<b>11.087</b>	<b>14.042</b>	<b>13.498</b>	<b>4.944</b>	<b>46.283</b>
<b>Street Lighting</b>						
Repayment of Liability	1.128	5.917	12.004	11.253	6.586	<b>36.888</b>
Interest Charges	3.888	14.140	13.078	6.646	0.541	<b>38.293</b>
Service Charges	2.127	8.785	11.600	23.138	5.156	<b>50.806</b>
<b>Street Lighting Unitary Charge</b>	<b>7.143</b>	<b>28.842</b>	<b>36.682</b>	<b>41.037</b>	<b>12.283</b>	<b>125.987</b>
<b>TOTAL CHARGES</b>	<b>57.664</b>	<b>231.812</b>	<b>279.778</b>	<b>284.086</b>	<b>34.855</b>	<b>888.195</b>

N.B. The table excludes Clifton Cornerstone LIFT JSC which is classified as an operating lease.

### Liabilities resulting from PFI arrangements

The following table shows the value of liabilities resulting from PFI arrangements and the in year movements.

	2017/18		2018/19			
	Total £m	BSF £m	NET £m	LIFT £m	Street Lighting £m	Total £m
<b>Opening balance at 1 April</b>	<b>223.787</b>	47.207	107.757	12.975	37.902	<b>205.841</b>
Repayment of Liability	<b>(17.946)</b>	(1.252)	(4.305)	(0.446)	(1.014)	<b>(7.017)</b>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>205.841</b>	<b>45.955</b>	<b>103.452</b>	<b>12.529</b>	<b>36.888</b>	<b>198.824</b>

#### 4.7.15 Trust Funds

The Council acts as sole trustee for a number of trust funds. The funds do not represent assets of the Council and, therefore, have not been included in the Council's single entity accounts. However, as the Council acts as sole trustee for the Bridge Estate Trust their accounts are consolidated into the Council's group accounts (section 6). The Bridge Estate Trust holds net assets of £29.085m (£27.675m at 31 March 2018) with a turnover of £2.260m (£2.199m 2017/18), primarily from the rental of investment properties. The Trust was established for the repair and maintenance of Trent Bridge and the construction of new bridges over the River Trent.

The Council is also sole trustee for a number of other Trusts whose net assets total £1.216m (£1.149m as at 31 March 2018) with a turnover of £0.407m (£0.391m

## Section 4 – Notes to the Financial Statements

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2017/18). These Trusts are not consolidated into the Council's group accounts on the basis of materiality. They include:

- Harvey Hadden Stadium and Highfields Leisure Park, for the provision of public recreation and pleasure grounds.
- Hanley and Gellestrop, which provides 9 almshouses to accommodate the poor.
- Nottingham Aged Persons Trust, George Pendry's Fund, Church and Poor's Charity which provide benefit for the poor and elderly.
- Abbott Brown Fund, established to enable a doctor from Ljubljana Hospital to study medicine in the United Kingdom.

### 4.7.16 Contingent Liabilities

At 31 March 2019, the Council has the following contingent liability that could exceed a materiality level of £5m:

#### Insurance Claims

A contingent liability exists for insurance claims that pre-date the coverage provided by the Insurance Provision. There are some claims that will be submitted dating back to the 1950/1960's and will be high value complex claims where insurers cannot be traced. These claims are increasing with developments in child abuse and disease claims. Should no insurer be traced, or an insurer refuses an indemnity, the costs would have to be met from the provision.

In addition there will be a number of incidents that have been incurred but not yet reported (IBNR) as claims. These IBNR's may need to be self-funded if they fall outside the scope of insurance cover, fall within current or historic excess levels, or be in periods where insurers are untraceable. The severity, value and number of IBNR cases are unknown.

### 4.7.17 Nature and Extent of Risks arising from Financial Instruments

The Council's activities potentially bring exposure to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet commitments to make payments.
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that the Council could incur financial loss as a result of changes, for example, in interest rates or equity prices.

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These must comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall, the procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice.
- By approving, annually in advance, prudential indicators for the following three years which limit:
  - The Council's overall borrowing.
  - Its maximum and minimum exposure to fixed and variable rates.
  - Its maximum and minimum exposure in the maturity structure of its debt.
  - Its maximum annual exposure to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties, in compliance with the Government Guidance.

These procedures are required to be reported and approved at a meeting of the Council, which also sets the annual Budget and Council Tax. The procedures are included within an annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Councillors.

The Council maintains written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices. This framework is a requirement of the Code and is regularly reviewed.

### **Credit Risk**

Credit risk arises from the Council's financial investments with banks and other financial institutions, as well as credit exposures to non-financial investments such as loans to third party organisations and credit exposures to the Council's customers. The credit risk exposure on financial investments is minimised through the principles set out in the Annual Investment Strategy. These state that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long term credit rating, the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council takes other factors into account including credit default swap and equity prices when selecting commercial entities for investment.

The Annual Investment Strategy sets a limit on the amount to be invested with a financial institution located within each category.

The adopted credit criteria in respect of financial assets held by the Council in 2018/19 are:

- Minimum credit ratings – a minimum long-term credit rating of A- (or equivalent) except for UK local authorities.
- Individual cash limits on unsecured investments – a limit of £10m per eligible counterparty except the UK Central Government.
- Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds Bank), individual limits will also apply to the group as a whole.
- Country limits – other than UK institutions, a total investment limit for all counterparties in a particular country. No more than £10m will be placed with any one country.

## Section 4 – Notes to the Financial Statements

- Money Market Funds – individual cash limit of £10m with any one fund and an overall limit of £50m for all Money Market Funds.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £90.600m at 31 March 2019 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

### Credit Risk Exposure

The following table summarises the value of the Council's financial investment portfolio and the exposure to non-financial investments and debtors at 31 March 2019. This confirms that all financial investments were made in line with the approved credit rating criteria:

Credit Rating	Credit Rating	Gross Carrying Amount £m
12-month expected credit losses	AAA	33.100
	AA	-
	A	-
	BBB	-
	Unrated local authorities	57.500
	Unrated loans to 3rd parties	33.127
Significant increase in credit risk since initial recognition	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	20.965
Credit impaired	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	-
Simplified approach*	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated other	142.031

\* For debtors, contract assets and lease receivables, but excludes statutory debtors for example Council Tax and NNDR

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit

risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Where the council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis it has assessed losses on a collective basis based on local experience.

### **Amounts Arising from Expected Credit Losses**

From the above credit risk exposures the expected loss allowance as at 1 April 2018 was nil and at 31 March 2019 the Council has £10.808m on loans to third parties using the Lifetime Expected Credit Loss assessment and £1.950m on other debtors using the simplified Lifetime Expected Credit Loss assessment.

### **Collateral**

The Council initiates a legal charge on property or company assets, for instance, as part of a loan agreement. The total collateral at 31 March 2019 was £25.756m.

### **Liquidity Risk**

The Council has ready access to borrowings from the Money Markets and other local authorities to cover day to day cash flow need. Whilst PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures as required by the Code of Practice.

The council's deposits with financial institutions such as banks, money market funds and deposits with other local authorities total £90.600m at 31 March 2019. All are held with maturity dates of less than 12 months.

### **Refinancing and Maturity Risk**

The Council maintains a significant debt and investment portfolio. The risk in managing exposure when replacing financial instruments as they mature is that they may be refinanced at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that the approved prudential indicator limits the Council's borrowing that is due to mature in any given period.

The Council approved Treasury and Investment Strategies address the main risks and the central treasury team addresses the operational risks within these approved parameters. Measures include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.

## Section 4 – Notes to the Financial Statements

- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day-to-day cash flow needs.

The maturity analysis of the principal element of financial liabilities at 31 March 2019 is:

	31 March 2018 £m	31 March 2019 £m
Less than 1 year	64.366	76.451
1 to 2 years	31.187	26.224
2 to 5 years	90.721	73.301
5 to 10 years	130.035	128.242
10 – 25 years	159.984	130.350
25 – 40 years	169.673	169.672
40 – 70 years	219.000	349.000
Irredeemable	0.619	-
<b>TOTAL</b>	<b>865.585</b>	<b>953.240</b>

All trade and other creditors are payable in less than one year and are not shown in the above table.

### Interest Rate Risk

The Council is exposed to risk in terms of exposure to interest rate movements on borrowings and investments. Movements in interest rates have a wide and complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates or short term borrowings – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the prudential indicators and expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Market and forecast interest rates are monitored within the year, to adjust exposures appropriately.

The 2018/19 strategy allowed for a maximum exposure to variable interest rates of £300m.

According to this assessment strategy, at 31 March 2019, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	31 March 2019 £m
Increase in interest payable on variable rate borrowings	0.584
Increase in interest receivable on variable rate investments	(0.331)
Impact on Surplus or Deficit on the Provision of Services	0.253
Share of overall impact debited to the HRA	(0.178)
<b>IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>0.075</b>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £12.895m in a number of joint ventures and in local industry, as at 31 March 2019. These holdings are generally illiquid and are shown in the balance sheet at cost less impairment. The main equity holdings are in Nottingham City Transport Ltd, Robin Hood Energy Ltd and Blueprint (General Partner) Ltd which are all shown at cost less impairment within the Council's group accounts. The Council is exposed to losses arising from movements in the value of these holdings. As the holdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The value of shares held in Robin Hood Energy Ltd was impaired by £7.500m to nil in 2018/19.

## 4.8 Accounting Standards issued but not adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2018/19 Code, and which came into effect from or before 1 January 2019.

The following standards are being introduced in the 2019/20 Code:

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

These are not expected to have a material effect on the Statement of Accounts next year.

## 4.9 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in note 4.1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Any post balance sheet adjustments made to the accounts and disclosure notes, as a result of additional information received on conditions existing at the balance sheet date have been made in line with existing accounting policies.

The critical judgements made in the Statement of Accounts are:

- There are a number of other different types of schools in Nottingham. The Council recognises schools in line with the provisions of the Code and consequently, schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. As a result, each type of school has been separately assessed for inclusion on the Council's Balance Sheet. The table below summarises the treatment for each type of school:

School Type	Balance Sheet Treatment
LEA Maintained	On
Academy	Off

- When a school that is held on the Council's balance sheet transfers to Academy status this is recorded as a de-recognition for nil consideration with the assets transferring to the Academy under a finance lease arrangement.

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction, whilst the Academy is constructed. Once the construction is complete the Asset is transferred to Other Land and Buildings and, on the date of transfer to Academy the Council records this as a de-recognition for nil consideration.

- The Council has entered into a partnership arrangement with Leicestershire County Council to provide financial and human resources services. The partnership, East Midlands Shared Services, is a formal local government joint committee which is formed and operates under S102 of the Local Government Act 1972. Such a joint committee has no legal responsibility and has been judged to be a jointly controlled operation with the Council's share of revenue, expenditure, assets and liabilities shown in the single entity financial statements in section 3.
- The Council has produced a set of group accounts after carrying out a full review of all related organisations to evaluate whether the Council has the necessary material financial interest and/or level of control required for inclusion the Group.
- 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 yet sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

## 4.10 Assumptions about the Future and other Major Sources of Estimation

The preparation of the financial statements requires the Council to make estimates and assumptions that affect the application of policies and reported amounts. Although these are continually evaluated and are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances, actual results may differ from these estimates. The estimates and assumptions which have a significant effect on amounts recognised in the financial statements are as follows:

- PPE – Assets are depreciated over their useful lives, this being dependant on assumptions about the level of repairs and maintenance applied to individual assets. The current economic climate creates uncertainty about the future levels of 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 asset falls. It is estimated that the annual depreciation charge for buildings excluding Council dwellings would increase by £1.448m for every year that useful lives had to be reduced. Further details can be found in note 4.4.1.
- Post-Retirement Benefits – Estimation of the net liability to pay pensions is dependent on a number of complex judgements relating to the discount rate used, for example 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 expert advice about the assumptions to be applied. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 4.4.13 and the Sensitivity Analysis in section 7.2.1 for further details.

There was a triennial valuation of the fund by the scheme actuary in March 2016. The purpose of this was to set the level of employer contributions necessary for the next three years (1 April 2017 to 31 March 2020) to make good any fund deficit over the remaining working life of the employees.

The next triennial valuation took place as at 31 March 2019 and will set contributions for the period 1 April 2020 to 31 March 2023.

- PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases the Council has estimated the implied interest rate within the leases in order to calculate interest and principal payments. In addition all PFI models (excluding the NET PFI) include an estimated Retail Price Index (RPI) increase on the unitary charge. Should RPI be higher than currently estimated by 0.5% this would increase the following years unitary payment by circa £0.090m that financial year. This would then increase the base position for subsequent years RPI adjustments.

## 4.11 Events after the Reporting Date

The Chief Financial Officer authorised the Statement of Accounts on 26 March 2021. Events taking place after this date are not reflected in the financial statements or notes.

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### **Adjusting Post Balance Sheet Events:**

For any material events after the balance sheet date of 31 March 2019 that provide additional evidence of conditions existing at the balance sheet date, the figures in the financial statements and notes have been adjusted to reflect the impact of this information.

Since 1 April 2019, there have been a number of developments in RHE, which have impacted on the overall assets, and liabilities of the Council. RHE have been provided with further loans of £9.4m in October 2019 to support RHE's payments to Ofgem for Receivable Obligation Certificates and a further £2.7m in February 2020 to assist with cash flows.

The Council has also increased the financial guarantees to wholesale suppliers to £16.5m. In addition, the level of guarantee has risen from 80% to 100%.

The Council issued a Letter of Comfort to RHE on 11 March 2020 based on a review of the Directors Assessment of Going Concern and underpinning assumptions supported by an examination of the rolling twelve month forecast. The letter confirmed that the Council would continue to support RHE to a maximum of £12.5m in meeting the ongoing working capital and cash flow requirements.

### **Non-adjusting Post Balance Sheet Events:**

The financial statements and notes have not been adjusted for the following events that took place after 31 March 2019, as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

#### **Robin Hood Energy**

On the 11 August 2020, NCC's external auditor published a Report in the Public Interest concerning NCC's governance of Robin Hood Energy. The Council is meeting its requirements under the Local Accountability and Audit Act 2014 by media statements and public notices, including publishing the report on its website allowing for public inspection, and communicating with internal and external stakeholders. Notice was issued of the full Council meeting on 27th August to consider the report's findings and the proposed action plan (Appendix 2). Following this meeting, the Council formally responded to the external auditor and MHCLG.

In particular, the Public Interest Report states that:

There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in RHE.

There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information.

The Local Government Act 1999 duty of "best value" requires councils 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 addressing that duty, the Council needs to be a learning organisation that focuses on improvement and development, is open to challenge, and is dynamically accountable to the citizens of Nottingham. As part of this commitment, the Council sought support from outside bodies in how best to respond to the recommendations. It engaged with bodies such as the Local Government Association and CIPFA to assist with its improvement journey. The Council has been involved in the national peer review programme which is delivered by the Local Government Association. A

return visit is due within the next 12-18 months. Consideration will be given as to how a return visit could support the work outlined in Appendix to address the external auditor's recommendations.

The Council's proposed response fully accepts the findings and recommendations and proposes a number of additional actions to further support the external auditor's recommendations, and to secure the necessary improvements required. Accountability for its delivery jointly rests with the Leader of the Council and the Chief Executive designate. They will both work closely with the Executive, the Overview and Scrutiny Committee, the Audit Committee and Chief Officers.

This will include quarterly reports to the Executive Board and full involvement of Overview and Scrutiny and the Audit Committee in overseeing the implementation of the Action Plan. Regular reports will be provided to the External Auditor and MHCLG on progress. There will be a report back to full Council at the September 2021 meeting on progress against the Action Plan.

Prior to the external auditor's report the following actions had been started:

Establishment of a fortnightly Robin Hood Energy Steering Group chaired by the Leader.

The replacement of the Council's Shareholder Representative.

Joint action with the new Chair of the Robin Hood Energy Board, to strengthen the Board with a Councillor who is a qualified accountant and more legal and administrative support and expertise.

The suspension of senior staff at Robin Hood Energy.

The appointment of industry experts and a new management team to lead the company, to bring a fresh approach to governance.

The establishment of a Companies' Governance Executive Sub-Committee to strengthen the Council's approach to governance across the authority.

A strategic review to consider all options for the future of Robin Hood Energy Ltd.

Following the strategic review it was decided that the Council should dispose of its interest in Robin Hood Energy. As part of this process the customer base has been sold to British Gas and the company entered administration on 5th January 2021 pending resolution of the remaining business affairs.

All the actions agreed as part of the Report in the Public Interest (PIR) have been incorporated in the Recovery & Improvement Plan including to review lessons to be learnt from the Council's involvement with RHE.

