Public Document Pack

Nottingham City Council

ADDITIONAL INFORMATION

Please find the full Draft Statement of Accounts for 2013/14.

NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday, 25 July 2014

Time: 10.30 am

Place: LB31 - Loxley House, Station Street, Nottingham, NG2 3NG

Constitutional Services Officer: Catherine Ziane-Pryor **Direct Dial:** 0115 8764298

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Statement of Accounts 2013/14 (Draft)

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Section 1
Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2013/14 and this is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet. The Movement in Reserves and Cash Flow statements provide further analysis of specific figures. However, when setting its Budget and Council Tax, the Council is required to follow legislative requirements to arrive at the Funding Basis. As a consequence the Housing Revenue Account (HRA) is shown separately within the Supplementary Statements. The Collection Fund is also included here and this presents how the Council collects all Council Tax and distributes it to tax setting authorities in the area. A separate set of Group Accounts is also published which shows a consolidated position for the Council and organisations where it has significant control.

1.1 CIES – Financial Reporting (IFRS) Basis

	2012/13 £m	2013/14 £m
Continuing services	305.281	243.670
Total Comprehensive Income and Expenditure(Surplus)/Deficit	(28.368)	(66.520)

The CIES is produced using International Financial Reporting Standards (IFRS) and shows a surplus for the year of £66.520m. This figure includes:

- A charge of £30.910m for properties removed from the balance as a result of 8 schools gaining Academy Status.
- A credit of £28.541m resulting from net gains on property revaluations.
- A credit of £25.056m relating to an improvement in the actuary's assessment of pension assets and liabilities.

The surplus, together with a reduction in HRA Reserves of £0.176m is used to increase the Earmarked Reserves by £30.107m, Capital Financing Reserves by £15.805m and Unusable Reserves by £22.35m, leaving a reduction in the General Fund of £1.573m.

Further details appear in Section 3.1 and section 6.1.

1.2 Balance Sheet

	31 March 2013 £m	31 March 2014 £m
Long Term Assets	2,086.298	2,135.481
Current Assets	324.898	331.358
Current Liabilities	(247.015)	(226.700)
Long Term Liabilities	(1,343.933)	(1,353.371)
NET ASSETS	**820.248**	**886.768**

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of property, plant and equipment (PPE). The value of these assets has increased by £34.890m. This movement is as a result of a number of factors:

- Expenditure on new PPE assets or improving existing assets has increased their value by £138.766m.
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £83.298m.
- 8 schools have switched to Academy status which together with the de-recognition of other assets resulted in £42.873m of assets being removed.
- The Council's rolling programme of revaluations on property has given rise to net revaluation gains of £27.900m.
- Other items have reduced the value of assets by £5.601m.

Further details appear in note 6.2.1

Following changes implemented by Central Government for the administration of the collection of Non-Domestic Rates, the Council now accounts for its share of expected future losses on collection. The figure for non-current provisions, therefore, now includes a provision of £4.419m for the impact of future potential Non-Domestic Rate appeals.

The Balance Sheet also includes a liability of £550.498m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. The Pension Fund is reviewed every 3 years and employer's contributions are adjusted with the intention of meeting the net liabilities within the next 18 years.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. At 31 March 2013, this totals £886.768m.

1.3 Movement in Reserves Statement

	31 March 2013 £m	Movement 2013/14 £m	31 March 2014 £m
General Fund	13.802	(1.573)	12.229
Earmarked General Fund Reserves	118.656	30.107	148.763
Other Usable Reserves	61.565	15.629	77.194
Unusable Reserves	626.225	22.357	648.582
TOTAL AUTHORITY RESERVES	**820.248**	**66.520**	**886.768**

Previous years' surpluses and deficits on the CIES are reflected in the reserves figures. The Movement in Reserves Statement (MIRS) in section 3.3 shows how the reserves have changed during the year.

The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget and are made up of the unearmarked General Fund Reserve (£12.229m), Earmarked Reserves (£148.763m) the HRA (£4.854m) and Capital Financing Reserve (£72.340m). The movement in the General Fund reflects the surplus after transfers to reserves on the Funding Basis (Paragraph 1.4). The balance on the General Fund is monitored closely to ensure it is kept at a prudent level to cover any unforeseen circumstances.

Unusable reserves are created as a consequence of the timing differences between the Funding Basis and IFRS basis of accounting as referred to in paragraph 1.4. This category also includes a revaluation reserve which holds changes in the valuation of assets. In 2013/14 a net reduction in this valuations of £16.080m has been charged to this reserve. These reserves are, therefore, not available for distribution as they are required as and when the timing differences fall out.

Further details of the reserves and movements are set out in the MIRS and in notes 6.2.3, 6.2.12 and 6.2.13.

1.4 Funding Basis

	2012/13	2013/14
Council Tax (Band D)	£1,377.58	£1,404.42
Council Tax Income	105.192	80.818
Cost of services(portfolios)	270.501	284.227
(Surplus)/Deficit before transfers to reserves	(15.523)	(28.534)
(Surplus)/Deficit after transfers to reserves	(2.116)	1.573
Movement in capital financing requirement	9.188	14.757

The Funding Basis is based on legislative requirements and differs from the IFRS Basis due to the exclusion of the Housing Revenue Account (HRA – shown separately within the Supplementary Statements), the treatment of capital financing and timing differences in the recognition of income and expenditure.

In 2013/14 the Council Tax raised £80.818m and, together with funding from government grants and other income, this was used to meet the cost of services. The fall in Council Tax raised (£24.374m) reflects the introduction of the Council Tax Support Scheme by Central Government. Overall the Council generated a deficit of £1.573m after contributions of £30.107m had been made to earmarked reserves. This deficit reduced the General Fund by £1.573m.

The IFRS basis of accounting reflects the net change in the actuarial valuation of the pension fund. For 2013/14 the resulting credit to the CIES was £25.056m. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. However, the Funding Basis approach maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund, which are set at a level which will meet liabilities over a longer period. Therefore, the difference in approach generates timing differences when recognising the net charge to the CIES.

Additionally, under the Funding basis revenue provisions replace the depreciation charges required by IFRS and are determined by the amount of capital expenditure that needs to be financed by borrowing. Therefore, the Council is required to monitor its need to borrow arising from capital expenditure (Capital Financing Requirement) which currently stands at £916.935m, an increase of £14.758m.

Further explanation and analysis of these differences in section 5 and note 6.3.1.

1.5 Group Accounts

	2012/13 £m	2013/14 £m
Total Comprehensive Income and Expenditure (Surplus)/Deficit	(31.997)	(54.969)
Net Assets	808.071	864.119
Council's Share of other Group Reserves/Minority Interests	(12.177)	(22.649)

Group Accounts consolidate the Council's financial statements with those organisations where the Council has material financial interests and a significant level of control. The 2013/14 Group Accounts consolidate the accounts for Arrow Light Rail Ltd, Bridge Estate, Nottingham City Homes, Nottingham City Transport, Nottingham Ice Centre, Enviroenergy and Futures Advice, Skills and Employment Ltd.

On an IFRS basis the group's surplus is £11.551m lower than the Council's, primarily due to gains and losses on the pension scheme valuations for Nottingham City Transport and Nottingham City Homes. The value of the Group as represented by Net Assets is £864.119m. This is £22.649m less than the Council's Net Assets which is again due in part to the additional pension scheme liabilities. This reduction is also reflected in the Group's reserves as a result of the consequential accumulated net losses.

Further details appear in section 8 of the accounts.

1.6 Forward Plans

	2014/15 £m	2015/16 £m	2016/17 £m
Medium Term Financial Outlook - Indicative Cumulative Revenue Gap	-	33.654	51.584
Capital Programme - Planned Expenditure	325.035	100.907	67.744

Details of the Council's Plans for the future are held in a number of documents including the Nottingham Plan to 2020, the Medium Term Financial Plan and the Asset Management Plan.

The Council will continue to face a period of uncertainty due to the current economic conditions and a number of Government initiatives. Although the council has set a balanced budget for 2013/14, it is clear that there will be further funding reductions in the future, within which inflationary and demographic pressures will have to be managed. As a result the current Medium Term Financial Outlook shows an estimated funding gap of £51.684m by 2016/17.

A similar challenge is faced by the Capital Programme although this is boosted by expenditure on NET lines 2 and 3 for 2014/15. Thereafter the programme is dominated by expenditure on public sector housing which will be predominantly financed by the Housing Revenue Account.

Further details appear in Appendix A.

Section 2
Introductory Statements

2.1 Accounting Policies

2.1.1 Basis of Accounting

The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2011 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) which is based on approved accounting standards. In addition, the Council's accounts also comply with the Service Reporting Code of Practice 2013/14, which ensures consistency and comparability in financial reporting across Councils. The accounts are supported by IFRS and statutory guidance issued under section 7 of the 2011 Act.

2.1.2 Accounting Developments and Changes

Developments and other changes during 2013/14

The Council has not chosen to change any of its Accounting Policies since the last financial year, however, the accounting standard IAS19 has been revised. The main impact of the revision changes the rate used to calculate the return on pension fund assets. Although prior year's figures have not been altered, if this change had been applied to the 2012/13 Statements then there would have been an additional charge to the CIES of £8.107m. Further details can be found in section 6.1.4.

Prior Year Reclassifications

Separate disclosures are given here where it has been necessary to make material changes to prior year figures. There were no such changes made in the 2013/14 accounting statements for prior years

Accounting Standards Issued but not adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted by the Code. Although a number of new and revised standards fall into this category, none are expected to have a material effect on the Council's statements. Details of these standards are provided below:

- **IFRS10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not expect this change to affect the outcome of entities considered for inclusion in the Council's Group Accounts.
- **IFRS11 Joint Arrangements –** This standard addresses the accounting for arrangements where two or more parties have joint control. These are classified as either a joint venture or joint operation under revised definitions. The Council has a joint operation (East Midlands Shared Services) in place with Leicestershire County Council which is not expected to be affected by the revised definition.
- **IFRS12 Disclosures of Involvement with Other Entities –** This standard requires a range of disclosures about the Council's interests in subsidiaries, joint

arrangements, associates and unconsolidated "structured entities". The Council will need to make further disclosures for these entities.

- **IAS27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures –** There will be no additional impact for these standards as they have been amended to conform with the changes in IFRS 10-12.
- **IAS32 Financial Instruments Presentation –** This standard refers to amended guidance when offsetting a financial asset and a financial liability. The gains and loses are separately identified on the CIES and therefore no further disclosure is required.
- **IAS1 Presentation of Financial Statements –** This standard has been changed to clarify the disclosure requirements in respect of comparative information of the preceding period. The Council already fully discloses comparative information so the change will have no impact.

2.1.3 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 Minimus 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

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 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 PPE components and Intangible Assets are written down over time and charged to revenue. IFRS allows the Council to choose the period 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:

- Dwellings, buildings, vehicles, plant, furniture and equipment
- Infrastructure and Community are depreciated over 25 years
- Intangible assets are depreciated over 5 years

2.1.4 Critical Accounting Policies

Only the critical Accounting Policies used in preparing these statements are provided below. A full list of Accounting Policies can be found at Appendix B.

Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period in which they are earned or incurred and not when money is received or paid. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet

Government Grants and Contributions

Government Grants and contributions are credited to income in the CIES only when there is reasonable assurance that any attached conditions will be met. Specific grants are credited to the relevant service line, while non-ring fenced and capital grants are credited to Taxation and Non-specific grant income.

Any grants received where conditions have not been met are carried in the Balance Sheet as creditors..

Charges to Revenue 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.
- Amortisation of intangible fixed assets attributable to the service.

Valuation of Non-Current Assets

Generally non-current assets are valued initially at cost and subsequently revalued at fair value, which is the amount that would be paid for the asset in its existing use. The main exceptions are infrastructure, which is generally valued at depreciated historical cost, council dwellings, which are valued at Existing Use Value for Social Housing and heritage assets, which are valued at market value by an external valuer.

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 investments and valued at cost less any provision for losses

2.1.5 Critical Judgments in applying Accounting Policies

In applying the accounting policies set out in Note 3.2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There are number of 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
Community	On
Voluntary Controlled	On
Voluntary Aided	Off
Foundation	Off
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 structure of the partnership has been judged to be a "joint 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 reviewing related organisations, evaluating 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.

2.2 Supplementary Comments

This Statement of Accounts is prepared according to International Financial Reporting Standards which specifically require some further information to be provided. This information is provided below.

2.2.1 Key Changes affecting 2013/14 Statements

For 2013/14 Central Government's agenda for local government resulted in a number of changes in both funding and the services that the Council provides. From 1 April 2013 the Council assumed responsibility for Public Health services, retained 50% of business rates alongside related liabilities and became directly responsible for the new Council Tax Support Scheme. The Council will now have to continue to manage the financial implications of these changes.

The transfer of local Public Health functions to the Council from the NHS has brought a number of commissioning responsibilities for the Council, together with overall responsibility for improving health within the City boundaries. The national Public Health outcomes framework has been developed and sets out the following mandatory services:

- National Child Measurement Programme.
- NHS health check assessments.
- Comprehensive sexual health services.
- Local authority role in dealing with health protection incidents, outbreaks and emergencies.
- Providing public health support to health care commissioners.

In 2013/14 the Council received a specific grant of £25.765m towards the costs of the service, resulting in a net surplus of £0.995m.

2.2.2 Provisions and Write offs

Reduction in Current Provisions (£6.352m)

The reduction in current provisions is primarily a result of settling the compulsory purchase orders relating to the NET2 project, for which a provision was established in 2012/13.

2.2.3 Impact of Economic Climate

The change in economic circumstances has had a significant effect on all local authorities. Although there has been an improvement in some economic indicators for the UK, the Government is still looking to reduce the level of UK public sector debt. The restrictions in public spending seem set to continue, further reducing the level of funding available to the Council and this situation is being managed through the Medium Term Financial Planning process. Security concerns regarding financial institutions remain and have seen the introduction of “bail in” arrangements removing some of the security previously afforded to the Council’s deposits with banks.

Additionally within this context, the collapse of the Icelandic banks created specific but manageable issues for the Council (further details can be found in the separate notes to the accounts).

The economic climate has also resulted in more volatile asset values. The most commonly reported falls in property value relate to the housing market. An impairment review of all Council property and land assets in 2008/09 correspondingly identified the requirement for material adjustments in values. Subsequent impairment reviews have not deemed any further adjustments to be necessary as a result of significant changes in the property market. The Nottingham area has experienced increased interest from property developers for small to medium sized serviced development sites resulting in an increase in land prices. In addition a shortage of good residential sites should see land prices maintained for the foreseeable future.

The initial fall in property values has affected the affordability of capital programmes, with the financing of many schemes being reliant on the sales of council assets. The downturn in the housing market with fewer new houses being built will also affect the level of planning fees received. The slowdown in the property market has also reduced the level of income being generated from commercial properties.

In addition, the economic situation has created higher levels of demand within certain services such as homelessness support, benefits, social care and local authority school places.

2.2.4 Assumptions about the Future and other Major Sources of Estimation Uncertainty

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:

- Business Rates - Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against rates charged to businesses in 2012-13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2014, calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date.
- PPE – Assets are depreciated over their useful lives, with this period dependant on assumptions about the level of repairs and maintenance applied to individual assets. The current economic climate makes creates uncertainty about the levels of repairs and maintenance that will be maintained, 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 £1.735m for every year that useful lives had to be reduced. Further details can be found in Note 6.2.1.
- Post Retirement Benefits – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide 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 6.2.15 for further details
- 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, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

2.2.5 Events after the Reporting Date

Any subsequent material events occurring after the reporting date of 25 June 2014, when the un-audited accounts were authorised for issue by the Chief Financial Officer, will be reported within this section.

2.2.6 Material assets acquired and liabilities incurred.

No material assets have been acquired or liabilities incurred in 2013/14 other than those identified elsewhere in the statement.

2.2.7 Pension Fund

The Council is a member of the Nottinghamshire County Council pension fund and assets and liabilities of that fund that may be attributed to the Council are evaluated on an annual basis by an independent actuary. The actuary has estimated that, at 31 March 2014, the Council's fund was in deficit by £550.498m (£546.235m as at 31 March 2013). The strategy adopted by the actuary is for the deficit to be recovered over the next 18 years with tri-annual valuations of the fund

Section 3
Core Financial Statements

3.1 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the net cost in the year of providing services in accordance with IFRS, rather than the amount to be funded from taxation (funding basis). Costs covered on the funding basis are calculated differently, in accordance with legislative requirements. The funding basis position is shown in the Movement in Reserves Statement and section 5

	2012/13 Gross Expenditure £m	2012/13 Gross Income £m	2012/13 Net Expenditure £m	2013/14 Gross Expenditure £m	2013/14 Gross Income £m	2013/14 Net Expenditure £m
Central services to the public	5.383	(3.183)	2.200	5.397	(3.492)	1.905
Cultural and related services	62.933	(11.047)	51.886	40.331	(10.641)	29.690
Environmental and Regulatory services	46.208	(16.156)	30.052	48.571	(14.767)	33.804
Planning Services	26.451	(19.800)	6.651	25.467	(14.646)	10.821
Education and children's services	280.198	(189.497)	90.701	257.562	(172.532)	85.030
Highways and transport services	64.160	(46.198)	17.962	68.258	(68.470)	(0.212)
Local authority housing (HRA)	78.591	(100.574)	(21.983)	65.586	(96.189)	(30.603)
Other housing services	203.545	(184.765)	18.780	166.861	(150.364)	16.497
Adult social care	118.714	(34.281)	84.433	119.726	(32.753)	86.973
Corporate and democratic core	49.408	(28.944)	20.464	32.299	(20.169)	12.130
Non distributed costs	4.444	(0.309)	4.135	(1.370)	-	(1.370)
Continuing Operations	**940.035**	**(634.754)**	**305.281**	**828.688**	**(584.023)**	**244.665**
Services Transferred to NCC						
Public Health				24.770	(25.765)	(0.995)
Total Continuing Services				**853.458**	**(609.788)**	**243.670**
Other operating expenditure **(Note 6.1.1)**	43.710	(10.197)	33.513	46.355	(0.890)	45.465
Financing and investment income and expenditure **(Note 6.1.2)**	93.902	(55.091)	38.811	96.781	(48.804)	47.977
Taxation and non-specific grant income **(Note 6.1.3 & 6.1.5)**	-	(341.713)	(341.713)	-	(350.035)	(350.035)
(Surplus)/Deficit on Provision of Services	**1,077.647**	**(1,041.755)**	**35.892**	**996.594**	**(1,009.517)**	**(12.923)**
Surplus or deficit on revaluation of PPE/Heritage assets **(Note 6.1.6)**			(56.259)			(28.587)
Re-measurement of pension assets/liabilities **(Note 6.1.4)**			(7.957)			(25.056)
Other gains/losses recognised required			(0.044)			0.046
Other Comprehensive Income and Expenditure			**(64.260)**			**(53.597)**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS)/DEFICIT			**(28.368)**			**(66.520)**

3.2 Balance Sheet

Shows the value, as at 31 March each year, of the assets and liabilities recognised by the Council. The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

- Usable reserves - i.e. those reserves that may be used to help provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Those reserves that the Council is not able to use to help provide 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 2013 £m	31 March 2014 £m
Property, Plant & Equipment	6.2.1	1,931.674	1,966.564
Heritage Assets	6.2.2	46.344	47.185
Investment Property	6.2.4	36.962	38.388
Intangible Assets	6.2.5	1.781	2.329
Long Term Investments		10.885	20.319
Long Term Debtors	6.2.16	58.652	60.696
Long Term assets		**2,086.298**	**2,135.481**
Assets Held for Sale	6.2.6	5.918	4.621
Intangible Assets (current assets)	6.2.11	0.034	-
Short Term Investments	6.2.16	147.455	160.350
Inventories	6.2.7	1.209	2.537
Short Term Debtors	6.2.8	93.366	104.809
Cash and Cash Equivalents	6.2.9	76.916	59.041
Current Assets		**324.898**	**331.358**
Short Term Borrowing	6.2.16	(85.898)	(32.195)
Short Term Creditors	6.2.10	(151.718)	(191.458)
Provisions (current provisions)	6.2.11	(9.399)	(3.047)
Current Liabilities		**(247.015)**	**(226.700)**
Long Term Borrowing	6.2.16	(701.322)	(685.889)
Other Long Term Liabilities	6.2.16	(81.344)	(98.843)
Provisions (non-current)	6.2.11	(10.442)	(14.831)
Capital Grants Receipts in Advance	6.2.14	(4.590)	(3.310)
Defined Benefit Pension Scheme	6.2.15	(546.235)	(550.498)
Long Term Liabilities		**(1,343.933)**	**(1,353.371)**
NET ASSETS		**820.248**	**886.768**
Usable Reserves	6.2.12*	194.023	238.186
Unusable Reserves	6.2.13	626.225	648.582
TOTAL RESERVES		**820.248**	**886.768**

* See section 4.3 and 6.2.3 for details

3.3 Movement in Reserves Statement

This statement shows the in-year movement of the various reserves held, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the CIES. However, these are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and dwellings rent setting purposes, which are shown by the Net Increase/Decrease before Transfers to Earmarked Reserves line. Discretionary transfers to or from earmarked reserves are undertaken before arriving at the Increase/Decrease in Year. Details regarding the Major Repairs Reserve are covered in the HRA notes to the accounts.

2013/14	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2013	**13.802**	**118.656**	**5.030**	**9.303**	**28.007**	**19.225**	**194.023**	**626.225**	**820.248**
Movement in reserves during 2013/14:									
Surplus/(deficit) on the provision of services	1.746	-	11.177	-	-	-	12.923	-	12.923
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	53.597	53.597
Total Comprehensive Income and Expenditure (Table 3.1)	**1.746**	**-**	**11.177**	**-**	**-**	**-**	**12.923**	**53.597**	**66.520**
Adjustments between accounting basis and funding basis under regulations **(Note 6.3.1)**	26.788	-	(11.353)	5.113	10.651	0.041	31.240	(31.240)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**28.534**	**-**	**(0.176)**	**5.113**	**10.651**	**0.041**	**44.163**	**22.357**	**66.520**
Transfers to/from Earmarked Reserves	(30.107)	30.107	-	-	-	-	-	-	-
Increase/Decrease in Year	**(1.573)**	**30.107**	**(0.176)**	**5.113**	**10.651**	**0.041**	**44.163**	**22.357**	**66.520**
BALANCE AT 31 MARCH 2014	**12.229**	**148.763**	**4.854**	**14.416**	**38.658**	**19.266**	**238.186**	**648.582**	**886.768**

2012/13	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance at 31 March 2012	**11.686**	**105.249**	**4.594**	**0.440**	**15.817**	**15.700**	**153.486**	**638.394**	**791.880**
Movement in reserves during 2012/13:									
Surplus/(deficit) on the provision of services	(45.724)	-	9.832	-	-	-	(35.892)	-	(35.892)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	64.260	64.260
Total Comprehensive Income and Expenditure (Table 4.1)	**(45.724)**	**-**	**9.832**	**-**	**-**	**-**	**(35.892)**	**64.260**	**28.368**
Adjustments between accounting basis and funding basis under regulations **(Note 6.3.1)**	61.247	-	(9.396)	8.863	12.190	3.525	76.429	(76.429)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**15.523**	**-**	**0.436**	**8.863**	**12.190**	**3.525**	**40.537**	**(12.169)**	**28.368**
Transfers to/from Earmarked Reserves	(13.407)	13.407	-	-	-	-	-	-	-
Increase/Decrease in Year	**2.116**	**13.407**	**0.436**	**8.863**	**12.190**	**3.525**	**40.537**	**(12.169)**	**28.368**
BALANCE AT 31 MARCH 2013	**13.802**	**118.656**	**5.030**	**9.303**	**28.007**	**19.225**	**194.023**	**626.225**	**820.248**

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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 amount 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	2012/13 £m	2013/14 £m
Net Surplus/(Deficit) on the provision of Services		**(35.892)**	**12.923**
Adjustments to net surplus or deficit on the provision of services for non-cash movements		203.124	200.142
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(82.389)	(74.643)
Net Cash Flows from Operating Activities	**6.4.1**	**84.843**	**138.422**
Investing activities	**6.4.2**	(140.407)	(81.194)
Financing activities	**6.4.3**	9.130	(75.103)
Net Increase or Decrease in Cash and Cash Equivalents		**(46.434)**	**(17.875)**
Cash and cash equivalents at the beginning of the reporting period		123.350	76.916
CASH AND CASH EQUIVALENTS AT 31 MARCH 2013		**76.916**	**59.041**

Section 4
Certifications

4.1 Auditor's Report for Nottingham City Council

The audit of the Financial Statements takes place after the Draft Financial Statements have been produced. The Independent Auditor's report will therefore be included here in the final audited version of the Statement of Accounts

4.2 Statement of Responsibilities for the Statement of Accounts

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 local authority code.

