

# **DRAFT** Statement of Accounts 2014/15





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# Section 1

## Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2014/15 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.

Together with Section 2 (Introductory Statements), this section constitutes the Explanatory Foreword found in other authorities' Statement of Accounts.

### 1.1 CIES – Financial Reporting (IFRS) Basis

	2013/14 £m	2014/15 £m
Cost of Services	239.257	203.381
Total Comprehensive Income and Expenditure(Surplus)/Deficit	(74.106)	173.854

The CIES is produced using International Financial Reporting Standards (IFRS) and shows a deficit for the year of £173.854m. This figure includes:

- A charge of £113.949m for properties removed from the balance as a result of 10 schools gaining Academy Status.
- A credit of £42.537m resulting from net gains on property revaluations.
- A charge of £153.168m relating to the actuary's assessment of pension assets and liabilities.

The deficit is offset by a reduction of £186.374m in Unusable Reserves. Further reductions in Capital Financing Reserves of £5.420m and HRA Reserves of £0.547m allow Earmarked Reserves to increase by £11.342m, leaving an increase in the General Fund of £7.146m.

Further details appear in Section 3.1 and section 6.1.

### 1.2 Balance Sheet

	31 March 2014 £m	31 March 2015 £m
Long Term Assets	2,143.067	2,162.155
Current Assets	331.358	324.932
Current Liabilities	(226.700)	(246.670)
Long Term Liabilities	(1,353.371)	(1,519.917)
<b>NET ASSETS</b>	<b>894.354</b>	<b>720.500</b>

## Section 1 – Executive Summary

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 £0.235m. 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 £166.053m.
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £86.277m.
- 10 schools have switched to Academy status which together with the de-recognition of other assets resulted in £147.609m of assets being removed.
- The Council's rolling programme of revaluations on property has given rise to net revaluation gains of £73.652m.
- Other items have reduced the value of assets by £5.585m.

Further details appear in note 6.2.1.

The Balance Sheet also includes a liability of £720.588m 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 over a period of time.

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 2015, this totals £720.500m.

### 1.3 Movement in Reserves Statement

	31 March 2014 £m	Movement 2014/15 £m	31 March 2015 £m
General Fund	12.229	7.324	19.553
Earmarked General Fund Reserves	148.763	11.342	160.105
Other Usable Reserves	77.194	(5.968)	71.226
Unusable Reserves	656.168	(186.552)	469.616
<b>TOTAL AUTHORITY RESERVES</b>	<b>894.354</b>	<b>(173.854)</b>	<b>720.500</b>

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 Un-earmarked General Fund Reserve (£19.553m), Earmarked Reserves (£160.105m) the HRA (£4.307m) and Capital Financing Reserves (£66.919m). 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 2014/15 a net increase in these valuations of £42.537m has been credited to

this reserve, however, revaluation gains on schools that have become academies and other items resulted in an overall reduction in this reserve of £11.770m. 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 6.2.11 and 6.2.12.

### 1.4 Funding Basis

	2013/14 £m	2014/15 £m
(Under)/Over spending by Portfolios against budgets	(1.175)	(9.773)
Cost of services(portfolios)	284.227	266.550
Council Tax Income	(80.818)	(85.835)
(Surplus)/Deficit after transfers to reserves	1.573	(7.146)
Movement in capital financing requirement	14.757	43.798
Council Tax (Band D)	£1,404.42	£1,431.80

The Funding Basis is the basis on which the Council manages its expenditure. Using this basis, in 2014/15 spending by services (portfolios) was £9.773m less than planned.

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 2014/15 the Council Tax raised £85.835m and, together with funding from government grants and other income, this was used to meet the cost of services. Overall the Council generated a surplus of £7.146m after contributions of £11.342m had been made to earmarked reserves. This surplus increased the General Fund by £7.146m.

The IFRS basis of accounting reflects the net change in the actuarial valuation of the pension fund. For 2014/15 the resulting debit to the CIES was £153.168m. 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.

The Council is required to calculate a Capital Financing Requirement (CFR) which measures the Council's need to borrow as a result of capital expenditure, less provisions for repayment of debt. The movement in the CFR of £43.798m shows the net increase in the need to borrow in 2014/15. The CFR is used to inform the ceiling of £1,041.6m that the Council set for its overall long term debt in 2014/15. The actual external debt at 31 March 2015 was £791.2m

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

## Section 1 – Executive Summary

### 1.5 Group Accounts

	2013/14 £m	2014/15 £m
Total Comprehensive Income and Expenditure (Surplus)/Deficit	(62.496)	202.000
Net Assets	871.646	669.999
Council's Share of other Group Reserves/Minority Interests	(22.708)	(50.501)

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 2014/15 Group Accounts consolidate the accounts for Bridge Estate, Nottingham City Homes, Nottingham City Transport, Nottingham Ice Centre, Enviroenergy, Nottingham Revenues and Benefits Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd.

On an IFRS basis the group's deficit is £28.146m higher 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 £669.999m. This is £50.501m 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

	2015/16 £m	2016/17 £m	2017/18 £m
Medium Term Financial Outlook - Indicative			
Cumulative Revenue Gap	-	22.048	34.089
Capital Programme - Planned Expenditure	381.738	224.852	127.552
Capital Programme - Funding:			
Borrowing	212.325	118.374	58.554
Grants and Contributions	61.534	48.530	23.462
HRA	30.069	30.069	30.069
Other	77.810	27.879	15.467

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.

Although the council has set a balanced budget for 2015/16, 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 £34.089m by 2017/18.

The Council is planning to invest £882.390m of capital expenditure over the next 5 years, enabling substantial regeneration in and around the City and allowing the Council to deliver the capital requirements that have arisen from business service needs.

Further details appear in Section 9 (Appendix A) – Forward Plans.



# 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 2014/15 (the Code) which is based on approved accounting standards. In addition, the Council's accounts also comply with the Service Reporting Code of Practice 2014/15, 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 2014/15

The Council has not chosen to change any of its Accounting Policies since the last financial year.

#### 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 2014/15 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:

- **IFRS 13 Fair Value Measurement.** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.
- **IFRIC 21 Levies.** This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period

## Section 2 – Introductory Statements

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before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

- **Annual Improvements to IFRSs (2011 – 2013 Cycle).** These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

### 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 CIES 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 Section 10 (Appendix B), 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:

- Accounting standards determine that all maintained schools are considered to be entities controlled by the Council. However, maintained schools are included within the single entity financial statements rather than the Group Accounts. This treatment is in line with the adaptation to the definition of single entity financial statements by the Code.
- There are a number of other different types of schools in Nottingham. The Council recognises Schools in line with the provisions of the Code and, consequently, schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. As a result, each type of school has been separately assessed for inclusion on the Council's Balance Sheet. The table below summarises the treatment for each type of school:

## Section 2 – Introductory Statements

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School Type	Balance Sheet Treatment
Community	On
Voluntary Aided	On
Academy	Off

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

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

- The Council has entered into a partnership arrangement with Leicestershire County Council to provide financial and human resources services. The 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 2014/15 Statements

For 2014/15 the Government has not implemented any legislative or funding changes that have made a material impact on the Council's Statement of Accounts.

### 2.2.2 Provisions and Write offs

#### **Increase in Current Provisions (£21.120m)**

The increase in current provisions is primarily a result of settling the compulsory purchase orders relating to the NET2 project.

### 2.2.3 Impact of Economic Climate

The management of the Council's finances continues to be set in the context of reducing resources as a consequence of the Government's policy of reducing expenditure in order to assist in addressing the deficit in the national public finances.

Following the banking collapse of 2008, security concerns regarding financial institutions remain which has subsequently seen the introduction of “bail in” arrangements, removing some of the security previously afforded to the Council’s deposits with banks. As a result the Council has sought more secure instruments for investment which provide a lower return.

As a result of the banking collapse the Government has also provided additional liquidity to banks resulting in lower short term interest rates for investments.

### 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. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015, 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 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 £1.838m for every year that useful lives had to be reduced. Further details can be found in Note 6.2.1.
- **National Ice Centre** - The building has been re-valued on a basis that more accurately reflects the multi-use nature of the building rather than as an ice rink alone. The revised approach provided a valuation of £63.168m, an increase of £21.319m from the 2012 valuation.
- **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 and Section 11 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.

## Section 2 – Introductory Statements

### 2.2.5 Events after the Reporting Date

Any subsequent material events occurring after the reporting date of 29 June 2015, 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.

During 2014/15 the Council purchased a number of assets from the Homes and Community Agency at a total cost of £11.320m. The assets included a 50% share in the Blueprint Limited Partnership at a cost of £7.550m. This partnership takes the form of a joint venture with Igloo Regeneration Fund for the development of land next to the River Trent at Trent Basin.

### 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 2015, the Council's fund was in deficit by £720.588m (£550.498m as at 31 March 2014). The actuary undertakes tri-annual valuations of the fund and sets the Council's contribution with a view of recovering the deficit in the longer term.

### 2.2.8 Prior Year Restatements

The treatment of Trading Operations within the Financing and Investment line of the CIES has been reviewed for 2014/15. The Council has decided that a number of these operations would be more correctly shown within Continuing Services. The comparative figures for both the Council and Group Accounts have therefore been amended to show the income and expenditure on the correct line. The net effect of £4.413m (£40.262m Income and £35.849m Expenditure) is included in the tables below, which only show the lines that have been restated:

## Comprehensive Income and Expenditure Statement 2013/14

	As Previously Stated 2013/14			As Restated 2013/14		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Cultural and related services	40.331	(10.641)	29.690	53.328	(23.929)	29.399
Environmental and regulatory services	48.571	(14.767)	33.804	51.006	(16.005)	35.001
Planning services	25.467	(14.646)	10.821	31.485	(23.912)	7.573
Education and children's services	257.562	(172.532)	85.030	265.230	(180.303)	84.927
Highways and transport services	68.258	(68.470)	(0.212)	74.300	(76.412)	(2.112)
Adult social care	119.726	(32.753)	86.973	119.767	(32.773)	86.994
Corporate and democratic core	32.299	(20.169)	12.130	32.947	(20.906)	12.041
<b>Cost of Services</b>	<b>853.458</b>	<b>(609.788)</b>	<b>243.670</b>	<b>889.307</b>	<b>(650.050)</b>	<b>239.257</b>
Financing and investment income and expenditure			47.977			52.390

## Group Comprehensive Income and Expenditure Statement

	As Previously Stated 2013/14			As Restated 2013/14		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Cultural and related services	48.022	(18.345)	29.677	61.019	(31.633)	29.386
Environmental and regulatory services	48.571	(14.767)	33.804	51.006	(16.005)	35.001
Planning services	25.288	(14.234)	11.054	31.306	(23.500)	7.806
Education and children's services	257.562	(172.532)	85.030	265.230	(180.303)	84.927
Highways and transport services	109.743	(113.882)	(4.139)	115.785	(121.824)	(6.039)
Adult social care	119.726	(32.753)	86.973	119.767	(32.773)	86.994
Corporate and democratic core	32.299	(20.169)	12.130	32.947	(20.906)	12.041
<b>Cost of Services</b>	<b>898.225</b>	<b>(658.409)</b>	<b>239.816</b>	<b>934.074</b>	<b>(698.671)</b>	<b>235.403</b>
Financing and investment income and expenditure			50.601			55.014





# 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.

Notes	2013/14 Restated (Note 2.2.8)			2014/15		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure £m	Income £m	Expenditure £m	Expenditure £m	Income £m	Expenditure £m
Central services to the public	5.397	(3.492)	1.905	4.619	(3.484)	1.135
Cultural and related services	53.328	(23.929)	29.399	53.422	(27.591)	25.831
Environmental and Regulatory services	51.006	(16.005)	35.001	52.523	(19.316)	33.207
Planning Services	31.485	(23.912)	7.573	13.775	(32.485)	(18.710)
Education and children's services	265.230	(180.303)	84.927	286.089	(181.949)	104.140
Highways and transport services	74.300	(76.412)	(2.112)	86.607	(80.658)	5.949
Local authority housing (HRA)	65.586	(96.189)	(30.603)	50.566	(109.325)	(58.759)
Other housing services	166.861	(150.364)	16.497	172.334	(151.883)	20.451
Adult social care	119.767	(32.773)	86.994	133.238	(46.543)	86.695
Public Health	24.770	(25.765)	(0.995)	42.109	(43.577)	(1.468)
Corporate and democratic core	32.947	(20.906)	12.041	36.036	(23.679)	12.357
Non distributed costs	(1.370)	-	(1.370)	(7.447)	-	(7.447)
<b>6.1.1 Cost of Services</b>	<b>889.307</b>	<b>(650.050)</b>	<b>239.257</b>	<b>923.871</b>	<b>(720.490)</b>	<b>203.381</b>
6.1.2 Other operating expenditure			37.879			136.506
6.1.3 Financing and investment income and expenditure			52.390			55.186
6.1.4 Taxation and non-specific grant income			(350.035)			(327.037)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>(20.509)</b>			<b>68.036</b>
6.1.5 Revaluation of PPE/Heritage assets			(28.587)			(42.537)
6.1.6 Re-measurement of pension assets/liabilities			(25.056)			153.168
Other gains/losses recognised required			0.046			(4.813)
<b>Other Comprehensive Income and Expenditure</b>			<b>(53.597)</b>			<b>105.818</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(74.106)</b>			<b>173.854</b>