### **Ministry of Housing, Communities and Local Government (MHCLG) Non-Statutory Review**

MHCLG commissioned a rapid non-statutory review (NSR) of the Council undertaken by Max Caller CBE. The review commenced on 27 October 2020 and was completed by the end of November 2020. The decision to carry out the review was taken by the Secretary of State for Housing Communities and Local Government following issues raised in the PIR.

As a result of the NSR the Council set out and agreed in January 2021 a Recovery and Improvement Plan. All the actions agreed as part of the PIR have been incorporated in the Recovery and Improvement Plan including to review lessons to be learnt from the Council's involvement with RHE.

## Section 4 – Notes to the Financial Statements

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The Secretary of State has responded by establishing an Improvement and Assurance Board, chaired by Sir Tony Redmond.

More details can be found in the Annual Governance Statement.

The Recovery and Improvement Plan can be found here:

<https://www.mynottinghamnews.co.uk/wp-content/uploads/2021/01/Improvement-Plan-New-Version-v-6.3.pdf>

### COVID-19

The response to the COVID-19 pandemic has resulted in immediate and significant financial implications for the local economy, communities and citizens as well as the Council itself. The longer-term impact of COVID-19 in Nottingham will continue to emerge over time and will need to continue to be assessed, monitored and responded to.

A considerable amount of work has been undertaken throughout the Council to assess the overall financial impact of COVID-19. Current estimates have the caveat that some assumptions are easier to determine for e.g. lost income whereas others are more difficult to estimate due to the number of variables involved, for e.g. the length of the of the lockdown period and the impact on Council Tax, Business Rates and Universal Credit Claimants. These will affect 2021/22 and potentially beyond.

Current estimates show that the financial impact defined as lost income, increased expenditure and savings that can no longer be delivered totals approximately £79.1m. Taking into account the total of Government grants received to date of £50.0m, the Council is facing an un-funded COVID-19 estimated impact of £29.0m.

The financial impact of Covid-19 on Property valuations since 1 April 2019 has been considered but an estimate cannot be made at this point in time due to the unprecedented circumstances on which to base a judgement. Fewer transactions taking place means that there is less market evidence and comparisons to provide definitive price guidance at this time. The same consideration applies in relation to the directly-held property assets of the Nottinghamshire Pension Fund, the valuation of which feeds through into the net pension liability on the City Council's balance sheet.

As Covid-19 only started to make a notable impact in the last two weeks of March 2020, it has no material impact on the accounting period ending 31 March 2019.

The Council has prioritised protection of its citizens and employees during the COVID-19 recovery noting a disproportionate impact on BAME. The COVID work streams led the response and recovery to the pandemic. Risk assessments with mitigations were completed for Covid specific risks and departments identified and managed existing risks impacted by the pandemic through their established risk management processes. Regular communication was provided to citizens and employees to advise of the live situation and the Council continues to monitor government guidance, assess impact on citizens and employees and complete detailed risk assessments for any reinstatement of services with particular regard for BAME staff and citizens.

The Council is working closely with the NHS, Nottinghamshire County Council and the District and Borough Councils to develop local arrangements, with aligned operating procedures and shared structures where possible, and is working with other partners and the Local Resilience Forum. The Council has actively engaged and communicated with communities.

The Council has published a Local Outbreak Control Plan that sets out how we will prepare for future outbreaks of Covid-19 in Nottingham and will continue to monitor government guidance and assess impact on citizens and employees.

### **Going Concern**

The draft Statement of Accounts published in July 2019 was prepared on the going concern assumption. Given the events, which have occurred since then, the going concern assumption has been reassessed.

The City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding as a result of austerity policies. Alongside this reduction in grant income, there is increased demand for services, notably for Adult Social Care and Children in Care. In the period from 2010/11 to 2019/20, the Council has had to make cumulative savings totalling £271.4m and a further £15.623m of savings are included in the 2020/21 budget. Pre COVID-19, the Council was facing a number of other significant financial risks relating to historic events, Group companies and funding requirements for the Capital Programme.

The 2020/21 Budget and Medium Term Financial Plan (MTFP) was approved by Full Council on 9 March 2020, prior to the COVID-19 pandemic. Since the start of the pandemic the financial strain this has had on Councils across the country has been widely reported; this is the same for Nottingham City Council, in terms of increased expenditure, lost income and the impact on existing budget savings. In addition, the Council experienced significant financial exposures in respect of its interest in Robin Hood Energy which will crystallise following the company entering into administration in January 2021. A number of other council owned companies have also experienced challenging trading conditions largely resulting from the effects of the pandemic. It is important to note that the Council could have had more alternatives to deal with those issues had the COVID-19 operating context not placed the financial flexibility of the Council under such severe strain. The impact of COVID-19 alone left the Council facing a shortfall in funding of £65.7m.

However the Council has responded to those challenges and has reported the financial impact on the 2020/21 budget to June and July Executive Boards. The scale of the impact and the statutory requirement to set a balanced budget led the then S151 Officer to recommend setting an Interim Budget for 2020/21; this was approved by September 2020 Executive Board and October 2020 Full Council.

The Ministry of Housing, Communities and Local Government (MHCLG) has instigated a monthly reporting requirement for Local Government to capture the financial impact of COVID-19. The first return was submitted in mid-April 2020, with subsequent returns in May and June. The initial assessment provided to MHCLG in April assumed that the impact of COVID-19 would be limited to a three-month period. However, it became clear with the May submission that the impact was likely to be for at least six months and in some cases for e.g. commercial activities for the whole year. This means that without additional funding forthcoming from Central Government, changes to local services will be inevitable if the Council's budget is to remain balanced in the medium term.

There is an ongoing continuous appraisal of the financial situation of the companies who are all providing regular enhanced financial monitoring information. Recently announced Government funding to support the entertainment sector will hopefully benefit group companies and some of the internal traded activities. The additional

## Section 4 – Notes to the Financial Statements

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funding is under review and any financial impact will be modelled and incorporated into updated monitoring information.

Taking into consideration the above factors, the Statement of Accounts ending 31 March 2019 continues to be prepared under the going concern assumption.

### **Broadmarsh shopping centre**

Concerns regarding delivery of the Greater Broadmarsh Redevelopment on time and within budget were identified due to INTU financial pressures and a shortfall in funding as a result of Council budget measures. Post balance sheet, this issue deteriorated as work stopped on the BMSC site due to Covid measures and INTU went into administration and its subsidiary relinquished the BMSC lease. NCC now has full control and responsibility for the site. The programme has had close management with regular updates taking place and a Programme Management and Framework approach has been developed around future vision and plans for Broadmarsh centre. In February 2021 an independent advice panel of experts was established who have been tasked to help the council build an ambitious vision to transform the site.

It has not been possible to estimate the financial impact at this stage but the Council intends working with partners to ensure that the eventual solution for the site does not place further strain on the Council's financial position.

### **Supreme Court ruling in McCloud/Sargeant case**

Please refer to Section 7.2.1 for further information.

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published.

# Section 5

# SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

## 5.1 Housing Revenue Account (HRA)

### 5.1.1 Housing Revenue Income and Expenditure Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from Council Tax.

	2017/18 £m	2018/19 £m
<b>Expenditure</b>		
Repairs and maintenance	30.439	30.164
Supervision and Management	28.444	29.976
Rents, rates, taxes and other charges	3.002	0.194
Depreciation and impairment of non-current assets	27.925	19.170
Debt management costs	0.064	0.052
Movement in the allowance for bad debts	1.012	-
Exceptional revaluation gain on HRA Council dwellings	(51.181)	(43.541)
<b>Total Expenditure</b>	<b>39.705</b>	<b>36.015</b>
<b>Income</b>		
Dwelling Rents	(96.362)	(96.357)
Non Dwelling Rents	(3.294)	(3.391)
Charges for Services and Facilities	(7.197)	(7.892)
Contributions Towards Expenditure	-	(0.001)
<b>Total Income</b>	<b>(106.853)</b>	<b>(107.641)</b>
<b>Net Cost of HRA Services as included in the CIES</b>	<b>(67.148)</b>	<b>(71.626)</b>
HRA services' share of Corporate and Democratic Core	0.035	0.035
<b>NET COST FOR HRA SERVICES</b>	<b>(67.113)</b>	<b>(71.591)</b>
<b>HRA Share of the Operating Income and Expenditure included in the CIES</b>		
Fixed Asset Derecognition	3.663	4.033
Gain or (loss) on sale of HRA non-current assets	(3.938)	(3.059)
Interest payable and similar charges	12.159	13.577
Interest and Investment Income	(0.354)	(0.306)
<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>(55.583)</b>	<b>(57.346)</b>

## Section 5 – Supplementary Financial Statements and Notes

### 5.1.2 Movement on the HRA Statement

	2017/18 £m	2018/19 £m
<b>Balance on HRA at the start of the Year</b>	<b>4.359</b>	<b>4.402</b>
Surplus or (deficit) for the year	55.583	57.346
Adjustments between accounting basis and funding basis	(55.540)	(53.652)
<b>Increase or (Decrease) in Year on the HRA</b>	<b>0.043</b>	<b>3.694</b>
<b>BALANCE ON THE HRA AT THE END OF THE YEAR</b>	<b>4.402</b>	<b>8.096</b>

### 5.1.3 Notes to the HRA Financial Statements

#### 5.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

	31 March 2018 Number	31 March 2019 Number
<b>Houses and Bungalows</b>		
1 Bedroom	1,039	1,047
2 Bedroom	5,806	5,756
3 Bedroom	9,652	9,443
4 or more Bedrooms	501	491
<b>Flats</b>		
1 Bedroom	7,207	7,535
2 Bedroom	1,476	1,138
3 or more Bedrooms	127	125
<b>TOTAL</b>	<b>25,808</b>	<b>25,535</b>

#### 5.1.3.2 Valuation of Housing Assets

The value of land, houses and other property within the HRA is as follows:

	Value at 31 March 2018 £m	Value at 31 March 2019 £m
<b>Operational Assets</b>		
Council Dwellings	921.179	1,000.216
Other Land and Buildings	7.761	10.206
Assets Under Construction	13.146	7.658
Surplus Assets not held for sale	0.376	0.633
Investment Properties	0.988	0.992
Infrastructure	27.311	28.461
<b>TOTAL VALUE OF ASSETS</b>	<b>970.761</b>	<b>1,048.166</b>

#### 5.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2019 was £2,381.467m (1 April 2018 £2,193.285m). The Balance Sheet value of dwellings

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was £1,000.216m. The difference of £1,381.251m between the vacant possession valuation and the balance sheet value reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. Operational assets in a commercial environment are required to earn a rate of return. The value placed on such assets will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for this purpose will be reduced.

External valuer Freeman and Mitchell completed a valuation of the housing stock as at 31 March 2019.

### 5.1.3.4 The Major Repairs Reserve

The purpose of this reserve is to earmark funding to provide for the long-term maintenance of the housing stock. Movements on the reserve were as follows:

	2017/18 £m	2018/19 £m
<b>Balance Brought Forward</b>	<b>(10.292)</b>	<b>(13.962)</b>
Credits - Depreciation on HRA Assets	(27.785)	(18.765)
Credits - Additional credit to the MRR	-	(10.813)
Debits - Capital Expenditure	24.115	26.339
<b>BALANCE AT END OF YEAR</b>	<b>(13.962)</b>	<b>(17.201)</b>

### 5.1.3.5 Capital Expenditure

Capital expenditure of £42.116m (£53.396m in 2017/18) in respect of HRA assets was financed from a range of sources in 2018/19. This is set out below:

	2017/18 £m	2018/19 £m
<b>CAPITAL EXPENDITURE</b>	<b>53.396</b>	<b>42.116</b>
<b>Financed By:</b>		
Capital Receipts Reserve	6.671	10.354
Major Repairs Reserve (MRR)	24.115	26.339
Direct Revenue Financing*	3.717	-
Other Capital Grants and Contributions	3.749	0.608
Borrowing	15.144	4.815
<b>TOTAL FINANCING</b>	<b>53.396</b>	<b>42.116</b>

\* The debit under item 2 of part II of Schedule 4 to the Local Government and Housing Act 1989

## Section 5 – Supplementary Financial Statements and Notes

### 5.1.3.6 Capital Receipts

Capital receipts of £16.961m (£19.427m in 2017/18) arose from the sale of land, houses and other property within the HRA in 2018/19. Of this total, £16.579m (£18.928m in 2017/18) related to the disposal of houses and flats under the right to buy scheme and £0.090m (no receipts in 2017/18) from the sale of vacant non-purpose built council houses.

	2017/18 £m	2018/19 £m
Land	0.131	0.292
Houses	18.928	16.669
Other Property	0.368	-
<b>TOTAL</b>	<b>19.427</b>	<b>16.961</b>

### 5.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2018/19 as follows:

	2017/18 £m	2018/19 £m
Dwellings	26.126	16.999
Other Operational HRA Assets:		
Other Land and Buildings	0.119	0.124
Vehicles, Plant, Furniture and Equipment	0.014	(0.017)
Infrastructure and Community Assets	1.523	1.659
Surplus Assets not Held for Sale	0.003	-
<b>TOTAL</b>	<b>27.785</b>	<b>18.765</b>

In addition a debit of £0.004m (£0.005m in 2017/18) for amortisation was charged in the year.

### 5.1.3.8 Revaluations and Impairments during the Financial Year

£43.141m in respect of revaluation gains have been credited to the HRA during the year (£51.046m in 2017/18). £43.541m of this amount related to a revaluation gain on Council Dwellings, mainly due to a move to existing use valuation rather than componentisation method, plus an increase to market values and higher value new build properties.

There were no donated assets within the year.

A de-recognition write out of £4.033m (£3.663m in 2017/18) was made to reflect the residual value of assets replaced.

The revaluation of investment properties has resulted in a debit of £0.016m (£0.096m credit in 2017/18).

### 5.1.3.9 Rent Arrears and the Balance Sheet provision in respect of Collectable Debts

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £4.967m at 31 March 2019 (£4.823m at 31 March 2018). A total loss allowance (previously called bad debt provision) of £4.384m has been established at 31 March 2019 (£4.460m at 31 March 2018).

### 5.1.3.10 Average Rent for HRA Dwellings

Year	Average Rent £
2008/09	56.04
2009/10	57.98
2010/11	59.39
2011/12	63.73
2012/13	67.37
2013/14	71.13
2014/15	76.46
2015/16	77.72
2016/17	76.96
2017/18	76.43
2018/19	75.52

The average rent figures have been calculated on a 50-week basis and exclude service charges.

## Section 5 – Supplementary Financial Statements and Notes

### 5.2 Collection Fund

#### 5.2.1 Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic Rates (NNDR).

	2017/18		2018/19	
	Total £m	NNDR £m	Council Tax £m	Total £m
<b>INCOME</b>				
Council Tax Receivable	(124.456)	-	(132.742)	(132.742)
Business Rates Receivable	(132.831)	(143.604)	-	(143.604)
<b>TOTAL INCOME</b>	<b>(257.287)</b>	<b>(143.604)</b>	<b>(132.742)</b>	<b>(276.346)</b>
<b>EXPENDITURE</b>				
<b>Precepts, Demands and Shares</b>				
Central Government	68.866	68.328	-	68.328
Police Authority	11.623	-	12.776	12.776
Fire Authority	6.148	1.367	5.068	6.435
Nottingham City Council	168.436	66.961	110.407	177.368
<b>Charges to Collection Fund</b>				
Write offs of uncollectable amounts	3.966	0.489	1.992	2.481
Increase /Decrease (-) in allowance for non-collection	1.431	1.434	1.049	2.483
Increase /Decrease (-) in Provision for Appeals	(5.185)	(4.661)	-	(4.661)
Cost of Collection	0.493	0.493	-	0.493
Interest charged on Cost of Collection	0.002	-	-	-
<b>Apportionment of previous year's estimated Collection Fund Surplus</b>				
Police & Crime Commissioner	0.442	-	0.371	0.371
Central Government	(4.293)	1.747	-	1.747
Nottinghamshire Fire & Rescue Service	0.096	0.035	0.152	0.187
Nottingham City Council	(0.480)	1.711	3.221	4.932
<b>TOTAL EXPENDITURE</b>	<b>251.545</b>	<b>137.904</b>	<b>135.036</b>	<b>272.940</b>
Movement on the Collection Fund Balance	(5.742)	(5.700)	2.294	(3.406)
(Surplus)/Deficit Brought Forward	0.940	(0.517)	(4.285)	(4.802)
Adjustment to (Surplus/Deficit Brought Forward)	-	0.317	-	0.317
<b>(SURPLUS)/DEFICIT CARRIED FORWARD</b>	<b>(4.802)</b>	<b>(5.900)</b>	<b>(1.991)</b>	<b>(7.891)</b>

## 5.2.2 Notes to Collection Fund Statement

### 5.2.2.1 National Non-Domestic Rates (NNDR)

The Council collects NNDR from local businesses based on the rateable value of their property multiplied by a business rate set nationally by Central Government. The Council retains 49% of the NNDR with the remainder distributed to Central Government (50%) and the Nottinghamshire Fire and Rescue Authority (1%).