I have also:

Kept proper accounting records which were up-to-date.

Taken reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements give a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2014.

Signed…………………………………………………. Date: 30 June 2014

Carole Mills (CPFA)

Chief Finance Officer, Deputy Chief Executive & Corporate Director for Resources

Loxley House

Station Road

Nottingham

NG2 3NG

This statement will be replaced following audit of the Financial Statements and will also include approval by the Council's Audit Committee in September 2014

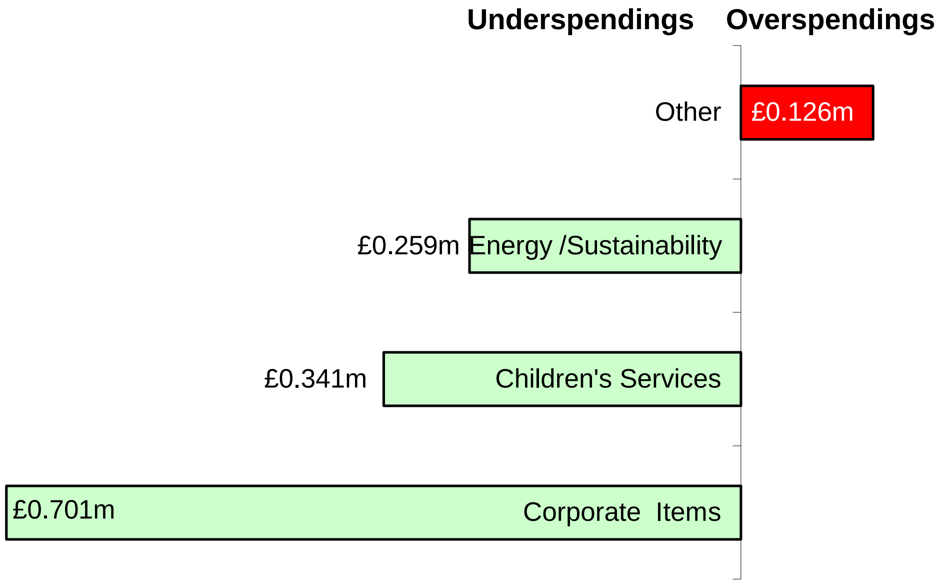
Section 5
Funding Basis and Budget Monitoring

Local Authorities are required by statute to make their funding decisions on a different basis from the Statement of Accounts, which is required to follow International Financial Reporting Standards (IFRS). The accounts used for resource allocation and budget management are shown on a funding basis and a number of adjustments are, therefore, required to produce the Statement of Accounts on an IFRS basis. The adjustments required to the CIES are generally offset by adjustments to unusable reserves. The impact on the CIES is shown in section 5.3 and the movements in reserves are shown in section 6.3.

5.1 Performance against Budget 2013/14

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 (table 5.2). Using this basis the pre-audit outturn was reported to Executive Board on 17 June 2014 and showed the net outturn as being £1.175m lower than that planned for the year, after net contributions to reserves by portfolios of £22.718m and carry forwards of £1.454m.

2013/14 Net Underspending by Portfolios £1.175m



Corporate Items -£0.701 m

This underspending is due to lower interest rates as a result of pro-active short term borrowing.

Children's Services -£0.341m

This underspending is a result of the management of vacancies and control of non essential spend on supplies and services

Energy and Sustainability -£0.259m

This underspending mostly results from savings on Carbon Reduction Commitment tax liability and from securing additional external funding.

5.2 Net Portfolio Spend on Funding Basis (management accounts)

The analysis of income and expenditure by service in the CIES is presented using the analysis required by the Service Reporting Code of Practice for Local Authorities. However, the table below provides a more detailed analysis of Net Portfolio Spend on a funding basis.

2013/14	Adults & Health £m	Children's Services £m	Commissioning and Voluntary Sector £m	Community Services £m	Energy & Sustainability £m	Jobs & Growth £m	Leisure & Culture £m	Planning & Transportation £m	Resources & Neighbourhood Regeneration £m	Strategic Regeneration and Community Safety £m	Corporate Items £m	Total £m
Fees, Charges & other Service income	(55.356)	(11.960)	(2.518)	(7.009)	(2.562)	(0.722)	(26.802)	(27.772)	(42.670)	(9.943)	(85.169)	**(272.483)**
Government Grants	(0.266)	(151.897)	(0.474)	-	(0.195)	(3.238)	(0.604)	(8.364)	(7.066)	(0.129)	(109.984)	**(282.217)**
Total Income	**(55.622)**	**(163.857)**	**(2.992)**	**(7.009)**	**(2.757)**	**(3.960)**	**(27.406)**	**(36.136)**	**(49.736)**	**(10.072)**	**(195.153)**	**(554.700)**
Employee Expenses	25.657	132.296	4.927	11.251	0.772	2.030	18.390	13.141	48.145	12.822	1.050	**270.481**
Other Service Expenses	106.767	80.611	16.980	3.577	7.777	6.275	20.563	31.422	38.901	6.796	248.777	**568.446**
Support Service Recharges	0.762	0.206	(0.057)	0.336	-	0.007	(0.224)	0.814	(1.918)	(0.007)	0.081	**-**
Total Expenditure	**133.186**	**213.113**	**21.850**	**15.164**	**8.549**	**8.312**	**38.729**	**45.377**	**85.128**	**19.611**	**249.908**	**838.927**
NET EXPENDITURE	**77.564**	**49.256**	**18.858**	**8.155**	**5.792**	**4.352**	**11.323**	**9.241**	**35.392**	**9.539**	**54.755**	**284.227**

2012/13	Area Working, Cleansing & Community Safety £m	Children's Services £m	Economic Development, Resources & Regeneration £m	Energy & Sustainability £m	Health, Commissioning & Human Resources £m	Housing, Adults & Community Sector £m	Jobs, Skills & Business £m	Leisure, Culture & Tourism £m	Planning & Transportation £m	Corporate Items £m	Total £m
Fees, Charges & other Service income	(13.968)	(15.591)	(40.595)	(3.020)	(26.265)	(1.094)	(0.629)	(26.590)	(31.743)	(32.468)	**(191.963)**
Government Grants	(3.424)	(174.337)	(5.552)	(0.379)	(8.230)	(0.850)	(0.389)	(0.775)	(10.254)	(209.150)	**(413.340)**
Total Income	**(17.392)**	**(189.928)**	**(46.147)**	**(3.399)**	**(34.495)**	**(1.944)**	**(1.018)**	**(27.365)**	**(41.997)**	**(241.618)**	**(605.303)**
Employee Expenses	24.036	146.337	44.038	0.973	18.423	16.978	1.504	18.668	10.571	5.609	**287.137**
Other Service Expenses	14.690	85.331	30.522	9.288	82.279	17.408	1.857	20.849	37.441	289.002	**588.667**
Support Service Recharges	0.282	0.304	(1.571)	0.046	16.042	(15.653)	-	(0.136)	0.709	(0.023)	**-**
Total Expenditure	**39.008**	**231.972**	**72.989**	**10.307**	**116.744**	**18.733**	**3.361**	**39.381**	**48.721**	**294.588**	**875.804**
NET EXPENDITURE	**21.616**	**42.044**	**26.842**	**6.908**	**82.249**	**16.789**	**2.343**	**12.016**	**6.724**	**52.970**	**270.501**

5.3 Reconciliation of CIES between Funding Basis and IFRS basis

5.3.1 Adjustments Required

Contributions from the National Non-Domestic Rate (NNDR), income from Council Tax payers and Revenue Support Grant from the Government are managed outside portfolios. Council Tax income was generated by the Council setting a Band D Council Tax of £1,404.42 (2012/13 £1,377.58).

The table below shows the net surplus for the accounts on a funding basis together with the adjustments required to arrive at the equivalent IFRS figure for the Statement of Accounts:

	2012/13 £m	2013/14 £m
Funding Basis		
Net Portfolio Spend	270.501	284.227
(Use)/Contributions to Reserves included above	(9.077)	(25.902)
Expenditure financed from Council Tax and Non-specific Grants	261.424	258.325
Council Tax and NNDR	(273.656)	(157.512)
Non-Specific Grants	(3.291)	(129.347)
(SURPLUS)/DEFICIT ON FUNDING BASIS BEFORE TRANSFERS TO RESERVES	**(15.523)**	**(28.534)**
Adjustments to move to Accounting Basis		
Items removed from CIES:		
a) Net pension contributions/payments by employees	(27.838)	(27.114)
b) Provision for Debt Redemption	(29.976)	(33.874)
c) Capital expenditure charged to revenue	(5.834)	(11.072)
Replaced by:		
a) Assessment of retirement benefits due	45.211	56.433
b) Change in valuation of Pension assets	(7.957)	(25.056)
c) Depreciation, impairment etc	94.799	90.619
d) Change in valuation of other assets	(11.006)	(20.285)
e) Revenue expenditure funded from Capital under Statute	1.960	1.639
Additional items required by Accounting Basis:		
Housing Revenue Account	(9.832)	(11.177)
Grants and Contributions used to finance Capital	(61.770)	(55.739)
Collection Fund adjustment	(1.307)	(3.588)
Financial Instruments	(0.344)	(0.330)
Other smaller items	1.049	1.558
(SURPLUS)/DEFICIT ON ACCOUNTING BASIS	**(28.368)**	**(66.520)**

5.3.2 Reconciliation on a Subjective Analysis

The tables below show how the figures in the Net Portfolio Spend on a Funding Basis in Section 5.2 relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CIES on an IFRS basis:

2013/14	Portfolio Spend on Funding Basis £m	Add Amounts not included in Funding Basis £m	Remove Amounts not in Cost of Services £m	Cost of Services per CIES (IFRS) £m	Items below Cost of Services in CIES (IFRS) £m	Totals per CIES (IFRS) £m
Fees, charges and other service income	(272.483)	(84.977)	29.813	(327.647)	(0.890)	**(328.537)**
Interest and investment income	-	(0.260)	(0.330)	(0.590)	(48.804)	**(49.394)**
Income from council tax and NNDR	-	-	-	-	(161.096)	**(161.096)**
Government grants and contributions	(282.217)	0.666	-	(281.551)	(188.939)	**(470.490)**
Total Income	**(554.700)**	**(84.571)**	**29.483**	**(609.788)**	**(399.729)**	**(1,009.517)**
Employee expenses	270.481	55.876	(27.114)	299.243	-	**299.243**
Other service expenses	568.446	53.092	(102.806)	518.732	-	**518.732**
Depreciation, amortisation and impairment	-	80.429	(44.946)	35.483	-	**35.483**
Interest payments	-	-	-	-	96.781	**96.781**
Payments to Housing Capital Receipts Pool	-	-	-	-	1.730	**1.730**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	44.625	**44.625**
Total Expenditure	**838.927**	**189.397**	**(174.866)**	**853.458**	**143.136**	**996.594**
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**284.227**	**104.826**	**(145.383)**	**243.670**	**(256.593)**	**(12.923)**

Section 5 – Funding Basis and Budget Monitoring

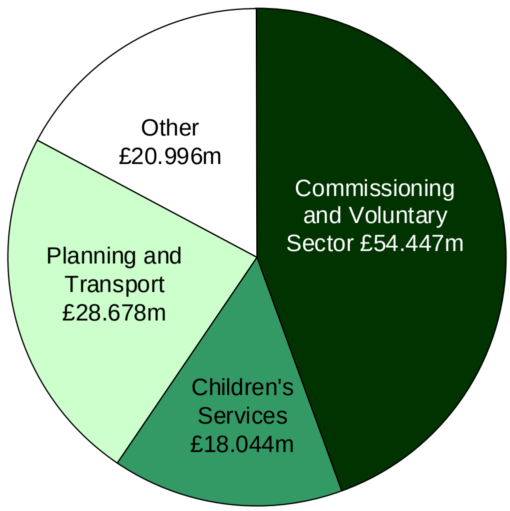
2012/13	Portfolio Spend on Funding Basis £m	Add Amounts not included in Funding Basis £m	Remove Amounts not in Cost of Services £m	Cost of Services per CIES (IFRS) £m	Items below Cost of Services in CIES (IFRS) £m	Totals per CIES (IFRS) £m
Fees, charges and other service income	(191.963)	(86.501)	57.613	(220.851)	(10.197)	**(231.048)**
Interest and investment income	-	(0.219)	(0.344)	(0.563)	(55.091)	**(55.654)**
Income from council tax	-	-	-	-	(105.192)	**(105.192)**
Government grants and contributions	(413.340)	-	-	(413.340)	(236.521)	**(649.861)**
Total Income	**(605.303)**	**(86.720)**	**57.269**	**(634.754)**	**(407.001)**	**(1,041.755)**
Employee expenses	287.137	44.763	(27.838)	304.062	-	**304.062**
Other service expenses	588.667	54.579	(102.928)	540.318	-	**540.318**
Depreciation, amortisation and impairment	-	131.465	(35.810)	95.655	0.195	**95.850**
Interest payments	-	-	-	-	93.707	**93.707**
Payments to Housing Capital Receipts Pool	-	-	-	-	1.541	**1.541**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	42.169	**42.169**
Total Expenditure	**875.804**	**230.807**	**(166.576)**	**940.035**	**137.612**	**1,077.647**
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**270.501**	**144.087**	**(109.307)**	**305.281**	**(269.389)**	**35.892**

5.4 Capital

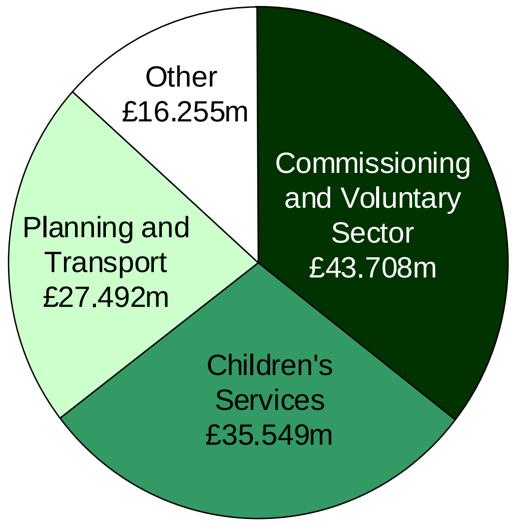
5.4.1 Capital Expenditure and Capital Financing

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:

Capital Expenditure 2013/14 £122.165m



Capital Expenditure 2012/13 £123.004m



The capital programme is actively managed throughout the year and varied in line with agreed approvals and changes in funding. At the 2013/14 year end, available resources were £197.811m. Resources of £75.646m are therefore available to carry forward into 2014/15 to cover expenditure that has slipped between years.

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 ensuring 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 table below (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:

	2012/13 £m	2013/14 £m
Capital Investment on IFRS Basis		
Property, Plant and Equipment	105.792	107.925
Investment Properties	0.227	6.573
Intangible Assets	0.219	1.061
Long Term Debtors	4.168	0.034
Short Term Investments	0.188	-
Total Additions to Assets on IFRS Basis	**110.594**	**115.593**
Revenue Expenditure Funded from Capital under Statute	12.696	6.572
Other Items	(0.286)	-
Total Expenditure to be Financed from Capital Sources	**123.004**	**122.165**
Financing		
Capital receipts	(0.242)	(4.815)
Government grants and other contributions	(68.120)	(60.631)
Sums set aside from revenue	(26.000)	(34.908)
UNDERLYING BORROWING REQUIREMENT IN YEAR	**28.642**	**21.811**

5.4.2 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:

	2012/13 £m	2013/14 £m
Opening Capital Financing Requirement	**892.990**	**902.178**
Increase in underlying need to borrow:		
Supported by government financial assistance	1.760	1.632
Unsupported by government financial assistance	26.882	20.179
Statutory Minimum Revenue Provision	(8.537)	(8.426)
Voluntary Revenue Provision	(17.224)	(22.410)
Voluntarily Set Aside Capital Receipts	-	(3.192)
Assets acquired under finance leases	(0.021)	(0.002)
Assets acquired under PFI/PPP contracts	8.944	28.994
PFI Liability Discharged	(2.434)	(1.045)
Other Items	(0.182)	(0.973)
CLOSING CAPITAL FINANCING REQUIREMENT	**902.178**	**916.935**

5.5 Long Term Borrowing

The Local Government Act 2003 provides the legislative framework for borrowing undertaken by the Council including an operational boundary or limit on the value of borrowing undertaken. The Council approved an operational boundary on the level of external debt during 2013/14 of £914.9m (including PFI and finance lease related debt of £93.1m). Actual external debt on 1 April 2013 was £842.5m and this decreased to £802.0m at 31 March 2014.

Section 6
Notes to the Financial Statements

These notes provide information that supports and helps in interpreting the Financial Statements.

6.1 Comprehensive Income and Expenditure Notes

6.1.1 Other Operating Expenditure

	2012/13 £m	2013/14 £m
Schools transferring to Academy Status	23.665	30.910
Payments to the Government Housing Capital Receipts Pool	1.541	1.730
Gains/Losses on the disposal of non-current assets	8.307	12.825
TOTAL	**33.513**	**45.465**

6.1.2 Financing and Investment Income and Expenditure

	2012/13 Expenditure £m	Income	Net	2013/14 Expenditure £m	Income	Net
Net Interest on Pension Fund	15.905	-	15.905	23.262	-	23.262
Other interest	32.935	(2.785)	30.150	36.995	(8.403)	28.592
Investment Properties	0.491	(2.621)	(2.130)	0.440	(2.650)	(2.210)
Other investments	44.571	(49.685)	(5.114)	36.084	(37.751)	(1.667)
TOTAL	**93.902**	**(55.091)**	**38.811**	**96.781**	**(48.804)**	**47.977**

Also see section 6.2.16 for elements relating to Financial Instruments and section 6.5.1 for Trading Operations.

6.1.3 Taxation and Non-Specific Grant Income

	2012/13 £m	2013/14 £m
Council Tax income	(105.192)	(80.818)
National Non domestic rates (NNDR)	(169.771)	(80.945)
Non-ringfenced government grants	(4.980)	(132.533)
Capital grants and contributions	(61.770)	(55.739)
TOTAL	**(341.713)**	**(350.035)**

See Note 6.1.5 for further details on grant income.

6.1.4 Transactions Relating to Post Employment Benefits (inc. Pensions)

The revised IAS19 standard has brought about the following main changes:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
- Some labelling changes to the CIES charge.
- Administration expenses are now accounted for within the CIES; previously a deduction was made to the actual and expected returns on assets.

The main changes are to the CIES. The table below shows how the 2012/13 reported figures,would have been reported under the new standard, and the 2013/14 figures under the new standard:

	Local Government Pension Scheme			Teachers	
	2012/13 Disclosed £m	2012/13 Per revised IAS19 £m	2013/14 £m	2012/13 £m	2013/14 £m
Cost of Services:					
Service cost	separated below	29.306	33.113	-	-
Current service cost	34.295	included above	included above	-	-
Past service costs	-	included above	included above	-	-
Losses(gains) on curtailments and settlements	(4.989)	included above	included above	-	-
Administration expenses	n/a	0.074	0.058	n/a	-
Financing and Investment Income and Expenditure:					
Net interest on the defined liability (asset)	n/a	22.563	22.362	n/a	0.900
Interest on obligation	55.435	n/a	n/a	1.375	n/a
Expected return on scheme assets	(40.905)	n/a	n/a	-	n/a
Total Charged to (Surplus)/Deficit on Provision of Services	**43.836**	**51.943**	**55.533**	**1.375**	**0.900**
Other Comprehensive Income and Expenditure (OCIE):					
Actuarial losses (gains)	(12.169)	-	-	4.212	-
Re-measurements of the net defined benefit liability (asset):					-
Return on plan assets in excess of interest		(77.924)	(12.792)	-	-
Other actuarial (gains)/losses on assets		-	27.017	-	-
Change in financial assumptions		57.648	24.853	-	(1.508)
Change in demographic assumptions		-	57.517	-	-
Experience (gain)/loss on defined benefit obligation		-	(120.143)	-	-
Changes in effect of asset ceiling		-	-	-	-
Total Charged to OCIE	**(12.169)**	**(20.276)**	**(23.548)**	**4.212**	**(1.508)**
Total Charged to the CIES	**31.667**	**31.667**	**31.985**	**5.587**	**(0.608)**
Actual Return on Scheme Assets	**110.722**	**110.796**	**49.497**	**-**	**-**

These transactions are summarised in the following table:

	2012/13 Disclosed £m	2012/13 Per revised IAS19 £m	2013/14 £m
Comprehensive Income and Expenditure Statement:			
Cost of services	29.306	29.380	33.171
Financing and Investment income and expenditure	15.905	23.938	23.262
Other Comprehensive Income and Expenditure	(7.957)	(16.064)	(25.056)
TOTAL	**37.254**	**37.254**	**31.377**

6.1.5 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13 £m	2013/14 £m
Credited to Taxation and Non Specific Grant Income		
Revenue Grants		
Revenue Support Grant	(3.291)	(129.347)
Non-domestic rates distribution	(169.771)	(80.945)
Demand on the Collection Fund	(103.885)	(79.751)
Council Tax Transition Grant	-	(0.663)
Apportionment of Collection Fund Deficit/Surplus	(1.307)	(0.404)
New Homes Bonus	(1.689)	(3.186)
Capital Grants		
Government Departments	(58.873)	(52.431)
Other	(2.897)	(3.308)
TOTAL	**(341.713)**	**(350.035)**
Credited to Services		
Revenue Grants		
Department for Communities and Local Government: PFI Grant	(2.898)	(2.898)
Department for Education: Dedicated School Grant	(148.274)	(137.907)
Department for Education: PFI Grant	(3.419)	(5.416)
Department for Work & Pensions: Housing Benefit Admin	(3.269)	(4.323)
Department for Works and Pensions: Council Tax Benefit	(33.879)	-
Department of Transport: PFI Grants	(26.091)	(46.533)
Drug Action Team	(1.658)	(0.022)
Early Intervention Grant	(17.807)	-
Growth Fund	(4.183)	(1.024)
Learning & Skills Grant	(0.689)	-
Learning Disabilities & Health Reform Grant	(6.830)	-
Mandatory Rent Allowances: Subsidy	(83.696)	(81.020)
Public Health	-	(27.080)
Pupil Premium Grant	(6.387)	(8.770)
Rent Rebates Granted to HRA Tenants	(62.217)	(62.376)
Young People Learning Agency Grant	(1.937)	(0.109)
Other Revenue Grants	(15.359)	(40.188)
Contributions	(29.630)	(16.020)
Donations	(0.639)	(1.546)
TOTAL	**(448.862)**	**(435.232)**

6.1.6 Surplus or Deficit on revaluation of Property, Plant and Equipment (PPE) assets

During 2013/14 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £27.745 for PPE assets and £0.842m for Heritage Assets. There are no charges relating to physical damage and demolition of assets in 2013/14.