## 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 or reduce taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable reserves – i.e. 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	31 March
	2014	2015
	£m	£m
6.2.1 Property, Plant & Equipment	1,974.150	1,974.385
6.2.2 Heritage Assets	47.185	55.174
6.2.3 Investment Property	38.388	44.024
6.2.4 Intangible Assets	2.329	3.162
6.2.15(a) Long Term Investments	20.319	15.345
6.2.15(a) Long Term Debtors	60.696	62.437
6.2.5 Assets Held for Sale (non-current)	-	7.628
<b>Long Term assets</b>	<b>2,143.067</b>	<b>2,162.155</b>
6.2.5 Assets Held for Sale (current)	4.621	9.011
6.2.15(a) Short Term Investments	160.350	149.477
6.2.6 Inventories	2.537	3.834
6.2.7 Short Term Debtors	104.809	109.201
6.2.8 Cash and Cash Equivalents	59.041	53.409
<b>Current Assets</b>	<b>331.358</b>	<b>324.932</b>
6.2.15(b) Short Term Borrowing	(32.195)	(25.145)
6.2.9 Short Term Creditors	(189.708)	(195.608)
6.2.10(a) Provisions (current provisions)	(4.797)	(25.917)
<b>Current Liabilities</b>	<b>(226.700)</b>	<b>(246.670)</b>
6.2.15(b) Long Term Borrowing	(685.889)	(670.493)
6.2.15(b) Other Long Term Liabilities	(98.843)	(112.364)
6.2.10(b) Provisions (non-current)	(14.831)	(13.707)
6.2.13 Capital Grants Receipts in Advance	(3.310)	(2.765)
6.2.14 Defined Benefit Pension Scheme	(550.498)	(720.588)
<b>Long Term Liabilities</b>	<b>(1,353.371)</b>	<b>(1,519.917)</b>
<b>NET ASSETS</b>	<b>894.354</b>	<b>720.500</b>
6.2.11 Usable Reserves	238.186	250.884
6.2.12 Unusable Reserves	656.168	469.616
<b>TOTAL RESERVES</b>	<b>894.354</b>	<b>720.500</b>

## Section 3 – Core Financial Statements

### 3.3 Movement in Reserves Statement

This statement shows the in-year movement of reserves, analysed into 'usable reserves' and 'unusable reserves' (see Section 3.2 above). The Surplus/(deficit) on the Provision of Services from the CIES is added to the opening balance for the year. However, adjustments are first made to reflect the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and dwellings rent setting purposes, to arrive at the Movement before Discretionary Transfers. The Council then has discretion to earmark General Fund Reserves for specific purposes as shown by the Discretionary Transfers line.

2014/15	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31/3/14</b>	<b>12.229</b>	<b>148.763</b>	<b>4.854</b>	<b>14.416</b>	<b>38.658</b>	<b>19.266</b>	<b>238.186</b>	<b>656.168</b>	<b>894.354</b>
<b>Movement in 2014/15:</b>									
Surplus/(deficit) on the provision of services	(103.015)	-	34.979	-	-	-	(68.036)	-	(68.036)
Other CIE*	-	-	-	-	-	-	-	(105.818)	(105.818)
<b>Total CIE (Table 3.1)</b>	<b>(103.015)</b>	<b>-</b>	<b>34.979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68.036)</b>	<b>(105.818)</b>	<b>(173.854)</b>
Funding basis adjustments (Note 6.3.1)	121.681	-	(35.526)	8.134	(10.188)	(3.367)	80.734	(80.734)	-
<b>Movement before discretionary transfers</b>	<b>18.666</b>	<b>-</b>	<b>(0.547)</b>	<b>8.134</b>	<b>(10.188)</b>	<b>(3.367)</b>	<b>12.698</b>	<b>(186.552)</b>	<b>(173.854)</b>
Discretionary transfers	(11.342)	11.342	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>7.324</b>	<b>11.342</b>	<b>(0.547)</b>	<b>8.134</b>	<b>(10.188)</b>	<b>(3.367)</b>	<b>12.698</b>	<b>(186.552)</b>	<b>(173.854)</b>
<b>Balance at 31/3/15</b>	<b>19.553</b>	<b>160.105</b>	<b>4.307</b>	<b>22.550</b>	<b>28.470</b>	<b>15.899</b>	<b>250.884</b>	<b>469.616</b>	<b>720.500</b>

\* CIE - Comprehensive Income and Expenditure

2013/14	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31/3/13</b>	<b>13.802</b>	<b>118.656</b>	<b>5.030</b>	<b>9.303</b>	<b>28.007</b>	<b>19.225</b>	<b>194.023</b>	<b>626.225</b>	<b>820.248</b>
<b>Movement in 2013/14:</b>									
Surplus/(deficit) on the provision of services	9.332	-	11.177	-	-	-	20.509	-	20.509
Other CIE*	-	-	-	-	-	-	-	53.597	53.597
<b>Total CIE (Table 3.1)</b>	<b>9.332</b>	<b>-</b>	<b>11.177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.509</b>	<b>53.597</b>	<b>74.106</b>
Funding basis adjustments (Note 6.3.1)	19.202	-	(11.353)	5.113	10.651	0.041	23.654	(23.654)	-
<b>Movement before discretionary transfers</b>	<b>28.534</b>	<b>-</b>	<b>(0.176)</b>	<b>5.113</b>	<b>10.651</b>	<b>0.041</b>	<b>44.163</b>	<b>29.943</b>	<b>74.106</b>
Discretionary transfers	(30.107)	30.107	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>(1.573)</b>	<b>30.107</b>	<b>(0.176)</b>	<b>5.113</b>	<b>10.651</b>	<b>0.041</b>	<b>44.163</b>	<b>29.943</b>	<b>74.106</b>
<b>Balance at 31/3/14</b>	<b>12.229</b>	<b>148.763</b>	<b>4.854</b>	<b>14.416</b>	<b>38.658</b>	<b>19.266</b>	<b>238.186</b>	<b>656.168</b>	<b>894.354</b>

\* CIE - Comprehensive Income and Expenditure

### 3.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents held by the Council during the reporting period and how these are generated or used by classifying cash flows as operating, investing and financing activities. The 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	2013/14 £m	2014/15 £m
<b>Net Surplus/(Deficit) on the provision of Services</b>	<b>20.509</b>	<b>(68.036)</b>
Adjustments to net surplus or deficit on the provision of services for non-cash movements	192.556	223.820
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(74.643)	(84.822)
<b>6.4.1 Net Cash Flows from Operating Activities</b>	<b>138.422</b>	<b>70.962</b>
6.4.2 Investing activities	(81.194)	(57.025)
6.4.3 Financing activities	(75.103)	(19.569)
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>(17.875)</b>	<b>(5.632)</b>
Cash and cash equivalents at the beginning of the reporting period	76.916	59.041
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH 2015</b>	<b>59.041</b>	<b>53.409</b>



# Section 4

## Certifications

### 4.1 Independent Auditor’s Report to the members of Nottingham City Council

#### 4.1.1 Auditors Report

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 2015.

Signed..... Date: 29 June 2015

**Geoff Walker**  
Chief Finance Officer  
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 2015.

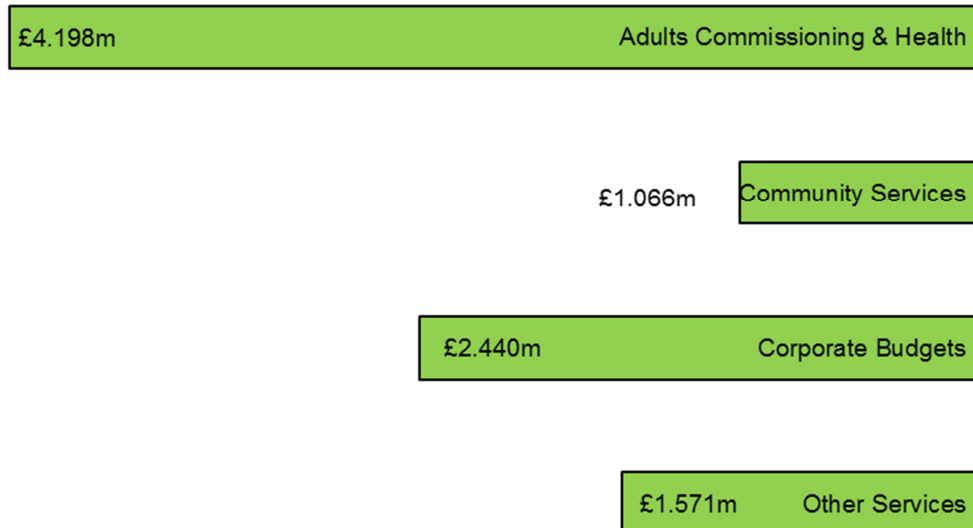
# Funding Basis and Budget Monitoring

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 2014/15

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 to be reported to Executive Board on 21 July 2015 will show the net outturn as being £9.275m lower than that planned for the year.

2014/15 Net Underspending by Portfolios £9.275m



**Adults Commissioning and Health -£4.198 m**

This underspending is mostly due to increased contributions towards care packages.

**Community Services -£1.066m**

This underspending is a result of increased turnover by the service’s trading activities.

**Corporate Budgets -£2.440m**

This underspending was generated by interest savings on delayed borrowing and less debt repayment as a result of capital programme slippage.



## 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.

2014/15	Commissioning and Health Adults, £m	Children's Services £m	Strategic Regeneration and Schools £m	Leisure and Culture £m	Resources and Neighbourhood Regeneration £m	Other Smaller Portfolios £m	Corporate Items £m	Total £m
Fees, Charges, other income	(78.448)	(4.903)	(9.628)	(30.292)	(34.291)	(73.027)	(88.351)	<b>(318.940)</b>
Government Grants	(0.458)	(10.449)	(141.625)	(0.534)	(6.428)	(21.485)	(113.579)	<b>(294.558)</b>
<b>Total Income</b>	<b>(78.906)</b>	<b>(15.352)</b>	<b>(151.253)</b>	<b>(30.826)</b>	<b>(40.719)</b>	<b>(94.512)</b>	<b>(201.930)</b>	<b>(613.498)</b>
Employee Expenses	28.898	33.836	91.352	18.317	37.871	51.701	1.746	<b>263.721</b>
Other Service Expenses	142.172	38.563	52.920	21.955	39.816	83.164	239.142	<b>617.732</b>
Support Service Recharges	0.469	0.320	1.066	(0.183)	(2.007)	0.335	-	<b>(0.000)</b>
<b>Total Expenditure</b>	<b>171.539</b>	<b>72.719</b>	<b>145.338</b>	<b>40.089</b>	<b>75.680</b>	<b>135.200</b>	<b>240.888</b>	<b>881.453</b>
<b>NET EXPENDITURE</b>	<b>92.633</b>	<b>57.367</b>	<b>(5.915)</b>	<b>9.263</b>	<b>34.961</b>	<b>40.688</b>	<b>38.958</b>	<b>267.955</b>

2013/14	Adults and Health £m	Children's Services £m	Commissioning and Voluntary Sector £m	Leisure and Culture £m	Resources and Neighbourhood Regeneration £m	Other Smaller Portfolios £m	Corporate Items £m	Total £m
Fees, Charges, other income	(55.356)	(11.960)	(2.518)	(26.802)	(42.670)	(48.008)	(85.169)	<b>(272.483)</b>
Government Grants	(0.266)	(151.897)	(0.474)	(0.604)	(7.066)	(11.926)	(109.984)	<b>(282.217)</b>
<b>Total Income</b>	<b>(55.622)</b>	<b>(163.857)</b>	<b>(2.992)</b>	<b>(27.406)</b>	<b>(49.736)</b>	<b>(59.934)</b>	<b>(195.153)</b>	<b>(554.700)</b>
Employee Expenses	25.657	132.296	4.927	18.390	48.145	40.016	1.050	<b>270.481</b>
Other Service Expenses	106.767	80.611	16.980	20.563	38.901	55.847	248.777	<b>568.446</b>
Support Service Recharges	0.762	0.206	(0.057)	(0.224)	(1.918)	1.150	0.081	<b>-</b>
<b>Total Expenditure</b>	<b>133.186</b>	<b>213.113</b>	<b>21.850</b>	<b>38.729</b>	<b>85.128</b>	<b>97.013</b>	<b>249.908</b>	<b>838.927</b>
<b>NET EXPENDITURE</b>	<b>77.564</b>	<b>49.256</b>	<b>18.858</b>	<b>11.323</b>	<b>35.392</b>	<b>37.079</b>	<b>54.755</b>	<b>284.227</b>