	2017/18 £m	2018/19 £m
Rate in the pound	47.9p	49.3p
Total non-domestic rateable value per NNDR system	366.630	365.544
Gross Debit	175.616	180.213
Net debit after adjustments and reliefs	137.753	141.709

### 5.2.2.2 Council Tax

Council Tax is broadly based on the capital value of domestic property as estimated at 1 April 1991 and classified into 8 bands. Charges are calculated by dividing the preceptors' income requirements by the Council Tax base (the total number of properties in each band, adjusted for discounts and expressed as an equivalent number of Band D dwellings). This gives the basic amount of Council Tax for a band D property, which when multiplied by the specified proportion (as follows) will give the individual amount due.

	2017/18	2018/19
<b>Council Tax Base</b>	<b>63,368</b>	<b>65,389</b>
<b>Council Tax (Band D) Property</b>	<b>£1,851.74</b>	<b>£1,961.35</b>

Band	Average Number of Properties	Taxable Properties after discounts, exemptions and adjustments	Conversion Factor to Band D	Band D Equivalents
A	86,769	50,583	6/9	33,722
B	23,573	14,525	7/9	11,297
C	16,187	11,464	8/9	10,190
D	6,889	5,191	9/9	5,191
E	2,447	2,021	11/9	2,470
F	1,066	929	13/9	1,342
G	717	623	15/9	1,039
H	112	69	18/9	138

## Section 5 – Supplementary Financial Statements and Notes

### 5.2.2.3 Apportionment of Collection Fund Surplus/Deficit

The (surplus)/deficit on the closing balance of the Collection Fund as at 31 March is allocated as follows:

	2017/18		2018/19	
	Total £m	Council Tax £m	NNDR £m	Total £m
Nottingham City Council	(3.942)	(1.699)	(2.891)	(4.590)
Nottinghamshire Police Authority	(0.427)	(0.214)	-	(0.214)
Nottinghamshire Fire and Rescue Authority	(0.174)	(0.078)	(0.059)	(0.137)
Central Government	(0.259)	-	(2.950)	(2.950)
<b>TOTAL</b>	<b>(4.802)</b>	<b>(1.991)</b>	<b>(5.900)</b>	<b>(7.891)</b>

# Section 6

# GROUP FINANCIAL STATEMENTS AND NOTES

## 6.1 Introduction

The Accounting Code of Practice requires that where a local authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group financial statements. The financial statements in section 3 consider the Council only as a single entity, while the Group financial statements provide an overall picture of the Council's financial activities and the resources employed in carrying out those activities as a group. The Group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures for the Council's subsidiaries and jointly controlled entities.

The following pages include:

- Group Comprehensive Income and Expenditure Statement.
- Group Balance Sheet.
- Group Movement in Reserves Statement.
- Group Cash Flow Statement.
- Notes to the Group accounts.

## 6.2 Significant Judgements and Assumptions

The Council maintains relationships with a number of organisations over which it has varying degrees of control or influence. An assessment of all of these joint arrangements has been carried out to determine which of the following categories they fall under:

- Subsidiaries - where the Council is exposed, or has rights, to variable returns from its involvement with the organisation and has the ability to affect those returns through its power over the organisation i.e. control. These entities are included in the group.
- Associates – where the Council exercises a significant influence, having more than 20% of the voting power and has a participating interest. Where these are material they have been included in the group.
- Joint Venture – where the Council exercises joint control with one or more organisations and has rights to its net assets. Where these are material they have been included in the group.

## Section 6 – Group Financial Statements and Notes

- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

For each of the group entities, the group accounts include a share of the operating results, assets and liabilities. Subsidiaries are accounted for on an acquisition basis (line by line basis) with intra-group transactions written out. Associates/joint ventures are accounted for by including the Council's share of their net operating results and net assets (equity method of accounting).

For 2018/19 the financial details of these organisations have been consolidated within the group accounts where it is considered that those details have a material effect upon those accounts.

Details of the Council's relationship with each of these organisations are given in group accounts note 6.5.

The Council's Group includes Bridge Estate Trust, Enviroenergy Ltd, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Nottingham Revenues and Benefits Ltd, Robin Hood Energy Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd. The Group core statements have been completed using the audited accounts of these organisations. The accounts of Futures Advice, Skills and Employment Ltd show an accumulated net liability which has not been recognised in the Group core statements in accordance with IAS 28 'Investments in Associates and Joint Ventures' (see note 6.5.2).

The effect of including the related organisations on the summarised financial position is as follows:

	2017/18		2018/19	
	Single Entity Accounts £m	Group Accounts £m	Single Entity Accounts £m	Group Accounts £m
<b>Comprehensive Income and Expenditure (CIES):</b>				
(Surplus)/Deficit on Provision of Services	31.241	39.815	68.756	97.033
Other CIES	(239.756)	(244.651)	(188.586)	(202.791)
<b>Total CIES (Surplus)/Deficit</b>	<b>(208.515)</b>	<b>(204.836)</b>	<b>(119.830)</b>	<b>(105.758)</b>
<b>Balance Sheet:</b>				
Long Term Assets	2,910.572	2,969.087	2,996.734	3,071.535
Current Assets	134.060	165.580	232.540	253.966
Current Liabilities	(245.917)	(277.743)	(274.854)	(329.815)
Long Term Liabilities	(1,872.173)	(2,006.144)	(1,908.048)	(2,033.984)
<b>Nets Assets</b>	<b>926.542</b>	<b>850.780</b>	<b>1,046.372</b>	<b>961.702</b>
Usable Reserves	234.566	237.550	227.506	230.147
Unusable Reserves	691.976	613.230	818.866	731.555
	<b>926.542</b>	<b>850.780</b>	<b>1,046.372</b>	<b>961.702</b>
<b>Cash Flow Statement:</b>				
Net Cash Flows from Operating Activities	103.577	104.827	63.165	69.859
Investing Activities	(166.904)	(180.718)	(126.163)	(133.723)
Financing Activities	69.474	85.917	82.662	76.297
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>6.147</b>	<b>10.026</b>	<b>19.664</b>	<b>12.433</b>
Cash and Cash Equivalents at the beginning of the reporting period	20.016	35.356	26.163	45.382
<b>Cash and Cash Equivalents at 31 March</b>	<b>26.163</b>	<b>45.382</b>	<b>45.827</b>	<b>57.815</b>

### 6.3 Accounting policies used in preparing the Group Financial Statements

The financial statements produced by individual group entities have been realigned in order to ensure consistent accounting policies in the preparation of the group financial statements. These policies differ from those applicable to the Council's primary financial statements only in the following respects:

- The accounting policies of the group entities for Property, Plant and Equipment, and Investment Properties have been compared to those of the Council to assess whether there needs to be any realignment adjustments on consolidation. There are no material differences in these policies and so no consolidation adjustments have been made.
- Fixed assets held by group entities which are sufficiently specialist in nature not to fall within the scope of the Council's accounting policies are valued in accordance with the accounting policies of the individual entities.
- Any trust funds which the Council controls and which generate economic benefits, or deliver goods or services in accordance with the Council's objectives have been evaluated in terms of their impact on the group financial statements. Where this impact has been judged to be material the trust has been included.

## Section 6 – Group Financial Statements and Notes

### 6.4 Core Group Financial Statements

#### 6.4.1 Group Comprehensive Income and Expenditure Statement (Group CIES)

The purpose of this statement is explained in section 3.1 of the Council's single entity Statement of Accounts.

As outlined in note 4.3.1 Prior Year Reclassifications, the Council's 2017/18 CIES has been restated to align with the 2018/19 portfolio position of the Council. The Group 2017/18 CIES has also been restated. This restatement only alters the classification of the portfolios of the Council and overall the total value is unchanged. The group organisations are not included within the portfolios but are shown on a separate line of the CIES.

Notes	Restated 2017/18			2018/19		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	174.948	(76.528)	98.420	178.027	(90.369)	87.658
Community Protection	33.230	(11.297)	21.933	35.858	(16.641)	19.217
Early Intervention and Early Years	84.879	(25.783)	59.096	93.961	(22.595)	71.366
Education and Skills	127.971	(126.304)	1.667	123.433	(124.948)	(1.515)
Energy and Environment	22.702	(3.265)	19.437	30.051	(8.452)	21.599
Finance, Resources and Commercial Services	64.803	(22.473)	42.330	50.372	(20.056)	30.316
Housing and Planning	34.151	(99.159)	(65.008)	23.836	(103.282)	(79.446)
Leisure and Localities	45.372	(35.291)	10.081	54.587	(35.558)	19.029
Regeneration and Growth	51.307	(30.492)	20.815	45.634	(26.813)	18.821
Transport and HR	67.710	(42.697)	25.013	60.030	(34.184)	25.846
Corporate Items	180.243	(203.386)	(23.143)	206.628	(208.713)	(2.085)
Exceptional revaluation gain on HRA Council Dwellings	(51.181)	-	(51.181)	(43.541)	-	(43.541)
Group Organisations	197.319	(137.888)	59.431	247.208	(173.449)	73.759
<b>Cost of Services</b>	<b>1,033.454</b>	<b>(814.563)</b>	<b>218.891</b>	<b>1,106.084</b>	<b>(865.060)</b>	<b>241.024</b>
Other operating expenditure			47.590			59.382
6.7.1.1 Financing and investment income and expenditure			56.916			83.885
Taxation and non-specific grant income			(282.702)			(287.976)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>40.695</b>			<b>96.315</b>
Share of the surplus or deficit on the provision of services by associates			(0.328)			(0.160)
Tax expenses of subsidiaries			(0.552)			0.878
<b>Group (Surplus)/Deficit</b>			<b>39.815</b>			<b>97.033</b>
Revaluation of PPE/Heritage assets			(166.863)			(102.903)
Re-measurement of pension assets/liabilities			(78.180)			(100.049)
Other gains/losses recognised required			(0.058)			-
Share of other comprehensive income and expenditure of associates and joint ventures			0.450			0.161
<b>Other Comprehensive Income and Expenditure</b>			<b>(244.651)</b>			<b>(202.791)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(204.836)</b>			<b>(105.758)</b>

## Section 6 – Group Financial Statements and Notes

### Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

In consolidating subsidiaries, 100% of their transactions are included in the CIES even if ownership is less than 100%. The note below discloses the attributable amounts of the group surplus or deficit and other comprehensive income and expenditure to the minority interest in subsidiaries.

	2017/18			2018/19		
	Authority	Minority Interest	Total	Authority	Minority Interest	Total
	£m	£m	£m	£m	£m	£m
Group (surplus) / Deficit	39.752	0.063	39.815	97.012	0.021	97.033
Other CIES	(244.701)	0.050	(244.651)	(202.844)	0.053	(202.791)
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(204.949)</b>	<b>0.113</b>	<b>(204.836)</b>	<b>(105.832)</b>	<b>0.074</b>	<b>(105.758)</b>

### Reconciliation of single entity total comprehensive income and expenditure for the year to the Group total comprehensive income and expenditure

	2017/18 £m	2018/19 £m
Total comprehensive income and expenditure on the authority's single entity CIES	(208.515)	(119.830)
Add total comprehensive income and expenditure arising from group entities:		
Subsidiaries	4.530	15.481
Joint Ventures	0.122	0.001
Trust Funds	(0.973)	(1.410)
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE ON THE GROUP CIES</b>	<b>(204.836)</b>	<b>(105.758)</b>

## Section 6 – Group Financial Statements and Notes

### 6.4.2 Group Balance Sheet

The purpose of this statement is explained in section 3.2 of the Council's single entity Statement of Accounts.

Notes		31 March 2018 £m	31 March 2019 £m
<b>6.7.2.1</b>	Property, Plant & Equipment	2,579.194	2,639.796
	Heritage Assets	58.469	59.857
<b>6.7.2.2</b>	Investment Property	264.914	326.356
	Intangible Assets	7.354	6.538
	Long Term Investments	1.286	1.342
	Long Term Debtors	48.969	29.518
	Investments in Associates and Joint Ventures	8.129	8.128
	Deferred Tax Asset	0.772	-
	<b>Long Term Assets</b>	<b>2,969.087</b>	<b>3,071.535</b>
	Short Term Investments	12.027	59.576
	Assets Held for Sale	3.800	3.725
	Inventories	5.356	5.478
<b>6.7.2.3</b>	Short Term Debtors	98.800	127.185
<b>6.7.1.2</b>	Contract Assets	-	0.187
<b>6.7.2.4</b>	Cash and Cash Equivalents	45.382	57.815
	Current Tax Asset	0.215	-
	<b>Current Assets</b>	<b>165.580</b>	<b>253.966</b>
	Short Term Borrowing	(72.465)	(84.394)
<b>6.7.2.5</b>	Short Term Creditors	(188.359)	(211.866)
<b>6.7.1.2</b>	Contract Liabilities	-	(17.638)
	Provisions	(16.352)	(15.138)
	Current Tax Liability	(0.567)	(0.779)
	<b>Current Liabilities</b>	<b>(277.743)</b>	<b>(329.815)</b>
	Long Term Creditors	(13.935)	(11.816)
<b>6.7.1.2</b>	Long Term Contract Liabilities	-	(0.675)
	Provisions	(19.817)	(24.137)
	Long Term Borrowing	(802.137)	(877.710)
	Other Long Term Liabilities	(211.045)	(201.078)
	Capital Grants Receipts in Advance	(22.830)	(20.468)
	Deferred Tax Liability	(2.189)	(1.526)
	Defined Benefit Pension Scheme	(934.191)	(896.574)
	<b>Long Term Liabilities</b>	<b>(2,006.144)</b>	<b>(2,033.984)</b>
	<b>NET ASSETS</b>	<b>850.780</b>	<b>961.702</b>
<b>6.7.2.6</b>	Usable Reserves	237.550	230.147
<b>6.7.2.7</b>	Unusable Reserves	613.230	731.555
	<b>TOTAL RESERVES</b>	<b>850.780</b>	<b>961.702</b>

### 6.4.3 Group Movement in Reserves Statement

The purpose of this statement is explained in section 3.3 of the Council's single entity Statement of Accounts. The General Fund and Earmarked General Fund in total form the statutory General Fund.