6.2 Balance Sheet Notes

6.2.1 Property Plant and Equipment

2013/14	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in PPE £m
Gross Book Value b/f	562.063	934.174	119.894	402.692	27.902	30.454	76.159	**2,153.338**	**76.450**
Accumulated Depreciation b/f	-	(39.890)	(49.577)	(107.736)	(5.438)	(1.212)	-	**(203.853)**	**(4.784)**
Accumulated Impairment b/f	(0.188)	(6.189)	-	-	-	(7.425)	(4.009)	**(17.811)**	-
Net Book Value at 1st April 2013	**561.875**	**888.095**	**70.317**	**294.956**	**22.464**	**21.817**	**72.150**	**1,931.674**	**71.666**
Additions - Capital Expenditure	36.223	6.242	20.386	18.529	1.174	4.895	20.476	**107.925**	0.025
Additions - Donations	1.792	-	0.054	-	-	-	-	**1.846**	-
Additions - PFI Recognition	-	16.403	-	11.301	-	-	1.291	**28.995**	28.995
Depreciation Charge	(26.182)	(26.240)	(13.828)	(16.022)	(0.893)	(0.134)	-	**(83.299)**	(3.185)
Revaluations - Recognised in Revaluation Reserve	0.920	24.410	-	-	-	2.415	-	**27.745**	-
Revaluations - Recognised in the CIES	7.812	(7.589)	-	-	-	(0.068)	-	**0.155**	-
Derecognition - Disposals	-	(0.453)	(0.037)	-	-	(2.840)	-	**(3.330)**	-
Derecognition - Other	(3.531)	(34.539)	-	-	-	(4.803)	-	**(42.873)**	-
Impairments - Recognised in the CIES	0.030	0.017	-	-	-	-	-	**0.047**	-
Transfers to Held for Sale/Investment	(9.837)	8.104	-	-	-	16.237	(16.825)	**(2.321)**	-
Net Book Value at 31st March 2014	**569.102**	**874.450**	**76.892**	**308.764**	**22.745**	**37.519**	**77.092**	**1,966.564**	**97.501**
Gross Book Value c/f	569.260	929.350	139.242	432.522	29.076	38.608	81.101	**2,219.159**	105.470
Accumulated Depreciation c/f	-	(54.543)	(62.350)	(123.758)	(6.331)	(1.089)	-	**(248.071)**	(7.969)
Accumulated Impairment c/f	(0.158)	(0.357)	-	-	-	-	(4.009)	**(4.524)**	-
Net Book Value at 31 March 2014	**569.102**	**874.450**	**76.892**	**308.764**	**22.745**	**37.519**	**77.092**	**1,966.564**	**97.501**

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2012/13	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in PPE £m
Gross Book Value b/f	562.651	953.325	106.106	394.861	26.413	18.100	40.895	**2,102.351**	**67.514**
Accumulated Depreciation b/f	-	(24.881)	(37.705)	(98.628)	(4.601)	(1.135)	-	**(166.950)**	**(1.956)**
Accumulated Impairment b/f	-	(0.729)	-	-	-	(0.136)	-	**(0.865)**	-
Net Book Value at 1st April 2012	**562.651**	**927.715**	**68.401**	**296.233**	**21.812**	**16.829**	**40.895**	**1,934.536**	**65.558**
Additions - Capital Expenditure	34.631	20.166	11.086	11.574	1.489	5.135	21.711	**105.792**	(0.008)
Additions - Donations	5.917	-	-	-	-	-	-	**5.917**	
Additions - PFI Recognition	-	-	-	8.944	-	-	-	**8.944**	8.944
Depreciation Charge	(25.655)	(25.999)	(12.959)	(15.205)	(0.837)	(0.732)	-	**(81.387)**	(2.828)
Revaluations - Recognised in Revaluation Reserve	(0.907)	64.631	-	-	-	(0.626)	-	**63.098**	-
Revaluations - Recognised in the CIES	(0.535)	(38.282)	-	-	-	(5.654)	-	**(44.471)**	-
Derecognition									
Derecognition - Disposals	-	-	-	-	-	(3.066)	-	**(3.066)**	-
Derecognition - Other	(2.877)	(24.654)	(0.004)	(6.590)	-	(1.600)	-	**(35.725)**	-
Impairments - Recognised in Revaluation Reserve	-	(6.547)	-	-	-	(2.147)	-	**(8.694)**	-
Impairments - Recognised in the CIES	(0.188)	(6.772)	-	-	-	(2.063)	-	**(9.023)**	-
Transfers to Held for Sale/Investment	(11.162)	(22.163)	3.793	-	-	15.741	9.544	**(4.247)**	-
Net Book Value at 31st March 2013	**561.875**	**888.095**	**70.317**	**294.956**	**22.464**	**21.817**	**72.150**	**1,931.674**	**71.666**
Gross Book Value c/f	562.063	934.174	119.894	402.692	27.902	30.454	76.159	**2,153.338**	76.450
Accumulated Depreciation c/f	-	(39.890)	(49.577)	(107.736)	(5.438)	(1.212)	-	**(203.853)**	(4.784)
Accumulated Impairment c/f	(0.188)	(6.189)	-	-	-	(7.425)	(4.009)	**(17.811)**	
Net Book Value at 31 March 2013	**561.875**	**888.095**	**70.317**	**294.956**	**22.464**	**21.817**	**72.150**	**1,931.674**	**71.666**

Depreciation

In line with the Accounting Policies for PPE (section 2.1.3) the following useful lives and depreciation rates have been used in the calculation of depreciation:

	Standard Life	Overall Range
Council Dwellings – component based calculation	-	20-80 years
Other Land and Buildings	-	5-75 years
Furniture & Equipment	5 years	5-22 years
Vehicles	7 years	1-7 years
Infrastructure and Community Assets	25 years	6-52 years

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 ‘fair 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 2013/14, the Council’s internal valuers completed asset valuations for operational and surplus properties in compliance with the 5-year requirement. In addition, internal valuers also completed a number of reviews outside the Council's 5-year property revaluation programme, for properties undergoing significant changes as a result of capital investment, material impairment or reclassification.

External valuers Herbert Button & Partners and Freeman and Mitchell completed a desktop review of the Council Housing Stock valuation as at 31st March 2014.

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 would affect the present or future use of the properties. Where there is evidence of contamination, this as 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 – Desktop Review (see above)

Condition - The desktop review assumes that no significant changes have taken place to the council housing properties since the 2010 full revaluation and that all properties are in a similar condition.

Material Revaluation Gains, Losses and Impairments

8 properties with a total value of £30.910m 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.

There were no other material changes as a result of revaluation in 2013/14.

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 2013/14.

Valuation at 31 March 2014

DESCRIPTION	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total £m
Carried at depreciated historical cost			76.892	308.764	22.745			408.401
Valued at depreciated fair value as at:								
2009/10	-	-	-	-	-	-	33.219	33.219
2010/11	-	156.449	-	-	-	-	2.196	158.645
2011/12	-	352.759	-	-	-	-	20.743	373.502
2012/13	-	234.439	-	-	-	20.948	14.295	269.682
2013/14	569.102	130.803	-	-	-	16.571	6.639	723.115
TOTAL	**569.102**	**874.450**	**76.892**	**308.764**	**22.745**	**37.519**	**77.092**	**1,966.564**

Capital Commitments

At 31 March 2014, the Council had entered into a number of contracts for the construction or enhancement of PPE which extend into future years. The major commitments are:

DESCRIPTION	Contract Period	31 March 2013 £m	31 March 2014 £m
Public Sector Housing Programme			
Lift Replacement Programme	2013-2015	-	1.057
Modern Living	2013-2015	-	4.980
Roof & Chimney Replacement	2013-2015	-	3.239
Management Fee	2013-2015	-	1.907
Composite Doors City Wide	2013-2015	-	1.916
No Fines/ Solid Wall Insulation Schemes	2013-2015	-	1.500
Green Deal Communities Funding	2013-2015	-	3.851
Sneinton District Heating - BMK'S	2013-2015	-	3.706
Victoria Centre Roof	2013-2015	-	2.333
Radford New Build	2013-2015	-	3.942
Lenton New Build - Phase 1 Includes ILS	2013-2015	-	3.894
Leaseholder Costs - Acquisitions - Cranwell / Meadows	2013-2015	-	2.263
Education Programme			
Ellis Guildford School – BSF	2011-2013	0.075	-
Bluecoat / Wollaton BSF	2012-2014	2.274	0.131
Forest Fields Primary Reorganisation	2012-2014	4.944	0.922
Manning Academy	2012-2014	1.308	-
Northgate Primary Reorganisation	2012-2014	0.681	-
ICT Managed Services - Installation in BSF schools	2009-2015	2.334	0.246
Transport Programmes			
Station Hub	2010-2015	6.111	3.112
Green Bus Fund - Round 3 Purchases	2012-2014	1.600	0.237
Local Link Buses (Local Sustainable Transport Fund)	2012-2014	0.980	-
Other Services			
Eastcroft Incinerator Waste Recycling Contract	Rolling	2.292	10.972
Forest Recreation Ground Masterplan	2012-2014	0.823	0.100
Harvey Hadden Pool	2013-2015	-	11.835
Forest Sports Zone	2013-2015	-	1.609
Victoria Leisure Centre	2009-2013	0.023	-
NET2/3 Land Acquisitions	2012-2013	38.185	31.286
NET2/3 Other Elements of Scheme	2013-2015	-	102.822
Vehicle Repalcement Programme	Rolling	-	2.188
Southglade Food Park - Phase 2	2013-2016	-	6.232
Downtown (Sneinton)	2013-2016	-	4.671
Creative Quarter - Daykene St Factory Refurbishment	2013-2016	-	5.968
Colwick Park and Ride Site	2014-2016	-	1.236
Contracts with Commitments less than £1m as at 31 March	-	17.184	23.765
TOTAL		**78.814**	**206.033**

6.2.2 Heritage Assets

The Council's register of Heritage Assets includes over 95,000 items (excluding natural history). The Council holds these 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.

	1 April 2012 £m	Revaluations £m	31 March 2013 £m	Revaluations £m	31 March 2014 £m
Byron Collection	13.301	0.591	13.892	0.260	14.152
Costume Collection	0.493	0.042	0.535	0.010	0.545
Decorative Art	2.281	0.075	2.356	0.042	2.398
Fine Art	26.578	1.077	27.655	0.495	28.150
Human & Social History	0.564	0.029	0.593	0.011	0.604
Industrial History	0.015	-	0.015	-	0.015
Civic Regalia & Silver Collection	1.257	0.041	1.298	0.023	1.321
TOTAL	**44.489**	**1.855**	**46.344**	**0.841**	**47.185**

Between 2009/10 and 2013/14 there have been no disposals or impairments, however, in 2010/11 there were additions to the value of Heritage Assets of £0.025m.

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's 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.

6.2.3 Transfers to/from Earmarked Reserves

The following table sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14:

	Balance at 1 April 2012 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2013 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2014 £m
REVENUE							
Job Evaluation - Equal Pay	11.647	(4.652)	5.555	12.550	(0.774)	3.451	15.227
Treasury Management	6.866	(3.207)	2.343	6.002	-	5.234	11.236
Investment Reserve	1.127	(0.085)	3.709	4.751	(0.586)	3.916	8.081
E-Government/IT Fund	6.641	(3.031)	4.656	8.266	(3.700)	3.553	8.119
Street Lighting PFI	3.888	-	2.502	6.390	-	1.267	7.657
NET City Reserve Fund	2.418	(11.260)	6.482	(2.360)	(4.543)	13.036	6.133
NHS Local Improvement Finance (LIFT)	3.333	-	1.642	4.975	-	0.931	5.906
C&F (CHS) Transitional Reserve	-	-	4.752	4.752	(0.492)	1.503	5.763
Housing Benefits	0.965	(0.354)	2.451	3.062	(0.734)	3.112	5.440
Trade Waste VAT Refund	-	-	4.786	4.786	(0.015)	-	4.771
Nottingham First Project	2.937	-	0.835	3.772	(0.110)	1.086	4.748
Transforming Services	0.805	(1.898)	5.092	3.999	(0.993)	0.355	3.361
BSF Bigwood & Oakfield PFI	2.945	(0.430)	0.270	2.785	-	0.237	3.022
Supporting People	2.353	-	-	2.353	(0.076)		2.277
Insurance Reserve	4.394	(2.094)	-	2.300	(0.253)	-	2.047
Emergency Hardship Fund	-	-	-	-	-	1.716	1.716
Jobs Fund	-	-	1.039	1.039	(0.197)	0.704	1.546
Agreed Budget Carry Forward	0.651	(1.082)	2.150	1.719	(1.658)	1.452	1.513
VAT Cultural Exemption	1.525	(0.144)	-	1.381	-	-	1.381
Public Health Transition Reserve	-	-	-	-	-	1.268	1.268
BDI Loan Fund	0.247	-	-	0.247	(0.247)	1.253	1.253
Revenue Grants Unapplied	1.890	(0.658)	0.317	1.549	(0.548)	0.046	1.047

Continued on the next page

	Balance at 1 April 2012 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2013 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2014 £m
REVENUE (Continued)							
Property Maintenance	1.638	(1.093)	0.750	1.295	(0.253)	-	1.042
Contingency Reserve	-	-	0.409	0.409	(0.523)	1.149	1.035
Area Committees	1.186	(0.443)	0.132	0.875	(0.068)	-	0.807
Economic Growth Plan	-	(0.022)	1.200	1.178	(0.436)	-	0.742
Future Nottingham	10.346	(4.993)	-	5.353	(5.227)	-	0.126
Management of Change (WFR)	0.496	(0.496)	-	-	-	-	-
Other Earmarked Reserves	13.339	(5.995)	3.421	10.765	(1.760)	5.038	14.043
	81.637	**(41.937)**	**54.493**	**94.193**	**(23.193)**	**50.307**	**121.307**
BALANCES HELD BY SCHOOLS UNDER A SCHEME OF DELEGATION							
School Statutory Reserve - Central	8.687	(2.730)	3.936	9.893	(3.523)	6.412	12.782
School Statutory Reserve - Schools	9.959	(0.450)	-	9.509	(0.867)	0.342	8.984
	18.646	**(3.180)**	**3.936**	**19.402**	**(4.390)**	**6.754**	**21.766**
CAPITAL							
Revenue Reserves for Capital	4.966	(1.429)	1.524	5.061	(0.086)	0.715	5.690
	4.966	**(1.429)**	**1.524**	**5.061**	**(0.086)**	**0.715**	**5.690**
TOTAL	**105.249**	**(46.546)**	**59.953**	**118.656**	**(27.669)**	**57.776**	**148.763**

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The purpose of each earmarked reserve with a value greater than £2m is listed below:

Revenue

Job Evaluation – Equal Pay £15.227m
Annual revenue contributions have been made to earmarked reserves to support the costs relating to Job Evaluation. Phases 1 and 2 have been implemented prior to 2012/13 and Phase 3 in relation to schools was implemented in May 2013. Repayments have been made to the reserve where the costs associated with single status in year have been less than budgeted. The reserve has been used in year to fund equal pay costs and other costs incurred as a result of single status

Treasury Management £11.236m
The creation of a Treasury Management Reserve was formally approved by the Executive Board on 21 June 2005. The reserve was created in anticipation of future volatility in revenue charges arising in the Financing Transactions budget.

Investment Reserve £8.081m
Contributions were made to the reserve in year in line with the 2012-13 outturn and MTFP decisions. The reserve has been used in year to fund the Castle Development. £1.178m of the reserve is earmarked for local housing investment and a further £0.903m for invest to save schemes.

IT Development/E Government Fund £8.119m
When a major programme of computer hardware and software upgrades was implemented during the late 1990s, part of the overall funding programme for all the proposals identified revenue savings. To ensure these revenue savings were achieved, the relevant budgets were reduced and equivalent sums appropriated directly to the IT Development Fund. These sums continue and provide an important reserve for continuing development of IT infrastructure for the Council

Street Lighting PFI £7.657m
The Street Lighting PFI contract reached financial close in May 2010, becoming operational in September 2010. The reserve is used to manage the Council's commitments under the contract to ensure that these commitments can be met over the 25 year contract period.

NET City Reserve Fund £6.133m
Established in 2011/12 because of the timing differences in respect of the various sources of funding and items of expenditure relating to the operation of NET Line One and the development of NET Lines 2 and 3 (Phase 2).

NHS Local Improvement Finance Trust (LIFT) £5.906m
LIFT is a public-private partnership initiative that is sponsored by the Department of Health to replace old and inadequate health-related buildings with new facilities. Under this initiative the Council has procured three Joint Service Centres at Clifton, Hyson Green and Bulwell. The arrangement is supported by PFI Credits issued by the Department for Communities and Local Government and requires the Council to enter into an agreement with the LIFT Company for a 25-year period. As part of the LIFT accounting arrangements, a fund is established into which PFI grant and required contributions from service departments are paid.

C&F (CHS) Transitional Reserve £5.763m
This reserve was created for grant specific programme slippage and/or approved project expenditure.

Housing Benefits £5.440m
Used to manage variations in the complex Housing Benefit claim.

Trade Waste VAT Refund £4.771m
This reserve is due to a successful claim to HMRC for VAT previously paid to them on income relating to the authority's trade waste collections which could potentially be liable to payback.

Nottingham First Project £4.748m
Approved in 2008/09 and has received further contributions in successive years to support Work Place Strategy implementation costs and prudential borrowing repayments.

Transforming Services £3.361m
A combination of other reserves amalgamated to support transformation within the Council.

BSF Bigwood & Oakfield PFI £3.022m
Set up in 2008 as part of wider approval for the Building Schools for the Future Programme, the reserve is used to manage the Council's commitments under the PFI contract for Big Wood and Oak Field schools, to ensure that these commitments can be met over the 25 year contract period.

Supporting People £2.277m
A sum of £0.076m has been transferred from this reserve during 2013/14 to cover payments in excess of funding for the Supporting People Programme. The reserve has been built up over previous years where grant received was in excess of the payments made.

Insurance Reserve £2.047m
This reserve reflects the potential future liabilities in relation to insurance claims.

Balances held by schools under a scheme of delegation

Schools' Statutory Reserve – Other £12.782m
This represents unspent school balances where the funds have not been delegated to schools but remain under the control of the Council. Part of the reserve is used to finance a school loan scheme, whereby schools are advanced funding and then repay over a maximum period of three years.

Schools' Statutory Reserve – Schools £8.984m
Again, this represents unspent school balances. In this case the are funds have been delegated to schools and they are permitted to carry forward unspent balances from one financial year to the next. Conversely, any deficit balances are deducted from the following year's school budget share with the reserve balance is made up of £9.267m in surpluses and £0.283m deficit.

	Balance at 31 March 2013 £m	Movement £m	Balance at 31 March 2014 £m
Primary Schools	7.295	(0.137)	7.158
Secondary Schools	1.576	(0.803)	0.773
Special Schools	0.582	-	0.582
Nursery Schools	0.056	(0.083)	(0.027)
Pupil Refferal Units	-	0.498	0.498
TOTAL	**9.509**	**(0.525)**	**8.984**

Capital

Revenue Reserves for Capital Purposes £5.690m
Over the years sums have been appropriated into this reserve to provide additional funding for capital investment.

6.2.4 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:

	2012/13 £m	2013/14 £m
Balance at 1 April	37.454	36.962
Additions	0.227	6.572
Disposals	(0.220)	(3.820)
Net gains/(losses) from fair value adjustments	(0.499)	0.006
Transfers to / from Property Plant and Equipment	-	(1.332)
BALANCE AT 31 MARCH	**36.962**	**38.388**

Details of related income and expenditure included in the CIES are shown in section 6.1.2.

6.2.5 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of PPE. The balances shown below relate to purchased software licences. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use and for the major software suites this is assumed to be 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2013/14 was £0.513m.

The movement on intangible asset balances during the year is as follows:

	2012/13 £m	2013/14 £m
Balance at start of year:		
Gross carrying amounts	4.363	4.582
Accumulated amortisation	(2.299)	(2.801)
Net carrying amount at start of year	**2.064**	**1.781**
Additions - Purchases	0.219	1.061
Amortisation for the period	(0.502)	(0.513)
Net carrying amount at end of year	**1.781**	**2.329**
Comprising:		
Gross carrying amounts	4.582	5.643
Accumulated amortisation	(2.801)	(3.314)
Net carrying amount at end of year	**1.781**	**2.329**

6.2.6 Assets Held for Sale

	2012/13 £m	2013/14 £m
Balance outstanding at start of year	**5.607**	**5.918**
PPE declassified as held for sale	(0.050)	-
PPE newly classified as held for sale	4.423	3.653
Revaluation losses	(0.589)	-
Revaluation gains	2.978	2.438
Assets sold	(6.325)	(7.388)
Other movements	(0.126)	-
BALANCE AT 31 MARCH	**5.918**	**4.621**

6.2.7 Inventories

	2012/13				2013/14			
	Consumable Stores £m	Maintenance Materials £m	Client services work in progress £m	Total £m	Consumable Stores £m	Maintenance Materials £m	Client services work in progress £m	Total £m
Balance at 1 April	**0.697**	**0.055**	**0.716**	**1.468**	**0.536**	**0.051**	**0.622**	**1.209**
Purchases	4.172	1.264	8.381	13.817	2.903	1.366	12.029	16.298
Recognised as an expense in the year	(4.335)	(1.268)	(8.475)	(14.078)	(2.898)	(1.353)	(10.702)	(14.953)
Written off balances	0.002	-	-	0.002	(0.017)	-	-	(0.017)
BALANCE AT 31 MARCH	**0.536**	**0.051**	**0.622**	**1.209**	**0.524**	**0.064**	**1.949**	**2.537**

6.2.8 Short Term Debtors

	31 March 2013 £m	31 March 2014 £m
Central government bodies	13.491	20.735
Other local authorities	7.287	6.637
NHS Bodies	-	1.068
Public corporations and trading funds	-	0.187
Other entities and individuals	72.588	76.182
TOTAL	**93.366**	**104.809**

6.2.9 Cash and Cash Equivalents

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

	31 March 2013 £m	31 March 2014 £m
Cash held by the Authority	0.306	0.394
Bank current accounts	0.610	4.047
Short-term deposits with banks and building societies	76.000	54.600
TOTAL	**76.916**	**59.041**

6.2.10 Short Term Creditors

	31 March 2013 £m	31 March 2014 £m
Central government bodies	(25.501)	(30.793)
Other local authorities	(10.184)	(7.975)
NHS Bodies	(0.121)	(7.437)
Other entities and individuals	(115.912)	(145.253)
TOTAL	**(151.718)**	**(191.458)**

6.2.11 Provisions

Current Provisions

These are amounts set aside meet specific expenditure in 2014/15. The only outstanding provision is for Job Evaluation, where £4.319m has been provided to support the implementation of Single Status for school based non teaching staff as agreed by the Schools Forum. The first phase of implementation began 1st May 2013, with payments of £1.821m being made in 2013/14. The overall cost of implementation is now expected to increase so an additional provision of £0.549 has been made.