## 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 £1,431.80 (2013/14 £1,404.42).

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:

	2013/14 £m	2014/15 £m
<b>Funding Basis</b>		
Net Portfolio Spend	284.227	267.955
(Use)/Contributions to Reserves included above	(25.902)	(9.949)
<b>Expenditure financed from Council Tax and Non-specific Grants</b>	<b>258.325</b>	<b>258.006</b>
Council Tax and NNDR	(157.512)	(146.611)
Non-Specific Grants	(129.347)	(130.061)
<b>(SURPLUS)/DEFICIT ON FUNDING BASIS BEFORE TRANSFERS TO RESERVES</b>	<b>(28.534)</b>	<b>(18.666)</b>
<b>Adjustments to move to Accounting Basis</b>		
Items removed from CIES:		
a) Net pension contributions/payments by employees	(27.114)	(28.212)
b) Provision for Debt Redemption	(33.874)	(34.324)
c) Capital expenditure charged to revenue	(11.072)	(8.425)
Replaced by:		
a) Assessment of retirement benefits due	56.433	45.134
b) Change in valuation of Pension assets	(25.056)	153.168
c) Depreciation, impairment etc	83.033	180.925
d) Change in valuation of other assets	(20.285)	(48.244)
e) Revenue expenditure funded from Capital under Statute	1.639	13.021
Additional items required by Accounting Basis:		
Housing Revenue Account	(11.177)	(34.979)
Grants and Contributions used to finance Capital	(55.739)	(47.185)
Collection Fund adjustment	(3.588)	0.774
Financial Instruments	(0.330)	(0.330)
Other smaller items	1.558	1.197
<b>(SURPLUS)/DEFICIT ON ACCOUNTING BASIS</b>	<b>(74.106)</b>	<b>173.854</b>

### 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:

## Section 5 – Funding Basis and Budget Monitoring

<b>2014/15</b>	Portfolio Spend on Funding Basis	Add Amounts not in Funding Basis	Remove Amounts not in Cost of Services	Cost of Services per CIES (IFRS)	Items below Cost of Services (IFRS)	Totals per CIES (IFRS)
	£m	£m	£m	£m	£m	£m
Fees, charges, other income	(318.940)	(108.968)	(1.826)	(429.734)	-	<b>(429.734)</b>
Interest and investment income	-	-	(0.330)	(0.330)	(8.301)	<b>(8.631)</b>
Council tax and NNDR	-	-	-	-	(275.720)	<b>(275.720)</b>
Government grants and contributions	(294.558)	(47.185)	51.317	(290.426)	(51.317)	<b>(341.743)</b>
<b>Total Income</b>	<b>(613.498)</b>	<b>(156.153)</b>	<b>49.161</b>	<b>(720.490)</b>	<b>(335.338)</b>	<b>(1,055.828)</b>
Employee expenses	263.721	44.596	(28.212)	280.105	-	<b>280.105</b>
Other service expenses	617.732	73.989	(199.993)	491.728	-	<b>491.728</b>
Depreciation, amortisation and impairment	-	192.908	(40.870)	152.038	-	<b>152.038</b>
Interest payments	-	-	-	-	63.487	<b>63.487</b>
Payments to Housing Capital Receipts Pool	-	-	-	-	1.879	<b>1.879</b>
Disposal of Fixed Assets	-	-	-	-	134.627	<b>134.627</b>
<b>Total Expenditure</b>	<b>881.453</b>	<b>311.493</b>	<b>(269.075)</b>	<b>923.871</b>	<b>199.993</b>	<b>1,123.864</b>
<b>NET (SURPLUS)/DEFICIT*</b>	<b>267.955</b>	<b>155.340</b>	<b>(219.914)</b>	<b>203.381</b>	<b>(135.345)</b>	<b>68.036</b>

\* See (Surplus)/Deficit on Provision of Services line in table 3.1

<b>2013/14</b>	Portfolio Spend on Funding Basis	Add Amounts not in Funding Basis	Remove Amounts not in Cost of Services	Cost of Services per CIES (IFRS)	Items below Cost of Services (IFRS)	Totals per CIES (IFRS)
	£m	£m	£m	£m	£m	£m
Fees, charges, other income	(272.483)	(84.977)	(10.449)	(367.909)	(0.890)	<b>(368.799)</b>
Interest and investment income	-	(0.260)	(0.330)	(0.590)	(7.652)	<b>(8.242)</b>
Council tax and NNDR	-	-	-	-	(161.096)	<b>(161.096)</b>
Government grants and contributions	(282.217)	0.666	-	(281.551)	(188.939)	<b>(470.490)</b>
<b>Total Income</b>	<b>(554.700)</b>	<b>(84.571)</b>	<b>(10.779)</b>	<b>(650.050)</b>	<b>(358.577)</b>	<b>(1,008.627)</b>
Employee expenses	270.481	55.876	(27.114)	299.243	-	<b>299.243</b>
Other service expenses	568.446	53.092	(66.957)	554.581	-	<b>554.581</b>
Depreciation, amortisation and impairment	-	80.429	(44.946)	35.483	-	<b>35.483</b>
Interest payments	-	-	-	-	60.932	<b>60.932</b>
Payments to Housing Capital Receipts Pool	-	-	-	-	1.730	<b>1.730</b>
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	36.149	<b>36.149</b>
<b>Total Expenditure</b>	<b>838.927</b>	<b>189.397</b>	<b>(139.017)</b>	<b>889.307</b>	<b>98.811</b>	<b>988.118</b>
<b>NET (SURPLUS)/DEFICIT*</b>	<b>284.227</b>	<b>104.826</b>	<b>(149.796)</b>	<b>239.257</b>	<b>(259.766)</b>	<b>(20.509)</b>

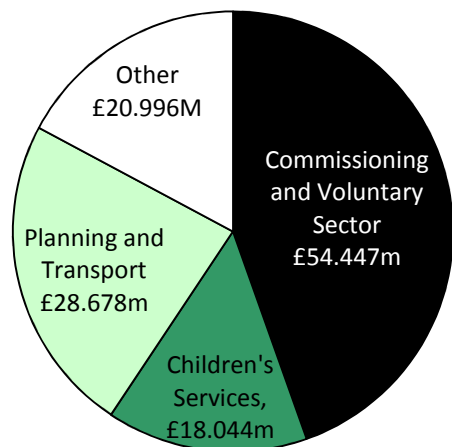
## 5.4 Capital

### 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:

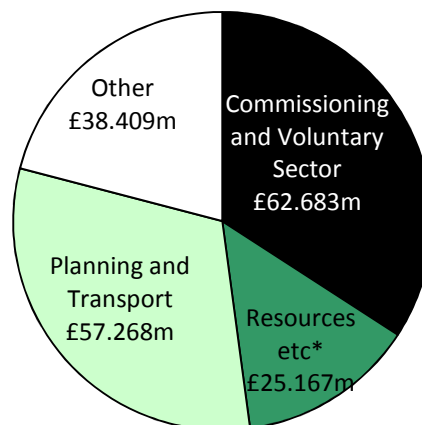
#### Capital Expenditure 2013/14

**£122.165m**



#### Capital Expenditure 2014/15

**£183.527m**



The capital programme is actively managed throughout the year and varied in line with agreed approvals and changes in funding. At the 2014/15 year end, available resources were £262.243m. After spending £183.527m, the balance of £79.116m is therefore available to carry forward into 2015/16, 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:

## Section 5 – Funding Basis and Budget Monitoring

	2013/14 £m	2014/15 £m
<b>Capital Investment on IFRS Basis</b>		
Property, Plant and Equipment	107.925	168.751
Investment Properties	6.573	5.579
Intangible Assets	1.061	1.539
Long Term Debtors	0.034	0.542
<b>Total Additions to Assets on IFRS Basis</b>	<b>115.593</b>	<b>176.411</b>
Revenue Expenditure Funded from Capital under Statute	6.572	7.116
<b>Total Expenditure to be Financed from Capital Sources</b>	<b>122.165</b>	<b>183.527</b>
<b>Financing</b>		
Capital receipts	(4.815)	(5.588)
Government grants and other contributions	(60.631)	(56.925)
Sums set aside from revenue	(34.908)	(54.383)
<b>UNDERLYING BORROWING REQUIREMENT IN YEAR</b>	<b>21.811</b>	<b>66.631</b>

### 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:

	2013/14 £m	2014/15 £m
<b>Opening Capital Financing Requirement</b>	<b>902.178</b>	<b>916.935</b>
Increase in underlying need to borrow:		
Supported by government financial assistance	1.632	0.182
Unsupported by government financial assistance	20.179	66.449
Statutory Minimum Revenue Provision	(8.426)	(7.907)
Voluntary Revenue Provision	(22.410)	(23.692)
Voluntarily Set Aside Capital Receipts	(3.192)	-
Assets acquired under finance leases	(0.002)	-
Assets acquired under PFI/PPP contracts	28.994	11.304
PFI Liability Discharged	(1.045)	(1.989)
Other Items	(0.973)	(0.549)
<b>CLOSING CAPITAL FINANCING REQUIREMENT</b>	<b>916.935</b>	<b>960.733</b>

## 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 2014/15 of £1,041.6m (including PFI and finance lease related debt of £237.3m). Actual external debt on 1 April 2014 was £802.0m and this decreased to £791.2m at 31 March 2015.



# 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 Specific Grants Credited to Services

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

	2013/14 £m	2014/15 £m
<b>Revenue Grants</b>		
Department for Communities and Local Government: PFI Grant	(2.898)	(2.898)
Department for Education: Dedicated School Grant	(137.907)	(128.947)
Department for Education: PFI Grant	(5.416)	(5.590)
Department for Education: Universal Free School Meals	-	(0.962)
Department of Transport: PFI Grants	(46.533)	(47.429)
Department for Work & Pensions: Housing Benefit Admin	(3.123)	(3.011)
Department for Work & Pensions: Innovation Fund	(1.200)	(1.428)
Growth Fund	(1.024)	(1.112)
Mandatory Rent Allowances: Subsidy	(81.020)	(79.229)
Public Health	(27.080)	(27.839)
Pupil Premium Grant	(8.770)	(9.966)
Rent Rebates Granted to HRA Tenants	(62.376)	(62.847)
Drug Action Team	(0.022)	-
Young People Learning Agency Grant	(0.109)	-
<i>Other Revenue Grants</i>	(40.188)	(59.824)
<b>Contributions</b>	(17.566)	(17.139)
<b>TOTAL</b>	<b>(435.232)</b>	<b>(448.221)</b>

### 6.1.2 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2013/14 £m	2014/15 £m
Derecognition of Academies	23.324	113.949
Other Derecognition	11.963	25.524
Payments to the Government Housing Capital Receipts Pool	1.730	1.879
Revaluation increases / decrease on assets held for sale	-	0.570
Net Gain/Loss on the disposal of non-current assets	0.862	(5.416)
<b>TOTAL</b>	<b>37.879</b>	<b>136.506</b>

## Section 6 – Notes to the Financial Statements

### 6.1.3 Financing and Investment Income and Expenditure

Financing and Investment includes the following items:

	2013/14			2014/15		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	23.262	-	23.262	23.099	-	23.099
Other interest	34.672	(3.101)	31.571	35.847	(2.369)	33.478
Trading Operations	2.425	(3.786)	(1.361)	2.601	(4.482)	(1.881)
Investment Property Revaluations	0.359	-	0.359	1.835	-	1.835
Other Finance and Investment items	0.214	(1.655)	(1.441)	0.105	(1.450)	(1.345)
<b>TOTAL</b>	<b>60.932</b>	<b>(8.542)</b>	<b>52.390</b>	<b>63.487</b>	<b>(8.301)</b>	<b>55.186</b>

Further information on Trading Operations can be found in note 6.5.1.