2018/19	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2018</b>	<b>5.465</b>	<b>154.584</b>	<b>4.402</b>	<b>37.161</b>	<b>13.962</b>	<b>18.992</b>	<b>234.566</b>	<b>691.976</b>	<b>926.542</b>	<b>(76.408)</b>	<b>0.646</b>	<b>850.780</b>
<b>Opening balance restatement (Note 6.7.3)</b>	-	-	-	-	-	-	-	-	-	(2.431)	-	(2.431)
<b>Movement in 2017/18:</b>												
Total CIE* (Table 6.4.1)	(78.131)	-	57.346	-	-	-	(20.785)	188.586	167.801	(61.969)	(0.074)	105.758
Adjustments between group accounts and authority accounts (Note 6.7.3)	(47.971)	-	-	-	-	-	(47.971)	-	(47.971)	55.566	-	7.595
<b>Net Increase/Decrease before transfers</b>	<b>(126.102)</b>	<b>-</b>	<b>57.346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68.756)</b>	<b>188.586</b>	<b>119.830</b>	<b>(6.403)</b>	<b>(0.074)</b>	<b>113.353</b>
Funding basis adjustments	114.861	-	(53.652)	(12.998)	3.239	10.246	61.696	(61.696)	-	-	-	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(11.241)</b>	<b>-</b>	<b>3.694</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>126.890</b>	<b>119.830</b>	<b>(6.403)</b>	<b>(0.074)</b>	<b>113.353</b>
Transfers to/from earmarked reserves	13.770	(13.770)	-	-	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>2.529</b>	<b>(13.770)</b>	<b>3.694</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>126.890</b>	<b>119.830</b>	<b>(6.403)</b>	<b>(0.074)</b>	<b>113.353</b>
<b>BALANCE AT 31 MARCH 2019</b>	<b>7.994</b>	<b>140.814</b>	<b>8.096</b>	<b>24.163</b>	<b>17.201</b>	<b>29.238</b>	<b>227.506</b>	<b>818.866</b>	<b>1,046.372</b>	<b>(85.242)</b>	<b>0.572</b>	<b>961.702</b>

\* CIE - Comprehensive Income and Expenditure

## Section 6 – Group Financial Statements and Notes

2017/18	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2017</b>	<b>8.463</b>	<b>157.483</b>	<b>4.359</b>	<b>26.459</b>	<b>10.292</b>	<b>15.964</b>	<b>223.020</b>	<b>495.007</b>	<b>718.027</b>	<b>(73.451)</b>	<b>0.759</b>	<b>645.335</b>
<b>Opening balance restatement (Note 6.7.3)</b>	-	-	-	-	-	-	-	-	-	<b>0.615</b>	-	<b>0.615</b>
<b>Movement in 2017/18:</b>												
Total CIE* (Table 6.4.1)	(35.350)	-	55.583	-	-	-	<b>20.233</b>	239.756	<b>259.989</b>	(55.040)	(0.113)	<b>204.836</b>
Adjustments between group accounts and authority accounts (Note 6.7.3)	(51.474)	-	-	-	-	-	(51.474)	-	(51.474)	51.468	-	<b>(0.006)</b>
<b>Net Increase/Decrease before transfers</b>	<b>(86.824)</b>	-	<b>55.583</b>	-	-	-	<b>(31.241)</b>	<b>239.756</b>	<b>208.515</b>	<b>(3.572)</b>	<b>(0.113)</b>	<b>204.830</b>
Funding basis adjustments	80.927	-	(55.540)	10.702	3.670	3.028	42.787	(42.787)	-	-	-	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(5.897)</b>	-	<b>0.043</b>	<b>10.702</b>	<b>3.670</b>	<b>3.028</b>	<b>11.546</b>	<b>196.969</b>	<b>208.515</b>	<b>(3.572)</b>	<b>(0.113)</b>	<b>204.830</b>
Transfers to/from earmarked reserves	2.899	(2.899)	-	-	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>(2.998)</b>	<b>(2.899)</b>	<b>0.043</b>	<b>10.702</b>	<b>3.670</b>	<b>3.028</b>	<b>11.546</b>	<b>196.969</b>	<b>208.515</b>	<b>(3.572)</b>	<b>(0.113)</b>	<b>204.830</b>
<b>BALANCE AT 31 MARCH 2018</b>	<b>5.465</b>	<b>154.584</b>	<b>4.402</b>	<b>37.161</b>	<b>13.962</b>	<b>18.992</b>	<b>234.566</b>	<b>691.976</b>	<b>926.542</b>	<b>(76.408)</b>	<b>0.646</b>	<b>850.780</b>

\* CIE - Comprehensive Income and Expenditure

#### 6.4.4 Group Cash Flow Statement

The purpose of this statement is explained in section 3.4 of the Council's single entity Statement of Accounts.

Notes	2017/18 £m	2018/19 £m
<b>Net (Surplus)/Deficit on the provision of Services</b>	<b>(40.695)</b>	<b>(96.315)</b>
Adjustments to net surplus or deficit on the provision of services for non-cash movements	204.249	223.950
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(58.727)	(57.776)
<b>6.7.4.1 Net Cash Flows from Operating Activities</b>	<b>104.827</b>	<b>69.859</b>
<b>6.7.4.2</b> Investing activities	(180.718)	(133.723)
<b>6.7.4.3</b> Financing activities	85.917	76.297
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>10.026</b>	<b>12.433</b>
Cash and cash equivalents at the beginning of the reporting period	35.356	45.382
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>45.382</b>	<b>57.815</b>

## **6.5 Details of subsidiaries, jointly controlled entities and trust funds included in the group accounts**

Unless otherwise stated in sections 6.5.1 to 6.5.3 below:

- The accounts used to produce the 2018/19 group accounts are audited.
- Copies of the accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ

### **6.5.1 Subsidiaries:**

#### **Enviroenergy Ltd (Registered Company Number: 04131345)**

##### *Nature of the business*

Its main activities are the production of heat and steam for supply to domestic and commercial customers, along with the generation and sale of electricity.

##### *Relationship with the Council*

Enviroenergy Ltd is a private company limited by shares and is a wholly owned subsidiary of the Council. The Council acquired the business and associated assets of the company on 28 June 2001.

The steam used to generate energy for resale and electricity generation is purchased from the Council. Debt for the steam purchased due to the Council as at 31 March 2019 is £11.682m (31 March 2018 £11.682m)

#### **Nottingham City Homes Ltd (Registered Company Number: 05292636)**

##### *Nature of the business*

The principal activities of the Group are to act as the managing agent of the Council's housing stock and to provide a repairs and maintenance service in respect of these properties, as well as owning housing stock of its own for social and market rent.

The Group comprises Nottingham City Homes Ltd (NCH), Nottingham City Homes Registered Provider Ltd and Nottingham City Homes Enterprises Ltd.

##### *Relationship with the Council*

NCH is incorporated as a private company limited by guarantee under the Companies Act 1985. The company's sole member is the Council.

The Council has a management agreement with NCH and pays an annual management fee. The fee paid to NCH in 2018/19 was £22.996m (2017/18 £22.842m).

The Council will continue to assist NCH in meeting their pension fund liabilities as and when they fall due, but only to the extent that money is not otherwise available to NCH to meet such liabilities.

The Council has a NCH debtor balance of £32.293m at 31 March 2019 (£30.291m at 31 March 2018), this is made up of a loan and a short term debtor balance.

Since 1 April 2019 further loans totalling £6.392m have been provided mainly in respect of Homelessness.

**Nottingham City Transport Ltd (Registered Company Number: 2004967)**

*Nature of Business*

The company is the principal public bus operator in the Greater Nottingham area.

*Relationship with the Council*

This company is controlled by the Council and commenced trading on 26 October 1986. The total shareholding owned by the Council is 95%. Transdev Plc has a minority interest in Nottingham City Transport Ltd (NCT) of 5% which comprises of 238,526 B Ordinary shares at £1 each.

The company has the following shares in issue:

- 4,532,000 “A” Ordinary shares at £1 each, which are owned by the Council.
- 238,526 “B” Ordinary shares at £1 each, which are owned by Transdev Plc.
- 2,882,750 £1 cumulative, convertible, redeemable preference shares owned by Transdev Plc. These shares carry a 10% coupon rate and are convertible at the rate of 3.64 preference shares to 1 “B” Ordinary share at any time. The shares are redeemable by the shareholder at any time after 1 January 2005, and by the company at any time after 1 January 2010.

The “A” and “B” shares rank equally in all material respects.

The group takes into account 100% of the results of the company with the 5% minority interest being disclosed where appropriate.

*Period of Accounts*

The financial statements used in the preparation of the group accounts are for the 52 week period ending 30 March 2019 (as this is the last week ending date for NCT’s internal group reporting purposes).

*Summarised Financial Information of Nottingham City Transport Ltd showing Minority Interest*

	2017/18		2018/19	
	NCT £m	5% Minority Interest £m	NCT £m	5% Minority Interest £m
Profit for the period attributable to equity shareholders	(1.374)	(0.069)	(0.642)	(0.032)
Ordinary Dividends Paid	2.632	0.132	1.053	0.053
Other Comprehensive Income and Expenditure	1.011	0.050	1.055	0.053
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>2.269</b>	<b>0.113</b>	<b>1.466</b>	<b>0.074</b>
Non-current Assets	41.587	2.079	40.892	2.045
Current Assets	12.955	0.648	11.349	0.567
Current Liabilities	(17.002)	(0.850)	(17.811)	(0.891)
Non-current Liabilities	(24.624)	(1.231)	(22.980)	(1.149)
<b>NET ASSETS</b>	<b>12.916</b>	<b>0.646</b>	<b>11.450</b>	<b>0.572</b>

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### **Nottingham Ice Centre Ltd (Registered Company Number: 03563341)**

#### *Nature of the business*

The principal activity of the company is to manage the trading aspects of the National Ice Centre.

#### *Relationship with the Council*

Nottingham Ice centre Ltd (NIC) is a wholly owned subsidiary of the Council.

NIC have a loan facility with an annual review of requirements. At 31 March 2019 the balance was £0.818m.

Since 1 April 2019 the loan facility has been increased, the balance at 31 March 2020 was £2.385m.

Further support has been provided in April 2020 in respect of Covid-19 cash flow pressures. The balance at 30 April 2020 was £5.384m.

### **Nottingham Revenues & Benefits Ltd (Registered Company Number: 09157986)**

#### *Nature of the business*

The company is principally engaged in the provision of administration services in relation to Nottingham's revenue and benefit services.

#### *Relationship with the Council*

The Council is the ultimate controlling party of Nottingham Revenues & Benefits Ltd, owning 100% of the issued share capital.

### **Robin Hood Energy Ltd (Registered Company Number: 08053212)**

#### *Nature of the business*

Robin Hood Energy Ltd (RHE) is a company limited by shares run on a not for profit basis, set up to tackle fuel poverty. It supplies gas and electricity to residential and business customers. The company started trading in a controlled manner (Controlled Market Entry) in July 2015 and started trading nationally in September 2015.

#### *Relationship with the Council*

RHE is a wholly owned subsidiary of the Council with an issued share capital of 7,500,000 ordinary shares at £1 each.

RHE accounts for the year ended 31 March 2019 showed a loss of £23.075m (23.6% of turnover). This compares to a loss of £1.330m (2% of turnover) in 2017/18.

In 2018/19, the Council approved loans to RHE totalling £9.412m. The total loans balance as at 31 March 2019 was £20.203m (31 March 2018 was £11.651m). An advance payment of £3.882m for 80% of the Council's 2019/20 contract value for electricity and gas was also made during 2018/19. This enabled RHE to deliver its hedging strategy and benefitted the Council by protecting it from any price rises in 2019/20.

The Council also provided financial guarantees to a total value of £12m, which is 80% of the liability to its wholesale energy suppliers. It also provided a Deed of Guarantee Bond in relation to pension fund obligations, limited to a maximum of 80% of fund liabilities and subject to a cap of £0.696m (with the balance to be provided by RHE).

#### *Events after the Balance Sheet Date*

Since 31 March 2019, the Council has given further loans of £9.4m in October 2019 to support RHE's payments to Ofgem for Receivable Obligation Certificates and a further £2.7m in February 2020 to assist with cash flows.

The Council has also increased the financial guarantees to wholesale suppliers to £16.5m. In addition the level of guarantee has risen from 80% to 100%.

The Council issued a Letter of Comfort to RHE on 11 March 2020 based on a review of the Directors Assessment of Going Concern and underpinning assumptions supported by an examination of the rolling twelve month forecast. The letter confirmed that the Council would continue to support RHE to a maximum of £12.5m in meeting the ongoing working capital and cash flow requirements.

Since 31 March 2019, the loans, parent guarantees and equity totalling £40.398m as at 31 March 2019 have been fully reviewed and impaired by £24.375m to £16.023m.

There was no qualification to the audit opinion of the 2018/19 RHE Accounts. However, attention was drawn to the material uncertainties in relation to the company's ability to continue as a going concern in the future due to the dependency of the company on the Council via a £12.5m facility and by not seeking repayment of loans advanced to the company. There is also the potential impact of Covid-19 as, whilst the company has relatively little exposure within the commercial sector and demand for domestic energy is expected to continue, there is a risk for all businesses, including RHE, on the operations and cash flows during this unprecedented time.

### 6.5.2 Joint Ventures:

#### **Blueprint Limited Partnership (Registered Limited Partnership Number: LP010442)**

##### *Nature of the business*

The principal activities of the partnership are that of the purchase of interests in and redevelopment of property and the sale and interim rental of land and property. The General Partner, Blueprint (General Partner) Ltd, manages the activity of the partnership.

The objectives of the partnership are to carry out this trading and development in order to generate a commercial return and to encourage the physical regeneration and economic growth of the priority urban areas within Nottingham City.

##### *Relationship with the Council*

Places for People (PFPC1 LP) bought out the Igloo Regeneration Partnership share on 3 May 2018. The Council and PFPC1 LP each own 49.95%, with Blueprint (General Partner) Ltd owning the remaining 0.1% (the general partner being owned equally by the Council & PFPC1 LP). The Council in effect owns 50% of Blueprint Limited Partnership. The Council purchased its share on 9 March 2015.

## Section 6 – Group Financial Statements and Notes

### Summarised Financial Information of Blueprint Limited Partnership

	2017/18 £m	2018/19 £m
Turnover	(6.098)	(3.582)
Cost of Sales	5.275	3.147
<b>Gross Profit</b>	<b>(0.823)</b>	<b>(0.435)</b>
Other Operating Income	(0.210)	(0.385)
Administrative Expenses	0.478	0.443
Net Impairment (Loss)/Fair Value Gain on Financial Assets	-	0.078
<b>Operating Profit</b>	<b>(0.555)</b>	<b>(0.299)</b>
Interest Receivable	(0.016)	(0.020)
<b>Profit for the Year</b>	<b>(0.571)</b>	<b>(0.319)</b>
Other Comprehensive Income and Expenditure	(0.085)	-
<b>TOTAL COMPREHENSIVE PROFIT FOR THE YEAR</b>	<b>(0.656)</b>	<b>(0.319)</b>
Current Assets	17.150	17.337
Current Liabilities	(0.779)	(0.966)
Non-current Liabilities	(0.112)	(0.115)
<b>NET ASSETS AS AT 31 MARCH</b>	<b>16.259</b>	<b>16.256</b>
<b>INVESTMENT IN JOINT VENTURE INCLUDED IN THE COUNCIL'S GROUP ACCOUNTS (50% OF NET ASSETS)</b>	<b>8.129</b>	<b>8.128</b>
Amounts included in the above figures:		
Cash at Bank and In Hand (included in current assets)	5.369	1.973
Accruals and Deferred Income (included in Current Liabilities)	(0.269)	(0.643)

### **Futures Advice, Skills and Employment Ltd (Registered Company Number: 04172770)**

#### *Nature of the business*

Futures Advice, Skills and Employment Ltd (Futures) is a company which is an all age, careers and employability advice service which delivers a range of careers, advice and consultancy services in the East Midlands and across England.

#### *Relationship with the Council*

The company is jointly owned 50/50 by the Council and Nottinghamshire County Council. The Council's share of Futures accumulated net liability and profit / loss in year as at 31 March 2019, equating to £6.002m (2017/18 £7.348m) and £1.346m profit (2017/18 £0.986m profit) respectively, have not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

#### *Commitments*

The Council is committed to paying Futures £1.015m in 2019/20, being grant funding for the delivery of careers advice.

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### Summarised Financial Information of Futures group

	2017/18 £m	2018/19 £m
Revenue	(18.027)	(14.300)
Operating Charges	17.062	14.773
<b>Operating (Profit)/Loss</b>	<b>(0.965)</b>	<b>0.473</b>
Finance Costs	0.575	0.515
Investment Income	(0.013)	(0.020)
<b>(Profit)/Loss before Tax</b>	<b>(0.403)</b>	<b>0.968</b>
Income Tax Expense	0.355	0.057
<b>(Profit)/Loss for the Year</b>	<b>(0.048)</b>	<b>1.025</b>
Other Comprehensive Income and Expenditure	(1.923)	(3.718)
<b>TOTAL COMPREHENSIVE PROFIT FOR THE YEAR</b>	<b>(1.971)</b>	<b>(2.693)</b>
Non-current Assets	0.074	1.060
Current Assets	7.782	6.197
Current Liabilities	(1.925)	(1.222)
Non-current Liabilities	(20.627)	(18.039)
<b>NET LIABILITIES AS AT 31 MARCH</b>	<b>(14.696)</b>	<b>(12.004)</b>
<b>COUNCIL'S SHARE (50%) OF NET LIABILITY NOT RECOGNISED IN THE GROUP ACCOUNTS UNDER IAS 28</b>	<b>(7.348)</b>	<b>(6.002)</b>
<b>Amounts included in the above figures:</b>		
Depreciation (in Operating Charges)	0.011	0.074
Defined Benefit Pension Finance Costs (in Finance Costs)	0.575	0.515
Interest Earned on Loans and Deposits (in Investment Income)	(0.013)	(0.020)
Cash and Cash Equivalents (in Current Assets)	5.536	4.032
Accruals (in Current Liabilities)	(1.127)	(0.754)
Retirement Benefit Obligation (in Non-current Liabilities)	(20.466)	(17.967)

### 6.5.3 Trust Fund:

#### Bridge Estate (Registered Charity Number: 220716)

##### *Nature of the Trust Fund*

The earliest mention of Bridge Estate is in 1302. Since that date, various bequests of land and property have been made, the income from which being set aside for the maintenance of bridges over the River Trent. By 1882 the income generated by the Estate was in excess of that required for the maintenance of Trent Bridge and consequently the objectives of the Estate were extended by virtue of section 78 of the Nottingham Corporation Act 1882.