	Compulsory Purchases for NET2 £m	Carbon Reduction Credits £m	Job Evaluation £m	Municipal Mutual Insurance £m	Total £m
Balance at 1 April 2013	**(4.307)**	**(0.445)**	**(4.319)**	**(0.328)**	**(9.399)**
Additional provisions made	-	-	(0.549)	-	(0.549)
Amounts used	4.307	0.445	1.821	0.328	6.901
BALANCE AT 31 MARCH 2014	**0.000**	**(0.000)**	**(3.047)**	**0.000**	**(3.047)**

Non-Current Provisions

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

	Injury and Damage Compensation Claims £m	Business Rates Appeals £m	Other Provisions £m	Total £m
Balance at 1 April 2013	**(8.620)**	**-**	**(1.822)**	**(10.442)**
Additional provisions made	(1.035)	(4.419)	-	(5.454)
Amounts used	-	-	1.065	1.065
BALANCE AT 31 MARCH 2014	**(9.655)**	**(4.419)**	**(0.757)**	**(14.831)**

Insurance Compensation Claims

Nottingham City Council maintains an insurance provision to meet the cost of claims arising from self-insured risks and risks which fall below the external policy retention levels.

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 and motor and liability have been arranged with excesses of £0.100m, and £0.050m 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 2013/2014 policy year were £5m across all classes. Other costs falling on the provision include self-insured risks.

Contributions to the insurance provision arise from annual charges to service areas. These maintain the insurance provision at a sufficient level to meet 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.

Nottinghamshire County Council Closed Fund

At the time of unitary status the County Council's insurance fund was closed. All claims relating to services previously delivered by the County which occurred between 1 April 1974 and 31 March 1998 are administered by the County and paid by the insurers of that time. Uninsured claims and those that fall within the insurer excess levels are paid from the Closed Fund. At 31 March 2014, Nottinghamshire County Council was predicting the fund deficit would increase by £0.436m to £6.235m, based on known claims outstanding. The agreed contribution to the fund by the Council is 23.55% and, therefore, a net additional provision of £0.102m has been made to increase the Council's future anticipated contribution to the shortfall in the fund.

Business Rates

With the change in administration of NNDR the council now bears a risk of non-collection of business rates following appeals. A provision has therefore been made for successful future appeals. The Council's share of this provision amounts to £4.419m.

Equal Pay

A provision of £1.762m was set up in 2012/13 to meet the potential cost of additional settlements arising from an ongoing equal pay tribunal case. During the year payments of £1.005m have been made leaving a balance of £0.757m.

6.2.12 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and section 6.2.3

6.2.13 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, therefore, not available as a source of general funding.

	2012/13 £m	2013/14 £m
Revaluation Reserve	310.122	326.201
Capital Adjustment Account	869.605	875.395
Financial Instruments Adjustment Account	(7.530)	(7.186)
Pensions Reserve	(546.235)	(550.498)
Deferred Capital Receipts Reserve	3.985	4.293
Collection Fund Adjustment Account	1.419	5.006
Accumulated Absences Account	(5.187)	(4.629)
Available for Sale Financial Instruments Reserve	0.046	-
TOTAL UNUSABLE RESERVES	**626.225**	**648.582**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012/13 £m	2013/14 £m
Balance at 1 April	**262.648**	**310.122**
Upward revaluation of assets	92.445	33.720
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(36.188)	(5.133)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	56.257	28.587
Difference between fair value depreciation and historical cost depreciation	(6.976)	(8.567)
Accumulated gains on assets sold or scrapped	(1.807)	(3.941)
Amount written off to the Capital Adjustment Account	(8.783)	(12.508)
BALANCE AT 31 MARCH	**310.122**	**326.201**

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 as finance for the costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council, together with revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2012/13 £m	2013/14 £m
Balance at 1 April	**921.935**	**869.605**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(0.502)	(0.513)
Charges for depreciation of non-current assets	(81.387)	(83.299)
Charges for impairment of non-current assets	(9.023)	0.047
Revaluation losses on Property, Plant and Equipment	(42.082)	2.593
Donated assets	5.916	1.846
Movements in the market value of Investment Properties	(0.499)	0.006
Revenue expenditure funded from capital under statute (REFCUS)	(12.696)	(6.572)
REFCUS expenditure funded by grants	9.876	4.933
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(45.334)	(58.225)
Charges for impairment of investment in subsidairy	(0.195)	-
Adjusting amounts written out of the Revaluation Reserve	8.783	12.508
	(167.143)	(126.676)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	0.242	8.007
Use of the Major Repairs Reserve to finance new capital expenditure	15.466	18.088
Application of grants from the Capital Grants Unapplied Account	58.244	55.698
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13.757	12.469
Voluntary set aside of capital receipts for debt redemption	17.226	22.410
Capital expenditure charged against the General Fund and HRA balances	10.534	16.820
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(0.656)	(1.026)
	114.813	132.466
BALANCE AT 31 MARCH	**869.605**	**875.395**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains 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).

	2012/13 £m	2013/14 £m
Balance at 1 April	**(7.902)**	**(7.530)**
Premiums incurred in the year	0.426	0.411
Discounts incurred in the year	(0.072)	(0.072)
Lenders Option Borrowers Option Loans	0.003	0.004
Soft Loans	0.015	0.001
BALANCE AT 31 MARCH	**(7.530)**	**(7.186)**

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, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are made to pension funds or eventually pays 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 the set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2012/13 Disclosed £m	2012/13 Per revised IAS19 £m	2013/14 £m
Balance at 1 April	**(536.819)**	**(536.819)**	**(546.235)**
Return on plan assets	-	77.924	12.792
Actuarial gains or (losses) on pensions assets and liabilities	7.957	(61.860)	12.264
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(45.211)	(53.318)	(56.433)
Employer's pensions contributions and direct payments to the pensioners payable in the year	27.838	27.838	27.114
BALANCE AT 31 MARCH	**(546.235)**	**(546.235)**	**(550.498)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2012/13 £m	2013/14 £m
Balance at 1 April	**4.058**	**3.985**
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.073)	(0.066)
Created in year	-	0.374
BALANCE AT 31 MARCH	**3.985**	**4.293**

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.

	2012/13 £m	2013/14 £m
Balance at 1 April	**0.112**	**1.419**
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	1.307	3.587
BALANCE AT 31 MARCH	**1.419**	**5.006**

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.

	2012/13 £m	2013/14 £m
Balance at 1 April	**(5.635)**	**(5.187)**
Settlement or cancellation of accrual made at the end of the preceding year	5.635	5.187
Amounts accrued at the end of the current year	(5.187)	(4.629)
Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis	**0.448**	**0.558**
BALANCE AT 31 MARCH	**(5.187)**	**(4.629)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains lost
- de-recognised due to maturity/sale and the gains are realised

At the end of 2012/13 the reserve held a balance of £46,000 due to previous revaluation gains. During 2013/14 the assets were sold and the gain was written out to Other Investment Income in the CIES.

6.2.14 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 the conditions are not met.

The balances at the year-end are as follows:

	2012/13 £m	2013/14 £m
Department for Education	(0.575)	(0.264)
Department for Communities and Local Government	(24.188)	-
Department for Transport	(1.326)	-
S106 Contributions - Affordable Housing	(0.762)	(1.286)
S106 Contributions - Open Space	(0.828)	(0.799)
S106 Contributions - Transport / Public Realm / Training	(0.624)	(0.445)
Other Grants and Contributions	(0.475)	(0.516)
TOTAL	**(28.778)**	**(3.310)**

6.2.15 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 the payments that need to be disclosed at the time that 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
- The NHS Pension Scheme, administered by the NHS Business Services Authority

Further details for these schemes can be found in Appendix C

The following tables explain the amounts in the financial statements. For 2012/13 the tables show both the original LGPS figures in last year's Statement of Accounts and the comparative figures, had the revised IAS 19 standard been applied. 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	
	2012/13 Disclosed £m	2012/13 Under revised IAS19 Standard £m	2013/14 £m	2012/13 £m	2013/14 £m
Opening balance at 1 April	**(1,225.358)**	**(1,225.358)**	**(1,334.670)**	**(30.959)**	**(34.402)**
Current service cost	(34.295)	(34.295)	(36.513)	-	-
Interest cost	(55.435)	(55.435)	(59.066)	(1.375)	(0.900)
Change in financial assumptions	combined below	(57.648)	(24.853)	-	1.508
Change in demographic assumptions	combined below	-	(57.517)	-	-
Experience loss/(gain) on defined benefit obligation	combined below	-	120.143	-	-
Total actuarial gains and losses	(57.648)	separated above	separated above	(4.212)	-
Losses/gains on curtailments	(1.009)	combined below	combined below	-	-
Liabilities assumed/extinguished on settlements	9.970	9.970	6.597	-	-
Estimated benefits paid net of transfers in	36.100	36.100	42.328	-	-
Past service costs	-	combined below	combined below	-	-
Past Service costs including curtailments	separated above	(1.009)	(0.708)	-	-
Contributions by scheme participants	(8.284)	(8.284)	(8.188)	-	-
Unfunded pension payments	1.289	1.289	1.256	2.144	2.136
CLOSING BALANCE AT 31 MARCH	**(1,334.670)**	**(1,334.670)**	**(1,351.191)**	**(34.402)**	**(31.658)**

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme 2012/13 Disclosed £m	2012/13 Under revised IAS19 Standard £m	2013/14 £m
Opening balance at 1 April	**719.498**	**719.498**	**822.837**
Expected return on scheme assets	40.905	n/a	n/a
Interest on assets	n/a	32.872	36.704
Return on assets less interest	n/a	77.924	12.792
Other actuarial gains/losses	n/a	-	(27.017)
Total actuarial gains/losses	69.817	n/a	n/a
Administration expenses	n/a	(0.074)	(0.058)
Contributions by the employer including unfunded	25.694	25.694	24.978
Contributions by scheme participants	8.284	8.284	8.188
Estimated benefits paid plus unfunded net of transfers in	(37.389)	(37.389)	(43.584)
Settlement prices received/paid	(3.972)	(3.972)	(2.489)
CLOSING BALANCE AT 31 MARCH	**822.837**	**822.837**	**832.351**

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

	Local Government Pension Scheme		Teachers Benefits	
	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m
Present value of funded obligation	(1,319.790)	(1,336.017)	-	-
Fair value of scheme assets (bid value)	822.837	832.351	-	-
Net Liability	**(496.953)**	**(503.666)**	**-**	**-**
Present value of unfunded obligation	(14.880)	(15.174)	(34.402)	(31.658)
NET LIABILITY IN BALANCE SHEET	**(511.833)**	**(518.840)**	**(34.402)**	**(31.658)**

The liabilities show the underlying commitments that the Council has to pay in respect of post-employment (retirement) benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, as a result of the negative overall balance of £550.498m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- 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.

6.2.16 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 Department for Communities and Local Government, the 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 2011 Accounting Code of Practice 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. The Balance Sheet contains a range of such financial instruments, both assets and liabilities.

The tables below show the appropriate value of all financial instruments on the Balance Sheet as at 31 March 2014 (and 31 March 2013). The investments figures reflect the impairment of deposits placed with Icelandic banks.

		Long-term		Current	
	Notes	31 March 2013 £m	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m
Investments					
Loans and receivables					
- investments (principal)	1	-	15.000	116.000	138.600
- cash equivalents (principal)		-	-	76.000	54.600
- interest	1	-	-	0.269	0.317
- Icelandic deposits	1	5.565	-	4.896	2.450
		5.565	**15.000**	**197.165**	**195.967**
Available for sale		-		25.103	18.983
Unquoted equity investment at cost		0.787	0.787	-	-
TOTAL INVESTMENTS		**6.352**	**15.787**	**222.268**	**214.950**
Debtors					
Loans and receivables	2	58.652	60.696	74.856	83.990
TOTAL DEBTORS		**58.652**	**60.696**	**74.856**	**83.990**

Notes:

1. Current Total Investments, excluding cash equivalents equate to Short Term Investments in section 4.2: Balance Sheet.
2. Debtors exclude non-contractual items e.g. NNDR and Council Tax, together with Payments in Advance.

	Notes	Long-term 31 March 2013 £m	Long-term 31 March 2014 £m	Current 31 March 2013 £m	Current 31 March 2014 £m
Borrowings					
Financial liabilities at amortised cost					
- principal	1	700.372	684.943	76.308	25.311
- interest		-	-	9.590	6.884
- accounting adjustments		0.950	0.946	-	-
TOTAL BORROWINGS		**701.322**	**685.889**	**85.898**	**32.195**
Other Long Term Liabilities					
PFI and finance lease liabilities	1	64.035	91.789	2.185	1.891
Growing Places Fund and other		17.309	7.054	-	15.899
TOTAL OTHER LONG TERM LIABILITIES		**81.344**	**98.843**	**2.185**	**17.790**
Creditors					
Financial liabilities at amortised cost	2	-	-	109.302	146.218
TOTAL CREDITORS		**-**	**-**	**109.302**	**146.218**

Notes:

1. The principal element of borrowings plus PFI and finance lease liabilities equates to external debt for comparison against the operational boundary.
2. Creditors exclude non-contractual items e.g. NNDR and Council Tax, together with Receipts in Advance.

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):

	2012/13 £m	2013/14 £m
Interest expense	(21.388)	(23.878)
Impairment losses	(0.059)	1.080
Total Expense in Surplus or Deficit on the Provision of Services	**(21.447)**	**(22.798)**
Interest income	1.785	1.828
Interest income - impaired financial assets	0.676	0.507
Total Income in Surplus or Deficit on the Provision of Services	**2.461**	**2.335**
NET GAIN/(LOSS) FOR THE YEAR	**(18.986)**	**(20.463)**

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the net present value, at 31 March 2014, of the cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- For PWLB loans, the fair value has been based on the published interest rates and the premature repayment rates in force on the relevant day (31 March).
- For other loans, relevant premature repayment rates have been applied to provide a fair value.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- Other long term liabilities, comprising finance leases and notional debt in respect of PFI schemes, have been excluded.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.
- The fair value of investments excludes all sums deposited with Icelandic banks which have been accounted for separately.
- Available for sale investments are held on the Balance Sheet at fair value and therefore excluded from the table below.`

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
PWLB debt	693.869	848.935	655.141	746.230
Market loans	50.437	72.941	50.431	63.028
3% stock	2.335	1.707	0.919	0.625
Bonds etc	0.595	0.595	0.387	0.387
Other debt	39.985	39.985	11.184	11.184
Trade creditors	109.302	109.302	146.218	146.218
Financial Liabilities	**896.523**	**1,073.465**	**864.280**	**967.672**
Investments (< 1 year)	192.269	192.269	193.517	193.517
Investments (> 1 year)	-	-	15.000	15.107
Debtors	74.856	74.856	83.990	83.990
Long-term debtors	58.652	58.652	60.696	60.696
Financial Assets	**325.777**	**325.777**	**353.203**	**353.310**

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 at the balance sheet date.

All loans and receivables held on the Balance Sheet at 31 March were issued at par. They have been accounted for on the Balance Sheet on an amortised cost basis, and reflect the principal outstanding, plus any accrued interest at 31 March 2014, giving a 'carrying amount' at year-end.

6.3 Movement in Reserves Statement Notes

6.3.1 Adjustments between Accounting Basis and Funding Basis under regulations

2013/14	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£m	£m	£m	£m	£m	£m
Non Current Assets						
● Amortisation of Intangible Fixed Assets	0.508	0.005	-	-	-	(0.513)
● Depreciation	54.560	28.739	-	-	-	(83.299)
● Impairment	(0.017)	(0.030)	-	-	-	0.047
● Revaluation Losses	8.285	(8.440)	-	-	-	0.155
● Donated Assets	(0.054)	(1.792)	-	-	-	1.846
● Investment Property Movement	0.026	(0.032)	-	-	-	0.006
● Assets Held for Sale Movement	-	(2.438)	-	-	-	2.438
● Derecogniton of Fixed Assets	35.567	7.915	-	-	-	(43.482)
● (Loss)/Gain on Sale of Fixed Assets	0.386	0.226	14.131	-	-	(14.743)
	99.261	24.153	14.131	-	-	(137.545)
Capital Financing						
● Revenue Expenditure Funded From Capital Under Statute	1.639	-	-	-	-	(1.639)
● Statutory Minimum Revenue Provision for Capital Financing	(8.426)	-	-	-	-	12.469
● Voluntary Revenue Provision for Capital Financing	(21.405)	(1.005)	-	-	-	22.410
● PFI Minimum Revenue Provision	(4.043)	-	-	-	-	-
● Capital Expenditure charged in year to General Fund Balance	(11.072)	(5.748)	-	-	-	16.820
● Transfer to/from Major Repairs Reserve	-	(28.739)	-	10.651	-	18.088
● Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	1.730	-	(1.730)	-	-	-
● Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	-	-	0.719	-	-	(0.719)
● Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(8.007)	-	-	8.007
● Capital Grants Applied	-	-	-	-	(55.698)	55.698
	(41.577)	(35.492)	(9.018)	10.651	(55.698)	131.134

Continued on the next page

2013/14	Usable Reserves					
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Employee Benefits	(0.558)	-	-	-	-	0.558
Pension Fund						
● Net charges made for Retirement Benefits in accordance with IAS19	56.433	-	-	-	-	(56.433)
● Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(27.114)	-	-	-	-	27.114
	29.319	-	-	-	-	(29.319)
Other Movements						
● Capital Grants & Contributions	(55.739)	-	-	-	55.739	-
● Financial Instrument Adjustment Account	(0.330)	(0.014)	-	-	-	0.344
● Transfer to/(from) Collection Fund Adjustment Account	(3.588)	-	-	-	-	3.588
	(59.657)	(0.014)	-	-	55.739	3.932
TOTAL ADJUSTMENTS	**26.788**	**(11.353)**	**5.113**	**10.651**	**0.041**	**(31.240)**

2012/13	Usable Reserves General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Non Current Assets						
● Amortisation of Intangible Fixed Assets	0.493	0.009	-	-	-	(0.502)
● Depreciation	53.731	27.656	-	-	-	(81.387)
● Impairment	7.945	1.078	-	-	-	(9.023)
● Revaluation Losses	44.754	(2.672)	-	-	-	(42.082)
● Donated Assets	-	(5.917)	-	-	-	5.917
● Investment Property Movement	0.499	-	-	-	-	(0.499)
● Decrecogniton of Fixed Assets	32.696	3.027	-	-	-	(35.723)
● (Loss)/Gain on Sale of Fixed Assets	(0.261)	(0.045)	9.917	-	-	(9.611)
	139.857	23.136	9.917	-	-	(172.910)
Capital Financing						
● Revenue Expenditure Funded From Capital Under Statute	1.960	0.860	-	-	-	(2.820)
● Statutory Minimum Revenue Provision for Capital Financing	(8.537)	-	-	-	-	8.537
● Voluntary Revenue Provision for Capital Financing	(16.219)	(1.007)	-	-	-	17.226
● PFI Minimum Revenue Provision	(5.220)	-	-	-	-	5.220
● Write down Arrow Share Value	0.195	-	-	-	-	(0.195)
● Capital Expenditure charged in year to General Fund Balance	(5.834)	(4.700)	-	-	-	10.534
● Transfer to/from Major Repairs Reserve	-	(27.656)	-	12.190	-	15.466
● Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	1.541	-	(1.541)	-	-	-
● Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	-	-	0.729	-	-	(0.729)
● Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(0.242)	-	-	0.242
● Capital Grants Applied	-	-	-	-	(58.245)	58.245
	(32.114)	(32.503)	(1.054)	12.190	(58.245)	111.726

Continued on the next page

2012/13	Usable Reserves: General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Employee Benefits	(0.448)	-	-	-	-	0.448
Pension Fund						
● Net charges made for Retirement Benefits in accordance with FRS17	45.211	-	-	-	-	(45.211)
● Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(27.838)	-	-	-	-	27.838
	17.373	-	-	-	-	(17.373)
Other Movements						
● Revenue Grants & Contributions	(61.770)	-	-	-	61.770	-
● Financial Instrument Adjustment Account	(0.344)	(0.029)	-	-	-	0.373
● Transfer to/(from) Collection Fund Adjustment Account	(1.307)	-	-	-	-	1.307
	(63.421)	(0.029)	-	-	61.770	1.680
TOTAL ADJUSTMENTS	**61.247**	**(9.396)**	**8.863**	**12.190**	**3.525**	**(76.429)**

6.3.2 Post Employment Benefits Transactions

The Council recognise 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. However, 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 made in the General Fund Balance via the MIRS during the year:

	Local Government Pension			Teachers Benefits	
	2012/13		2013/14	2012/13	2013/14
	Disclosed £m	Under revised IAS19 £m	£m	£m	£m
Movement in Reserves Statement					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(43.836)	(51.943)	(55.533)	(1.375)	(0.900)
Actual amount charged against the General Fund Balance for pensions in the year:					
Employers' contributions payable to scheme	25.694	25.694	24.978		
Retirement benefits payable to pensioners				2.144	2.136

These transactions can be summarised as follows:

	2012/13 Disclosed £m	2012/13 Under revised IAS19 Standard £m	2013/14 £m
Movement in Reserves Statement:			
Reversal of Charges made in accordance with the Code	(45.211)	(53.318)	(56.433)
Charges to General Fund made on a funding basis	27.838	27.838	27.114
TOTAL	**(17.373)**	**(25.480)**	**(29.319)**

6.4 Cash Flow Statement Notes

6.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2012/13 £m	2013/14 £m
Interest received	1.686	2.336
Interest paid	(20.529)	(25.870)
Dividends received	0.500	1.000

6.4.2 Investing Activities

	2012/13 £m	2013/14 £m
Purchase of property, plant and equipment, investment property and intangible assets	(114.435)	(131.390)
Purchase of short-term and long-term investments	(95.517)	(22.648)
Other payments for investing activities	(4.064)	(0.417)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10.007	13.011
Other receipts from investing activities	63.602	60.250
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(140.407)**	**(81.194)**

6.4.3 Financing Activities

	2012/13 £m	2013/14 £m
Cash receipts of short and long-term borrowing	138.750	10.000
Other receipts from financing activities	(10.154)	3.097
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(2.280)	(1.325)
Repayments of short and long-term borrowing	(117.186)	(86.875)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**9.130**	**(75.103)**

6.5 Other Notes

6.5.1 Trading Operations

These trading operations operate in a commercial environment and seek to balance their budget by generating income from other parts of the Council or other organisations.