### 6.1.4 Taxation and Non-Specific Grant Income

	2013/14 £m	2014/15 £m
<b>Revenue:</b>		
<i>Council Tax income</i>		
Demand on the collection fund	(79.751)	(85.835)
Council Tax Transition Grant	(0.663)	-
Apportionment of Collection Fund Surplus/Deficit	(0.404)	(1.357)
<i>National Non domestic rates (NNDR)</i>		
Demand on the collection fund	(83.215)	(59.235)
Apportionment of Collection Fund Surplus/Deficit	2.270	0.590
<i>Non-ringfenced government grants</i>		
Revenue Support Grant	(129.347)	(130.061)
New Homes Bonus	(3.186)	(3.397)
Costs of NNDR Collection	-	(0.498)
New Development Deal	-	(0.032)
Enterprise Zones	-	(0.026)
<b>Capital:</b>		
<i>Government Departments</i>	(52.431)	(41.855)
<i>Other</i>	(3.308)	(5.331)
<b>TOTAL</b>	<b>(350.035)</b>	<b>(327.037)</b>

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

During 2014/15 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £34.549m for PPE assets (see note 6.2.1) and £7.988m for Heritage Assets (see note 6.2.2). There are no charges relating to physical damage and demolition of assets in 2014/15.



6.1.6 Transactions Relating to Post Employment Benefits (incl. Pensions)

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

	Local Government		Teachers Benefits	
	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m
<b>Cost of Services:</b>				
Service cost	33.113	21.885	-	-
Administration expenses	0.058	0.150	-	-
<b>Financing and Investment Income and Expenditure:</b>				
Net interest on the defined liability (asset)	22.362	22.059	0.900	1.040
<b>Total Charged to (Surplus)/Deficit on Provision of Services</b>	<b>55.533</b>	<b>44.094</b>	<b>0.900</b>	<b>1.040</b>
<b>Other Comprehensive Income and Expenditure (OCIE):</b>				
Re-measurements of the net defined benefit liability (asset):				
Return on plan assets in excess of interest	(12.792)	(55.171)	-	-
Other actuarial (gains)/losses on assets	27.017	-	-	-
Change in financial assumptions	24.853	206.492	(1.508)	1.708
Change in demographic assumptions	57.517	-	-	0.139
Experience (gain)/loss on defined benefit obligation	(120.143)	-	-	-
<b>Total Charged to OCIE</b>	<b>(23.548)</b>	<b>151.321</b>	<b>(1.508)</b>	<b>1.847</b>
<b>Total Charged to the CIES</b>	<b>31.985</b>	<b>195.415</b>	<b>(0.608)</b>	<b>2.887</b>
<b>Actual Return on Scheme Assets</b>	<b>49.497</b>	<b>n/a</b>	<b>-</b>	<b>-</b>

These transactions are summarised in the following table:

	2013/14 £m	2014/15 £m
<b>Comprehensive Income and Expenditure Statement:</b>		
Cost of services	33.171	22.035
Financing and Investment income and expenditure	23.262	23.099
Other Comprehensive Income and Expenditure	(25.056)	153.168
<b>TOTAL</b>	<b>31.377</b>	<b>198.302</b>

## 6.2 Balance Sheet Notes

### 6.2.1 Property Plant and Equipment

2014/15	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	569.260	938.099	139.242	432.522	29.076	38.608	81.101	<b>2,227.908</b>	<b>105.470</b>
Accumulated Depreciation b/f	-	(55.706)	(62.350)	(123.758)	(6.331)	(1.089)	-	<b>(249.234)</b>	<b>(7.969)</b>
Accumulated Impairment b/f	(0.158)	(0.357)	-	-	-	-	(4.009)	<b>(4.524)</b>	-
<b>Net Book Value at 1st April 2014</b>	<b>569.102</b>	<b>882.036</b>	<b>76.892</b>	<b>308.764</b>	<b>22.745</b>	<b>37.519</b>	<b>77.092</b>	<b>1,974.150</b>	<b>97.501</b>
Additions - Capital Expenditure	39.446	10.484	18.961	7.658	0.814	5.168	66.314	<b>148.845</b>	0.008
Additions - Donations	1.091	-	-	-	-	-	-	<b>1.091</b>	-
Additions - PFI / VA School Recognition	-	4.813	-	11.304	-	-	-	<b>16.117</b>	11.304
Depreciation Charge	(25.946)	(26.539)	(15.186)	(16.685)	(0.942)	(0.978)	-	<b>(86.276)</b>	(3.914)
Revaluations - Recognised in Revaluation Reserve	0.931	30.181	-	-	-	3.437	-	<b>34.549</b>	-
Revaluations - Recognised in the CIES	39.623	0.391	-	-	-	(0.911)	-	<b>39.103</b>	(17.420)
Derecognition - Disposals	(5.012)	(0.025)	-	-	-	(3.110)	-	<b>(8.147)</b>	-
Derecognition - Other	(4.907)	(116.759)	-	-	-	(11.392)	(6.404)	<b>(139.462)</b>	-
Impairments - Recognised in the CIES	0.158	-	-	-	-	-	-	<b>0.158</b>	-
Other - Transfers to Held for Sale	(4.261)	13.324	(0.025)	0.025	-	(2.186)	(12.620)	<b>(5.743)</b>	-
<b>Net Book Value at 31st March 2015</b>	<b>610.225</b>	<b>797.906</b>	<b>80.642</b>	<b>311.066</b>	<b>22.617</b>	<b>27.547</b>	<b>124.382</b>	<b>1,974.385</b>	<b>87.479</b>
Gross Book Value c/f	610.225	852.739	155.032	450.263	29.890	27.575	124.382	<b>2,250.106</b>	99.087
Accumulated Depreciation c/f	-	(54.833)	(74.390)	(139.197)	(7.273)	(0.028)	-	<b>(275.721)</b>	(11.608)
<b>Net Book Value at 31 March 2015</b>	<b>610.225</b>	<b>797.906</b>	<b>80.642</b>	<b>311.066</b>	<b>22.617</b>	<b>27.547</b>	<b>124.382</b>	<b>1,974.385</b>	<b>87.479</b>

## Section 6 – Notes to the Financial Statements

2013/14	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	562.063	934.174	119.894	402.692	27.902	30.454	76.159	<b>2,153.338</b>	<b>76.450</b>
Accumulated Depreciation b/f	-	(39.890)	(49.577)	(107.736)	(5.438)	(1.212)	-	<b>(203.853)</b>	<b>(4.784)</b>
Accumulated Impairment b/f	(0.188)	(6.189)	-	-	-	(7.425)	(4.009)	<b>(17.811)</b>	-
<b>Net Book Value at 1st April 2013</b>	<b>561.875</b>	<b>888.095</b>	<b>70.317</b>	<b>294.956</b>	<b>22.464</b>	<b>21.817</b>	<b>72.150</b>	<b>1,931.674</b>	<b>71.666</b>
Additions - Capital Expenditure	36.223	6.242	20.386	18.529	1.174	4.895	20.476	<b>107.925</b>	0.025
Additions - Donations	1.792	-	0.054	-	-	-	-	<b>1.846</b>	-
Additions - PFI Recognition	-	16.403	-	11.301	-	-	1.291	<b>28.995</b>	28.995
Depreciation Charge	(26.182)	(26.240)	(13.828)	(16.022)	(0.893)	(0.134)	-	<b>(83.299)</b>	(3.185)
Revaluations - Recognised in Revaluation Reserve	0.920	24.410	-	-	-	2.415	-	<b>27.745</b>	-
Revaluations - Recognised in the CIES	7.812	(7.589)	-	-	-	(0.068)	-	<b>0.155</b>	-
Derecognition - Disposals	-	(0.453)	(0.037)	-	-	(2.840)	-	<b>(3.330)</b>	-
Derecognition - Other	(3.531)	(26.953)	-	-	-	(4.803)	-	<b>(35.287)</b>	-
Impairments - Recognised in the CIES	0.030	0.017	-	-	-	-	-	<b>0.047</b>	-
Transfers to Held for Sale/Investment	(9.837)	8.104	-	-	-	16.237	(16.825)	<b>(2.321)</b>	-
<b>Net Book Value at 31st March 2014</b>	<b>569.102</b>	<b>882.036</b>	<b>76.892</b>	<b>308.764</b>	<b>22.745</b>	<b>37.519</b>	<b>77.092</b>	<b>1,974.150</b>	<b>97.501</b>
Gross Book Value c/f	569.260	938.099	139.242	432.522	29.076	38.608	81.101	<b>2,227.908</b>	105.470
Accumulated Depreciation c/f	-	(55.706)	(62.350)	(123.758)	(6.331)	(1.089)	-	<b>(249.234)</b>	(7.969)
Accumulated Impairment c/f	(0.158)	(0.357)	-	-	-	-	(4.009)	<b>(4.524)</b>	-
<b>Net Book Value at 31 March 2014</b>	<b>569.102</b>	<b>882.036</b>	<b>76.892</b>	<b>308.764</b>	<b>22.745</b>	<b>37.519</b>	<b>77.092</b>	<b>1,974.150</b>	<b>97.501</b>

## Section 6 – Notes to the Financial Statements

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### 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 2014/15, 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 full beacon based revaluation of the Council Housing Stock valuation as at 31st March 2015.

### Valuers Assumptions - Cyclical and Non Cyclical Valuations

States of Repair - All properties have been assumed to be in good condition unless specific disrepair has been identified and this has been taken into account in the valuation.

Contamination – Unless there is specific evidence, it is assumed that the properties are not, nor are likely to be affected by land contamination and that there are no ground conditions that affect the present or future use of the properties. Where there is evidence of contamination, this has been reflected in the valuation unless the cost of decontamination work would be immaterial.

Title - It is assumed that there are no encumbrances on title.

Council Housing Stock Valuation – Full beacon revaluation (see above)

### Material Revaluation Gains, Losses and Impairments

10 properties with a total value of £113.949m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent.

## Section 6 – Notes to the Financial Statements

Other material changes as a result of revaluation in 2014/15 include a gain of £27.552m for Nottingham Ice Centre to reflect the multi-use aspect of the facility. A gain of £40.554m reflects the increase in value of Council Housing Stock as a result of the quinquennial full beacon based revaluation.

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 2014/15.

### Valuation at 31 March 2015

DESCRIPTION	Council Dwellings £m	Other Land and Buildings £m	Equipment, Furniture & Vehicles, Plant, £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total £m
Carried at depreciated historical cost			80.642	311.066	22.617			414.325
Valued at depreciated fair value as at:								
2010/11	-	69.666	-	-	-	-	35.415	105.081
2011/12	-	223.689	-	-	-	-	20.020	243.709
2012/13	-	225.616	-	-	-	0.078	25.737	251.431
2013/14	-	106.739	-	-	-	-	19.807	126.546
2014/15	610.225	172.196	-	-	-	27.469	23.403	833.293
<b>TOTAL</b>	<b>610.225</b>	<b>797.906</b>	<b>80.642</b>	<b>311.066</b>	<b>22.617</b>	<b>27.547</b>	<b>124.382</b>	<b>1,974.385</b>

### Capital Commitments

At 31 March 2015, 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 2014 £m	31 March 2015 £m
<b>Public Sector Housing Programme</b>			
Cranwell Road New Build	2014-2017	-	5.342
Meadows New Build	2014-2017	-	6.101
<b>Other Services</b>			
Eastcroft Incinerator Waste Recycling Contract	Rolling	10.972	8.583
Harvey Hadden Pool	2013-2016	11.835	3.980
NET2/3 Land Acquisitions	2012-2017	31.286	7.044
NET2/3 Other Elements of Scheme	2013-2017	102.822	109.067
Creative Quarter - Daykene St Factory	2013-2016	5.968	4.920
Southglade Food Park - Phase 2	2013-2016	6.232	1.496
Growing Places - Boots Site - Infrastructure	2014-2018	-	7.541
Commitments less than £5m at 31 March	-	72.805	72.090
<b>TOTAL</b>		<b>241.920</b>	<b>226.164</b>

## Section 6 – Notes to the Financial Statements

### 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 2013 £m	Revaluations £m	31 March 2014 £m	Revaluations £m	31 March 2015 £m
Byron Collection	13.892	0.260	14.152	0.084	14.236
Costume Collection	0.535	0.010	0.545	(0.009)	0.536
Decorative Art	2.356	0.042	2.398	1.518	3.916
Fine Art	27.655	0.495	28.150	6.340	34.490
Human & Social History	0.593	0.011	0.604	0.043	0.647
Industrial History	0.015	-	0.015	-	0.015
Civic Regalia & Silver Collection	1.298	0.023	1.321	0.013	1.334
<b>TOTAL</b>	<b>46.344</b>	<b>0.841</b>	<b>47.185</b>	<b>7.989</b>	<b>55.174</b>

In 2010/11 there were additions to the value of Heritage Assets of £0.025m. Since 2010/11 there have been no further additions, disposals or impairments.