The objectives of the charity are as follows:

- Provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.

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- In effect, to set up a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.
- The residue of such income is to be applied as the Trustee thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

### *Relationship with the Council*

Bridge Estate is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Bridge Estate are subject to the same financial regulations and procedures as those relating to the Council.

### *Accounts*

Copies of the accounts of Bridge Estate can be obtained from Technical Accounting, Strategy and Resources, Loxley House, Station Street, Nottingham, NG2 3NG.

## 6.6 Details of associates, joint ventures and trust funds not included in the group accounts

The Council has considered its relationship with the following associates, joint ventures and trust funds. These organisations have been excluded from the group accounts on the basis of risk and materiality.

### 6.6.1 Associates

#### **Nottingham Regeneration Ltd (Registered Company Number: 03665996)**

##### *Nature of the company*

The principal activity of Nottingham Regeneration Ltd is that of securing the overall economic social and environmental regeneration of the City of Nottingham, the greater Nottingham area and beyond.

##### *Relationship with the Council*

The Council is deemed to have significant influence even though it holds less than 20% of the voting rights.

#### **Ticketing Network East Midlands Ltd (Registered Company Number: 06623526)**

##### *Nature of the company*

The founding members of Ticketing Network East Midlands Ltd (TNEM) are the Lakeside Arts Centre, Nottingham Theatre Royal and Royal Concert Hall, Nottingham Playhouse and Dance4. TNEM is run on behalf of this consortium of arts organisations to manage its ticketing and customer relationship management system.

TNEM is the first consortium in the United Kingdom to be formed specifically for the purpose of enabling multiple organisations within this region to share Tessitura software and services from the Tessitura network.

##### *Relationship with the Council*

The Council holds 25% of the shares of TNEM, as do each of the other three member organisations Lakeside Arts Centre, Nottingham Playhouse and Dance4.

### 6.6.2 Joint Ventures

#### **Blueprint (General Partner) Ltd (Registered Company Number: 05340186)**

##### *Nature of the Company*

Blueprint (General Partner) Ltd manages the activity of the Blueprint Limited Partnership.

##### *Relationship with the Council*

The company is jointly owned by the Council and PFPC1 LP. The Council purchased the 50% share on 9 March 2015. PFPC1 LP bought out the Igloo Regeneration Partnership share on 3 May 2018

#### **emPSN Services Ltd – formerly EMBC Procurement Ltd (Registered Company Number: 05882746)**

##### *Nature of the Company*

emPSN Service Ltd is a regional partnership formed to secure a regional network and services for schools and a service framework for the public sector.

##### *Relationship with the Council*

As a customer of emPSN the Council is a member of the company and has a stake in its future as a public sector owned company Limited by Guarantee.

#### **Inspired Spaces Nottingham Ltd - Local Education Partnership (Registered Company Number: 06506329)**

##### *Nature of the Company*

This company was set up in June 2008 and the principal activities of the company are the provision of the construction project development and partnering services within the education sector in accordance with the terms and agreement set up with the Council.

##### *Relationship with the Council*

The Council has a 10% shareholding in the company. 10% is also held by Building Schools for the Future Investments LLP and 80% is held by Inspiredspaces Nottingham (PSP1) Limited, owned by Amber LEP Investments Limited, part of the Amber Group of companies.

### 6.6.3 Trust Funds

#### **Harvey Hadden Stadium Trust (Registered Charity Number: 522271)**

##### *Nature of the Trust Fund*

On 18 July 1955 the court made a scheme and order for an athletics stadium to be erected out of the bequest of Harvey Hadden. Under the court order there is a requirement for “the Corporation” – now Nottingham City Council – to maintain the stadium built with those funds, “under the name of Harvey Hadden Stadium in good order and condition in perpetuity for the purposes of public recreation”.

The objective of the Trust is to provide public recreation for the people of the City of Nottingham forever.

##### *Relationship with the Council*

Harvey Hadden Stadium Trust is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council’s responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Harvey Hadden Stadium Trust are subject to the same financial regulations and procedures as those relating to the Council.

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### Highfields Leisure Park Trust (Registered Charity Number: 1006603)

#### *Nature of the Trust Fund*

The Highfields Leisure Park Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. The objective of the Trust is to provide public recreation and pleasure grounds for the people of the City of Nottingham forever.

#### *Relationship with the Council*

Highfields Leisure Park Trust is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Highfields Leisure Park Trust are subject to the same financial regulations and procedures as those relating to the Council.

## 6.7 Notes to the Core Group Financial Statements

These notes provide information that supports and helps in interpreting the financial statements. Where the group account figures are not materially different from those of the council only accounts, no additional disclosure notes have been made.

### 6.7.1 Group Comprehensive Income and Expenditure Statement Notes

#### 6.7.1.1 Financing and Investment Income and Expenditure

	2017/18			2018/19		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	25.192	-	25.192	23.232	-	23.232
Interest and similar charges and income	51.410	(2.566)	48.844	1.293	(0.389)	0.904
Interest revenue/costs calculated using the effective interest rate method	-	-	-	52.914	(2.290)	50.624
Change in value of financial assets held at fair value through profit and loss	-	-	-	-	(0.153)	(0.153)
Impairment Losses	-	-	-	19.107	(0.051)	19.056
Impairment of Equity Holding	-	-	-	7.500	-	7.500
Trading Operations	0.879	(1.434)	(0.555)	1.572	(1.939)	(0.367)
Income and expenditure in relation to investment properties and changes in their fair value	2.301	(15.482)	(13.181)	5.308	(22.540)	(17.232)
Other Finance and Investment items	0.279	(3.663)	(3.384)	2.001	(1.680)	0.321
<b>TOTAL</b>	<b>80.061</b>	<b>(23.145)</b>	<b>56.916</b>	<b>112.927</b>	<b>(29.042)</b>	<b>83.885</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.1.2 Revenue from Contracts with Service Recipients

There is no requirement to restate preceding year figures under IFRS 15 - these notes to the core statements include the 2017/18 figures for comparison purposes had IFRS 15 been applied. In line with note 4.1.1.3 the core statements for 2017/18 do not reflect these adjustments under IFRS 15.

Revenue included in the CIES for contracts with service recipients:

	2017/18				2018/19			
	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Social Care and Health	-	(0.097)	(17.732)	(17.829)	-	(0.113)	(17.332)	(17.445)
Community Protection	(1.533)	(0.079)	(4.266)	(5.878)	(7.667)	(0.070)	(3.521)	(11.258)
Early Intervention and Early Years	-	-	(1.497)	(1.497)	-	-	(2.414)	(2.414)
Education and Skills	-	-	(8.262)	(8.262)	-	(0.023)	(9.179)	(9.202)
Energy and Environment	-	-	(3.281)	(3.281)	-	-	(7.962)	(7.962)
Finance, Resources and Commercial Services	(0.021)	(1.377)	(8.523)	(9.921)	(0.017)	(2.024)	(8.108)	(10.149)
Housing and Planning	(2.170)	-	(0.502)	(2.672)	(2.038)	-	(0.242)	(2.280)
Leisure and Localities	(0.130)	(1.594)	(28.740)	(30.464)	(0.125)	(1.734)	(30.460)	(32.319)
Regeneration and Growth	-	-	(2.333)	(2.333)	-	-	(2.211)	(2.211)
Transport and HR	(11.080)	(0.649)	(15.941)	(27.670)	(1.269)	(0.306)	(24.720)	(26.295)
Corporate Items	-	-	(2.481)	(2.481)	-	-	(6.400)	(6.400)
Group Organisations	-	(4.158)	(136.026)	(140.184)	-	(4.654)	(169.150)	(173.804)
Financing and Investment Income and Expenditure	-	-	(2.601)	(2.601)	-	(0.441)	(5.685)	(6.126)
<b>Revenue from contracts with service recipients</b>	<b>(14.934)</b>	<b>(7.954)</b>	<b>(232.185)</b>	<b>(255.073)</b>	<b>(11.116)</b>	<b>(9.365)</b>	<b>(287.384)</b>	<b>(307.865)</b>
Impairment of receivables				2.708				3.892
<b>TOTAL INCLUDED IN THE CIES</b>				<b>(252.365)</b>				<b>(303.973)</b>

Revenue is recognised either over time or at a point in time. This is analysed in the table below:

Timing of revenue recognition	2017/18		2018/19	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(12.826)	(2.108)	(8.562)	(2.554)
Sale of goods	-	(7.954)	-	(9.365)
Charges for services	(98.928)	(133.257)	(120.815)	(166.569)
<b>TOTAL</b>	<b>(111.754)</b>	<b>(143.319)</b>	<b>(129.377)</b>	<b>(178.488)</b>

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Amounts included in the Balance Sheet for contracts with service recipients are shown in the table below:

	31 March 2018 £m	31 March 2019 £m
Receivables included in debtors	43.029	69.386
Contract assets	0.080	0.187
Contract liabilities	(16.463)	(18.313)
<b>TOTAL</b>	<b>26.646</b>	<b>51.260</b>

The contract assets and contract liabilities shown in the table above are included within debtors and creditors in the 2017/18 Balance Sheet. Had IFRS 15 not been applied to 2018/19 the same would apply.

Changes in the contract assets and contract liabilities balances during the year are as follows:

	2017/18		2018/19	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
<b>Balances at 1 April</b>	<b>0.702</b>	<b>(13.026)</b>	<b>0.080</b>	<b>(16.463)</b>
Reversal for amounts recognised in the CIES in year	(0.702)	8.517	(0.080)	11.809
Increases (decreases) due to cash received (paid)	0.080	(11.954)	0.187	(13.659)
<b>BALANCE AT 31 MARCH</b>	<b>0.080</b>	<b>(16.463)</b>	<b>0.187</b>	<b>(18.313)</b>

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

	31 March 2018 £m	31 March 2019 £m
Not later than one year	(15.883)	(17.344)
Later than one year	(0.580)	(0.969)
<b>TOTAL</b>	<b>(16.463)</b>	<b>(18.313)</b>

## 6.7.2 Group Balance Sheet Notes

## 6.7.2.1 Property, Plant and Equipment

2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	921.179	938.524	308.457	700.755	33.050	24.996	28.690	<b>2,955.651</b>	<b>301.277</b>
Accumulated Depreciation b/f	-	(8.731)	(146.378)	(210.843)	(10.305)	-	-	<b>(376.257)</b>	<b>(28.180)</b>
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>Net Book Value at 1 April 2018</b>	<b>921.179</b>	<b>929.793</b>	<b>162.079</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.690</b>	<b>2,579.194</b>	<b>273.097</b>
Additions - Capital Expenditure	32.431	13.473	16.849	17.657	1.075	0.182	17.745	<b>99.412</b>	-
Depreciation Charge	(16.998)	(26.945)	(22.182)	(28.121)	(1.099)	(0.030)	-	<b>(95.375)</b>	(12.776)
Revaluations - Recognised in Revaluation Reserve	26.878	68.051	-	-	-	6.343	-	<b>101.272</b>	0.725
Revaluations - Recognised in the CIES	43.541	(1.475)	-	-	-	0.747	-	<b>42.813</b>	(0.571)
Derecognition - Disposals	(13.538)	(55.694)	(1.062)	-	-	(3.944)	-	<b>(74.238)</b>	-
Derecognition - Other	(2.470)	(0.395)	-	-	(0.390)	(1.612)	-	<b>(4.867)</b>	-
Impairments - Recognised in the CIES	-	-	0.025	-	-	-	-	<b>0.025</b>	-
Other - Transfers to Held for Sale	-	(0.159)	-	-	-	0.180	-	<b>0.021</b>	-
Other Transfers	9.193	(2.535)	0.212	-	-	2.670	(18.001)	<b>(8.461)</b>	-
<b>Net Book Value at 31 March 2019</b>	<b>1,000.216</b>	<b>924.114</b>	<b>155.921</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>28.434</b>	<b>2,639.796</b>	<b>260.475</b>
Gross Book Value c/f	1,000.216	929.841	318.401	718.412	33.654	29.532	28.440	<b>3,058.496</b>	300.524
Accumulated Depreciation c/f	-	(5.727)	(162.480)	(238.964)	(11.323)	-	(0.006)	<b>(418.500)</b>	(40.049)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2019</b>	<b>1,000.216</b>	<b>924.114</b>	<b>155.921</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>28.434</b>	<b>2,639.796</b>	<b>260.475</b>

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2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	835.958	875.092	299.751	678.567	32.268	35.018	58.443	<b>2,815.097</b>	<b>290.321</b>
Accumulated Depreciation b/f	-	(61.996)	(136.529)	(183.601)	(9.280)	-	0.062	<b>(391.344)</b>	<b>(16.536)</b>
Accumulated Impairment b/f	-	(0.015)	-	-	(0.200)	-	-	<b>(0.215)</b>	-
<b>Net Book Value at 1 April 2017</b>	<b>835.958</b>	<b>813.081</b>	<b>163.222</b>	<b>494.966</b>	<b>22.788</b>	<b>35.018</b>	<b>58.505</b>	<b>2,423.538</b>	<b>273.785</b>
Additions - Capital Expenditure	29.239	20.339	18.956	22.513	0.958	1.243	31.493	<b>124.741</b>	-
Depreciation Charge	(26.126)	(26.856)	(22.024)	(27.242)	(1.068)	(0.572)	-	<b>(103.888)</b>	(12.776)
Revaluations - Recognised in Revaluation Reserve	23.112	141.469	-	-	-	0.627	-	<b>165.208</b>	9.117
Revaluations - Recognised in the CIES	51.181	(1.041)	-	-	-	(6.579)	-	<b>43.561</b>	2.237
Derecognition - Disposals	(14.549)	(0.410)	(0.539)	-	-	(5.247)	-	<b>(20.745)</b>	-
Derecognition - Other	(3.663)	(45.274)	(0.038)	-	-	(1.270)	-	<b>(50.245)</b>	-
Impairments - Recognised in the CIES	-	0.015	0.016	-	-	-	-	<b>0.031</b>	-
Other - Transfers to Held for Sale	-	-	-	-	-	(2.680)	-	<b>(2.680)</b>	-
Other Transfers	26.027	28.470	2.486	(0.325)	(0.133)	4.456	(61.308)	<b>(0.327)</b>	0.734
<b>Net Book Value at 31 March 2018</b>	<b>921.179</b>	<b>929.793</b>	<b>162.079</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.690</b>	<b>2,579.194</b>	<b>273.097</b>
Gross Book Value c/f	921.179	938.524	308.457	700.755	33.050	24.996	28.690	<b>2,955.651</b>	301.277
Accumulated Depreciation c/f	-	(8.731)	(146.378)	(210.843)	(10.305)	-	-	<b>(376.257)</b>	(28.180)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2018</b>	<b>921.179</b>	<b>929.793</b>	<b>162.079</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.690</b>	<b>2,579.194</b>	<b>273.097</b>

### 6.7.2.2 Investment Properties

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

	2017/18 £m	2018/19 £m
Opening Balance At 1 April	174.244	264.914
Additions	94.924	67.061
Disposals	(3.607)	(2.694)
Net gains/losses from fair value adjustments	(0.648)	(2.985)
Transfers to / from Property Plant and Equipment	0.001	0.060
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>264.914</b>	<b>326.356</b>

Where the Bridge Estate's fixed assets have been consolidated with the Council's it has been assumed that the properties class will remain as investment property upon consolidation.

### Fair Value Hierarchy

Details of the group's investment properties and information about the fair value hierarchy as at 31 March 2019 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2019 £m
Industrial	-	75.379	-	75.379
Land	-	19.480	-	19.480
Leisure / Other	-	24.623	-	24.623
Office	-	90.627	-	90.627
Retail	-	114.957	-	114.957
Services	-	1.290	-	1.290
<b>Total</b>	<b>-</b>	<b>326.356</b>	<b>-</b>	<b>326.356</b>

Details of the Fair Value hierarchy information are shown in note 4.4.3.

### 6.7.2.3 Short Term Debtors

	Restated 31 March 2018 £m	31 March 2019 £m
Prepayments	8.690	14.562
Local Taxation	5.894	7.041
Trade	39.425	58.814
Other receivable amounts	44.791	46.768
<b>TOTAL</b>	<b>98.800</b>	<b>127.185</b>

The figures for 2017/18 are shown as restated due to the change in classifications of debtors for this note and overall the total value is unchanged.