	2012/13			2013/14		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£m	£m	£m	£m	£m	£m
Bereavement Services	1.082	0.944	(0.138)	1.030	0.929	(0.101)
Car Parks, Bus Stations and Park & Ride	7.802	6.194	(1.608)	7.798	5.175	(2.623)
Property	10.250	4.004	(6.246)	10.381	4.889	(5.492)
City Advertising	0.279	0.337	0.058	0.328	0.333	0.005
Markets	1.413	1.358	(0.055)	1.535	1.569	0.034
Royal Centre	13.268	12.572	(0.696)	13.288	12.997	(0.291)
Translation and Interpretation	0.340	0.355	0.015	0.409	0.315	(0.094)
Highways and Sewer Work	4.762	5.797	1.035	0.083	0.704	0.621
Garage Revenue	2.886	2.991	0.105	1.425	3.695	2.270
Education Catering	6.570	6.708	0.138	7.771	7.668	(0.103)
NET (SURPLUS)/DEFICIT ON TRADING OPERATIONS	**48.652**	**41.260**	**(7.392)**	**44.048**	**38.274**	**(5.774)**

Trading operations (surpluses)/deficits are incorporated into the CIES, under Financing and Investment Income – other investment income.

6.5.2 Agency Services

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

6.5.3 Jointly Controlled Operations

From 3rd September 2012 Nottingham City Council (NCC) entered into 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 is therefore 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 57.3%.

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	
	Sept 2012 to March 2013 £m	2013/14 £m	Sept 2012 to March 2013 £m	2013/14 £m
Income:				
Direct External Income	(1.074)	(1.797)	(0.353)	(0.540)
LCC Share of NCC Direct Costs			(0.135)	(0.149)
Total Income	**(1.074)**	**(1.797)**	**(0.488)**	**(0.689)**
Expenditure:				
Total EMSS Expenditure	3.806	5.676		
Direct costs incurred by NCC			0.329	0.348
Third party payments to LCC			1.774	2.566
Total Expenditure	**3.806**	**5.676**	**2.103**	**2.914**
NET EXPENDITURE	**2.732**	**3.879**	**1.615**	**2.225**

6.5.4 Councillors Allowances

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

	2012/13 £m	2013/14 £m
Allowances	1.042	1.059
Expenses	0.002	0.002
TOTAL	**1.044**	**1.061**

6.5.5 Officers Remuneration

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

POST HOLDER	2012/13 £	2013/14 £
Chief Executive - Ian Curryer		
- Salary, Fees & Allowances	148,516	160,000
- Expense Allowances	-	283
- Pension Contributions	26,728	28,800
	175,244	**189,083**
Deputy Chief Executive and Corporate Director Resources - Carole Mills		
- Salary, Fees & Allowances	160,952	144,653
- Expense Allowances	227	92
- Pension Contributions	28,971	26,038
	190,151	**170,782**
Corporate Director - Children and Families *		
- Salary, Fees & Allowances	-	57,167
- Pension Contributions	-	10,290
	-	**67,457**
Corporate Director - Quality and Commissioning **		
- Salary, Fees & Allowances	88,329	102,807
- Expense Allowances	-	59
- Pension Contributions	15,899	18,505
	104,229	**121,371**
Corporate Director - Communities		
- Salary, Fees & Allowances	130,000	130,000
- Pension Contributions	3,900	23,400
	133,900	**153,400**
Corporate Director - Development		
- Salary, Fees & Allowances	127,500	127,500
- Expense Allowances	2,006	-
- Pension Contributions	22,950	22,950
	152,456	**150,450**
Director - One Nottingham		
- Salary, Fees & Allowances	61,530	61,484
- Pension Contributions	11,049	11,067
	72,580	**72,551**
Director - Policy, Partnership and Comms		
- Salary, Fees & Allowances	77,820	77,895
- Pension Contributions	14,008	14,021
	91,827	**91,916**

* Corporate Director - Children and Families - Appointed 4/11/2013
** Corporate Director - Quality and Commissioning - Seconded to Corporate Director Children and Families from 1/2/2013-3/11/2013

During 2013/14 there was a joint arrangement with Nottinghamshire County Council, whereby the Director of Public Health for the County would also undertake this role for the City Council. It was agreed that the role would operate on the basis of a 60/40 split, with 40% dedicated to the City Council. The Director of Public Health is not included within the officers' remuneration note as the postholder is not an employee of the City Council.

A total of 181 employees (including senior employees) received remuneration of more than £0.050m, of these 89 are employed directly by schools. However, the figures do not include staff employed by academy schools, who are not Council employees:

Remuneration Banding	Number of Employees					
	2012/13			2013/14		
£	School Based Staff	Senior Employees	Other Staff	School Based Staff	Senior Employees	Other Staff
50,000 - 54,999	31	-	28	32	-	29
55,000 - 59,999	23	-	19	20	1	17
60,000 - 64,999	24	1	15	17	1	11
65,000 -69,999	13	-	4	9	-	6
70,000 - 74,999	2	-	2	3	-	2
75,000 - 79,999	1	1	5	2	1	6
80,000 - 84,999	1	-	3	1	-	4
85,000 - 89,999	2	1	6	1	-	5
90,000 - 94,999	3	-	-	2	-	2
95,000 - 99,999	3	-	1	1	-	-
100,000 - 104,999	-	-	2	1	1	1
105,000 - 109,999	-	-	-	-	-	-
110,000 - 114,999	-	-	-	-	-	-
115,000 - 119,999	-	-	1	-	-	-
120,000 - 124,999	-	1	-	-	-	-
125,000 - 129,999	-	1	-	-	2	1
130,000 - 134,999	-	1	-	-	-	-
135,000 - 139,999	-	-	-	-	-	-
140,000 - 144,999	-	-	-	-	-	-
145,000 - 149,999	-	1	-	-	1	-
150,000 - 154,999	-	-	-	-	-	-
155,000 - 159,999	-	-	-	-	-	-
160,000 - 164,999	-	1	-	-	1	-
Total	**103**	**8**	**86**	**89**	**8**	**84**
Grand Total			**197**			**181**

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:

	2012/13			2013/14*	
Type of Exit Package	**Up to £20,000**	**£20,001 to £40,000**	**£40,001 to £150,0000**	**Up to £20,000**	**£20,001 to £40,000**
Number of:					
Compulsory redundancies	62	10	5	48	2
Other departures agreed	61	13	3	42	6
Total departures	**123**	**23**	**8**	**90**	**8**
Total Cost	£1,101,610	£678,548	£501,515	£823,801	£189,213

* There were no exit packages which cost in excess of £40,000 in 2013/14

6.5.6 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections and certification of grant claims:

	2012/13 £m	2013/14 £m
Statutory audit and inspection work	0.232	0.233
Certification of grant claims and returns	0.023	0.025
Refund of prior year fees by Audit Commission	(0.020)	-
TOTAL	**0.235**	**0.258**

There were no other non-audit services provided by the Council's external auditors.

6.5.7 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) Regulations 2013. 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 2013/14 are as follows:

Notes		Central Expenditure £m	ISB £m	Total £m
A	Final DSG for 2013/14 before Academy recoupment			**220.514**
B	Academy figure recouped for 2013/14			**(82.607)**
C	Total DSG after Academy recoupment for 2013/14			**137.907**
D	Brought forward from 2012/13			**9.074**
E	Carry forward to 2014/15 agreed in advance			**6.693**
F	Agreed initial budgeted distribution in 2013/14	27.581	119.093	**146.674**
G	In year Adjustments	(3.800)	(2.322)	**(6.122)**
H	Final Distribution for 2013/14	23.782	116.771	**140.553**
I	Less Actual central expenditure	18.512		
J	Less ISB deployed to schools		(116.771)	
K	Plus Local Authority contribution 2013/14	-	-	-
L	**Carry forward to 2014/15 agreed in advance**	**5.269**	**-**	**11.962**

Notes to DSG:

A Figure as announced by the Department for Education (DfE) in March 2014.

B Figure recouped from the Council in 2013/14 by the DfE for the conversion of maintained schools into Academies.

C Total figure after DfE recoupment for 2013/14.

D Figure brought forward from 2012/13 as agreed with the DfE.

E The amount which the Council planned after consultation with the schools forum to carry forward to 2014/15, rather than distribute in 2013/14.

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 2013/14.

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 2013/14 which will have the effect of substituting for DSG in funding the Schools Budget.

L Carry forward to 2014/15. The total figure is the carry forward to 2014/15 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

6.5.8 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows 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 6.1.5. Grant receipts outstanding at 31 March 2014 are shown in Table 6.2.14.

Councillors

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2013/14 is shown in the Councillors' allowances note.

During 2013/14 payments, receipts and balances outstanding for works and services to companies (including subsidiaries and associated companies) in which Councillors had an interest were as follows:

	2012/13 £m	2013/14 £m
Payments	72.279	72.766
Receivables	(8.266)	(9.451)
Debtors	2.736	5.957
Creditors	-	(0.009)

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

Other Public Bodies

The Council has pooled budget arrangements with ICES, the Adult Safeguarding Partnership Board and the St Ann's Valley Centre.

The Council paid £0.067m in 2013/14 (£0.077m 2012/13) 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. These companies are included in the Group Accounts. Further information on all companies, associated with the Council, can be found within Section 8 - Group Financial Statements and Notes.

	2012/13		2013/14	
	Payments £m	Receipts £m	Payments £m	Receipts £m
Nottingham City Transport	8.087	(1.212)	7.783	(0.756)
Nottingham City Homes (NCH) Ltd	55.568	(5.517)	56.512	(7.997)
Enviroenergy Ltd	0.673	(2.646)	0.929	(3.537)
Futures Advice, Skills and Employment Ltd	3.144	(0.002)	2.514	(0.003)
Other Related Parties	0.741	(2.543)	0.560	(3.668)

	2012/13		2013/14	
	Debtors £m	Creditors £m	Debtors £m	Creditors £m
Nottingham City Transport	1.071	(0.029)	0.889	(0.152)
Nottingham City Homes (NCH) Ltd	4.481	(6.318)	4.260	(11.787)
Enviroenergy Ltd	16.131	(0.341)	18.575	(2.244)
Futures Advice, Skills and Employment Ltd	-	(0.015)	-	(0.440)
Other Related Parties	5.794	(1.682)	5.592	(2.913)

6.5.9 Road Charging Schemes under the Transport Act 2000

The Council introduced the workplace parking levy on the 1st April 2012. The levy is 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 31st March 2014 are as follows:

	2012/13 £m	2013/14 £m
Income	(7.752)	(8.453)
Expenditure	0.883	0.809
NET EXPENDITURE	**(6.869)**	**(7.644)**

6.5.10Leases

Council as Lessee

Finance Leases

The assets acquired under these leases are carried as PPE in the Balance Sheet at the following net amounts:

	31 March 2013 £m	31 March 2014 £m
Other Land and Buildings	31.992	39.347
Vehicles, Plant, Furniture and Equipment	0.002	0.001
TOTAL	**31.994**	**39.348**

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 2013 £m	31 March 2014 £m
Finance lease liabilities*:		
current	0.006	0.002
non-current	2.208	2.206
Finance costs payable in future years	11.717	11.510
MINIMUM LEASE PAYMENTS	**13.931**	**13.718**

* 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 2013 £m	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m
Not later than one year	0.213	0.209	0.006	0.002
Between one and five years	0.834	0.833	0.005	0.005
Later than five years	12.884	12.676	2.203	2.201
TOTAL	**13.931**	**13.718**	**2.214**	**2.208**

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 2013 £m	31 March 2014 £m
Not later than one year	0.603	0.359
Between one and five years	2.108	0.989
Later than five years	2.268	2.168
TOTAL	**4.979**	**3.516**

The expenditure charged to the CIES during 2013/14 in relation to these leases was £0.330m (2012/13 £0.559m).

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 2013 £m	31 March 2014 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	59.470	59.404
Anticipated residual value of property	8.144	8.595
GROSS INVESTMENT IN THE LEASE	**68.636**	**69.021**

* 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 2013 £m	31 March 2014 £m	31 March 2013 £m	31 March 2014 £m
Not later than one year	0.067	0.067	0.067	0.067
Between one and five years	0.266	0.266	0.266	0.266
Later than five years	68.303	68.688	60.160	60.093
TOTAL	**68.636**	**69.021**	**60.493**	**60.426**

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 uncollectible 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 2013 £m	31 March 2014 £m
Not later than one year	4.533	4.195
Between one and five years	16.018	11.350
Later than five years	106.399	96.857
TOTAL	**126.950**	**112.402**

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 2013/14 of £0.950m (2012/13 £1.181m). There were no contingent rents for any of the other types of lease arrangement.

6.5.11Private Finance Initiatives and Similar Contracts

The Councils has four PFI arrangements, all of the assets within the following arrangements 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 is to incorporate an additional two tram lines within the City's current tram network. The additional tram lines are currently under construction and it is envisaged that the NET expansion will become operational winter 2014.

The concession agreement runs from 15 December 2011 to 20 March 2034. At the end of the contract, 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 new school has been recognised during 2013/14 (Farnborough School), the buildings have been recognised in 2013/14. The land is currently recognised as an asset under construction with a liability of equal value, but the Council's service charges will not include the land element until the transfer is completed 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 at Hyson Green and Bulwell. These centres have been procured using the LIFT vehicle in partnership with NHS Nottingham City. As such 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. Upon expiry of the contract term, the Council does not have an option to purchase the asset.*
- *Bulwell Riverside (Bulwell), contract expires October 2036. Upon expiry of the contract term, the Council does have an option to purchase the asset.*

Another Joint Service Centre was procured in 2007 (Clifton Cornerstone). This arrangement has been treated as an operating lease and as such 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 in relation to Street Lighting. The first five years of the contract provide 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 is followed by operation and maintenance of the street lighting network.

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

Future Contractual Payments

The table below shows the Councils future contractual payments. The future Service Charge payments are estimated using the Service Charge payments incurred during 2013/14, which are then inflated using the inflation rate implicit with each PFI arrangement:

	2014/15 £m	2015/16 - 2018/19 £m	2019/20 - 2023/24 £m	2024/25 - 2028/29 £m	2029/30 - 2033/34 £m	2034/35 - 2038/39 £m	Total £m
NET							
Repayment of Liability	97.349	15.612	23.057	19.682	24.303	-	**180.003**
Interest Charges	5.352	57.988	54.586	31.552	10.197	-	**159.675**
Service Charges	17.370	64.937	87.140	113.555	130.692	-	**413.694**
NET Unitary Charge	**120.071**	**138.537**	**164.783**	**164.789**	**165.192**	**-**	**753.372**
BSF							
Repayment of Liability	0.727	4.714	9.155	12.734	17.064	7.000	**51.394**
Interest Charges	3.939	14.915	16.066	11.812	6.106	0.972	**53.810**
Service Charges	3.273	12.787	16.912	20.433	25.631	9.747	**88.783**
BSF Unitary Charge	**7.939**	**32.416**	**42.133**	**44.979**	**48.801**	**17.719**	**193.987**
LIFT							
Repayment of Liability	0.390	1.696	2.769	3.424	4.254	2.082	**14.615**
Interest Charges	1.221	4.568	4.886	3.667	2.118	0.395	**16.855**
Service Charges	0.562	2.618	3.910	5.365	5.912	1.927	**20.294**
LIFT Unitary Charge	**2.173**	**8.882**	**11.565**	**12.456**	**12.284**	**4.404**	**51.764**
Street Lighting							
Repayment of Liability	0.588	3.173	6.802	11.716	10.934	6.490	**39.703**
Interest Charges	3.351	16.655	18.271	13.365	6.965	0.637	**59.244**
Service Charges	1.976	6.795	9.248	10.481	23.269	3.634	**55.403**
Street Lighting Unitary Charge	**5.915**	**26.623**	**34.321**	**35.562**	**41.168**	**10.761**	**154.350**
TOTAL CHARGES	**136.098**	**206.458**	**252.802**	**257.786**	**267.445**	**32.884**	**1,153.473**

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:

	2012/13	2013/14			
	Total £m	BSF £m	LIFT £m	Street Lighting £m	Total £m
Opening balance at 1 April	**57.120**	33.675	14.979	15.158	**63.812**
Additions	**8.944**	17.694	-	11.301	**28.995**
Repayment of Liability	**(2.252)**	0.025	(0.364)	(0.994)	**(1.333)**
CLOSING BALANCE AT 31 MARCH	**63.812**	**51.394**	**14.615**	**25.465**	**91.474**

There were no outstanding liabilities for capital expenditure on the NET PFI scheme.

6.5.12Trust Funds

The Council acts as a 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 Balance Sheet. These trusts include the Bridge Estate Trust, which holds net assets of £27.097m (£26.540m at 31 March 2013) with a turnover of £1.999m (£1.997m 2012/13), primarily from the rental of investment properties. The Trust was established for the repair and maintenance of Trent Bridge, or the construction of new bridges over the River Trent.

The Council is also the sole trustee for a number of other Trusts whose net assets total £1.716m (£1.713m as at 31 March 2013) with a turnover of £0.361m (£0.381m 2012/13). These Trusts include:

- Harvey Hadden Stadium and Highfields Leisure Park, for the provision of public recreation and pleasure grounds.
- Hanley and Gellestrope, 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 study medicine in the United Kingdom.

6.5.13Contingent Liabilities

At 31 March 2014, the Council has the following material contingent liabilities:

Employment Tribunal Cases

There are a number of employment tribunal and equal pay claims/cases outstanding together with the potential costs arising from the cases. Due to the stage that the employment tribunal cases are at, it is very difficult to make an accurate cost analysis.

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 rare but 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.

A contingent liability therefore exists to the extent that existing provisions could be insufficient to meet the potential liabilities.

Municipal Mutual Insurance

Under the scheme for a solvent settlement for Municipal Mutual Insurance's liabilities, the clawback rate is reviewed every 12 months. The review includes provision for the rate to be adjusted up or down as necessary. Predicting ultimate claims costs for occupational disease and abuse related claims arising from past exposure is extremely difficult and, therefore, there may further calls for clawback over the next 10 to 20 financial years as IBNR's become known liabilities. The maximum potential liability at 31 March 2014 was £1.911m.

NET – Chilwell Road and Clifton Financial Assistance

A contingent liability exists for financial assistance that may be paid in recognition of the potential for economic hardship on small and medium size businesses whilst NET Phase Two is under construction. The estimated financial effect of £1.750m is based on the assessment of the number and nature of businesses involved. Actual assistance provided will depend on magnitude of claims received during the 3-4 year construction period.

Workforce Reductions

As outlined in the 2012/13 Medium Term Financial Plan (MTFP), the Council anticipates incurring one-off costs in respect of workforce reduction. The 2012/13 MTFP allows for £3.560m but the actual cost will depend on a number of factors such as the actual staff numbers and employment profile of the affected employees.

Cavendish Court

The Council has responsibility under the Housing Act to undertake some work at Cavendish Court, which is in serious disrepair. The responsibilities are with the property owner, but it is likely the Council will have to undertake works. The work involved could include improvements, closure demolition or clearance and compulsory purchase. The Council is currently undertaking the statutory procedures and consultation required before any action can be finalised. The estimated financial effect is approximately £0.520m, although some cost recovery may be possible.

Judicial Review challenge to the decision of an additional licensing designation in Nottingham.

A Judicial Review has been raised to challenge the decision of the Council's scheme of additional licensing of Houses in Multiple Occupation, which began on 1 January 2014. Legal proceedings started in December 2013. There is still no determination by the Courts as to how this will proceed.

6.5.14 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 financial loss might arise for the Council as a result of changes in such measures as 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 through in *Local Government Act 2003* and the associated regulations. These require compliance 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 exposures to fixed and variable rates;
  - Its maximum and minimum exposures in the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties, in compliance with the Government Guidance.

These procedures are required to be reported and approved at the 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, which are a requirement of the Code of Practice and are regularly reviewed.

Credit Risk

Credit risk arises from the Council's investments with banks and other financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires 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 has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The Annual Investment Strategy also imposes a maximum sum 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 2013/14 are:

1) Minimum credit ratings – a minimum long-term credit rating of A- (or equivalent).
2) Individual cash limits – a limit of £20m per counterparty for eligible UK banks and £10m for eligible non-UK banks.
3) Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds TSB Bank), individual limits will also apply to the group as a whole.
4) Country limits – other than UK institutions, a total investment limit for all counterparties in a particular country. No more than 15% of the investment portfolio, at the time of the deposit, will be placed with any one country.
5) Overall country limit – no more than 25% of the investment portfolio, at the time of the deposit, will be placed with non-UK banks in total.
6) Money Market Funds – individual cash limit of £10m with any one fund and an overall limit of £100m for all Money Market Funds.

The Council's maximum exposure to credit risk in relation to its investments of £227.169m at 31 March 2014 (excluding deposits in Icelandic banks) 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 2014 that this was likely to crystallise.

The following table summarises the value of the Council's investment portfolio at 31 March 2014 (excluding Icelandic bank deposits) and confirms that all investments were made in line with the approved credit rating criteria:

COUNTERPARTY	Criteria met? at time of investment (Yes /No)	Criteria met? at 31 March 2014 (Yes /No)	Total £m
UK banks - deposits	Yes	Yes	55.000
UK banks - call/notice accounts	Yes	Yes	40.000
UK building societies - deposits	Yes	Yes	20.000
Non UK banks - call accounts	Yes	Yes	10.000
Non UK banks - deposits	Yes	Yes	30.000
Money Market Funds	Yes	Yes	24.600
Other Local Authority - deposits	Yes	Yes	23.000
Government Debt Management Office	Yes	Yes	24.569
TOTAL			**227.169**

Provision for trade debtor default is provided for through impairment of the principal sum (a bad debt provision), based on local experience.

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, and whilst the 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.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. There is a risk relating to managing exposure to replacing financial instruments as they mature. There is a risk that it will need to refinance a significant proportion of its borrowing 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 matures 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; and
- 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 2014 is:

	31 March 2013 £m	31 March 2014 £m
Less than 1 year	76.308	25.311
1 to 2 years	14.015	15.111
2 to 5 years	46.506	88.508
5 to 10 years	152.780	136.585
10 – 25 years	276.033	235.116
25 – 40 years	127.476	145.574
40 – 70 years	81.197	63.098
Irredeemable	2.365	0.951
TOTAL	**776.680**	**710.254**

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

The maturity analysis of the principal element of loans and receivables at 31 March 2014 is shown below. The Icelandic bank deposits have been expressed based on the current forecast of recovery percentages and dates.