### 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 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:

## Section 6 – Notes to the Financial Statements

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	36.962	38.388
Additions	6.572	5.579
Disposals	(3.820)	(1.835)
Net gains/(losses) from fair value adjustments	0.006	1.991
Transfers to / from Property Plant and Equipment	(1.332)	(0.099)
<b>BALANCE AT 31 MARCH</b>	<b>38.388</b>	<b>44.024</b>

Details of related income and expenditure included in the CIES are shown in section 6.1.3.

### 6.2.4 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 2014/15 was £0.706m.

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

	2013/14 £m	2014/15 £m
Balance at start of year:		
Gross carrying amounts	4.582	5.643
Accumulated amortisation	(2.801)	(3.314)
<b>Net carrying amount at start of year</b>	<b>1.781</b>	<b>2.329</b>
Additions - Purchases	1.061	1.539
Amortisation for the period	(0.513)	(0.706)
<b>Net carrying amount at end of year</b>	<b>2.329</b>	<b>3.162</b>
<b>Comprising:</b>		
Gross carrying amounts	5.643	7.181
Accumulated amortisation	(3.314)	(4.019)
<b>Net carrying amount at end of year</b>	<b>2.329</b>	<b>3.162</b>

## Section 6 – Notes to the Financial Statements

### 6.2.5 Assets Held for Sale

#### Non-Current

Non-current Assets Held for Sale include a 50% share in the Blueprint Limited Partnership acquired by the Council during 2014/15.

#### Current

Movements in assets that the Council expects to sell within a year were as follows:

	2013/14 £m	2014/15 £m
<b>Balance outstanding at start of year</b>	<b>5.918</b>	<b>4.621</b>
PPE newly classified as held for sale	3.653	5.842
Revaluation losses	-	(0.570)
Revaluation gains	2.438	0.028
Assets sold	(7.388)	(0.910)
<b>BALANCE AT 31 MARCH</b>	<b>4.621</b>	<b>9.011</b>

### 6.2.6 Inventories

	2013/14				2014/15			
	Consumable Stores	Maintenance Materials	Client services work in progress	Total	Consumable Stores	Maintenance Materials	Client services work in progress	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April</b>	<b>0.536</b>	<b>0.051</b>	<b>0.622</b>	<b>1.209</b>	<b>0.524</b>	<b>0.064</b>	<b>1.949</b>	<b>2.537</b>
Purchases	2.903	1.366	12.029	16.298	4.771	0.558	19.085	24.414
Recognised as an expense in the year	(2.898)	(1.353)	(10.702)	(14.953)	(4.660)	(0.192)	(18.265)	(23.117)
Written off balances	(0.017)	-	-	(0.017)	-	-	-	-
<b>BALANCE AT 31 MARCH</b>	<b>0.524</b>	<b>0.064</b>	<b>1.949</b>	<b>2.537</b>	<b>0.635</b>	<b>0.430</b>	<b>2.769</b>	<b>3.834</b>

### 6.2.7 Short Term Debtors

	31 March 2014 £m	31 March 2015 £m
Central government bodies	20.735	15.764
Other local authorities	6.637	7.201
NHS Bodies	1.068	1.905
Public corporations and trading funds	0.187	0.188
Other entities and individuals	76.182	84.143
<b>TOTAL</b>	<b>104.809</b>	<b>109.201</b>



### 6.2.8 Cash and Cash Equivalents

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

	31 March 2014 £m	31 March 2015 £m
Cash held by the Authority	0.394	0.342
Bank current accounts	4.047	(4.133)
Short-term deposits with banks and building societies	54.600	57.200
<b>TOTAL</b>	<b>59.041</b>	<b>53.409</b>

The Council has set-off overdrafts of £15.335m (£8.338m in 2013/14) against credit balances held within its bank current accounts.

### 6.2.9 Short Term Creditors

	31 March 2014 £m	31 March 2015 £m
Central government bodies	(30.793)	(38.562)
Other local authorities	(7.975)	(6.922)
NHS Bodies	(7.437)	(7.773)
Other entities and individuals	(143.503)	(142.351)
<b>TOTAL</b>	<b>(189.708)</b>	<b>(195.608)</b>

### 6.2.10 Provisions

#### Current Provisions

These are amounts set aside meet specific expenditure in 2015/16. For the NET2 project the provision has been increased where new compulsory purchases orders have been issued, but the purchase price has yet to be agreed. A number of Single Status payments have yet to be made against the job evaluation provision, which has been reassessed to provide for an additional £0.927m of costs in relation to academy schools.

	Compulsory Purchases for NET2 £m	Job Evaluation £m	Total £m
<b>Balance at 1 April 2014</b>	<b>(1.750)</b>	<b>(3.047)</b>	<b>(4.797)</b>
Additional provisions made	(22.173)	(0.927)	(23.100)
Amounts used	1.750	0.230	1.980
<b>BALANCE AT 31 MARCH 2015</b>	<b>(22.173)</b>	<b>(3.744)</b>	<b>(25.917)</b>

## Section 6 – Notes to the Financial Statements

### Non-Current Provisions

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

	Injury and Damage Compensation Claims	Business Rates Appeals	Equal Pay	Total
	£m	£m	£m	£m
<b>Balance at 1 April 2014</b>	<b>(9.655)</b>	<b>(4.419)</b>	<b>(0.757)</b>	<b>(14.831)</b>
Additional provisions made	(1.102)	(1.447)	-	(2.549)
Amounts used	0.924	2.749	-	3.673
<b>BALANCE AT 31 MARCH 2015</b>	<b>(9.833)</b>	<b>(3.117)</b>	<b>(0.757)</b>	<b>(13.707)</b>

### 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 £0.250m, and £0.100m 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 2014/2015 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.

### Business Rates

The council bears a risk of non-collection of business rates following appeals. The council's share of appeals awarded during 2014/15 amounts to £2.749m. An additional provision of £1.447m has been made as a result of the assessment of outstanding appeals at 31<sup>st</sup> March 2015, the last date for appeals against the current valuation list.

### 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. A balance of £0.757m remains for this provision.

## 6.2.11 Usable Reserves

Movements in the Council's usable reserves are summarised in the Movement in Reserves Statement (Table 3.3). Further details of the earmarked reserves are shown below:

	Balance at 1 April 2013 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2014 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2015 £m
<b>Restricted Reserves:</b>							
Schools	19.402	(4.389)	6.754	21.767	(3.461)	5.816	24.122
Capital	4.505	(0.086)	0.715	5.134	(1.556)	8.562	12.140
<b>Other Reserves:</b>							
Private Finance Initiatives	12.153	(4.578)	16.463	24.038	(4.996)	16.510	35.552
Investment	10.336	(0.197)	2.916	13.055	(13.574)	22.399	21.880
Contingency	10.102	(1.451)	9.756	18.407	(12.427)	11.258	17.238
Services	17.478	(8.629)	5.030	13.879	(8.817)	5.671	10.733
Job Evaluation	12.550	(0.774)	3.451	15.227	(8.441)	1.311	8.097
Business Transformation	13.023	(1.706)	4.312	15.629	(9.040)	1.098	7.687
Local Economy	4.302	(1.418)	3.730	6.614	(11.889)	12.759	7.484
Information Technology	8.897	(3.700)	3.553	8.750	(5.327)	3.592	7.015
Insurance & Risk							
Management	2.532	(0.253)	-	2.279	-	2.500	4.779
Asset Maintenance	3.376	(0.488)	1.096	3.984	(1.436)	0.830	3.378
	<b>118.656</b>	<b>(27.669)</b>	<b>57.776</b>	<b>148.763</b>	<b>(80.964)</b>	<b>92.306</b>	<b>160.105</b>

Restricted reserves have been identified separately as they are generally not available to support General Fund revenue expenditure. The detailed categories are explained below:

**Schools**

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

**Capital**

Sums that have been set aside in previous years to provide additional funding for the capital programme.

**PFI**

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

**Investment**

Reserves set aside to help fund or manage the impact of new capital schemes that have not yet been included in the capital programme.

## Section 6 – Notes to the Financial Statements

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### **Contingency**

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

### **Services**

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

### **Workforce Issues**

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

### **Business Transformation**

These reserves are available to help meet costs incurred when implementing business and service efficiencies within the Council.

### **Information Technology**

These reserves are set aside to provide a source of funding for major changes to information technology that occur periodically.

### **Insurance and Risk Management**

These reserves reflects the potential future liabilities in relation to insurance claims and provides resources to help reduce or deal with risk management issues that arise.

### **Local Economy**

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

### **Asset Maintenance**

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

#### **6.2.12 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.

## Section 6 – Notes to the Financial Statements

	2013/14 £m	2014/15 £m
Revaluation Reserve	327.492	315.722
Capital Adjustment Account	881.690	877.330
Financial Instruments Adjustment Account	(7.186)	(6.882)
Pensions Reserve	(550.498)	(720.588)
Deferred Capital Receipts Reserve	4.293	3.893
Collection Fund Adjustment Account	5.006	4.232
Accumulated Absences Account	(4.629)	(4.091)
<b>TOTAL UNUSABLE RESERVES</b>	<b>656.168</b>	<b>469.616</b>

### 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.

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	<b>310.122</b>	<b>327.492</b>
Upward revaluation of assets	33.720	50.388
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5.133)	(7.851)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	28.587	42.537
Difference between fair value depreciation and historical cost depreciation	(8.567)	(9.317)
Accumulated gains on assets sold or scrapped	(2.650)	(44.990)
Amount written off to the Capital Adjustment Account	(11.217)	(54.307)
<b>BALANCE AT 31 MARCH</b>	<b>327.492</b>	<b>315.722</b>

## Section 6 – Notes to the Financial Statements

### 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.

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	<b>869.605</b>	<b>881.690</b>
<b>Other Comprehensive Items</b>		
Voluntary aided school recognition	-	4.813
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Amortisation of intangible assets	(0.513)	(0.706)
Charges for depreciation of non-current assets	(83.299)	(86.276)
Charges for impairment of non-current assets	0.047	0.158
Revaluation losses on Property, Plant and Equipment	2.593	38.700
Donated assets	1.846	1.091
Movements in the market value of Investment Properties	0.006	1.817
Revenue expenditure funded from capital under statute (REFCUS)	(6.572)	(19.394)
REFCUS expenditure funded by grants	4.933	6.373
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(50.639)	(150.354)
Adjusting amounts written out of the Revaluation Reserve	11.217	54.307
	<u>(120.381)</u>	<u>(154.284)</u>
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	8.007	5.588
Use of the Major Repairs Reserve to finance new capital expenditure	18.088	40.257
Application of grants from the Capital Grants Unapplied Account	55.698	50.552
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12.469	7.907
Voluntary set aside of capital receipts for debt redemption	22.410	23.693
Adjustment to MRP as a result of PFI Projects	-	3.729
Capital expenditure charged against the General Fund and HRA balances	16.820	14.125
<b>Reduction in Liabilities &amp; Repayment of Long Term Debtors etc:</b>		
Principal Repayment of Capital Loans	(1.026)	(0.740)
	<u>132.466</u>	<u>145.111</u>
<b>BALANCE AT 31 MARCH</b>	<b>881.690</b>	<b>877.330</b>

### 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).

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	<b>(7.530)</b>	<b>(7.186)</b>
Premiums incurred in the year	0.411	0.370
Discounts incurred in the year	(0.072)	(0.072)
Lenders Option Borrowers Option Loans	0.004	0.004
Soft Loans	0.001	0.002
<b>BALANCE AT 31 MARCH</b>	<b>(7.186)</b>	<b>(6.882)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Post employment benefits are accounted for in the CIES as the benefits are earned by employees accruing years of service, 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 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.