## Section 6 – Group Financial Statements and Notes

### 6.7.2.4 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises of the following elements:

	31 March 2018 £m	31 March 2019 £m
Cash held by the Authority / Group Organisation	0.208	0.248
Bank current accounts	16.142	18.282
Short-term deposits with banks and building societies	29.032	39.285
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>45.382</b>	<b>57.815</b>

### 6.7.2.5 Short Term Creditors

	Restated 31 March 2018 £m	31 March 2019 £m
Receipts in Advance	(49.420)	(46.657)
Trade	(62.497)	(94.369)
Other payables	(76.442)	(70.840)
<b>TOTAL</b>	<b>(188.359)</b>	<b>(211.866)</b>

The figures for 2017/18 are shown as restated due to the change in classifications of creditors for this note and overall the total value is unchanged.

### 6.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS (section 6.4.3).

### 6.7.2.7 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions. These reserves represent differences due to timing of funding certain items of expenditure and are, therefore, not available as a source of general funding. The unusable reserves also include the Council's share of profit and loss and other reserves of jointly controlled entities included in the group accounts.

The Group 2017/18 unusable reserves have been restated due to the reclassification of the Bridge Estate Trust reserves in the Group consolidation. The Bridge Estate Trust Capital Endowment Fund balances are now consolidated into the Profit and Loss and Other Reserves of Group Entities. This restatement only alters the classification of the reserves and overall the total value is unchanged.

## Section 6 – Group Financial Statements and Notes

	Restated 31 March 2018 £m	31 March 2019 £m
Revaluation Reserve	527.860	588.772
Capital Adjustment Account	988.708	1,029.302
Financial Instruments Adjustment Account	(6.146)	(5.854)
Pensions Reserve	(820.201)	(788.018)
Deferred Capital Receipts Reserve	2.146	2.143
Collection Fund Adjustment Account	3.937	4.585
Accumulated Absences Account	(4.022)	(4.163)
Profit and Loss and Other Reserves of Group Entities	(80.277)	(96.362)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	0.579	0.578
Minority Interest - Equity	0.646	0.572
<b>TOTAL</b>	<b>613.230</b>	<b>731.555</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its PPE. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

	Restated 2017/18 £m	2018/19 £m
<b>Opening Balance at 1 April</b>	<b>391.652</b>	<b>527.860</b>
Upward revaluation of assets	215.848	115.369
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(48.985)	(12.710)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>166.863</b>	<b>102.659</b>
Difference between fair value depreciation and historical cost depreciation	(12.853)	(14.111)
Accumulated gains on assets sold or scrapped	(17.802)	(27.636)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(30.655)</b>	<b>(41.747)</b>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>527.860</b>	<b>588.772</b>

## Section 6 – Group Financial Statements and Notes

### 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 financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation. Impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Group. The account also contains revaluation gains accumulated on PPE before 1 April 2007 when the Revaluation Reserve was created.

	Restated 2017/18 £m	2018/19 £m
<b>Opening Balance at 1 April</b>	<b>972.642</b>	<b>988.708</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Amortisation of intangible assets	(1.561)	(1.772)
Charges for depreciation of non-current assets	(96.700)	(87.702)
Charges for impairment of non-current assets	0.015	-
Revaluation losses on Property, Plant and Equipment	43.560	42.830
Movements in the market value of Investment Properties	(1.394)	(4.645)
Revenue expenditure funded from capital under statute (REFCUS)	(5.216)	(4.567)
REFCUS expenditure funded by grants	3.777	3.305
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(74.113)	(81.271)
Adjusting amounts written out of the Revaluation Reserve	30.677	41.769
	<u>(100.955)</u>	<u>(92.053)</u>
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	15.463	23.376
Use of Capital Receipts Reserve to repay debt	-	13.672
Use of the Major Repairs Reserve to finance new capital expenditure	24.115	26.339
Application of grants to fund capital expenditure	33.501	28.002
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	26.761	28.392
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	0.728	7.852
Adjustment to MRP as a result of PFI Projects	6.932	4.668
Capital expenditure charged against the General Fund and HRA balances	10.258	0.461
<b>Reduction in Liabilities &amp; Repayment of Long Term Debtors etc:</b>		
Principal Repayment of Capital Loans	(0.737)	(0.115)
	<u>117.021</u>	<u>132.647</u>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>988.708</b>	<b>1,029.302</b>

6.7.3 Group Movement in Reserves Statement Notes

The 2017/18 financial statements of NCH and RHE have been restated. Opening balance adjustments of £0.115m (NCH) and -£2.546m (RHE) have been included in the 2018/19 Group MIRS. The 2017/18 Group MIRS shows an opening balance restatement adjustment of £0.615m in relation to RHE.

The following tables detail the adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement:

2018/19	General Fund Balance	Total Usable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(78.754)	(78.754)	(78.754)	78.754	-
Receipts in relation to goods and services provided to subsidiaries	26.506	26.506	26.506	(26.506)	-
Interest and investment income from/to subsidiaries	2.732	2.732	2.732	(2.732)	-
Contributions from subsidiaries	1.545	1.545	1.545	(1.545)	-
Other movements	-	-	-	7.595	7.595
<b>TOTAL ADJUSTMENTS</b>	<b>(47.971)</b>	<b>(47.971)</b>	<b>(47.971)</b>	<b>55.566</b>	<b>7.595</b>

2017/18	General Fund Balance	Total Usable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(79.508)	(79.508)	(79.508)	79.508	-
Receipts in relation to goods and services provided to subsidiaries	23.056	23.056	23.056	(23.056)	-
Interest and investment income from/to subsidiaries	3.433	3.433	3.433	(3.433)	-
Contributions from subsidiaries	1.545	1.545	1.545	(1.545)	-
Other movements	-	-	-	(0.006)	(0.006)
<b>TOTAL ADJUSTMENTS</b>	<b>(51.474)</b>	<b>(51.474)</b>	<b>(51.474)</b>	<b>51.468</b>	<b>(0.006)</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.4 Group Cash Flow Notes

#### 6.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £m	2018/19 £m
Interest received	4.071	3.593
Interest paid	(34.202)	(47.889)
Dividends received	2.514	1.200
Dividends paid	(2.920)	(1.341)
Taxation	-	(0.002)

#### 6.7.4.2 Investing Activities

	2017/18 £m	2018/19 £m
Purchase of property, plant and equipment, investment property and intangible assets	(240.343)	(164.380)
Purchase of short-term and long-term investments	(7.500)	(57.500)
Other payments for investing activities	(23.903)	(0.162)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9.052	26.720
Proceeds from short-term and long-term investments	29.426	10.000
Other receipts from investing activities	52.550	51.599
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(180.718)</b>	<b>(133.723)</b>

#### 6.7.4.3 Financing Activities

	2017/18 £m	2018/19 £m
Cash receipts of short and long-term borrowing	223.196	150.525
Other receipts from financing activities	3.946	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(13.374)	(11.034)
Repayments of short and long-term borrowing	(132.303)	(63.194)
Other payments for financing activities	(3.048)	-
Issue of share capital	7.500	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>85.917</b>	<b>76.297</b>

6.7.4.4 Reconciliation of Liabilities arising from Financing Activities

	1 April	Financing	Non-cash changes		31 March
	2018	cash outflows (inflows)	Acquisition	Other	2019
	£m	£m	£m	£m	£m
Long-term borrowings	(802.145)	(75.570)	-	0.005	(877.710)
Short-term borrowings	(73.785)	(12.085)	-	(0.524)	(86.394)
Lease liabilities	(23.226)	6.366	(3.491)	-	(20.351)
On balance sheet PFI liabilities	(205.841)	4.668	-	2.349	(198.824)
Growing Places Fund and other	(18.526)	0.324	-	0.088	(18.114)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,123.523)</b>	<b>(76.297)</b>	<b>(3.491)</b>	<b>1.918</b>	<b>(1,201.393)</b>

# Section 7 (Appendix A)

## PENSION SCHEMES

### 7.1 Defined Benefit Pension Schemes accounted for as Defined Contribution Schemes

#### 7.1.1 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Ltd on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has more than of 10,000 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2018/19, the Council paid £4.459m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £4.764m and 16.48%. The employer contribution rate will increase to 23.68% from September 2019 (which includes a levy of 0.08% for administration).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Scheme. These costs are accounted for on a defined benefit basis and shown under past service costs/gains in section 7.2.1 below. The teacher's benefits arrangements have no assets to cover its liabilities.

The Council is not liable to the scheme for any other entities obligations under the plan.

#### 7.1.2 NHS Pension Scheme

Public Health employees who transferred into the Council from Nottingham City PCT on 01 April 2013 are members of the NHS Pension Scheme. The NHS Pension Scheme is administered by NHS Business Services Authority.

On 1 April 2015 a new NHS Pension Scheme was introduced. The new scheme covers all former members of the 1995/2008 Scheme not eligible to continue in that Scheme as well as new NHS employees on or after 1 April 2015. The 2015 Scheme is a Career Average Revalued Earnings Scheme, with benefits based on a proportion of pensionable earnings each year during your career.

The scheme is an unfunded defined benefit occupational scheme with the benefits underwritten by the Government. The scheme is not designed to be run in a way that would enable NHS bodies / local authorities to identify their share of the underlying

scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme receives contributions from employers and employees to defray the costs of pensions and other benefits. The costs of the scheme are determined by the Government and also the scheme actuary who performs periodic valuations of the scheme to determine how much needs to be paid in to provide the benefits paid out. These costs are shared between the NHS employers and the scheme members.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2012 the valuation report recommended that employer contributions should be at a rate of 14.3% of pensionable pay for both the 1995/2008 Scheme and the 2015 Scheme. However, in March 2017 a levy on the employers of 0.08% was introduced to pay for the administration of the NHS Pension Scheme. The most recent 2016 scheme valuation identified the need to increase the employer contribution from 14.3% to 20.6% from 1 April 2019.

The employee contributions are on a tiered scale from 5.0% to 14.5% of their pensionable pay.

In 2018/19 the Council's contribution to the Scheme was £0.068m, representing 14.38% of pensionable pay (£0.474m). The Councils expected contributions to the Scheme for 2019/20 are 20.68% (which includes the levy of 0.08% for administration) of member's pensionable pay.

If the scheme operates with a surplus of cash outflow, due to income exceeding the payments made, the surplus is returned to HM Treasury during the following financial year. If payments exceed income within a financial year, or the scheme requires funds to maintain a level of cash flow to make payments the balance of the funding required is requested from parliament through the annual Supply Estimates process.

As the scheme is unfunded liabilities are underwritten by the Exchequer.

## 7.2 Defined Benefit Pension Scheme

### 7.2.1 Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, and currently provides benefits based on career average revalued earnings.

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to

## Section 7 – Pension Schemes

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31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

**Investment risk:** The Fund holds investment in asset classes, such as equities, which have volatile market values. Whilst these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

**Interest rate risk:** The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

**Inflation risk:** All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

**Longevity risk:** In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

### **Court of Appeal Judgement in Relation to the McCloud and Sargeant Cases**

#### *Context*

In December 2018, the Court of Appeal ruled against the Government in two cases. The court looked at whether transitional protections offered to older judges (McCloud case) and firefighters (Sargeant case) in their respective pension schemes, which were intended to cushion them from changes being made to future pension benefits, were directly age discriminatory, on the basis that younger members of the schemes were not offered the same protection.

The court held that the transitional provisions in both cases were discriminatory based on age. The Government sought permission to appeal this decision to the Supreme Court.

On 27 June 2019, the Supreme Court refused permission for the Government to appeal the Court of Appeal's December 2018 judgement in the cases of McCloud and Sargeant. The Court of Appeal's judgement stands and transitional protection gives rise to unlawful discrimination in the Judges and Firefighters' schemes. The Government will now be required to introduce a remedy to compensate individuals for the difference in treatment since 2015 in those schemes.

This will affect other public sector groups who have had similar changes to their pension schemes including the LGPS.

*Impact*

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes respectively. The estimated impact on the total liabilities at 31 March 2019 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2019.

It should be noted that this adjustment is an estimate of the potential impact on the Council’s defined benefit obligation based on analysis carried out by the Government Actuary’s Department and the Council’s liability profile. It is not yet clear how this judgement may affect LGPS members’ past or future service benefits.

**Assets and Liabilities in Relation to Post-employment Benefits**

The projected pension expenses for the year to 31 March 2020 are as follows:

	LGPS 31 March 2020 £m	Teachers Benefits £m
Service cost	52.385	-
Net interest on the defined liability (asset)	17.655	0.787
Administration expenses	0.488	-
<b>TOTAL</b>	<b>70.528</b>	<b>0.787</b>
<b>Employer Contributions</b>	<b>31.923</b>	<b>-</b>

Note that these figures exclude the capitalised cost of any early retirement or augmentations which may occur after 31 March 2019.

These projections are based on the assumptions as at 31 March 2019. There has also been an allowance for the estimated impact of the recent McCloud judgement on the projected service cost.

**Actuarial Methods and Assumptions**

Both the Local Government Pension Scheme and Teachers Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016 and using financial assumptions that comply with IAS19.

**Valuation Data - Data Sources**

In completing the calculations for pensions accounting purposes the actuary has used the following items of data, which they received from Nottinghamshire County Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2018 IAS19 report which was carried out for accounting purposes.
- Estimated whole fund income and expenditure items for the period to 31 March 2019.

## Section 7 – Pension Schemes

- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2018 and 31 March 2019, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2019.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2019.
- Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of the data items have been estimated, they are not likely to have a material effect on the results. The actuary is not aware of any material changes or events since they received the data. The actuary checks the data for reasonableness to ensure it is sufficient for them to be able to provide advice.

### Employer Membership Statistics

The table below summarises the membership data, as at 31 March 2016 for members receiving funded benefits and as 31 March 2016 for any members receiving unfunded benefits.

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Actives	8,247	160.454	45
Deferred Pensioners	12,258	15.094	46
Pensioners	6,545	29.722	70
Unfunded Pensioners	851	0.702	79

The Council also has a share of the responsibility for some of the historic Nottinghamshire County Council liabilities accrued prior to the reorganisation of local government 1 April 1998, and a responsibility for the liabilities of Nottingham City Transport Limited accrued prior to 26 October 1986. The data underlying the pre-1998 Nottinghamshire County Council and Nottingham City Transport Limited LGPS liabilities is as follows as at 31 March 2016:

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
<b>Pre-1998 Nottinghamshire County Council:</b>			
Deferred pensioners	3,628	2.171	54
Pensioners	5,683	19.545	77
Unfunded Pensioners	1,453	1.499	82
<b>Nottingham City Transport Limited:</b>			
Actives	68	1.654	59
Deferred pensioners	48	0.177	57
Pensioners	815	5.045	72

The service cost for the year ending 31 March 2019 is calculated using an estimate of the total pensionable payroll during the year of £141.139m. The projected service

cost for the year ending 31 March 2020 has been calculated assuming the payroll remains at this level over the year.

There were 46 new early LGPS retirements in respect of the year ending 31 March 2019. The total annual pension that came into payment was £0.276m.

### Scheduled Contributions

The table below summarises the minimum employer contributions due from the Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 13.7% of payroll p.a. The monetary amounts are due to be paid in monthly instalments.

	Minimum employer contributions due for the period beginning		
	1 Apr 2017	1 Apr 2018	1 Apr 2019
Percent of Payroll	13.7%	13.7%	13.7%
plus monetary amounts £m	12.009	12.296	12.590

However, the Council have agreed with the administering authority that they will prepay their monetary contributions for the three years to 31 March 2020 by making lump sum payments of £11.695m, £11.975m and £12.262m by 30 April 2017, 30 April 2018 and 30 April 2019 respectively. These lump sum payments have received an actuarially equivalent discount to the monetary rates above and the Council has been notified separately of these amounts. If the Council does not make these lump sum payments by 30 April each year, the contribution rates set out above will apply as normal.

The Council may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by the actuary.

### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 9%. The actual return on Fund assets over the year may be different.

The LGPS estimated asset allocation for the Council as at 31 March 2019 is as follows:

	Local Government Pension Scheme			
	31 March 2018		31 March 2019	
	£m	%	£m	%
Equities	708.636	66%	720.513	62%
Gilts	24.688	2%	37.804	3%
Other Bonds	125.892	12%	107.567	9%
Property	135.382	13%	157.087	14%
Cash	21.293	2%	28.047	2%
Inflation-linked pooled fund	26.663	2%	42.185	4%
Infrastructure	35.162	3%	55.885	5%
Unit trust	n/a	n/a	11.774	1%
<b>TOTAL</b>	<b>1,077.716</b>	<b>100%</b>	<b>1,160.862</b>	<b>100%</b>

The bid values have been estimated where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may

## Section 7 – Pension Schemes

not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2019 is likely to be different from that shown due to estimation techniques.

Based on the above, the Council's share of the assets of the Fund is approximately 21%.