	31 March 2013 £m	31 March 2014 £m
Less than 1 year	221.895	214.620
1 to 2 years	0.838	15.000
2 to 3 years	0.892	-
More than 3 years	3.836	-
TOTAL	**227.461**	**229.620**

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 complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – 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.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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 2013/14 strategy allowed for a maximum of 50% of borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the cost of borrowing and provide compensation for a proportion of any higher costs.

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	(0.543)
Increase in interest receivable on variable rate investments	0.746
Impact on Surplus or Deficit on the Provision of Services	0.203
Share of overall impact debited to the HRA	0.342
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	0.545

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 £0.787m in a number of joint ventures and in local industry, at 31 March 2014. These holdings are generally illiquid and are shown in the balance sheet at cost. The equity holding in Nottingham City Transport Limited is excluded from the financial instruments disclosure notes because this interest is shown at cost 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. Instead, "open book" arrangements are maintained with the companies concerned to enable monitoring of the factors that might cause a fall in the value of specific holdings.

Foreign Exchange Risk

As a result of the collapse of certain Icelandic banks (see 6.5.15), the Council currently has approximately ISK465m (Icelandic Krona) held in escrow in Iceland which had a sterling value of £2.5m, based on the official exchange rate at 31 March 2014 (see note 6.5.15). The Council is working with the Local Government Association, in conjunction with other affected authorities, to progress the conversion of this ISK element of its Icelandic bank deposits into sterling.

6.5.15 Icelandic Bank Deposits

Early in October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £41.600m deposited across 3 of these institutions with varying maturity dates and interest rates as follows:

BANK	Principal £m	From	To	Rate
Glitnir	5.000	20/04/2007	20/04/2009	5.92%
Landsbanki	4.000	15/06/2007	15/06/2009	6.43%
Glitnir	6.000	30/11/2007	28/11/2008	5.98%
Heritable	3.300	18/03/2008	21/11/2008	5.93%
Landsbanki	3.500	14/05/2008	13/05/2009	6.05%
Heritable	5.500	14/05/2008	13/05/2009	6.05%
Heritable	4.000	18/07/2008	22/04/2009	6.24%
Heritable	2.800	22/07/2008	21/07/2009	6.37%
Landsbanki	6.000	19/09/2008	27/04/2009	6.21%
Landsbanki	1.500	19/09/2008	21/08/2009	6.35%
	41.600			

All monies within these institutions remain subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below.

As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst & Young outlined that the final dividend was paid in August 2013 bringing the return to creditors of 94.017%. Based on the latest advice, the Council has decided to recognise an impairment based on it recovering a total of 94p in the £.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a Winding Up Board. Old Landsbanki's affairs are being administered under Icelandic law.

The banks administrators have made dividend payments totalling £8.197m to date, including interest. The balance of the monies is scheduled to be paid to all priority creditors over the next 5-6 years, although uncertainties exist regarding actual timing, currency exchange rate fluctuations and future Icelandic legislation. To mitigate these risks, the Council participated in a group auction of UK local authority creditor claims in January 2014 which resulted in the sale of the balance of its creditor claim. The payment received was £6.127m, giving a total receipt of £14.324m, including interest. Based on the latest advice, the Council has decided to recognise an impairment based on it recovering a total of 91p in the £.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law.

In March 2012, a distribution was made to the Council which represented the full value of the claim. Around 19% of this payment was made in Icelandic Krona, which are still the subject of control by the Central Bank of Iceland (CBI). As a consequence, this element has been lodged in an Icelandic interest-bearing escrow account, pending approved release by the CBI.

Impairment

In accordance with proper accounting practice, an impairment loss has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits, in order to recognise the anticipated loss of interest to the Council until monies are recovered. (This assumes that the investments would continue to earn interest at the rate agreed from maturity date to the actual repayment date).

A gross impairment provision of £7.150m was made in the 2010/11 Income and Expenditure Account. At 31 March 2014, as a consequence of the improved repayment forecasts, this impairment loss had reduced to £5.172m. The revised provision has been offset by accrued interest to date of £4.537m. This provides a net cash loss, when all monies have been repaid, of £0.634m.

Section 7
SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

7.1 Housing Revenue Account (HRA)

7.1.1 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, ringfenced from the rest of the General Fund, so that rents cannot be subsidised from council tax.

	2012/13 £m	2013/14 £m
Expenditure		
Repairs and maintenance	31.870	32.043
Supervision and Management	20.201	16.771
Rents, rates, taxes and other charges	1.994	2.911
Depreciation and impairment of non-current assets	24.041	16.011
Debt management costs	0.091	0.066
Movement in the allowance for bad debts	0.393	1.010
Total Expenditure	**78.590**	**68.812**
Income		
Dwelling Rents	(97.412)	(96.308)
Non Dwelling Rents	(2.451)	(2.524)
Charges for Services and Facilities	(0.346)	(0.339)
HRA Subsidy Receivable	(0.077)	-
Major Repairs Allowance receivable	(0.288)	(0.244)
Total Income	**(100.574)**	**(99.415)**
Net Cost of HRA Services as included in the CIES	**(21.984)**	**(30.603)**
HRA services' share of Corporate and Democratic Core	0.033	0.033
Fixed Asset Derecognition	-	7.916
NET COST FOR HRA SERVICES	**(21.951)**	**(22.654)**
HRA Share of the Operating Income and Expenditure included in the CIES		
Gain or (loss) on sale of HRA non-current assets	(0.045)	0.226
Interest payable and similar charges	12.383	11.511
Interest and Investment Income	(0.219)	(0.260)
DEFICIT FOR THE YEAR ON HRA SERVICES	**(9.832)**	**(11.177)**

7.1.2 Movement on the HRA Statement

	2012/13 £m	2013/14 £m
Balance on HRA at the start of the Year	**4.594**	**5.030**
Surplus or (deficit) for the year	9.832	11.177
Adjustments between accounting basis and funding basis	(9.396)	(11.353)
Increase or (Decrease) in Year on the HRA	**0.436**	**(0.176)**
BALANCE ON THE HRA AT THE END OF THE YEAR	**5.030**	**4.854**

7.1.3 Notes to the HRA Financial Statements

7.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

	31 March 2013 Number	31 March 2014 Number
Houses and Bungalows		
1 Bedroom	996	993
2 Bedroom	5,778	5,855
3 Bedroom	10,675	10,476
4 or more Bedrooms	526	519
Flats		
1 Bedroom	7,504	7,308
2 Bedrooms	1,620	1,564
3 or more Bedrooms	227	205
TOTAL	**27,326**	**26,920**

7.1.3.2 Valuation of Housing Assets

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

	Value at 31 March 2013 £m	Value at 31 March 2014 £m
Operational Assets		
Council Dwellings	561.875	569.102
Other Land and Buildings	7.156	9.746
Assets Under Construction	1.121	7.160
Surplus Assets not held for sale	10.854	16.532
Investment Properties	1.124	1.156
Assets Held for Sale	0.745	0.210
Infrastructure	19.482	20.492
Vehicles, IT and Other Equipment	5.224	7.821
TOTAL VALUE OF ASSETS	**607.581**	**632.219**

7.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2014 was £1,673.897m (1 April 2013 £1,652.574m). The Balance Sheet value of dwellings was £569.102m. The difference of £1,104.795m 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 valuers Herbert Button & Partners and Freeman & Mitchell completed a desktop review of the housing stock valuation as at 31 March 2014.

7.1.3.4 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:

	2012/13 £m	2013/14 £m
Balance Brought Forward	**(15.817)**	**(28.007)**
Credits - Depreciation on HRA Assets	(27.656)	(28.739)
Debits - Capital Expenditure	15.466	18.088
BALANCE AT END OF YEAR	**(28.007)**	**(38.658)**

7.1.3.5 Capital Expenditure

Capital expenditure of £52.398m (£44.225m in 2012/13) in respect of HRA assets was financed from a range of sources in 2013/14. This is set out below:

	2012/13 £m	2013/14 £m
CAPITAL EXPENDITURE	**44.225**	**52.398**
Financed By:		
Capital Receipts Reserve	-	0.054
Major Repairs Reserve (MRR)	15.466	18.088
Direct Revenue Financing*	4.700	5.749
Other Capital Grants and Contributions	24.059	28.507
TOTAL FINANCING	**44.225**	**52.398**

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

7.1.3.6 Capital Receipts

Capital receipts of £8.886m (£7.888m in 2012/13) arose from the sale of land, houses and other property within the HRA in 2013/14. Of this total, £5.676m (£4.906m in 2012/13) related to the disposal of houses and flats under the right to buy scheme and £2.543m (£2.799m in 2012/13) from the sale of vacant non purpose built council houses.

	2012/13 £m	2013/14 £m
Land	0.095	0.311
Houses	7.705	8.219
Other Property	0.088	0.356
TOTAL	**7.888**	**8.886**

7.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2013/14 as follows:

	2012/13 £m	2013/14 £m
Dwellings	25.656	26.181
Other Operational HRA Assets:		
Other Land and Buildings	0.106	0.135
Vehicles, Plant, Furniture and Equipment	0.721	1.193
Infrastructure and Community Assets	1.173	1.224
Assets Held for Sale	-	0.006
TOTAL	**27.656**	**28.739**

7.1.3.8 Revaluations and Impairments during the Financial Year

£8.440m (£1.584m loss in 2012/13) in respect of revaluation losses have been debited to the HRA during the year.

Donated assets amounting to £1.792m (£5.917m in 2012/13) resulted from energy efficiency works undertaken to council dwellings by energy companies as part of a government initiative.

A de-recognition write out of £7.916m (£3.026m in 2012/13) was made to reflect the residual value of assets replaced.

Assets held for sale as part of a corporate sales initiative amounted to £2.438m

A charge of £0.030m has been debited in respect of an insurance impairment and £0.005m amortisation.

A charge of £0.032m has been debited in respect of Investment Properties.

7.1.3.9 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 £4.427m at 31 March 2014 (£4.266m at 31 March 2013). A total bad debt provision of £4.370m has been established at 31 March 2014 (£3.420m at 31 March 2013).

7.1.3.10 Average Rent for HRA Dwellings

Year	Average Rent £
2005/06	48.07
2006/07	50.68
2007/08	52.94
2008/09	56.04
2009/10	57.98
2010/11	59.39
2011/12	63.73
2012/13	67.37
2013/14	71.13

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

7.1.3.11 Item 8 Debit and Credit (General) Determination

The regulation sets out the entries to be accounted for within the Housing Revenue Account and is required by legislation under the Local Government and Housing Act 1989. The Item 8 Debit Determination sets out the method for charging the capital asset charges and the deduction required for capital asset accounting adjustment. Debt management charges are also included in this section. The Item 8 Credit Determination covers bank interest charges, mortgage interest and premiums and discounts on premature loan repayments and rescheduling. There is also an entry known as the "T" adjustment, which is an adjustment between the depreciation charge and the Major Repairs Allowance. The overall effect on the HRA of the Item 8 Debit and Credit entries is to neutralise the effect on the bottom line of the HRA, so that only the actual capital financing charges impact on the Account.

The reconciliation between the Item 8 Determination and the actual charges to the HRA is shown in the following two tables:

	2012/13 £m	2013/14 £m
Debit Determination		
Capital Asset Charges	24.032	23.921
Debt Repayment and Management Charges	0.091	0.066
Capital Asset Charges and Accounting Adjustment	19.895	24.244
Transfer to Major Repairs Reserve	27.655	28.739
	71.673	**76.970**
Credit Determination		
Bank Interest	(0.210)	(0.259)
Mortgage Interest	(0.008)	(0.002)
"T" Adjustment	(28.516)	(36.659)
Premiums and Discounts	0.028	0.014
	(28.706)	**(36.906)**
TOTAL	**42.967**	**40.064**

The actual charges to the HRA were:

	2012/13 £m	2013/14 £m
Bank Interest	(0.210)	(0.259)
Mortgage Interest	(0.008)	(0.002)
Capital Financing	12.384	11.511
Debt Repayment and Management Charges	0.091	0.066
Premiums and Discounts	0.028	0.014
Transfer to Major Repairs Reserve	30.682	28.734
TOTAL	**42.967**	**40.064**

7.2 Collection Fund

7.2.1 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 non-domestic rates.

	2012/13	2013/14		
		Business Rates	Council Tax	Total
	£m	£m	£m	£m
INCOME				
Council Tax Receivable	(125.091)		(99.054)	(99.054)
Business Rates Receivable	(122.668)	(127.155)		(127.155)
TOTAL INCOME	**(247.759)**	**(127.155)**	**(99.054)**	**(226.209)**
EXPENDITURE				
Precepts, Demands and Shares				
Central Government	119.658	55.463	-	175.121
Police Authority	12.549	-	9.633	9.633
Fire Authority	5.255	1.097	3.957	5.054
Billing Authority	103.885	53.750	79.751	133.501
Charges to Collection Fund				
Write offs of uncollectable amounts	3.576	2.536	1.879	4.415
Increase (-)/Decrease in Bad Debt Provision	0.810	0.069	2.040	2.109
Increase (-)/Decrease in Provision for Appeals	-	9.018	-	9.018
Cost of Collection	0.497	0.498	-	0.498
Disregarded Amounts	-	0.090	-	0.090
TOTAL EXPENDITURE	**246.230**	**122.521**	**97.260**	**164.318**
Movement on the Collection Fund Balance	(1.529)	(4.634)	(1.794)	(6.428)
(Surplus)/Deficit Brought Forward	(0.132)	-	(1.661)	(1.661)
(SURPLUS)/DEFICIT CARRIED FORWARD	**(1.661)**	**(4.634)**	**(3.455)**	**(8.089)**

7.2.2 Notes to Collection Fund Statement

7.2.2.1 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. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government. The Council was then paid its share of the pool on the basis of a fixed amount per head of population.

In 2013/14, the administration of NNDR changed, following the introduction of a business rates retention scheme that aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. The Council retains 49% of the NNDR with the remainder distributed to Central Government (50%) and the Nottinghamshire Fire and Rescue Authority (1%).

	2012/13 £	2013/14 £
Rate in the pound	45.8p	47.1p
Total non-domestic rateable value per NNDR system	326,154,425	324,418,061
Gross Debit	149,379,000	152,800,900
Net debit after adjustments and reliefs	131,688,000	130,326,000

7.2.2.2 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.

	2012/13	2013/14
Council Tax Base	**77,519**	**60,261**
Council Tax (Band D) Property	**£1,613.68**	**£1,643.76**

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	85,353	45,678	6/9	30,452
B	2,198	13,697	7/9	10,653
C	15,597	10,783	8/9	9,585
D	6,559	4,823	9/9	4,823
E	2,309	1,916	11/9	2,342
F	997	872	13/9	1,259
G	696	608	15/9	1,013
H	110	67	18/9	134

7.2.2.3 Redistribution of Collection Fund Surplus/Deficit

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

	2012/13	2013/14		
		Council Tax	NNDR	Total
	£m	£m	£m	£m
Nottingham City Council	(1.419)	(2.953)	(2.271)	(5.224)
Nottinghamshire Police Authority	(0.172)	(0.356)	(0.046)	(0.402)
Nottinghamshire Fire and Rescue Authority	(0.070)	(0.146)	(2.317)	(2.463)
TOTAL	**(1.661)**	**(3.455)**	**(4.634)**	**(8.089)**

Section 8
GROUP FINANCIAL STATEMENTS AND NOTES

8.1 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

8.2 Inclusion within the Group Accounts

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 exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.

- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they have been included in the group.

- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they have been included in the group.

- 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 with intra-group transactions written out. Associates / jointly controlled entities are accounted for by including the Council's share of their net operating results and net assets (equity method of accounting).

For 2013/14 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 8.5.

The group accounts for 2013/14 have been completed using unaudited accounts from Bridge Estate Trust, EnviroEnergy Ltd, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Futures Advice, Skills and Employment Ltd.

8.3 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:

- 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.
- Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that changes in circumstances indicate that it might be impaired.

  Any impairments of goodwill are recognised as loses in the CIES, with an equal amount being reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account.

8.4 Core Group Financial Statements

8.4.1 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.

	2012/13			2013/14		
	Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Central services to the public	5.383	(3.183)	2.200	5.397	(3.492)	1.905
Cultural and related services	70.461	(18.482)	51.979	48.022	(18.345)	29.677
Environmental and regulatory services	46.208	(16.156)	30.052	48.571	(14.767)	33.804
Planning services	26.513	(21.354)	5.159	25.288	(14.234)	11.054
Education and children's services	280.198	(189.497)	90.701	257.562	(172.532)	85.030
Highways and transport services	104.743	(88.599)	16.144	109.743	(113.882)	(4.139)
Local authority housing (HRA)	78.591	(100.574)	(21.983)	65.586	(96.189)	(30.603)
Other housing services	203.950	(183.993)	19.957	164.450	(148.044)	16.406
Adult social care	118.714	(34.281)	84.433	119.726	(32.753)	86.973
Corporate and democratic core	49.408	(28.944)	20.464	32.299	(20.169)	12.130
Non distributed costs	4.444	(0.309)	4.135	(1.370)	-	(1.370)
Cost of Services	**988.613**	**(685.372)**	**303.241**	**875.274**	**(634.407)**	**240.867**
Services Transferred to NCC						
Public Health				24.770	(25.765)	(0.995)
Total Continuing Services				**900.044**	**(660.172)**	**239.872**
Other operating expenditure	43.710	(10.197)	33.513	46.355	(0.890)	45.465
Financing and investment income and expenditure **(Note 8.7.1.1)**	107.525	(62.667)	44.858	109.864	(59.378)	50.486
Taxation and non-specific grants	-	(341.713)	(341.713)		(350.035)	(350.035)
(Surplus) or Deficit on Provision of Services	**1,139.848**	**(1,099.949)**	**39.899**	**1,056.263**	**(1,070.475)**	**(14.212)**
Tax expenses of subsidiaries			(0.547)			0.132
Group (Surplus)/Deficit			**39.352**			**(14.080)**
Surplus or deficit on revaluation of Property, Plant and Equipment assets			(56.259)			(28.587)
Remeasurements of the net defined benefit liability/asset			(14.965)			(12.348)
Other gains/losses recognised required			(0.125)			0.046
Other Comprehensive Income and Expenditure			**(71.349)**			**(40.889)**

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.

	2012/13			2013/14		
	Authority £m	Minority Interest £m	Total £m	Authority £m	Minority Interest £m	Total £m
Group (surplus) / Deficit	39.352	-	39.352	(13.963)	(0.117)	(14.080)
Other CIES	(71.502)	0.153	(71.349)	(41.028)	0.139	(40.889)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**(32.150)**	**0.153**	**(31.997)**	**(54.991)**	**0.022**	**(54.969)**

Reconciliation of single entity (surplus)/deficit for the year to the Group (surplus)/deficit

	2012/13 £m	2013/14 £m
Total (surplus)/deficit on the authority's single entity CIES	(28.368)	(66.520)
Add (surplus)/deficit arising from group entities:		
Subsidiaries	(5.145)	12.008
Trust Funds	1.516	(0.457)
Total (surplus)/deficit on the Group CIES	**(31.997)**	**(54.969)**

8.4.2 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 2013 £m	31 March 2014 £m
Property, Plant & Equipment	**8.7.2.1**	1,968.970	2,015.194
Heritage Assets		46.344	47.185
Investment Property	**8.7.2.2**	66.587	66.692
Intangible Assets		1.781	2.329
Long Term Investments		6.665	16.119
Long Term Debtors		54.349	56.640
Long Term Assets		**2,144.696**	**2,204.159**
Short Term Investments		146.268	160.350
Intangible Assets		0.034	-
Assets Held for Sale		6.249	4.621
Inventories		4.016	4.844
Short Term Debtors	**8.7.2.3**	76.324	87.452
Cash and Cash Equivalents	**8.7.2.4**	90.467	73.422
Current Tax Asset		0.081	-
Current Assets		**323.439**	**330.689**
Short Term Borrowing		(85.715)	(31.973)
Short Term Creditors	**8.7.2.5**	(163.432)	(202.837)
Provisions		(10.415)	(3.855)
Current Tax Liability		(0.003)	(0.018)
Current Liabilities		**(259.565)**	**(238.683)**
Long Term Creditors		(13.163)	(18.351)
Provisions		(10.442)	(14.831)
Long Term Borrowing		(701.370)	(685.889)
Other Long Term Liabilities		(81.344)	(98.843)
Capital Grants Receipts in Advance		(4.590)	(3.310)
Deferred Tax Liability		(0.108)	(0.222)
Defined Benefit Pension Scheme		(589.482)	(610.600)
Long Term Liabilities		**(1,400.499)**	**(1,432.046)**
NET ASSETS		**808.071**	**864.119**
Usable Reserves	**8.7.2.6**	195.237	**240.914**
Unusable Reserves	**8.7.2.7**	612.834	**623.205**
TOTAL RESERVES		**808.071**	**864.119**

8.4.3 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.