## Section 6 – Notes to the Financial Statements

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	<b>(546.235)</b>	<b>(550.498)</b>
Return on plan assets	12.792	55.171
Actuarial gains or (losses) on pensions assets and liabilities	12.264	(208.339)
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(56.433)	(45.134)
Employer's pensions contributions and direct payments to the pensioners payable in the year	27.114	28.212
<b>BALANCE AT 31 MARCH</b>	<b>(550.498)</b>	<b>(720.588)</b>

### Deferred Capital Receipts Reserve

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

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	<b>3.985</b>	<b>4.293</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.066)	(0.400)
Created in year	0.374	-
<b>BALANCE AT 31 MARCH</b>	<b>4.293</b>	<b>3.893</b>

### Collection Fund Adjustment Account

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

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	<b>1.419</b>	<b>5.006</b>
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	3.587	(0.774)
<b>BALANCE AT 31 MARCH</b>	<b>5.006</b>	<b>4.232</b>



### 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.

	2013/14 £m	2014/15 £m
<b>Balance at 1 April</b>	<b>(5.187)</b>	<b>(4.629)</b>
Settlement or cancellation of accrual made at the end of the preceding year	5.187	4.629
Amounts accrued at the end of the current year	(4.629)	(4.091)
<b>Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis</b>	<b>0.558</b>	<b>0.538</b>
<b>BALANCE AT 31 MARCH</b>	<b>(4.629)</b>	<b>(4.091)</b>

### 6.2.13 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:

	2013/14 £m	2014/15 £m
Department for Education	(0.264)	(0.177)
Department of Health	-	(0.019)
S106 Contributions - Affordable Housing	(1.286)	(1.206)
S106 Contributions - Open Space	(0.799)	(1.022)
S106 Contributions - Transport / Public Realm / Training	(0.445)	(0.252)
Other Grants and Contributions	(0.516)	(0.089)
<b>TOTAL</b>	<b>(3.310)</b>	<b>(2.765)</b>

### 6.2.14 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

## Section 6 – Notes to the Financial Statements

Further details for these schemes can be found in Appendix C

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

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

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

	Local Government Pension Scheme		Teachers Benefits	
	2013/14 £m	2014/15 £m	2013/14 £m	2014/15 £m
<b>Opening balance at 1 April</b>	<b>(1,334.670)</b>	<b>(1,351.191)</b>	<b>(34.402)</b>	<b>(31.658)</b>
Current service cost	(36.513)	(30.227)	-	-
Interest cost	(59.066)	(58.312)	(0.900)	(1.040)
Change in financial assumptions	(24.853)	(206.492)	1.508	(1.708)
Change in demographic assumptions	(57.517)	-	-	(0.139)
Experience loss/(gain) on defined benefit obligation	120.143	-	-	-
Liabilities assumed/extinguished on settlements	6.597	19.615	-	-
Estimated benefits paid net of transfers in	42.328	42.069	-	-
Past Service costs including curtailments	(0.708)	(0.916)	-	-
Contributions by scheme participants	(8.188)	(8.519)	-	-
Unfunded pension payments	1.256	1.246	2.136	2.158
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>(1,351.191)</b>	<b>(1,592.727)</b>	<b>(31.658)</b>	<b>(32.387)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2013/14 £m	2014/15 £m
<b>Opening balance at 1 April</b>	<b>822.837</b>	<b>832.351</b>
Interest on assets	36.704	36.253
Return on assets less interest	12.792	55.171
Other actuarial gains/losses	(27.017)	-
Administration expenses	(0.058)	(0.150)
Contributions by the employer including unfunded	24.978	26.054
Contributions by scheme participants	8.188	8.519
Estimated benefits paid plus unfunded net of transfers in	(43.584)	(43.315)
Settlement prices received/paid	(2.489)	(10.357)
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>832.351</b>	<b>904.526</b>

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

	Local Government Pension Scheme		Teachers Benefits	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£m	£m	£m	£m
Present value of funded obligation	(1,336.017)	(1,577.116)	-	-
Fair value of scheme assets (bid value)	832.351	904.526	-	-
<b>Net Liability</b>	<b>(503.666)</b>	<b>(672.590)</b>	-	-
Present value of unfunded obligation	(15.174)	(15.611)	(31.658)	(32.387)
<b>NET LIABILITY IN BALANCE SHEET</b>	<b>(518.840)</b>	<b>(688.201)</b>	<b>(31.658)</b>	<b>(32.387)</b>

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 £720.558m. 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.

### 6.2.15 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 2015 (and 31 March 2014).

## Section 6 – Notes to the Financial Statements

	Notes	Long-term		Current	
		31 March 2014 £m	31 March 2015 £m	31 March 2014 £m	31 March 2015 £m
<b>Investments</b>					
Loans and receivables					
- investments (principal)		15.000	10.000	138.600	136.600
- accrued interest		-	-	0.317	0.550
- Icelandic deposits		-	-	2.450	2.340
		<b>15.000</b>	<b>10.000</b>	<b>141.367</b>	<b>139.490</b>
Available for sale					
- investments (principal)		-	-	18.969	9.980
- accrued interest		-	-	0.014	0.007
Unquoted equity investment at cost		5.319	5.345	-	-
<b>TOTAL INVESTMENTS</b>		<b>20.319</b>	<b>15.345</b>	<b>160.350</b>	<b>149.477</b>
<b>Cash and Cash Equivalents</b>					
- cash (including bank accounts)		-	-	4.441	(3.791)
- cash equivalents (principal)		-	-	54.600	57.200
<b>TOTAL CASH EQUIVALENTS</b>		<b>-</b>	<b>-</b>	<b>59.041</b>	<b>53.409</b>
<b>Debtors</b>					
Loans and receivables	1	60.696	62.437	83.990	90.399
<b>TOTAL DEBTORS</b>		<b>60.696</b>	<b>62.437</b>	<b>83.990</b>	<b>90.399</b>

### Notes:

- Debtors exclude non-contractual items e.g. NNDR and Council Tax, together with Payments in Advance.

	Notes	Long-term		Current	
		31 March 2014 £m	31 March 2015 £m	31 March 2014 £m	31 March 2015 £m
<b>Borrowings</b>					
Financial liabilities at amortised cost					
- principal	1	684.943	669.552	25.311	18.409
- interest		-	-	6.884	6.736
- accounting adjustments		0.946	0.942	-	-
<b>TOTAL BORROWINGS</b>		<b>685.889</b>	<b>670.494</b>	<b>32.195</b>	<b>25.145</b>
<b>Other Long Term Liabilities</b>					
PFI and finance lease liabilities	1	91.789	101.103	1.891	2.414
Growing Places Fund and other		7.054	11.261	15.899	9.758
<b>TOTAL OTHER LONG TERM LIABILITIES</b>		<b>98.843</b>	<b>112.364</b>	<b>17.790</b>	<b>12.172</b>
<b>Creditors</b>					
Financial liabilities at amortised cost	2	-	-	146.218	145.806
<b>TOTAL CREDITORS</b>		<b>-</b>	<b>-</b>	<b>146.218</b>	<b>145.806</b>

**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):

	2013/14 £m	2014/15 £m
Interest expense	(23.878)	(23.462)
Impairment losses	1.080	(0.183)
<b>Total Expense in (Surplus)/Deficit on Provision of Services</b>	<b>(22.798)</b>	<b>(23.645)</b>
Interest income	1.828	2.031
Interest income - impaired financial assets	0.507	0.072
<b>Total Income in (Surplus)/Deficit on Provision of Services</b>	<b>2.335</b>	<b>2.103</b>
<b>NET GAIN/(LOSS) FOR THE YEAR</b>	<b>(20.463)</b>	<b>(21.542)</b>

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 2015, of the cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- The fair values of loans from the PWLB have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31<sup>st</sup> March.
- Within market loans the fair values of long-term “Lender’s Option Borrower’s Option” loans have been calculated discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate on 31st March plus a margin for local authority credit risk and adding the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to Bloomberg’s proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate
- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- 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.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.

## Section 6 – Notes to the Financial Statements

- 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 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
PWLB debt	655.141	746.230	641.197	752.319
Market loans	50.431	63.028	50.427	79.670
3% stock	0.919	0.625	0.648	0.647
Bonds etc	0.387	0.387	0.176	0.176
PFI and finance leases	93.680	372.508	103.516	407.274
Other debt	11.184	11.184	3.191	3.191
Trade creditors	146.218	146.218	145.806	145.806
<b>Financial Liabilities</b>	<b>957.960</b>	<b>1,340.180</b>	<b>944.961</b>	<b>1,389.083</b>
Investments (< 1 year)	193.517	193.517	194.350	194.350
Investments (> 1 year)	15.000	15.107	10.000	10.175
Debtors	83.990	83.990	90.399	90.399
Long-term debtors	60.696	60.696	62.437	62.437
<b>Financial Assets</b>	<b>353.203</b>	<b>353.310</b>	<b>357.186</b>	<b>357.361</b>

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 2015, 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

2014/15	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	0.702	0.004	-	-	-	(0.706)
• Depreciation	56.207	30.069	-	-	-	(86.276)
• Impairment	-	(0.158)	-	-	-	0.158
• Revaluation Losses	0.354	(39.623)	-	-	-	39.269
• Donated Assets	-	(1.091)	-	-	-	1.091
• Investment Property Movement	(1.817)	-	-	-	-	1.817
• Assets Held for Sale Movement	0.569	-	-	-	-	(0.569)
• Derecognition of Fixed Assets	124.016	16.200	-	-	-	(140.216)
• (Loss)/Gain on Sale of Fixed Assets	(0.144)	(4.180)	14.462	-	-	(10.138)
	179.887	1.221	14.462	-	-	(195.570)
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute	13.021	-	-	-	-	(13.021)
• Statutory Minimum Revenue Provision for Capital Financing	(7.907)	-	-	-	-	7.907
• Voluntary Revenue Provision for Capital Financing	(22.688)	(1.005)	-	-	-	23.693
• PFI Minimum Revenue Provision	(3.729)	-	-	-	-	3.729
• Capital Expenditure charged in year to General Fund Balance	(8.425)	(5.700)	-	-	-	14.125
• Transfer to/from Major Repairs Reserve	-	(30.069)	-	(10.188)	-	40.257
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	1.879	-	(1.879)	-	-	-
• Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	-	-	1.139	-	-	(1.139)
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(5.588)	-	-	5.588
• Capital Grants Applied	-	-	-	-	(50.552)	50.552
	(27.849)	(36.774)	(6.328)	(10.188)	(50.552)	131.691

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## Section 6 – Notes to the Financial Statements

2014/15	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Employee Benefits</b>	(0.538)	-	-	-	-	0.538
<b>Pension Fund</b>						
• Net charges made for Retirement Benefits in accordance with IAS19	45.134	-	-	-	-	(45.134)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(28.212)	-	-	-	-	28.212
	16.922	-	-	-	-	(16.922)
<b>Other Movements</b>						
• Capital Grants & Contributions	(47.185)	-	-	-	47.185	-
• Financial Instrument Adjustment Account	(0.330)	0.027	-	-	-	0.303
• Transfer to/(from) Collection Fund Adjustment Account	0.774	-	-	-	-	(0.774)
	(46.741)	0.027	-	-	47.185	(0.471)
<b>TOTAL ADJUSTMENTS</b>	<b>121.681</b>	<b>(35.526)</b>	<b>8.134</b>	<b>(10.188)</b>	<b>(3.367)</b>	<b>(80.734)</b>



## Section 6 – Notes to the Financial Statements

2013/14	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	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
• Derecognition of Fixed Assets	27.981	7.915	-	-	-	(35.896)
• (Loss)/Gain on Sale of Fixed Assets	0.386	0.226	14.131	-	-	(14.743)
	91.675	24.153	14.131	-	-	(129.959)
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute	1.639	-	-	-	-	(1.639)
• Statutory Minimum Revenue Provision for Capital Financing	(8.426)	-	-	-	-	8.426
• Voluntary Revenue Provision for Capital Financing	(21.405)	(1.005)	-	-	-	22.410
• PFI Minimum Revenue Provision	(4.043)	-	-	-	-	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

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## Section 6 – Notes to the Financial Statements

2013/14	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Employee Benefits</b>	(0.558)	-	-	-	-	0.558
<b>Pension Fund</b>						
• 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)
<b>Other Movements</b>						
• 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
<b>TOTAL ADJUSTMENTS</b>	<b>19.202</b>	<b>(11.353)</b>	<b>5.113</b>	<b>10.651</b>	<b>0.041</b>	<b>(23.654)</b>

### 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 Scheme		Teachers Benefits	
	2013/14	2014/15	2013/14	2014/15
	£m	£m	£m	£m
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(55.533)	(44.094)	(0.900)	(1.040)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	24.978	26.054		
Retirement benefits payable to pensioners			2.136	2.158

These transactions can be summarised as follows:

	2013/14	2014/15
	£m	£m
<b>Movement in Reserves Statement:</b>		
Reversal of Charges made in accordance with the Code	(56.433)	(45.134)
Charges to General Fund made on a funding basis	27.114	28.212
<b>TOTAL</b>	<b>(29.319)</b>	<b>(16.922)</b>

## 6.4 Cash Flow Statement Notes

### 6.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £m	2014/15 £m
Interest received	2.336	1.817
Interest paid	(25.870)	(23.131)
Dividends received	1.000	0.700
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(22.534)</b>	<b>(20.614)</b>

### 6.4.2 Investing Activities

	2013/14 £m	2014/15 £m
Purchase of property, plant and equipment, investment property and intangible assets	(131.390)	(144.115)
Purchase of short-term and long-term investments	(22.648)	(0.029)
Other payments for investing activities	(0.417)	(2.030)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13.011	30.850
Other receipts from investing activities	60.250	58.299
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(81.194)</b>	<b>(57.025)</b>

### 6.4.3 Financing Activities

	2013/14 £m	2014/15 £m
Cash receipts of short and long-term borrowing	10.000	2.000
Other receipts from financing activities	3.097	0.257
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1.325)	(1.737)
Repayments of short and long-term borrowing	(86.875)	(20.089)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(75.103)</b>	<b>(19.569)</b>

## 6.5 Other Notes

### 6.5.1 Trading Operations

These trading operations generate income in a competitive commercial environment. Those operations with a turnover of greater than £5m or deficit in excess of £1m are shown separately in the table below :

	2013/14			2014/15		
	Income £m	Expenditure £m	(Surplus) Deficit £m	Income £m	Expenditure £m	(Surplus) Deficit £m
<b>Included within Services:</b>						
Royal Centre Theatre	13.288	12.997	(0.291)	15.089	17.104	2.015
Car Parking	7.798	5.175	(2.623)	7.823	5.341	(2.482)
Property	7.731	4.449	(3.282)	9.350	4.717	(4.633)
Education Catering	7.771	7.668	(0.103)	7.677	7.265	(0.412)
Leisure Centres	4.489	11.969	7.480	5.457	11.561	6.104
Smaller activities	8.531	8.611	0.080	10.109	9.370	(0.739)
<b>Included in Finance and Investment:</b>						
Investment Properties	2.650	0.440	(2.210)	2.623	(0.392)	(3.015)
Smaller Activities	1.136	1.985	0.849	1.859	2.993	1.134
<b>TOTAL</b>						
<b>(SURPLUS)/DEFICIT</b>	<b>53.394</b>	<b>53.294</b>	<b>(0.100)</b>	<b>44.898</b>	<b>40.855</b>	<b>(4.043)</b>

Generally the trading operations are included within Continuing Services in the CIES. The net surplus of trading operations which are not an integral part or directly support NCC's services are charged to Financing and Investment Income and Expenditure. The net surplus of these operations in 2014/15 was £1.881m (2013/14 £1.361m).