The following information has been provided by the administering authority regarding the detail of the assets as at 31 March 2019. It represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset Breakdown		31 March 2019	
		% Quoted	% Unquoted
<b>Fixed Interest Government Securities:</b>			
	UK	3.3%	-
<b>Corporate Bonds:</b>			
	UK	9.0%	-
	Overseas	0.2%	-
<b>Equities:</b>			
	UK	24.3%	0.1%
	Overseas	35.3%	-
<b>Property:</b>			
	All	-	13.5%
<b>Others:</b>			
	Private Equity	-	2.3%
	Infrastructure	-	4.8%
	Inflation Linked	-	3.6%
	Cash/Temporary Investments	-	2.4%
<b>TOTAL</b>		<b>72.1%</b>	<b>26.9%</b>

Please note that as above, no adjustments for presentational purposes have been made to the percentages shown.

### Valuation Approach

To assess the value of the Council's liabilities at 31 March 2019, the value of the Council's liabilities calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions compliant with IAS19.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2019 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 should not introduce any material distortions in the results, provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. The actuary has confirmed that there appears to be no evidence that this approach is inappropriate.

The asset share has been calculated by rolling forward the assets allocated to the Council at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from the fund by and in respect of the Council and its employees.

As a result of the High Courts’ recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP) between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is the actuary’s understanding that HM Treasury have confirmed that the judgement “does not impact on the current method used to achieve equalisation and indexation in public service pension schemes”.

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals’ public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

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

**Assumptions**

Assumed life expectations and financial assumptions used for the purpose of IAS19 calculations are shown in the following table:

	Local Government Pension Scheme		Teachers Benefits	
	2017/18	2018/19	2017/18	2018/19
<b>Mortality Assumptions (Years):</b>				
Longevity at 65 retiring today:				
Males	22.6	21.6	22.6	21.6
Females	25.6	24.4	25.6	24.4
Longevity at 65 retiring in 20 years:				
Males	24.8	23.3	n/a	n/a
Females	27.9	26.2	n/a	n/a
<b>Financial Assumptions:</b>				
	SEIR approach	SEIR approach	SEIR approach	SEIR approach
RPI increase	2.30%	2.40%	2.35%	2.50%
CPI increase	3.80%	3.90%	n/a	n/a
Rate of increase in salaries	2.30%	2.40%	2.35%	2.50%
Rate of increase in pensions	2.55%	2.40%	2.45%	2.25%
Rate for discounting scheme liabilities	19	19	11	11
Estimate in years of duration of liabilities				

The financial assumptions are set with reference to market conditions at 31 March 2019.

## Section 7 – Pension Schemes

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

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

As future pension increases are expected to be based on the Consumer Price Index (CPI) rather than RPI, a further assumption about CPI is that it will be 1.0% p.a. below RPI i.e. 2.4%. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, a short-term overlay for salaries to rise by 2.802% for the year to 31 March 2020 has been allowed for. This is consistent with the approach used at the previous accounting date.

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

### **Past Service Costs/Gains**

Past service costs or gains arise as a result of introduction or withdrawal of or changes to member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost. The capitalised cost of the additional benefits awarded during the year is calculated at £15.280m. This figure has been included within the service cost.

### **Curtailments**

The cost of curtailments is calculated as a result of the payment of unreduced pensions on early retirement. The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, 46 former Council employees became entitled to unreduced early retirement benefits under the LGPS. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £2.179m. This has been included within the service cost.

## Settlements

As a result of some members transferring into / out of the Council over the year liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £0.190m.

A summary of the transfers into/out of the Council over the last year is set out below. This includes the value of the assets transferred to/from the Council in respect of any transfers and the value of the transferred defined benefit obligation (as calculated on a basis consistent with the start of the year). Where applicable, the date of the report provided to the Administering Authority in relation to the transfer which includes a summary of the membership data used to calculate the value of the assets and liabilities transferred has been provided.

Settlements In and Settlements Out				
	Transfer Date	Assets Transferred £m	Liabilities Transferred £m	Report Date
<b>Council transferred from:</b>				
Carillion Services Limited (Farnborough)	7 March 2018	0.077	0.047	3 July 2018
Carillion Services Limited (BSF)	7 March 2018	0.237	0.233	3 July 2018
Nottinghamshire County Council	1 September 2017	0.046	0.074	n/a
<b>TOTAL</b>		<b>0.360</b>	<b>0.354</b>	
<b>Council transferred to:</b>				
Churchill Contract Services Limited (Glenbrook Primary Academy)	1 January 2019	0.023	0.044	31 January 2019
Archway Learning Trust (Emmanuel School Catering)	1 January 2019	0.164	0.327	n/a
<b>TOTAL</b>		<b>0.187</b>	<b>0.371</b>	

## Demographics

The demographics used by the actuary are consistent with those used for the most recent Fund valuation, carried out at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI 2018, which was released in March 2019. The actuary has adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI 2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure in note 4.4.13.

## Sensitivity Analysis

The sensitivity analysis below focuses on four assumptions – discount rate, salary increases, inflation (which is used to determine pension increases and deferred revaluation) and mortality.

## Section 7 – Pension Schemes

	Local Government Pension Scheme			Teachers Benefits		
	£m	£m	£m	£m	£m	£m
<b>Adjustment to discount rate:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,877.441	1,912.851	1,948.965	35.633	36.029	36.430
Projected service cost	51.101	52.385	53.703	-	-	-
<b>Adjustment to long term salary increase:</b>	+0.1%	0.0%	-0.1%	-	-	-
Present value of total obligation	1,916.188	1,912.851	1,909.539	-	-	-
Projected service cost	52.385	52.385	52.385	-	-	-
<b>Adjustment to pension increases and deferred revaluation:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,945.593	1,912.851	1,880.718	36.429	36.029	35.633
Projected service cost	53.701	52.385	51.100	-	-	-
<b>Adjustment to life expectancy assumptions:</b>	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,984.822	1,912.851	1,843.572	37.687	36.029	34.444
Projected service cost	54.056	52.385	50.766	-	-	-

# Section 8

## ABBREVIATIONS/GLOSSARY

### 8.1 Abbreviations

<b>BID</b>	-	Business Improvement District
<b>BSF</b>	-	Building Schools for the Future
<b>CIES</b>	-	Comprehensive Income and Expenditure Statement
<b>CFR</b>	-	Capital Financing Requirement
<b>CRC</b>	-	Carbon Reduction Credits
<b>DRF</b>	-	Direct Revenue Financing
<b>DSG</b>	-	Dedicated Schools Grant
<b>EFA</b>	-	Expenditure and Funding Analysis
<b>EMSS</b>	-	East Midlands Shared Services
<b>HRA</b>	-	Housing Revenue Account
<b>IBNR</b>	-	Incurred but not yet Reported
<b>IAS</b>	-	International Accounting Standard
<b>IFRS</b>	-	International Financial Reporting Standards
<b>ISB</b>	-	Individual Schools Budget
<b>LGPS</b>	-	Local Government Pension Scheme
<b>LIFT</b>	-	Local Improvement Finance Trust
<b>LCC</b>	-	Leicestershire County Council
<b>MIRS</b>	-	Movement in Reserves Statement
<b>MTFO</b>	-	Medium Term Financial Outlook
<b>MTFP</b>	-	Medium Term Financial Plan
<b>NCC</b>	-	Nottingham City Council
<b>NET</b>	-	Nottingham Express Transit
<b>NNDR</b>	-	National Non-Domestic Rates
<b>PFI</b>	-	Private Finance Initiative
<b>PPE</b>	-	Property Plant and Equipment
<b>PWLB</b>	-	Public Works Loan Board
<b>REFCUS</b>	-	Revenue Expenditure Financed from Capital under Statute
<b>RSG</b>	-	Revenue Support Grant

### 8.2 Glossary of Financial Terms

Items in **bold** are described further within the glossary.

#### **Accounting Period**

The period of time covered by the Council's accounts. Normally twelve months, beginning on 1 April. Also known as the Financial Year.

#### **Accounting Policies**

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, measuring and presenting **assets**, **liabilities**, gains, losses and changes to **reserves**.

#### **Accrual**

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Accruals are made for **revenue** and **capital expenditure** and income (see **debtors** and **creditors**).

#### **Actuarial gains and losses**

This reflects the extent to which the movements of the pension assets and liabilities over the accounting year have not been exactly as assumed at the previous accounting date, and also the effect on the pension liabilities of changes to the assumptions used to value them.

#### **Agency Services**

Services that are performed by or for another Council or public body, where the Council responsible for the service reimburses the Council for the cost of that work.

#### **Amortisation**

The writing down of an **intangible asset** reflecting its diminution in value as its useful life expires over time.

#### **Assets**

Items having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year e.g. land, buildings, plant, vehicles and equipment. Current assets can be readily converted into cash.

#### **Bad (and doubtful) Debts**

Debts which may be uneconomical to collect or unrecoverable.

#### **Balance Sheet**

A statement of recorded **assets** and **liabilities**, and other balances at the end of an **accounting period**.

#### **Business Rates – see National Non-Domestic Rates**

#### **Capital Adjustment Account**

This account contains the balances previously held on the Capital Financing Account, the Fixed Asset Restatement Account and the Government Grants Deferred Account. The movements in year relate to the amount of capital expenditure financed from revenue, grants and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

#### **Capital Expenditure**

Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

### **Capital Financing Requirement**

An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account and **Revaluation Reserve**. This represents the Council's "underlying" need to borrow. The Council is required to make an annual provision from revenue resources to meet its debt repayment obligations. This is known as the **Minimum Revenue Provision**.

### **Capital Receipt**

Money received from the disposal of land and other **assets**, and from the repayment of capital grants and loans made by the Council.

### **Cash and Cash Equivalents**

Cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services. It draws up the Accounting Code of Practices and issues professional guidance used to compile these accounts. CIPFA advises central government and other bodies on local government and public sector finance matters.

### **Code of Practice on Local Authority Accounting (UK)**

Publication produced by **CIPFA** that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

### **Collection Fund**

A separate fund recording the expenditure and income relating to **Council Tax**, **National Non-Domestic Rates** (collected on behalf of the Central Government) and residual community charge.

### **Community Assets**

**Assets** that a local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples are parks and allotments.

### **Consolidated**

Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration e.g. debtors.

### **Contingency**

A sum included in the revenue budget to cover unexpected expenditure during the **accounting period**. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

### **Contingent Liabilities**

A contingent liability is defined as either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control;
- or a present obligation that arises from past events but is not recognised because either it is not probable that a transfer of economic benefits will be required to settle the obligation;
- or the amount of the obligation cannot be measured with sufficient reliability.

## Section 8 – Abbreviations/Glossary

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### **Contingent Rents**

The portion of the lease payments that is not fixed in amount, but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices and future market rates of interest).

### **Contract Assets**

Debtors for goods or services provided by the Council where not all of the goods or services that the Council is required to provide have been delivered by 31<sup>st</sup> March.

### **Contract Liabilities**

Creditors for goods or services provided by the Council where the Council has received payment but not done everything that is required to retain the payment by 31<sup>st</sup> March.

### **Council Tax**

A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of the property.

### **Council Tax Benefit**

Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their **Council Tax** bills.

### **Council Tax Discounts and Exemptions**

Discounts are available to people who live alone and for homes that are not anyone's main home. **Council Tax** is not charged for certain properties, known as exempt properties, such as those only lived in by students.

### **Creditors**

Amounts owed by an authority for works done, goods received or services rendered before the end of an **accounting period**, but for which actual payments had not been made by the end of that accounting period.

### **Current Service Cost**

The increase in present value of a defined benefit pension scheme's **liabilities** expected to arise from employee service in the current financial year.

### **Current Value**

The current value of an **asset** is a measurement of the asset's service potential and can be measured at:

- Existing Use Value – where an active market exists,
- Existing Use Value Social Housing – for council dwellings, or
- Depreciated Replacement Cost– for assets where there is no market and / or the assets are specialised

### **Debtors**

Amounts due to an authority for works done, goods supplied or service rendered before the end of an **accounting period**, but for which actual payments had not been received by the end of that accounting period.

### **Dedicated Schools Grant**

A **specific grant** paid to Local Authorities to fund the cost of running its schools.

### **Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the

contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

A charge to the revenue account to reflect the reduction in an asset's value as a result of its use in the delivery of services.

### **Direct Revenue Financing**

Capital expenditure funded from revenue budgets.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **External Audit**

The auditor is appointed by **PSAA Ltd** and is required to verify that all statutory and regulatory requirements have been met during the production of the Council's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

### **Fair Value**

The fair value of an **asset** is the price at which assets or liability could be exchanged between market participants at the measurement date under current market conditions.

### **Finance Lease**

A lease, which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance. Assets held under Finance Leases are recognised on the Balance Sheet as assets.

### **Financial Instrument**

Any contract giving rise to a financial **asset** in one entity and a financial **liability** or equity instrument in another. Examples include the treasury management activity of the Council, including the borrowing and lending of money and the making of investments.

### **Fixed Assets**

Tangible assets which have value to the Council for more than one year.

### **Funding Basis**

The accounting basis that local authorities are required by statute to follow when setting their Council Tax. This is different to the IFRS basis, which is used to produce the Statement of Accounts.

### **General Fund**

The common name for the account which accumulates balances for all services except the **Housing Revenue Account** and the **Collection Fund**.

### **Group Financial Statements**

Where a Council has an interest in another organisation (e.g. a **subsidiary** organisation) group accounts have to be produced. These accounts report the consolidated financial position of the Council and all organisations in which it has an interest.

### **Heritage Assets**

**Assets** with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture.

## Section 8 – Abbreviations/Glossary

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### **Historical Cost**

This represents the original cost of acquisition, construction or purchase of a fixed asset.

### **Housing Benefit**

Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their rent. Parts of the cost, including those associated with the running expenses of the scheme, are refunded directly by the Government.

### **Housing Revenue Account (HRA)**

Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

### **Impairment**

A reduction in the value of a fixed **asset**, resulting from financial loss, damage or obsolescence. In order to comply with accounting standards, the Council undertakes annual reviews of its assets to identify any that are impaired.

### **Infrastructure Assets**

**Assets** held by local authorities which do not normally have a resale value and for which a useful life span cannot easily be assessed. Examples include highways, bridges and drainage facilities.

### **Intangible Assets**

**Assets** that do not have physical substance but are identifiable and controlled by the Council through custom or legal rights.

### **International Financial Reporting Standards**

International Financial Reporting Standards are standards and interpretations adopted by the International Accounting Standards Board (IASB). Many of the standards forming part of the IFRS were previously known as International Accounting Standards.

### **Investment Properties**

An interest in land and buildings that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services as well as for investment purposes does not meet the definition of an investment property.

### **Joint Ventures**

An organisation in which the Council is involved where decisions require the consent of all participants.

### **Liability**

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

### **Loss Allowance**

An allowance provided for bad debts i.e. credit losses.

### **Medium Term Financial Plan (MTFP)**

A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP currently covers three years.

### **Minimum Revenue Provision**

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

### **National Non-Domestic Rates (NNDR)**

The means by which local businesses contribute to the cost of providing the Council's services. NNDR cover all property consisting of land or buildings not classed as domestic property or exempt from rating. The Valuation Office Agency gives a rateable value to each non-domestic property and this is used by local councils to calculate a property's NNDR.

### **Net Revenue Expenditure**

This represents the Council's budget requirement and use of **reserves**.

### **Non-Cancellable Lease**

A lease that is cancellable only:

- Upon the occurrence of some remote contingency.
- With the permission on the lessor.
- If the lessee enters into a new lease for the same or an equivalent asset with the same lessor
- Upon payment by the lessee of such an additional amount that, at the inception of the lease, continuation of the lease is reasonably certain.

### **Non-operational Assets**

**Assets** held by the Council but not actually used in the direct delivery of services, including surplus assets and **investment properties**. See **Operational Assets**.

### **Operating Leases**

A lease where substantially all of the risks and rewards of ownership of a fixed **asset** are retained by the lessor. Operating leases do not result in a charge against the Council's capital resources.

### **Operational Assets**

**Assets** held by the Council for the purpose of the direct delivery of services for which the Council has either a statutory or discretionary responsibility. See **Non-operational Assets**.

### **Outturn**

Actual income and expenditure in an **accounting period**.

### **Past Service Cost**

The increase in **liabilities** arising from current year decisions whose effect relates to years of service earned in earlier years.

### **PFI Credits**

The financial support provided to Local Authorities to part fund **Private Finance Initiative** capital projects.

### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

### **Precept**

The amount of **Council Tax** income County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services.

### **Prior Year Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the

## Section 8 – Abbreviations/Glossary

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correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

### **Private Finance Initiative (PFI)**

A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

### **Provision**

An amount set aside to cover a **liability** that will almost certainly occur, but where the amounts or dates on which the cost will arise are uncertain.