2013/14	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Minority Interest £m	Total Reserves £m
Balance at 31 March 2013	**13.802**	**118.656**	**5.030**	**9.303**	**28.007**	**19.225**	**194.023**	**626.225**	**820.248**	**(12.573)**	**0.396**	**808.071**
Opening balance restatement (note 8.7.3.1)										**(0.579)**		**(0.579)**
Movement in reserves during 2013/14:												
Surplus/(deficit) on the provision of services	52.994	-	11.177	-	-	-	64.171	-	64.171	(50.208)	0.117	14.080
Other CIES	-	-	-	-	-	-	-	53.597	53.597	(12.569)	(0.139)	40.889
Total CIES (Table 8.4.1)	**52.994**	**-**	**11.177**	**-**	**-**	**-**	**64.171**	**53.597**	**117.768**	**(62.777)**	**(0.022)**	**54.969**
Adjustments between group accounts and authority accounts **(Note 8.7.3.2(a))**	(51.248)	-	-	-	-	-	(51.248)	-	(51.248)	**52.516**	-	**1.268**
Net Increase/Decrease before Transfers	**1.746**	**-**	**11.177**	**-**	**-**	**-**	**12.923**	**53.597**	**66.520**	**(10.261)**	**(0.022)**	**56.237**
Adjustments between accounting basis and funding basis under regulations	26.788	-	(11.353)	5.113	10.651	0.041	31.240	(31.240)	-	0.390	-	0.390
Net Increase/Decrease before Transfers to Earmarked Reserves	**28.534**	**-**	**(0.176)**	**5.113**	**10.651**	**0.041**	**44.163**	**22.357**	**66.520**	**(9.871)**	**(0.022)**	**56.627**
Transfers to/from Earmarked Reserves	(30.107)	30.107	-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year	**(1.573)**	**30.107**	**(0.176)**	**5.113**	**10.651**	**0.041**	**44.163**	**22.357**	**66.520**	**(9.871)**	**(0.022)**	**56.627**
BALANCE AT 31 MARCH 2014	**12.229**	**148.763**	**4.854**	**14.416**	**38.658**	**19.266**	**238.186**	**648.582**	**886.768**	**(23.023)**	**0.374**	**864.119**

2012/13	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Minority Interest £m	Total Reserves £m
Balance at 31 March 2012	**11.686**	**105.249**	**4.594**	**0.440**	**15.817**	**15.700**	**153.486**	**638.394**	**791.880**	**(17.071)**	**0.549**	**775.358**
Opening balance restatement (note 8.7.3.1)										**(0.116)**		**(0.116)**
Movement in reserves during 2012/13:												
Surplus/(deficit) on the provision of services	8.369	-	9.832	-	-	-	18.201	-	18.201	(57.553)	-	(39.352)
Other CIES	-	-	-	-	-	-	-	64.260	64.260	7.242	(0.153)	71.349
Total CIES (Table 8.4.1)	**8.369**	**-**	**9.832**	**-**	**-**	**-**	**18.201**	**64.260**	**82.461**	**(50.311)**	**(0.153)**	**31.997**
Adjustments between group accounts and authority accounts **(Note 8.7.3.2(a))**	(54.093)	-	-	-	-	-	(54.093)	-	(54.093)	**54.531**	-	**0.438**
Net Increase/Decrease before Transfers	**(45.724)**	**-**	**9.832**	**-**	**-**	**-**	**(35.892)**	**64.260**	**28.368**	**4.220**	**(0.153)**	**32.435**
Adjustments between accounting basis and funding basis under regulations	61.247	-	(9.396)	8.863	12.190	3.525	76.429	(76.429)	-	0.394	-	0.394
Net Increase/Decrease before Transfers to Earmarked Reserves	**15.523**	**-**	**0.436**	**8.863**	**12.190**	**3.525**	**40.537**	**(12.169)**	**28.368**	**4.614**	**(0.153)**	**32.829**
Transfers to/from Earmarked Reserves	(13.407)	13.407	-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year	**2.116**	**13.407**	**0.436**	**8.863**	**12.190**	**3.525**	**40.537**	**(12.169)**	**28.368**	**4.614**	**(0.153)**	**32.829**
BALANCE AT 31 MARCH 2013	**13.802**	**118.656**	**5.030**	**9.303**	**28.007**	**19.225**	**194.023**	**626.225**	**820.248**	**(12.573)**	**0.396**	**808.071**

8.4.4 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	2012/13 £m	2013/14 £m
Net (Surplus)/Deficit on the provision of Services		**(39.899)**	**14.212**
Adjustments to net surplus or deficit on the provision of services for non-cash movements		214.350	210.327
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(78.816)	(79.158)
Net Cash Flows from Operating Activities	**8.7.4.1**	**95.635**	**145.381**
Investing activities	**8.7.4.2**	(151.934)	(81.840)
Financing activities	**8.7.4.3**	7.951	(80.586)
Net Increase or Decrease in Cash and Cash Equivalents		**(48.348)**	**(17.045)**
Cash and cash equivalents at the beginning of the reporting period		138.815	90.467
CASH AND CASH EQUIVALENTS AT 31 MARCH		**90.467**	**73.422**

8.5 Details of subsidiaries, jointly controlled entities and trust funds included in the group accounts

8.5.1 Subsidiaries:

Arrow Light Rail Ltd (Registered Company Number: 03942516)

Nature of Business
Arrow Light Rail ceased trading in relation to Net Line One immediately after acquisition by the Council on 15 December 2011. The Council appointed liquidators during September 2013 and Arrow Light Rail completed a Members' Voluntary Liquidation during January 2014. All assets held by Arrow Light Rail were distributed to the Council.

Relationship with the Council
The Council is the ultimate controlling party of Arrow Light Rail Ltd, owning 100% of the issued share capital. Following completion of Voluntary Liquidation during 2013/14 there were no shares held by the Council at 31 March 2014.

Accounts
Copies of the accounts of Arrow Light Rail Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Enviroenergy Limited (Registered Company Number: 4131345*)*

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
The Council is the ultimate controlling party of Enviroenergy Ltd, owning 100% of the issued share capital. The Council acquired the business and associated assets of the company on 28 June 2001.

Accounts
Copies of the accounts of Enviroenergy Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion
The accounts used to produce the 2013/14 group accounts are unaudited.

Nottingham City Homes Limited (Registered Company Number: 05292636)

Nature of the business
The principal activities of the company are to act as the managing agent of Council's housing stock, and to provide a repairs and maintenance service to the landlord in respect of these properties.

Relationship with the Council
The company is incorporated as a private company limited by guarantee under the Companies Act 1985. As such it has no share capital. The company's sole member is the Council.

Accounts
Copies of the accounts of Nottingham City Homes Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion
The accounts used to produce the 2013/14 group accounts are unaudited.

Nottingham City Transport Limited (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 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 pari passu 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.

Accounts
Copies of the accounts of Nottingham City Transport Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion
The accounts used to produce the 2013/14 group accounts are unaudited.

Nottingham Ice Centre (Registered Company Number: 3563341)

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
The Council is the ultimate controlling party of Nottingham Ice Centre Ltd, owning 100% of the issued share capital.

Accounts
Copies of the accounts of Nottingham Ice Centre Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion
The accounts used to produce the 2013/14 group accounts are unaudited.

8.5.2 Jointly Controlled Entity:

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 by the Council and Nottinghamshire County Council.

Accounts
Copies of the accounts of Futures can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Council's share of Future's accumulated liability as at 31 March 2014 has not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Audit Opinion
The accounts used to produce the 2013/14 group accounts are unaudited.

8.5.3 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.
- 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 Financial Reporting, Resources, Loxley House, Station Street, Nottingham, NG2 3NG.

Audit Opinion
The accounts used to produce the 2013/14 group accounts are unaudited.

8.6 Details of associates, jointly controlled entities and trust funds not included in the group accounts

The Council has considered its relationship with the following associates, jointly controlled entities and trust funds. These organisations have been excluded from the group accounts on the basis of risk and materiality.

8.6.1 Associates

Nottingham Regeneration Ltd (Registered Company Number: 3665996)
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
A partnership between the Council and the Homes and Communities Agency.

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.

8.6.2 Jointly Controlled Entities

emPSN Services Ltd – formerly EMBC Procurement Ltd (Registered Company Number: 5882746)
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: 6506329)
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 Amber Investments and 80% is held by Carillion.

8.6.3 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.

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.

8.7 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.

8.7.1 Group Comprehensive Income and Expenditure Statement Notes

8.7.1.1 Financing and Investment Income and Expenditure

	2012/13			2013/14		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	17.328	-	17.328	24.375	-	24.375
Other interest & similar	32.596	(0.392)	32.204	37.937	(8.126)	29.811
Investment Properties	0.785	(4.430)	(3.645)	1.079	(5.410)	(4.331)
Other investments	48.656	(49.685)	(1.029)	37.195	(36.564)	0.631
TOTAL	**99.365**	**(54.507)**	**44.858**	**100.586**	**(50.100)**	**50.486**

8.7.2 Group Balance Sheet Notes

8.7.2.1 Property, Plant and Equipment

2013/14	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in PPE £m
Gross Book Value b/f	562.063	934.773	187.276	402.692	27.902	30.454	76.575	**2,221.735**	**76.450**
Accumulated Depreciation b/f	-	(40.797)	(78.984)	(107.736)	(5.438)	(1.212)	-	**(234.167)**	**(4.784)**
Accumulated Impairment b/f	(0.188)	(5.856)	(1.120)	-	-	(7.425)	(4.009)	**(18.598)**	-
Net Book Value at 1st April 2013	**561.875**	**888.120**	**107.172**	**294.956**	**22.464**	**21.817**	**72.566**	**1,968.970**	**71.666**
Additions - Capital Expenditure	36.223	6.242	39.488	18.529	1.174	4.895	21.446	**127.997**	0.025
Additions - Donations	1.792	-	0.054	-	-	-	-	**1.846**	-
Additions - PFI Recognition	-	16.403	-	11.301	-	-	1.290	**28.994**	28.995
Depreciation Charge	(26.182)	(26.308)	(19.604)	(16.022)	(0.893)	(0.134)	-	**(89.143)**	(3.185)
Revaluations - Recognised in Revaluation Reserve	0.920	24.543	-	-	-	2.415	-	**27.878**	-
Revaluations - Recognised in the CIES	7.812	(7.589)	-	-	-	(0.068)	-	**0.155**	-
Derecognition - Disposals	-	(0.453)	(3.064)	-	-	(2.840)	-	**(6.357)**	-
Derecognition - Other	(3.531)	(34.539)	-	-	-	(4.803)	-	**(42.873)**	-
Impairments - Recognised in the CIES	0.030	0.017	-	-	-	-	-	**0.047**	-
Other - Transfers to Held for Sale	(9.837)	8.104	0.583	-	-	16.237	(17.407)	**(2.320)**	-
Net Book Value at 31st March 2014	**569.102**	**874.540**	**124.629**	**308.764**	**22.745**	**37.519**	**77.895**	**2,015.194**	**97.501**
Gross Book Value c/f	569.260	930.859	220.078	432.522	29.076	38.608	81.904	**2,302.307**	105.470
Accumulated Depreciation c/f	-	(55.962)	(94.778)	(123.758)	(6.331)	(1.089)	-	**(281.918)**	(7.969)
Accumulated Impairment c/f	(0.158)	(0.357)	(0.671)	-	-	-	(4.009)	**(5.195)**	-
Net Book Value at 31 March 2014	**569.102**	**874.540**	**124.629**	**308.764**	**22.745**	**37.519**	**77.895**	**2,015.194**	**97.501**

2012/13	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in PPE £m
Gross Book Value b/f	562.651	953.830	169.531	394.861	26.413	18.100	40.901	**2,166.287**	**67.514**
Accumulated Depreciation b/f	-	(25.737)	(63.472)	(98.628)	(4.601)	(1.135)	-	**(193.573)**	**(1.956)**
Accumulated Impairment b/f	-	(0.376)	-	-	-	(0.136)	-	**(0.512)**	-
Net Book Value at 1st April 2012	**562.651**	**927.717**	**106.059**	**296.233**	**21.812**	**16.829**	**40.901**	**1,972.202**	**65.558**
Additions - Capital Expenditure	34.631	20.260	16.878	11.574	1.489	5.135	22.140	**112.107**	(0.008)
Additions - Donations	5.917	-	-	-	-	-	-	**5.917**	-
Additions - PFI Recognition	-	-	-	8.944	-	-	-	**8.944**	8.944
Depreciation Charge	(25.655)	(26.050)	(18.190)	(15.205)	(0.837)	(0.732)	-	**(86.669)**	(2.828)
Revaluations - Recognised in Revaluation Reserve	(0.907)	64.631	-	-	-	(0.626)	-	**63.098**	-
Revaluations - Recognised in the CIES	(0.535)	(38.282)	-	-	-	(5.654)	-	**(44.471)**	-
Derecognition - Disposals	-	-	(0.263)	-	-	(3.066)	-	**(3.329)**	-
Derecognition - Other	(2.877)	(24.654)	(0.004)	(6.590)	-	(1.600)	-	**(35.725)**	-
Impairments - Recognised in Revaluation Reserve	-	(6.567)	-	-	-	(2.147)	-	**(8.714)**	-
Impairments - Recognised in the CIES	(0.188)	(6.772)	(1.120)	-	-	(2.063)	-	**(10.143)**	-
Other - Transfers to Held for Sale	(11.162)	(22.163)	3.812	-	-	15.741	9.525	**(4.247)**	-
Net Book Value at 31st March 2013	**561.875**	**888.120**	**107.172**	**294.956**	**22.464**	**21.817**	**72.566**	**1,968.970**	**71.666**
Gross Book Value c/f	562.063	934.773	187.276	402.692	27.902	30.454	76.575	**2,221.735**	76.450
Accumulated Depreciation c/f	-	(40.797)	(78.984)	(107.736)	(5.438)	(1.212)	-	**(234.167)**	(4.784)
Accumulated Impairment c/f	(0.188)	(5.856)	(1.120)	-	-	(7.425)	(4.009)	**(18.598)**	-
Net Book Value at 31 March 2013	**561.875**	**888.120**	**107.172**	**294.956**	**22.464**	**21.817**	**72.566**	**1,968.970**	**71.666**

8.7.2.2 Investment Properties

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

	2012/13 £m	2013/14 £m
Opening Balance At 1 April	60.591	66.587
Additions	8.604	7.851
Disposals	(0.431)	(6.023)
Net gains/losses from fair value adjustments	(2.177)	(0.391)
Transfers to / from Property Plant and Equipment	-	(1.332)
CLOSING BALANCE AT 31 MARCH	**66.587**	**66.692**

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.

8.7.2.3 Short Term Debtors

	31 March 2013 £m	31 March 2014 £m
Central government bodies	13.511	21.257
Other local authorities	2.913	4.450
NHS bodies	0.005	1.247
Public corporations and trading funds	-	0.187
Other entities and individuals	59.895	60.311
TOTAL	**76.324**	**87.452**

8.7.2.4 Cash and Cash Equivalents

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

	31 March 2013 £m	31 March 2014 £m
Cash held by the Authority / Group Organisation	0.317	0.405
Bank current accounts	7.003	11.144
Short-term deposits with banks and building societies	83.147	61.873
TOTAL CASH AND CASH EQUIVALENTS	**90.467**	**73.422**

8.7.2.5 Short Term Creditors

	31 March 2013 £m	31 March 2014 £m
Central government bodies	(28.270)	(34.009)
Other local authorities	(4.661)	6.989
NHS bodies	(0.121)	(7.437)
Other entities and individuals	(130.380)	(168.380)
TOTAL	**(163.432)**	**(202.837)**

8.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS.

8.7.2.7 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.

	31 March 2013 £m	31 March 2014 £m
Revaluation Reserve	319.783	335.471
Capital Adjustment Account	885.701	890.906
Financial Instruments Adjustment Account	(7.530)	(7.186)
Pensions Reserve	(588.226)	(602.376)
Deferred Capital Receipts Reserve	3.985	4.293
Collection Fund Adjustment Account	1.419	5.006
Accumulated Absences Account	(5.577)	(5.023)
Available For Sale Financial Instruments Reseve	0.046	-
Profit and Loss and Other Reserves of Group Entities	2.837	1.740
Minority Interest - Equity	0.396	0.374
TOTAL	**612.834**	**623.205**

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, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2012/13 £m	2013/14 £m
Opening Balance at 1 April	**273.978**	**319.783**
Upward revaluation of assets	93.003	32.571
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(38.439)	(4.388)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**54.564**	**28.183**
Difference between fair value depreciation and historical cost depreciation	(6.952)	(8.554)
Accumulated gains on assets sold or scrapped	(1.807)	(3.941)
Asset reclassifications	-	
Amount written off to the Capital Adjustment Account	**(8.759)**	**(12.495)**
CLOSING BALANCE AT 31 MARCH	**319.783**	**335.471**

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, the date that the Revaluation Reserve was created to hold such gains.

	2012/13 £m	2013/14 £m
Opening Balance at 1 April	**933.790**	**885.701**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(0.502)	(0.513)
Charges for depreciation of non-current assets	(81.384)	(83.297)
Charges for impairment of non-current assets	(9.023)	0.047
Revaluation losses on Property, Plant and Equipment	(42.083)	2.594
Donated Assets	5.917	1.846
Movements in the market value of Investment Properties	(0.499)	0.006
Revenue expenditure funded from capital under statute (REFCUS)	(12.696)	(6.572)
REFCUS expenditure funded by grants	9.876	4.933
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(45.550)	(60.287)
Charges for Impairment of investment in subsidairy	(0.195)	-
Adjusting amounts written out of the Revaluation Reserve	8.783	12.508
	(167.356)	(128.735)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	4.696	9.285
Use of the Major Repairs Reserve to finance new capital expenditure	15.466	18.088
Application of grants to capital financing from the Capital Grants Unapplied Account	58.244	55.698
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	13.757	12.469
Voluntary set aside of capital receipts for debt redemption	17.226	22.606
Capital expenditure charged against the General Fund and HRA balances	10.534	16.820
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Bulwell LIFT	-	
Principal Repayment of Capital Loans	(0.656)	(1.026)
	119.267	133.940
CLOSING BALANCE AT 31 MARCH	**885.701**	**890.906**

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, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are made to pension funds or eventually pays 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 the set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2012/13 Disclosed £m	2012/13 Per revised IAS19 £m	2013/14 £m
Opening Balance at 1 April	**(588.941)**	**(588.941)**	**(588.226)**
Return on plan assets		77.924	12.792
Actuarial gains or (losses) on pensions assets and liabilities	18.088	(51.729)	2.377
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(45.211)	(53.318)	(56.433)
Employer's pensions contributions and direct payments to the pensioners payable in the year	27.838	27.838	27.114
CLOSING BALANCE AT 31 MARCH	**(588.226)**	**(588.226)**	**(602.376)**

8.7.3 Group Movement in Reserves Statement Notes

Nottingham Ice Centre Ltd's 2012/13 final audited accounts were adjusted by non-material amounts from those figures included within the 2012/13 Group accounts. The balance of reserves at 31 March 2013 was affected, therefore an opening balance adjustment has been included in the MIRS.

The following tables detail the adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement:

2013/14	General Fund Balance £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Total Reserves £m
Payments in relation to goods and services from subsidiaries	(65.849)	(65.849)	65.849	-
Grants and provisions for subsidiaries	(0.046)	(0.046)	0.046	-
Receipts in relation to goods and services provided to subsidiaries	11.511	11.511	(11.511)	-
Interest and investment income from/to subsidiaries	1.696	1.696	(1.696)	-
Contributions from subsidiaries	1.440	1.440	(1.440)	-
Other movements		-	1.268	1.268
TOTAL ADJUSTMENTS	(51.248)	(51.248)	52.516	1.268

2012/13	General Fund Balance £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Total Reserves £m
Payments in relation to goods and services from subsidiaries	(64.857)	(64.857)	64.857	-
Grants and provisions for subsidiaries	(0.224)	(0.224)	0.224	-
Receipts in relation to goods and services provided to subsidiaries	8.499	8.499	(8.499)	-
Interest and investment income from/to subsidiaries	1.005	1.005	(1.005)	-
Contributions from subsidiaries	1.484	1.484	(1.484)	-
Other movements		-	0.438	0.438
TOTAL ADJUSTMENTS	(54.093)	(54.093)	54.531	0.438

8.7.4 Group Cash Flow Notes

Operating Activities

The cash flows for operating activities include the following items:

	2012/13 £m	2013/14 £m
Interest received	7.748	9.187
Interest paid	(28.327)	(34.174)
Dividends received	0.500	1.000
Dividends paid	(0.814)	(1.340)
Taxation	(0.120)	0.043

Investing Activities

	2012/13 £m	2013/14 £m
Purchase of property, plant and equipment, investment property and intangible assets	(126.411)	(141.185)
Purchase of short-term and long-term investments	(95.563)	(22.668)
Other payments for investing activities	(4.064)	(0.417)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	10.502	17.480
Proceeds from short-term and long-term investments	-	0.342
Other receipts from investing activities	63.602	64.608
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(151.934)**	**(81.840)**

Financing Activities

	2012/13 £m	2013/14 £m
Cash receipts of short and long-term borrowing	142.673	10.000
Other receipts from financing activities	0.270	3.143
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7.492)	(6.607)
Repayments of short and long-term borrowing	(117.346)	(87.122)
Other payments for financing activities	(10.154)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	**7.951**	**(80.586)**

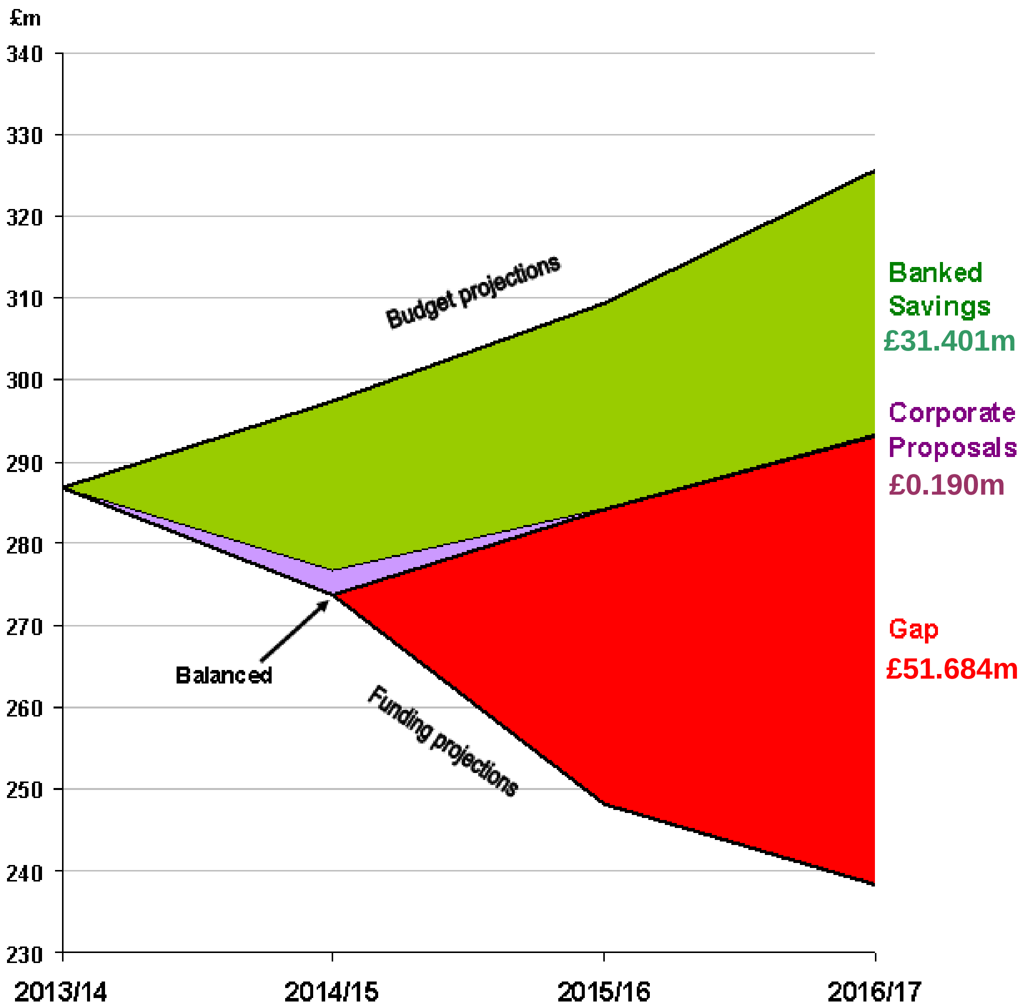
Section 9 (Appendix A)
Forward Plans

9.1 Medium Term Financial Plan

In March 2014 the Council approved a revised Medium Term Financial Plan (MTFP) covering the 3 year period from 2014/15 to 2016/17.

The Council's MTFP was developed within the context of an integrated service planning and budget preparation cycle with emphasis on objectivity, accountability, early decision making and service and Councillor engagement in order to enhance policy-led budgeting and longer term planning. The process included identifying cost reductions, budget and cost pressures 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 there is considerable uncertainty over the future levels of funding. However, it is clear that the public sector will have lower than previously anticipated levels of funding in the years ahead and that significant further savings will need to be identified. These issues have been brought together to produce a 3 year Medium Term Financial Outlook (MTFO) and summarised in the graph below:



The Council has identified proposals to produce a balanced budget for 2014/15 and will continue to work on proposals to meet the future funding gap, which rises to £51.684m by 2016/17.