### 6.5.2 Agency Services

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

### 6.5.3 Jointly Controlled Operations

Nottingham City Council (NCC) runs a joint operation with Leicestershire County Council (LCC) to provide shared transactional finance, human resources and payroll services to both councils under the name of East Midlands Shared Services (EMSS). EMSS operates under a Joint Committee established under section 102 of the Local Government Act 1972. The Joint Committee does not have separate legal personality and 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 56%.

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

## Section 6 – Notes to the Financial Statements

	Total EMSS		Amounts included within NCC Accounts	
	2013/14	2014/15	2013/14	2014/15
	£m	£m	£m	£m
<b>Income:</b>				
Direct External Income	(1.797)	(1.890)	(0.540)	(0.504)
LCC Share of NCC Direct Costs			(0.149)	-
<b>Total Income</b>	<b>(1.797)</b>	<b>(1.890)</b>	<b>(0.689)</b>	<b>(0.504)</b>
<b>Expenditure:</b>				
Total EMSS Expenditure	5.676	6.708		
Direct costs incurred by NCC			0.348	0.245
Third party payments to LCC			2.566	2.959
<b>Total Expenditure</b>	<b>5.676</b>	<b>6.708</b>	<b>2.914</b>	<b>3.204</b>
<b>NET EXPENDITURE</b>	<b>3.879</b>	<b>4.818</b>	<b>2.225</b>	<b>2.700</b>

### 6.5.4 Councillors' Allowances

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

	2013/14	2014/15
	£m	£m
Allowances	1.059	1.077
Expenses	0.002	0.001
<b>TOTAL</b>	<b>1.061</b>	<b>1.078</b>

## 6.5.5 Officers Remuneration

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

POST HOLDER	2013/14 £	2014/15 £
<b>Chief Executive - Ian Curryer</b>		
- Salary, Fees & Allowances	160,000	160,000
- Expense Allowances	283	-
- Pension Contributions	28,800	-
	<b>189,083</b>	<b>160,000</b>
<b>Deputy Chief Executive and Corporate Director Resources - C. Mills*</b>		
- Salary, Fees & Allowances	144,653	41,218
- Expense Allowances	92	-
- Pension Contributions	26,038	5,094
	<b>170,783</b>	<b>46,312</b>
<b>Acting Corporate Director Resources - C. O'Connell*</b>		
- Salary, Fees & Allowances	-	90,352
- Pension Contributions	-	10,906
	<b>-</b>	<b>101,258</b>
<b>Corporate Director - Children and Adults **</b>		
- Salary, Fees & Allowances	57,167	140,000
- Pension Contributions	10,290	17,500
	<b>67,457</b>	<b>157,500</b>
<b>Corporate Director - Community Services</b>		
- Salary, Fees & Allowances	130,000	130,000
- Pension Contributions	23,400	-
	<b>153,400</b>	<b>130,000</b>
<b>Corporate Director - Development and Growth</b>		
- Salary, Fees & Allowances	127,500	127,500
- Pension Contributions	22,950	16,483
	<b>150,450</b>	<b>143,983</b>
<b>Corporate Director - Quality and Commissioning ***</b>		
- Salary, Fees & Allowances	102,807	-
- Expense Allowances	59	-
- Pension Contributions	18,505	-
	<b>121,371</b>	<b>-</b>
<b>Director - One Nottingham ****</b>		
- Salary, Fees & Allowances	61,484	-
- Pension Contributions	11,067	-
	<b>72,551</b>	<b>-</b>
<b>Director - Policy, Partnership and Comms *****</b>		
- Salary, Fees & Allowances	77,895	-
- Pension Contributions	14,021	-
	<b>91,916</b>	<b>-</b>

\* Deputy Chief Executive / Corporate Director Resources left 13/07/14, a Council employee was Seconded to the Corporate Director Resources role for the remaining of 2014/15

\*\* Corporate Director - Children and Adults - Appointed 4/11/2013

\*\*\* Corporate Director - Quality and Commissioning - Seconded to Corporate Director Children and Adults from 1/2/2013-3/11/2013, due to a Senior Officer restructure this post was removed on the 31st March 2014

\*\*\*\* Director - One Nottingham stopped reporting direct to the Chief Executive from the 1st April 2014, as such now no longer meets the requirements of this disclosure.

\*\*\*\*\* Director - Policy, Partnership and Comms - left the Council on the 31st March 2014

## Section 6 – Notes to the Financial Statements

During 2014/15 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 post holder is not an employee of the City Council.

A total of 161 employees (including senior employees) received remuneration of more than £0.050m, of these 84 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					
	2013/14			2014/15		
	School Based Staff	Senior Employees	Other Staff	School Based Staff	Senior Employees	Other Staff
50,000 - 54,999	32	-	29	30	-	19
55,000 - 59,999	20	1	17	19	-	15
60,000 - 64,999	17	1	11	14	-	12
65,000 - 69,999	9	-	6	7	-	6
70,000 - 74,999	3	-	2	2	-	2
75,000 - 79,999	2	1	6	4	-	3
80,000 - 84,999	1	-	4	1	-	4
85,000 - 89,999	1	-	5	2	-	6
90,000 - 94,999	2	-	2	2	-	3
95,000 - 99,999	1	-	-	2	-	-
100,000 - 104,999	1	1	1	1	-	1
105,000 - 109,999	-	-	-	-	-	-
110,000 - 114,999	-	-	-	-	-	-
115,000 - 119,999	-	-	-	-	-	-
120,000 - 124,999	-	-	-	-	1	-
125,000 - 129,999	-	2	1	-	1	1
130,000 - 134,999	-	-	-	-	1	-
135,000 - 139,999	-	-	-	-	-	-
140,000 - 144,999	-	1	-	-	1	-
145,000 - 149,999	-	-	-	-	-	-
150,000 - 154,999	-	-	-	-	-	-
155,000 - 159,999	-	-	-	-	-	-
160,000 - 164,999	-	1	-	-	1	-
<b>Total</b>	<b>89</b>	<b>8</b>	<b>84</b>	<b>84</b>	<b>5</b>	<b>72</b>
<b>Grand Total</b>			<b>181</b>			<b>161</b>

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



## Section 6 – Notes to the Financial Statements

Type of Exit Package	2013/14*		2014/15		
	Up to £20,000	£20,001 to £40,000	Up to £20,000	£20,001 to £40,000	£40,001 to £150,000
<b>Number of:</b>					
Compulsory redundancies	48	2	24	2	4
Other departures agreed	42	6	25	6	-
<b>Total departures</b>	<b>90</b>	<b>8</b>	<b>49</b>	<b>8</b>	<b>4</b>
Total Cost	£823,801	£189,213	£228,287	£348,125	£363,146

\* 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:

	2013/14 £m	2014/15 £m
Statutory audit and inspection work	0.233	0.232
Certification of grant claims and returns	0.025	0.032
Refund of prior year fees by Audit Commission	-	(0.055)
<b>TOTAL</b>	<b>0.258</b>	<b>0.209</b>

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.

## Section 6 – Notes to the Financial Statements

Details of the deployment of DSG receivable for 2014/15 are as follows:

Notes	Central Expenditure £m	ISB £m	Total £m
A			228.843
B			(99.896)
C			128.947
D			11.962
E			9.066
F	29.329	115.595	144.924
G	(1.507)	(5.807)	(7.314)
H	27.822	109.788	137.610
I	22.006		
J		(109.788)	
K	-	-	-
<b>L</b>	<b>5.816</b>	<b>-</b>	<b>14.882</b>

Notes to DSG:

- A Figure as announced by the Department for Education (DfE) in March 2015.
- B Figure recouped from the Council in 2014/15 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recoupment for 2014/15.
- D Figure brought forward from 2013/14 as agreed with the DfE.
- E The amount which the Council planned after consultation with the schools forum to carry forward to 2015/16, rather than distribute in 2014/15.
- 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 2014/15.
- 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 2014/15 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2015/16. The total figure is the carry forward to 2015/16 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 2015 are shown in Table 6.2.14.

**Councillors/Officers**

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2014/15 is shown in the Councillors' allowances note.

During 2014/15 payments, receipts and balances outstanding for works and services to companies (including subsidiaries and associated companies) in which Councillors or relevant officers had an interest were as follows:

	2013/14 £m	2014/15 £m
Payments	72.766	84.502
Receivables	(9.451)	(16.622)
Debtors	5.957	7.806
Creditors	(0.009)	(9.422)

Details of 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. There were no significant transactions with the Council for these arrangements in 2014/15.

The Council paid £0.070m in 2014/15 (£0.067m 2013/14) to the Environment Agency for flood defence.

## Section 6 – Notes to the Financial Statements

### 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.

	2013/14		2014/15	
	Payments	Receipts	Payments	Receipts
	£m	£m	£m	£m
Nottingham City Transport	7.783	(0.756)	7.784	(0.966)
Nottingham City Homes (NCH) Ltd	56.512	(7.997)	58.420	(8.373)
Enviroenergy Ltd	0.929	(3.537)	0.921	(4.061)
Futures Advice, Skills and Employment Ltd	2.514	(0.003)	3.217	(0.012)
Nottingham Revenues & Benefits Ltd	-	-	-	(1.857)
Other Related Parties	0.560	(3.668)	0.668	(2.510)

	2013/14		2014/15	
	Debtors	Creditors	Debtors	Creditors
	£m	£m	£m	£m
Nottingham City Transport	0.889	(0.152)	0.959	(0.315)
Nottingham City Homes (NCH) Ltd	4.260	(11.787)	2.506	(9.701)
Enviroenergy Ltd	18.669	(2.244)	17.110	(3.197)
Futures Advice, Skills and Employment Ltd	-	(0.440)	-	-
Nottingham Revenues and Benefits Ltd	-	-	0.375	(0.248)
Other Related Parties	5.402	(2.913)	5.410	(0.440)

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

The Council introduced the workplace parking levy on the 1 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 31 March 2015 are as follows:

	2013/14	2014/15
	£m	£m
Income	(8.453)	(9.089)
Expenditure	0.809	0.837
<b>NET INCOME</b>	<b>(7.644)</b>	<b>(8.252)</b>

### 6.5.10 Leases

#### Council as Lessee

#### Finance Leases

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

## Section 6 – Notes to the Financial Statements

	31 March 2014 £m	31 March 2015 £m
Other Land and Buildings	39.347	38.526
Vehicles, Plant, Furniture and Equipment	0.001	-
<b>TOTAL</b>	<b>39.348</b>	<b>38.526</b>

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 2014 £m	31 March 2015 £m
Finance lease liabilities*:		
current	0.002	0.001
non-current	2.206	2.205
Finance costs payable in future years	11.510	11.302
<b>MINIMUM LEASE PAYMENTS</b>	<b>13.718</b>	<b>13.508</b>

\* Net present value of minimum lease payments

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

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £m	31 March 2015 £m	31 March 2014 £m	31 March 2015 £m
Not later than one year	0.209	0.208	0.002	0.001
Between one and five years	0.833	0.833	0.005	0.005
Later than five years	12.676	12.467	2.201	2.200
<b>TOTAL</b>	<b>13.718</b>	<b>13.508</b>	<b>2.208</b>	<b>2.206</b>

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:

## Section 6 – Notes to the Financial Statements

	31 March 2014 £m	31 March 2015 £m
Not later than one year	0.359	0.342
Between one and five years	0.989	0.700
Later than five years	2.168	2.125
<b>TOTAL</b>	<b>3.516</b>	<b>3.167</b>

The expenditure charged to the CIES during 2014/15 in relation to these leases was £0.251m (2013/14 £0.330m).