### **Prudential Code**

The Prudential Code ensures, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable.

### **Public Sector Audit Appointments (PSAA) Ltd**

PSAA was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government has delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. Under these transitional arrangements, PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. Before 1 April 2015, these responsibilities were discharged by the Audit Commission. The Secretary of State has specified PSAA as an appointing person under provisions of the Local Audit and Accountability Act 2014. For audits of the accounts from 2018/19, PSAA has appointed auditors to relevant principal local government bodies that opt into its national scheme. Grant Thornton UK LLP are the external auditors for Nottingham City Council for 2018/19.

### **Public Works Loans Board (PWLB)**

A Government agency which provides loans, for terms of one year and above, to local authorities. The interest rates applied are only slightly higher than those at which the Government can borrow.

### **Reserves**

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and **provisions** which are set up to meet known liabilities.

### **Residual Value**

The net realisable value of an **asset** at the end of its useful life.

### **Revaluation Reserve**

This represents the non-distributable increase/decrease in the valuation of fixed **assets**.

### **Revenue Expenditure**

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

### **Revenue Expenditure Funded From Capital under Statute (REFCUS)**

This is expenditure that legislation allows to be funded from capital resources that does not result in an **asset** to the Council (e.g. Housing improvement grants). This expenditure is written off to the Income and Expenditure Account in the year it is incurred.

### **Revenue Support Grant (RSG)**

Government financial support to aid local authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

### **Section 106 contributions**

These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

### **Service Reporting Code of Practice**

Published by **CIPFA** the Service Reporting Code of Practice establishes "proper practice" with regard to consistent financial reporting to enhance the comparability of local authority financial information and was given statutory force in England by regulations under the Local Government Act 2003.

### **Single Entity Financial Statements**

The main financial statements for the Council as shown in section 3. The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council.

### **Specific Grant**

Government financial support for a specific purpose or service that cannot be spent on anything else.

### **Stocks**

Comprise of goods or other **assets** purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

### **Subsidiary and Associated Companies**

An organisation in which the Council has a participating interest and over which it can exercise significant influence e.g. where the Council controls the majority of voting rights.

### **Trading Accounts**

Services run commercially to provide services that are mainly funded from fees and charges levied on customers.

### **Trust Funds**

Funds administered by a local authority for purposes such as charities, and specific projects and on behalf of minors.

### **Work in Progress**

The value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account

# Section 9

## Independent auditor’s report to the members of Nottingham City Council

### Report on the Audit of the Financial Statements

#### Opinion

##### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Nottingham City Council (the ‘Authority’) and its subsidiaries, joint ventures and trust fund (the ‘group’) for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Movement on the HRA Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Movement in Reserves Statement and the Group Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Financial Statements (section 4), the Notes to the HRA Financial Statements and the Notes to the Collection Fund Statement (within section 5), the notes to the Group Financial Statements (within section 6), and the Pension Schemes notes (section 7). The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group’s expenditure and income and the Authority’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 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

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

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group’s and Authority’s future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group’s and Authority’s future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

### Conclusions relating to going concern

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

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

In our evaluation of the Chief Finance Officer’s conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19 that the Authority’s financial statements shall be prepared on a going concern basis, we considered the risks associated with the group’s and Authority’s operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group’s and Authority’s financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor’s report is not a guarantee that the Authority or group will continue in operation.

### Overview of our audit approach

#### Financial statements audit

- Overall materiality: £18 million, which represents 1.63% of the group’s Cost of Services Gross Expenditure.
- Key audit matters were identified as:
  - Valuation of pension fund net liability (Group and Authority)
  - Preparation of group accounts and related disclosures (Group and Authority)
  - Valuation of property, plant and equipment (Authority)
  - Accounting for PFI schemes (Authority)
- We did not identify any of the subsidiaries or other consolidated entities as being individually financially significant to the group, but identified specific transactions and balances in relation to four of them for which we required assurance and instructed component auditors to carry out specified audit procedures. We carried out analytical procedures on the remaining components.



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Section 9 – Independent Auditor’s Report

### Key Audit Matter – Group and Authority

### How the matter was addressed in the audit – Group and Authority

#### Risk 1 Valuation of pension fund net liability

The Authority’s pension fund net liability of £788 million, as reflected in its balance sheet, represents a significant estimate in the financial statements. The group accounts also include a further £109 million, primarily in respect of Nottingham City Homes Ltd.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

During the audit, we identified the need for the pension liability to be restated to take into account the impact of the McCloud case. The Court of Appeal had previously ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling but, in June 2019, the Government was refused leave to appeal. The Government has accepted that remedies will need to be made in relation to all public sector pension schemes, including the Local Government Pension Scheme, of which the Authority and some of its group companies are part. The ruling will result in an increase in the Group and Authority’s pension fund net liability, which the actuaries for the group entities have estimated at £19.1 million. We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- understanding the processes and controls put in place by the Authority to ensure that the pension fund net liability is not materially misstated and evaluating the design of the associated controls;
- assessing the accuracy and completeness of the information provided by the Authority to the actuary to estimate the Authority pension fund net liability;
- testing the accuracy and completeness of that information submitted to the Authority’s actuary by the Nottinghamshire Pension Fund;
- assessing the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation;
- critically evaluating the reasonableness of the actuarial assumptions made for the Authority’s liability, including those relating to the accounting estimate for the McCloud ruling;
- checking the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the report from the Authority’s actuary; and
- issuing group audit instructions to the auditors of Nottingham City Homes Ltd and evaluating the work they performed in relation to this risk.

The group’s accounting policy on valuation of the pension fund net liability is shown in notes 6.3, 4.1.2.4 and 4.1.3.10 to the financial statements and related disclosures are included in notes 4.3.9, 4.4.13 and 7.2.1.

#### Key observations

The Authority obtained an updated valuation from their actuary in relation to the impact of the McCloud judgement on the Authority’s pension liability. We also identified that the actual rate-of-return on the pension fund assets in the year was lower than that assumed by the actuary when estimating the pension liability. The Authority asked the actuary to take this into account in the updated valuation.

The net pension liability figure in the Group and Authority balance sheet was increased by £30.3 million on audit to reflect these updated valuations.

Our assessment of the work performed by the auditors of Nottingham City Homes Ltd identified that they had not considered the possible impact of the McCloud judgement. We carried out further work which led to us estimate the impact as £3.8 million, which is not material to our audit of the group accounts. The Authority did not amend the group financial statements in this respect.

Subject to the above adjusted and unadjusted items, we obtained sufficient audit assurance to conclude that:

- the basis of the valuations in the Authority and Group financial statements was appropriate, and the assumptions and processes used by management in determining the estimates were reasonable;
- the valuations of the net pension liabilities recognised in the Authority and group financial statements are reasonable.

## Section 9 – Independent Auditor’s Report

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### Key Audit Matter – Group and Authority

#### Risk 2 Preparation of group accounts and related disclosures

The Authority has a relatively complex group structure, with six subsidiaries, two Joint Ventures and a Trust Fund consolidated into the group accounts.

In addition to the logistical challenges for the compilers of the accounts associated with this consolidation process, there are financial challenges within one of the subsidiary companies which have an impact on the disclosures made in both the Group and Authority financial statements.

We therefore identified preparation of group accounts and the completeness of related disclosures in the financial statements as a significant risk, which was one of the most significant assessed risks of material misstatement.

### How the matter was addressed in the audit – Group and Authority

Our audit work included, but was not restricted to:

- evaluating the adequacy of the consolidation procedures in place at the Authority and the Authority’s assessment of whether or not to consolidate each entity within the group accounts;
- liaising formally with component auditors to enable us to make use of the outcomes of their audits for our audit opinion on the Group Accounts; and
- agreeing the final accounts consolidation back to audited financial statements for each subsidiary, joint venture and trust fund consolidated within the group accounts.
- assessing the adequacy and accuracy of the disclosures in the Group and Authority financial statements in relation to the financial performance of group companies and the Council’s financial interests therein.

The group’s accounting policies for the group accounts are shown in section 6 of the financial statements.

#### Key observations

The disclosures included within the draft group accounts in respect of Robin Hood Energy did not include sufficient information about the risks associated with the Authority’s holding of the company. We therefore asked management to revisit this and to make further disclosures.

The disclosures in the notes to the group accounts were enhanced on audit. Subject to the above adjustment, we obtained sufficient audit assurance to conclude that:

- the Authority’s assessment of which entities should be consolidated within the group was reasonable;
- The Authority’s consolidation process was appropriate.
- The group disclosures are materially complete.

## Section 9 – Independent Auditor’s Report

### Key Audit Matter – Authority

### How the matter was addressed in the audit – Authority

#### Risk 1 Valuation of property, plant and equipment

The Authority revalues its ‘other land and buildings’ on a five-year rolling programme and reviews the carrying values each year to ensure that the carrying values for those assets not formally revalued are not materially misstated. Council dwellings are valued separately using a beacon basis.

Valuation of property, plant and equipment is considered a significant estimate due to the size of the numbers involved (£2,558 million) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of property, plant and equipment as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- assessing management’s processes and assumptions for the Authority’s valuation process, including the instructions issued to the valuer;
- evaluating the basis on which the Authority’s valuation is carried out and challenging the key assumptions;
- challenging the information used by the valuer to assess its completeness and consistency with our understanding;
- engaging our own valuer to assess the instructions issued to the Authority’s valuer by management, the valuer’s report and the assumptions that underpin the valuation;
- evaluating the beacon approach used for the council dwelling valuation and challenging the basis of valuation of such beacons;
- testing, on a sample basis, revaluations made during the year to check that they are correctly entered in the Authority’s asset register and gains and losses are properly accounted for; and
- evaluating the assumptions made by management for those assets of the Authority not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

The Authority’s accounting policy on valuation of property, plant and equipment is included in note 4.1.3.1 to the financial statements and related disclosures are included in note 4.4.1.

#### Key observations

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation was appropriate, and the assumptions and processes used by management in determining the estimate were reasonable;
- the valuation of the property, plant and equipment recognised in the financial statements is reasonable.

#### Risk 2 Accounting for PFI schemes

The Authority has a number of complex Private Finance Initiative (PFI) schemes, the largest and most complex being in relation to the tram network. As this is the first year of our audit, we will need to understand these arrangements in detail and obtain sufficient evidence that there is no material misstatement in the financial statements in respect of PFI schemes.

The assets and liabilities associated with the PFI schemes are significant elements within the Authority’s balance sheet, with the assets amounting to 8.7% of long term assets and the associated liability to £199 million.

We therefore identified Accounting for PFI schemes as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- assessing the Authority’s accounting treatment of its PFI schemes;
- confirming that all disclosures in the financial statements are in accordance with relevant financial reporting requirements and are supported by the Authority’s PFI accounting models which analyse the contractual payments made into capital and revenue elements and determine the residual liability at the year end.

The Authority’s accounting policy on accounting for PFI schemes is shown in note 4.1.3.1 to the financial statements and related disclosures are included in note 4.7.14.

#### Key observations

We obtained sufficient audit assurance to conclude that the PFI transactions and disclosures in the financial statements are in accordance with the CIPFA/LASAAC code of practice and the underlying accounting models.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

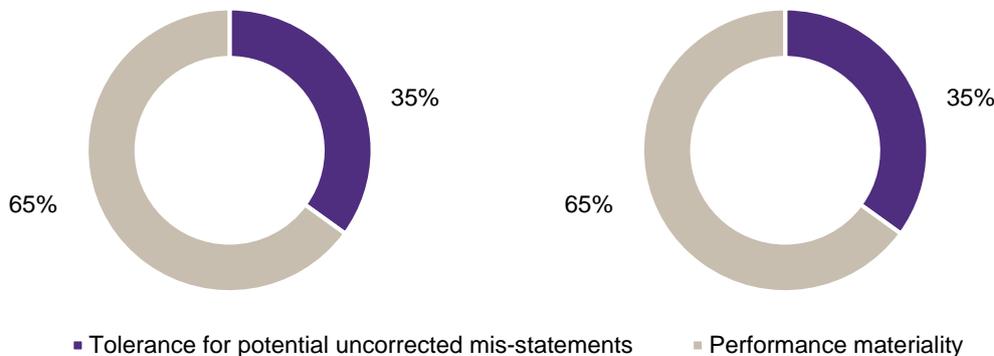
Materiality was determined as follows:

Materiality Measure	Group	Authority
Financial statements as a whole	£18 million which is 1.63% of the group’s Cost of Services Gross Expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the group has expended its revenue and other funding. Your previous auditors applied a materiality level of £11m in their audit of the Group for the year ended 31 March 2018.	£16 million which is 1.73% of the Authority’s Cost of Services Gross Expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding. Your previous auditors applied a materiality level of £10.5m in their audit of the Authority for the year ended 31 March 2018.
Performance materiality used to drive the extent of our testing	65% of financial statement materiality	65% of financial statement materiality
Specific materiality	No specific materiality levels were determined at a group level.	We determined a lower level of specific materiality for the table of remuneration of individual senior officers.
Communication of misstatements to the Audit Committee	£900,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£800,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Authority



### An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group’s business and in particular included:

- As this was our first year as auditors of the Authority and group, meeting with the previous auditors and considering key documents held in their audit files;
- Gaining an understanding of and evaluating the group’s internal control environment, including its financial and IT systems and controls;
- Evaluating identified components to assess the significance of each component and determining the planned audit response based on a measure of materiality and significance of the component as a percentage of the group’s current assets, total assets, current liabilities, total liabilities, equity, income and expenditure;
- Performing full scope audit procedures for the Authority;

## Section 9 – Independent Auditor’s Report

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- Identifying transactions and balances for which we required assurance in relation to four of the other components: Bridge Estate, Nottingham City Transport Ltd, Robin Hood Energy Ltd and Nottingham City Homes Ltd and issuing group audit instructions to the auditors of these entities and then liaising with these auditors to evaluate the work they had performed in relation to the identified risks;
- performing additional procedures in relation to Nottingham City Homes Ltd to assess the estimated impact of the McCloud judgement and also to assess the likelihood of a material error in the group accounts arising from the lack of recent revaluations of their property plant and equipment and investment properties;
- For the remaining components in the group, obtaining their latest audited accounts, checking that they were appropriately consolidated in the group accounts and subjecting them to analytical procedures.

### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Authority and the group and sectors in which they operate. We determined that the following laws and regulations are most relevant:
  - The Accounts and Audit Regulations 2015
  - Local Government Act 2003
  - Local Government Finance Act 2012
- We understood how the Authority and the group are complying with those legal and regulatory frameworks by making inquiries to the Authority’s monitoring officer and internal auditors. We corroborated our inquiries through our review of minutes and papers provided to full Council, Executive Board and the Audit Committee.
- We assessed the susceptibility of the Authority’s financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud, in particular those relating to journals and management override of controls;
  - understanding how Those Charged With Governance considered and addressed the potential for override of controls or other inappropriate influence by management over the financial reporting process;
  - considering the arrangements the Authority has in place to prevent and detect non-compliance with laws and regulations and understanding how those charged with governance are provided with assurance that such laws and regulations have been complied with;
  - challenging assumptions and judgments made by management in its significant accounting estimates, in particular those relating to property, plant and equipment valuations and net pension liability valuations;
  - identifying and testing journal entries, in particular any journal entries posted which we deemed to be unusual in size or nature.
- No instances of non-compliance with laws and regulations were communicated to us by component auditors or highlighted by their work; and
- We did not identify any key audit matters relating to irregularities, including fraud.

### **Other information**

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

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

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters except on 11 August 2020 we issued a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in relation to the Authority’s governance arrangements for its companies, with particular reference to Robin Hood Energy Ltd.

### Responsibilities of the Authority, the Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on pages 22 to 23, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the group’s and the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

## Section 9 – Independent Auditor’s Report

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The Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority’s financial reporting process.

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

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

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

### Other matters which we are required to address

We were appointed by Public Sector Audit Appointments in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is one year.

The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Authority or its subsidiaries, joint ventures and trust fund and we remain independent of the Authority and the group in conducting our audit.

The following services, in addition to the audit, were provided by the firm to the group and Authority since December 2017 and have not been disclosed separately in the financial statements:

- The Council pays an annual subscription for the CFO Insights service provided by Grant Thornton.
- We carried out Agreed-Upon Procedures in relation to the Council’s annual Teachers’ Pensions Returns for 2018/19 and 2019/20.

Our audit opinion is consistent with the additional report to the Audit Committee.

### Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2020 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work to give our conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources. We are unable to issue our conclusion until we have completed our consideration of a significant risk that has been identified. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2019.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members 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 Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

*John Gregory*

**John Gregory, Key Audit Partner**

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham  
26 March 2021