The capital programme faces a similar challenge for the foreseeable future. Funding reductions have been factored into projections and continue to be proactively monitored to ensure funding is secured before making any commitment to spend. However, the medium term programme is still substantial and includes investment in NET2, Public Sector Housing, highways maintenance and local transport infrastructure. The capital programme and funding proposals following the 2013/14 Outturn are detailed below:

	CAPITAL PROGRAMME					
	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Expenditure:						
Public Sector Housing	84.392	47.169	33.672	36.940	38.604	**240.777**
Transport	35.404	17.421	6.644	2.250	-	**61.719**
Education	18.831	9.342	5.647	-	-	**33.820**
All Other Services	186.408	26.975	21.781	17.540	15.684	**268.388**
TOTAL	**325.035**	**100.907**	**67.744**	**56.730**	**54.288**	**604.704**
Forecast Funding:						
Unsupported Borrowing	162.758	20.768	15.678	14.435	13.451	**227.090**
Capital Receipts	13.240	5.975	5.817	-	-	**25.032**
Revenue /Reserves etc	20.645	4.503	7.841	9.924	11.660	**54.573**
Major Repairs Reserve (Housing)	29.001	29.001	29.001	29.001	29.001	**145.005**
Grants & Contributions	55.484	25.037	17.321	8.692	6.642	**113.176**
TOTAL	**281.128**	**85.284**	**75.658**	**62.052**	**60.754**	**564.876**
Resources Brought Forward	75.646	31.739	16.116	24.030	29.352	
CUMULATIVE SURPLUS	**(31.739)**	**(16.116)**	**(24.030)**	**(29.352)**	**(35.818)**	

Additionally, the Council is currently developing a Capital Investment Strategy which will focus on supporting a higher level of growth and regeneration within the City. Potential funding streams are being explored from a variety of sources, including prudential borrowing.

A number of potential capital schemes are currently being assessed and the decision to progress schemes will be dependent on securing the stated level of external funding or grant as appropriate. The Capital Programme shown above does not yet include provision for these schemes. Any resulting additional schemes will be subject to robust evaluation including deliverability of business plans and the appropriate governance arrangements.

Some spending within the capital programme will be delivered in partnership with other organisations. The paragraphs below summarise the major partnership schemes with expenditure incurred from 2014/15 onwards:

NET2 (Lines 2 and 3) – A PFI scheme with a private sector partner ("Tramlink") which was signed on 15 December 2011 for the operation of Line 1 and construction and operation of Lines 2 and 3. The Council will incur capital expenditure of around £146m together with annual availability payments to Tramlink.

Nottingham Station Improvements (The Hub) – An agreement with Network Rail to fund improvements of £60m to Nottingham Station. The Council has approved a contribution of up to £18.130m

Building Schools for the Future (BSF) and Academies Programmes – A Government initiative to rebuild and/or renew school buildings. The council obtained funding for rebuilding and remodeling 13 schools and academies together with provision of ICT managed services. At January 2014, all but two schemes had been handed back to the City Council by the contractor, with the remaining schemes all under construction and on programme.

9.2 Future Significant Developments

9.2.1 Universal Credit

Over the next 5 years the Government plans to introduce a single Universal Benefit to replace a number of individual benefits, including Council Tax Benefit and Housing Benefit. The Council will no longer receive payments for these benefits directly, but instead will need to recover Council Tax and rents directly from residents, potentially increasing the level of bad debts the council incurs.

Section 10 (Appendix B)
Accounting Policies

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

10.1 General Principles

10.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. It provides the reader with information about the Council's financial position and its stewardship of public funds. The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2011 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) which is based on approved accounting standards. In addition to compliance with the Code, the Council's accounts also comply with the Service Reporting Code of Practice 2012/13. This Code sets out proper practice for financial reporting to ensure consistency and comparability across Councils. The accounts are supported by IFRS and statutory guidance issued under section 7 of the 2011 Act.

10.1.2 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.

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

10.1.4 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.

10.1.5 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period in which they are earned or incurred and not when money is received or paid. Further details are given below:

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor 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 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 to revenue for the income that might not be collected.
- Fees, charges and rents due from customers are accounted for as income at the date that the Council provides the associated goods or services.
- 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.
- Works are charged as expenditure, once complete, prior to completion they are carried as 'works in progress' 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 forecasted 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 revenue account 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.

10.2 Policies primarily affecting the CIES

10.2.1Government Grants and Contributions

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

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.

10.2.2Business Improvement Districts (BID)

A BID scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the CIES.

10.2.3Operating 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.

10.2.4Employee 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, e.g. time off in lieu, which employees have earned during the year but 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 Non Distributed Costs line in the CIES 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.

Teachers Pension Scheme

Pension costs relating to Teachers' Pension Scheme have been treated as defined contribution schemes and the costs are charged to Children's and Education in the CIES.

Defined Benefit Schemes (Local Government Pension Scheme)

Within the CIES, service revenue accounts have been charged with their current service cost, which represents the extent to which the pension liability has increased as a result of employee service during the year. Past service costs, settlements and curtailments have been charged to non-distributable costs.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (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.

10.2.5Charges 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.
- Amortisation of intangible fixed assets attributable to the service.

10.2.6Financing and Investment

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

- Gain or loss on the difference between net sale proceeds and carrying value of investment properties.
- Rental income from investment properties
- Gains and losses on the repurchase or early settlement of borrowing.
- Interest costs and expected return on Defined Benefit pension schemes.

10.2.7Other 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 derecognition of non-current assets (excluding investment properties)
- Actuarial gains or losses of Defined Benefit Pension Schemes, which are charged to the Pension Reserve

10.2.8 Overheads and Support Services

Overheads and support services are charged to service revenue accounts, trading undertakings and other support services in accordance with the Service Reporting Code of Practice. The basis for apportionment is generally time spent by colleagues on relevant tasks although other bases are used where more appropriate. The costs of Corporate and Democratic and Non-Distributable costs are not charged to service revenue accounts but are shown as separate lines on the CIES.

10.2.9 Carbon Reduction Commitment Scheme

As energy is used and carbon dioxide is emitted, an expense is charged to services in the CIES based on the current market price of allowances, together with a corresponding liability being created on the Balance Sheet. The expense is apportioned to services on the basis of energy consumption. The liability is subsequently discharged when the allowances are purchased retrospectively.

10.2.10 Landfill Allowance Schemes

When landfill is used an expense is charged to the CIES. This expense is matched by treating the use of landfill allowances allocated by DEFRA as government grants. Landfill used in excess of the allowances will appear as an expense in the form of allowances purchased from other Waste Disposal Authorities or a cash penalty paid to DEFRA.

Any residual allowances are measured at the lower of cost or net realisable value. However, due to the significant level of surplus landfill allowances available and trading being minimal, any surplus landfill allowances are judged to have no value

10.2.11 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, however, details of all exceptional items are given in the Explanatory Foreword.

10.2.12 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

10.3 Policies primarily affecting the Balance Sheet

10.3.1 Property, Plant and Equipment (PPE), Heritage Assets and Intangible Assets

PPE - Recognition

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it brings benefits to the Council for more than one financial year. 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.

PPE - 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’, pending a decision on the future use of the asset.

PPE - Private Finance Initiative (PFI) and Similar Contracts

In accordance with the code, the Council accounts for its PFI contracts in accordance with IFRC 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 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). Therefore, the Council carries the assets used under the contracts, on its Balance Sheet as PPE, where 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 is comprised of 5 elements. The Fair Value of Services received during the year, Finance Cost, Contingent Rent, and Lifecycle replacement costs are posted to the CIES. The final element is a payment towards the outstanding liability on the balance sheet.

PPE - Finance Leases

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 – Recognition

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 – Recognition

Intangible assets where the Council has control of the asset through either custody or legal protection for e.g. 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:

- Infrastructure for e.g. roads and bridges and community assets for e.g. 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 2009/10 based on a full valuation of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman and Mitchell.
- Other land and buildings are valued at fair value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of fair value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at fair value or the present value of the minimum lease payments if lower.
- Heritage assets are reported in the Balance Sheet at market value and have been valued by an external valuer, the valuation dates range from 2001 to 2008. 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.
- All other assets are valued at fair value.

Assets included in the Balance Sheet at fair value are revalued, as a minimum, every 5 years. However, 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 service 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.

De Minimis Levels

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.

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

Impairment

Asset values are assessed at the end of each financial year for evidence of reductions in value. If identified either as part of this review or as a result of a valuation exercise, they are accounted for as follows:

- 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. Thereafter, or if there is no balance of revaluation gains the impairment loss is charged to the relevant service line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant service 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:

- Dwellings – straight line allocation over the useful life on the building major components.
- Buildings – 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.

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 accordingly. 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.

10.3.2Investment Property

Investment properties are those used solely to earn rentals and/or for capital appreciation and 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 according to market conditions.

10.3.3Long Term Investments

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 investments and valued at cost less any provision for losses.

Available-for-sale Financial Assets

Available-for-sale assets are valued at fair value. Where available-for-sale assets are quoted in an active market, the quoted market price is taken as fair value.

10.3.4PPE 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 and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

10.3.5Inventories and Work in Progress

Stocks 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.

10.3.6Financial Liabilities

Financial liabilities 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 at 31st March.

10.3.7 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet, initially at fair value and carried 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.

10.3.8 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 e.g. 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.

Provisions are also set up for bad and doubtful debts, but are offset against the debtor balance on the balance sheet, rather than being included in the provisions figure.

10.3.9 Contingent Liabilities

Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is disclosed in the Explanatory Foreword/notes.

10.3.10 Contingent Assets

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

10.3.11 Defined Benefit Schemes (Local Government Pension Scheme)

For defined benefit schemes, pension fund assets are accounted for at fair value as follows:

- Quoted and unitised securities - current bid price
- Unquoted securities - professional estimate
- Property - market 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 annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve.

10.3.12 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

10.4 Policies Affecting the Cash Flow Statement

10.4.1 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

10.5 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 regulations.

10.5.1 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 4% of the adjusted Capital Financing Requirement, excluding amounts attributable to HRA). The difference between the two transactions is adjusted with the Capital Adjustment Account.

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

10.5.2 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).

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.

10.5.3 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.

10.5.4 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.

10.5.5 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

10.5.6 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.

10.5.7 Loans and Receivables

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 with the Financial Instruments Adjustment Account.

10.6 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. These policies include:

- Use of capital receipts to fund disposal proceeds
- Intangible Assets – Recognition of website development and other internally generated assets
- Derecognition or impairment of available for sale financial assets, loans and receivables
- Valuation of available for sale financial assets other than at quoted market price
- Restructuring of loan portfolios
- Treatment of soft loans

Section 11 (Appendix C)
PENSION SCHEMES

11.1 Defined Benefit Pension Schemes accounted for as Defined Contribution Schemes

11.1.1Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered in accordance with the Teachers' Pensions Regulations 2010. The Scheme is contracted out of the State Second Pension and currently provides benefits based on final salary and length of service on retirement. Changes to the Scheme will come into effect from 1 April 2015 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the Scheme before the changes take effect.

The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Contributions to the Scheme by employers and employees are set at rates determined by the Secretary of State, taking advice from the Scheme's actuary. The Schemes payments are partially funded by the employer and employee contributions, the balance of funding being provided by Parliament through the annual Supply Estimates process.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and a notional fund is used as the basis for calculating the employers' contribution rate paid by local authorities. 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 2013/14, the Council paid £4.988m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £5.949m and 14.1%. There were no contributions remaining payable at the year-end. The employer contribution rate for 2014/15 will be 14.1% of pensionable pay.

The contribution rates into the Scheme will change from September 2015. HM Treasury has published the expected outcome of the Teachers' Pension Scheme valuation of a total contribution rate of 26%. The Schemes proposed final agreement provides that scheme members will pay an average contribution rate of 9.6%, with the balance falling on the employers; meaning that the new Scheme employer contribution rate will be 16.4% which will be payable from September 2015.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Scheme.

The Council's membership as at 31 March 2011 was 2,500, average age of 74 with a pensions cost of £1.988m.

11.1.2NHS Pension Scheme

Public Health employees who transferred into the Council from Nottingham City PCT on 01.04.13 are members of the NHS Pension Scheme. The NHS Pension Scheme is administered by NHS Business Services Authority.

The Scheme is an unfunded defined benefit occupational Scheme providing pensions, based on final salary for Council employees, and a career average arrangement for GPs and General Dental Practitioners. 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 2004, and after consideration of changes to the Scheme taking effect from 1 April 2008, the valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay following the introduction of the employee contributions on a tiered scale from 5.0% to 13.3% of their pensionable pay for 2013/14. On advice from the Scheme actuary, Scheme contributions may be varied from time to time to reflect changes in the Schemes liabilities.

In 2013/14 the Council’s contribution to the Scheme was £0.171m, representing 14% of pensionable pay (£1.220m). The Councils expected contributions to the Scheme for 2014/15 are 14% of member’s pensionable pay.

The last published actuarial valuation undertaken for the Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes in public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015. A formal valuation for funding purposes as at 31 March 2012 is currently close to completion and will be used to inform the contribution rates applicable from 1 April 2015.

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.

The latest assessment of the Scheme is contained within the published annual NHS Pension Scheme (England and Wales) Resource Account which can be viewed on the NHS Pension website.

11.2 Defined Benefit Pension Scheme

11.2.1Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2007/08, is contracted out of the State Second Pension and until 31 March 2014 provided benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date are based on career average revalued salary, with various protections in place for those members in the scheme before the changes take effect.

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

As Administering Authority to the Fund, Nottinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Statement of Investment Principles. These should be 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 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. 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 plan, 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 and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. 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 but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

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

Assets and Liabilities in Relation to Post-employment Benefits

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

	LGPS	Teachers Benefits
	31 March 2015	
	£m	£m
Service cost	29.597	-
Net interest on the defined liability (asset)	22.304	1.076
Administration expenses	0.059	-
TOTAL	**51.960**	**1.076**
Employer Contributions	24.971	-

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 2013 and using financial assumptions that comply with IAS19.

Valuation Data - Data Sources

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

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2014;
- Estimated Fund returns based on assets used for the purpose of the funding valuation as at 31 March 2013, a Fund asset statement as at 31 December 2013, and market returns (estimated where necessary) thereafter for the period 31 March 2014.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2014.
- Details of any new early retirements for the period to 31 March 2014 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 the received the data.

Employer Membership Statistics

The table below summarises the membership data, as at 31 March 2013 for members receiving funded benefits, and as at 31 March 2014 for members receiving unfunded benefits:

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Actives	7,531	131.650	45
Deferred Pensioners	11,002	11.897	45
Pensioners	5,812	26.717	69
Unfunded Pensioners	2,466	2.204	79

The Council also has responsibility for a 29.3% share of the Nottinghamshire County Council liabilities accrued prior to 1 April 1998, and a responsibility for the liabilities of Nottingham City Transport accrued prior to 26 October 1986. These have been allowed for in the liabilities as well as in the pension cash flows. The data underlying the pre-1998 Nottinghamshire County Council and Nottingham City Transport LGPS liabilities is as follows:

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Pre-1998 Nottinghamshire County Council:			
Deferreds	3,905	2.711	53
Pensioners	6,211	21.000	76
Nottingham City Transport:			
Actives	101	2.042	58
Deferreds	63	0.253	55
Pensioners	777	4.740	71

The service cost for the year ending 31 March 2014 is calculated using an estimate of the average total pensionable payroll during the year of £128.910m. The projected service cost for the year ending 31 March 2015 has been calculated assuming the payroll remains at this level over the year.

There were 28 new early LGPS retirements in respect of the year ending 31 March 2014.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 6%.

The LGPS estimated asset allocation for the Council as at 31 March 2014 is as follows:

	Local Government Pension Scheme			
	31 March 2013		31 March 2014	
	£m	%	£m	%
Equities	600.671	73%	607.616	73%
Gilts	57.599	7%	66.588	8%
Other Bonds	49.370	6%	41.618	5%
Property	98.740	12%	91.559	11%
Cash	16.457	2%	24.971	3%
TOTAL	**822.837**	**100%**	**832.352**	**100%**

Based on the above, the Council's share of the assets of the Fund is approximately 23%.

Of the Equities allocation above, 49% are UK investments, 48% are overseas investments and 3% are private equity investments of unspecified origin. Of the above, 93% are listed in a market and the remainder are not.

Of the Gilts allocation above, 60% are UK fixed interest Gilts, 25% are overseas fixed interest government bonds, and 15% are UK inflation-linked Gilts.

Of the Other Bonds allocation above, 59% are UK corporates, 9% are overseas corporates and 32% are inflation-linked.

The Teachers Benefits arrangements have no assets to cover its liabilities.

Valuation Approach

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 Scheme 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 liability as at 31 March 2014 without completing a full valuation. However, the actuary are satisfied that the approach of rolling forward the previous valuation data to 31 March 2014 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 2013 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.

Valuation Method

As required under IAS19, the projected unit method of valuation has been used to calculate the service cost.

Demographic/Statistical Assumptions

Assumed life expectations are shown in the table below.

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;
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Financial Assumptions

These assumptions are set with reference to market conditions at 31 March 2014.

The financial assumptions used for the purpose of the IAS19 calculations are included in the table below.

Expected Return on Assets

The expected return on assets and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

Past Service Costs/Gains

Past service costs can arise when the Council awards discretionary benefits such as added years and other forms of augmentation of benefits. A change to benefits may result in either a past service cost or a past service gain. No additional benefits were granted in year.

Curtailments

The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately. Over the year, 28 former Council employees became entitled to unreduced early retirement benefits under the LGPS (27 due to redundancy, 1 due to voluntary redundancy / other grounds). The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £0.708m.

No employees in the Teachers Scheme were permitted by the Council to take unreduced early retirement that they would not otherwise have been entitled to.

Settlements

As a result of some members transferring to / from another Employer over the year, LGPS liabilities have been settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement is £4.108m.

There were no liabilities settled at a cost materially different to the iAS19 reserve during the year under the Teachers Scheme.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Teachers Benefits	
	2012/13	2013/14	2012/13	2013/14
Mortality Assumptions (Years):				
Longevity at 65 retiring today:				
Males	18.7	22.0	18.7	18.8
Females	22.8	25.1	22.8	22.9
Longevity at 65 retiring in 20 years:				
Males	20.7	24.1	20.7	20.8
Females	24.6	27.4	24.6	24.7
Financial Assumptions:				
RPI increase	3.4%	3.5%	3.0%	3.1%
CPI increase	2.6%	2.7%	2.2%	2.3%
Rate of increase in salaries	4.8%	4.5%	4.4%	4.1%
Rate of increase in pensions	2.6%	2.7%	2.2%	2.3%
Rate for discounting scheme liabilities	4.5%	4.4%	2.7%	3.4%
Estimate in years of duration of liabilities	21	18	8	8

Sensitivity Analysis

The sensitivity analysis focuses on four assumptions – discount rate, salary increases, inflation (which is used to determine pension increases and deferred revaluation) and mortality. The calculation method of the figures in the table below has not changed from 2012/13, except for the use of more up to date membership data.

Sensitivity analysis on the major assumptions:

	Local Government Pension Scheme			Teachers Benefits		
	£m	£m	£m	£m	£m	£m
Adjustment to discount rate:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,328.001	1,351.191	1,374.809	31.414	31.658	31.904
Projected service cost	28.936	29.597	30.274	-	-	-
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%	-	-	-
Present value of total obligation	1,354.617	1,351.191	1,347.787	-	-	-
Projected service cost	29.597	29.597	29.597	-	-	-
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,371.754	1,351.191	1,331.002	31.906	31.658	31.411
Projected service cost	30.285	29.597	28.925	-	-	-
Adjustment to mortality age rating assumption:	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,302.855	1,351.191	1,399.990	30.424	31.658	32.907
Projected service cost	28.567	29.597	30.637	-	-	-

Section 12
ABBREVIATIONS/GLOSSARY

12.1 Abbreviations

BID	-	Business Improvement District
BSF	-	Building Schools for the Future
CIES	-	Comprehensive Income and Expenditure Statement
CFR	-	Capital Financing Requirement
CRCs	-	Carbon Reduction Credits
DSG	-	Dedicated Schools Grant
EMSS	-	East Midlands Shared Services
HRA	-	Housing Revenue Account
IBNR	-	Incurred but not yet Reported
IAS	-	International Accounting Standard
ICES	-	Integrated Community Equipment Services
IFRS	-	International Financial Reporting Standards
ISB	-	Individual Schools Budget
LGPS	-	Local Government Pension Scheme
LIFT	-	Local Improvement Finance Trust
LCC	-	Leicestershire County Council
MIRS	-	Movement in Reserves Statement
MTFO	-	Medium Term Financial Outlook
MTFP	-	Medium Term Financial Plan
NCC	-	Nottingham City Council
NET	-	Nottingham Express Transit
NNDR	-	National Non-Domestic Rates
PFI	-	Private Finance Initiative
PPE	-	Property Plant and Equipment
PWLB	-	Public Works Loan Board
REFCUS	-	Revenue Expenditure Financed from Capital under Statute
RSG	-	Revenue Support Grant

12.2 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
The changes in the net pension's **liability** that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.

Agency Services
Services that are performed by or for another Council or public body, where the Council responsible for the service reimburses the Council carrying out the work 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.

Audit Commission
Independent body with the responsibility of appointing **external auditors** to local authorities.

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 **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 an acquisition or enhancement of fixed **assets**. Enhancement would include increases in value, lengthening the life of the **asset** or increasing the usage of the **asset**.

Capital Financing Requirement
An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account and Fixed Asset Restatement Account. The sum represents the “underlying” need to borrow of the Council. The Council is required to make an annual provision of 4% of this amount 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 that is 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 historical buildings.

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.

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.)

Corporate and Democratic Core
Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

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 home.

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, like 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.

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
The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

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 the **Audit Commission** 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 it could be exchanged in an arms length transaction.

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. Asset 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 financial position of the Council and all organisations in which it has an interest.

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/or buildings which is held for its investment potential.

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.

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 statutory minimum amount that authorities must set aside each year as provision for debt repayment based on 4% of the Capital Financing Requirement

National Non-Domestic Rates

The means by which local businesses contribute to the cost of providing local authority services. All Non-Domestic Rates are paid into a central pool and then divided between all authorities depending on the number of residents each authority has.

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, industrial units and assets used by other organisations in order to provide services on the Council's behalf. 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 local authority'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 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 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 can be deemed capital expenditure under Statute but does not result in an **asset** for the Council (e.g. Housing improvement grants). Such 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 is given statutory force in England by regulations under the Local Government Act 2011.

Single Entity Financial Statements
The main financial statements for the Council as shown in section 3.

Specific Grant
Government financial support for a specific purpose or service that can not be spent on anything else.

Stocks
Comprise the following categories; 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 in a commercial style and environment, providing 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
Work in progress is 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.

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