### 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 2014 £m	31 March 2015 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	59.404	59.337
Anticipated residual value of property	8.595	8.567
<b>GROSS INVESTMENT IN THE LEASE</b>	<b>69.021</b>	<b>68.926</b>

\* Net present value of minimum lease payments

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

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2014 £m	31 March 2015 £m	31 March 2014 £m	31 March 2015 £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	68.688	68.593	60.093	60.026
<b>TOTAL</b>	<b>69.021</b>	<b>68.926</b>	<b>60.426</b>	<b>60.359</b>

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

The Council has not set aside an allowance for 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 2014 £m	31 March 2015 £m
Not later than one year	4.187	4.035
Between one and five years	11.321	12.470
Later than five years	96.410	95.796
<b>TOTAL</b>	<b>111.918</b>	<b>112.301</b>

### Contingent Rents

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

- the level of sales achieved by the tenant
- rate of inflation
- usage

For operating leases where the Council is lessor there were contingent rents receivable by the Authority in 2014/15 of £1.111m (2013/14 £0.950m). There were no contingent rents for any of the other types of lease arrangement.

### 6.5.11 Private 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 / testing and it is envisaged that the NET expansion will become operational summer 2015.

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.

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

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

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

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

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

The Council has completed two new Joint Service Centres these Centres are located at Hyson Green / Bulwell and 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 2014/15, which are then inflated using the inflation rate implicit with each PFI arrangement:

	2015/16	2016/17 - 2019/20	2020/21 - 2024/25	2025/26 - 2029/30	2030/31 - 2034/35	2035/36 - 2039/40	Total
	£m	£m	£m	£m	£m	£m	£m
<b>NET</b>							
Repayment of Liability	100.369	15.133	24.628	18.428	19.736	-	<b>178.294</b>
Interest Charges	10.315	54.838	50.065	27.610	6.055	-	<b>148.883</b>
Service Charges	17.848	67.077	88.557	119.290	106.835	-	<b>399.607</b>
<b>NET Unitary Charge</b>	<b>128.532</b>	<b>137.048</b>	<b>163.250</b>	<b>165.328</b>	<b>132.626</b>	-	<b>726.784</b>
<b>BSF</b>							
Repayment of Liability	1.148	4.996	9.815	13.469	16.605	4.632	<b>50.665</b>
Interest Charges	3.866	14.537	15.329	10.795	4.755	0.588	<b>49.870</b>
Service Charges	2.918	13.323	17.455	21.528	23.980	6.306	<b>85.510</b>
<b>BSF Unitary Charge</b>	<b>7.932</b>	<b>32.856</b>	<b>42.599</b>	<b>45.792</b>	<b>45.340</b>	<b>11.526</b>	<b>186.045</b>
<b>LIFT</b>							
Repayment of Liability	0.417	1.762	2.915	3.577	4.210	1.343	<b>14.224</b>
Interest Charges	1.191	4.436	4.667	3.388	1.765	0.187	<b>15.634</b>
Service Charges	0.579	2.766	4.124	5.701	5.389	1.174	<b>19.733</b>
<b>LIFT Unitary Charge</b>	<b>2.187</b>	<b>8.964</b>	<b>11.706</b>	<b>12.666</b>	<b>11.364</b>	<b>2.704</b>	<b>49.591</b>
<b>Street Lighting</b>							
Repayment of Liability	0.574	3.839	7.788	13.086	13.130	1.643	<b>40.060</b>
Interest Charges	4.206	16.226	17.285	11.782	5.414	0.037	<b>54.950</b>
Service Charges	1.742	6.595	9.247	10.792	22.657	1.061	<b>52.094</b>
<b>Street Lighting Unitary Charge</b>	<b>6.522</b>	<b>26.660</b>	<b>34.320</b>	<b>35.660</b>	<b>41.201</b>	<b>2.741</b>	<b>147.104</b>
<b>TOTAL CHARGES</b>	<b>145.173</b>	<b>205.528</b>	<b>251.875</b>	<b>259.446</b>	<b>230.531</b>	<b>16.971</b>	<b>1,109.524</b>

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

### Liabilities resulting from PFI arrangements

The following table shows the value of liabilities resulting from PFI arrangements and the in year movements. However, although there is a contractual commitment included for the NET PFI scheme in the table above, as the scheme is not yet live, there is no liability included in the 2014/15 balance sheet or the table below:

	2013/14		2014/15		
	Total £m	BSF £m	LIFT £m	Street Lighting £m	Total £m
<b>Opening balance at 1 April</b>	<b>63.812</b>	51.394	14.615	25.465	<b>91.474</b>
Additions	<b>28.995</b>	-	-	11.304	<b>11.304</b>
Repayment of Liability	<b>(1.333)</b>	(0.727)	(0.390)	(0.623)	<b>(1.740)</b>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>91.474</b>	<b>50.667</b>	<b>14.225</b>	<b>36.146</b>	<b>101.038</b>

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### 6.5.12 Trust 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 £28.204m (£27.097m at 31 March 2014) with a turnover of £2.038m (£1.999m 2013/14), 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 £1.734m (£1.716m as at 31 March 2013) with a turnover of £0.300m (£0.361m 2012/13). These Trusts include:

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

### 6.5.13 Contingent Liabilities

At 31 March 2015, the Council has the following contingent liabilities that could exceed a materiality level of £5m:

#### **Employment Tribunal - Increments**

The Council has a potential liability in relation to an outstanding litigation which goes before the Employment Tribunal in July 2015.

#### **Insurance Claims**

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

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

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

### 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.

## Section 6 – Notes to the Financial Statements

The adopted credit criteria in respect of financial assets held by the Council in 2014/15 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 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 £213.780m at 31 March 2015 (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 2015 that this was likely to crystallise.

The following table summarises the value of the Council's investment portfolio at 31 March 2015 (excluding Icelandic bank deposits) and confirms that all investments were made in line with the approved credit rating criteria:

Credit Rating	Long		Short	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£m	£m	£m	£m
AAA	-	-	49.169	68.780
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	60.000	55.000
A+	-	-	-	-
A	-	-	95.000	35.000
A-	-	-	-	-
Unrated local authorities	15.000	10.000	8.000	45.000
<b>Total Investments</b>	<b>15.000</b>	<b>10.000</b>	<b>212.169</b>	<b>203.780</b>

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

## Section 6 – Notes to the Financial Statements

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 2015 is:

	31 March 2014 £m	31 March 2015 £m
Less than 1 year	25.311	18.410
1 to 2 years	15.111	15.494
2 to 5 years	88.508	103.274
5 to 10 years	136.585	122.369
10 – 25 years	235.116	219.071
25 – 40 years	145.574	145.574
40 – 70 years	63.098	63.098
Irredeemable	0.951	0.671
<b>TOTAL</b>	<b>710.254</b>	<b>687.961</b>

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

## Section 6 – Notes to the Financial Statements

The maturity analysis of the principal element of loans and receivables at 31 March 2015 is shown below. The Icelandic bank deposits have been expressed based on the current forecast of recovery percentages and dates.

	31 March 2014 £m	31 March 2015 £m
Less than 1 year	214.620	206.086
1 to 2 years	15.000	10.000
<b>TOTAL</b>	<b>229.620</b>	<b>216.086</b>

### 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 or 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 classed as “available for sale” and so 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 2014/15 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.

## Section 6 – Notes to the Financial Statements

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	31 March 2015 £m
Increase in interest payable on variable rate borrowings	(0.543)
Increase in interest receivable on variable rate investments	0.672
Impact on Surplus or Deficit on the Provision of Services	0.129
Share of overall impact debited to the HRA	0.342
<b>IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>0.471</b>

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

### Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £0.813m in a number of joint ventures and in local industry, at 31 March 2015. 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

The Council currently has approximately ISK476m (Icelandic Krona) held in escrow pending the relaxation of capital controls by the Icelandic Government. Based on the official exchange rate at 31 March 2015 the ISK had a sterling value of £2.3m. 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.





# 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, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax.

	2013/14 £m	2014/15 £m
<b>Expenditure</b>		
Repairs and maintenance	32.043	30.354
Supervision and Management	16.771	26.648
Rents, rates, taxes and other charges	2.911	2.981
Depreciation and impairment of non-current assets	16.011	(10.662)
Debt management costs	0.066	0.033
Movement in the allowance for bad debts	1.010	1.212
<b>Total Expenditure</b>	<b>68.812</b>	<b>50.566</b>
<b>Income</b>		
Dwelling Rents	(96.308)	(100.617)
Non Dwelling Rents	(2.524)	(3.137)
Charges for Services and Facilities	(0.339)	(5.571)
Contributions Towards Expenditure	(0.244)	-
<b>Total Income</b>	<b>(99.415)</b>	<b>(109.325)</b>
<b>Net Cost of HRA Services as included in the CIES</b>	<b>(30.603)</b>	<b>(58.759)</b>
HRA services' share of Corporate and Democratic Core	0.033	0.034
Fixed Asset Derecognition	7.916	15.817
<b>NET COST FOR HRA SERVICES</b>	<b>(22.654)</b>	<b>(42.908)</b>
<b>HRA Share of the Operating Income and Expenditure included in the CIES</b>		
Gain or (loss) on sale of HRA non-current assets	0.226	(4.180)
Interest payable and similar charges	11.511	12.437
Interest and Investment Income	(0.260)	(0.328)
<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>(11.177)</b>	<b>(34.979)</b>

## Section 7 – Supplementary Financial Statements and Notes

### 7.1.2 Movement on the HRA Statement

	2013/14 £m	2014/15 £m
<b>Balance on HRA at the start of the Year</b>	<b>5.030</b>	<b>4.854</b>
Surplus or (deficit) for the year	11.177	34.979
Adjustments between accounting basis and funding basis	(11.353)	(35.526)
<b>Increase or (Decrease) in Year on the HRA</b>	<b>(0.176)</b>	<b>(0.547)</b>
<b>BALANCE ON THE HRA AT THE END OF THE YEAR</b>	<b>4.854</b>	<b>4.307</b>

### 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 2014 Number	31 March 2015 Number
<b>Houses and Bungalows</b>		
1 Bedroom	993	992
2 Bedroom	5,855	5,857
3 Bedroom	10,476	10,290
4 or more Bedrooms	519	514
<b>Flats</b>		
1 Bedroom	7,308	7,298
2 Bedrooms	1,564	1,506
3 or more Bedrooms	205	162
<b>TOTAL</b>	<b>26,920</b>	<b>26,619</b>

#### 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 2014 £m	Value at 31 March 2015 £m
<b>Operational Assets</b>		
Council Dwellings	569.102	610.225
Other Land and Buildings	9.746	9.631
Assets Under Construction	7.160	21.651
Surplus Assets not held for sale	16.532	10.021
Investment Properties	1.156	0.946
Assets Held for Sale	0.210	1.934
Infrastructure	20.492	21.079
Vehicles, IT and Other Equipment	7.821	9.911
<b>TOTAL VALUE OF ASSETS</b>	<b>632.219</b>	<b>685.398</b>

### 7.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2015 was £1,794.781m (1 April 2014 £1,673.897m). The Balance Sheet value of dwellings was £610.225m. The difference of £1,184.556m 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 full valuation of the housing stock as at 31 March 2015 (a full valuation is required every 5 years).

### 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:

	2013/14 £m	2014/15 £m
<b>Balance Brought Forward</b>	<b>(28.007)</b>	<b>(38.658)</b>
Credits - Depreciation on HRA Assets	(28.739)	(30.069)
Debits - Capital Expenditure	18.088	40.257
<b>BALANCE AT END OF YEAR</b>	<b>(38.658)</b>	<b>(28.470)</b>

### 7.1.3.5 Capital Expenditure

Capital expenditure of £60.039m (£52.398m in 2013/14) in respect of HRA assets was financed from a range of sources in 2014/15. This is set out below:

	2013/14 £m	2014/15 £m
<b>CAPITAL EXPENDITURE</b>	<b>52.398</b>	<b>60.039</b>
<b>Financed By:</b>		
Capital Receipts Reserve	0.054	0.021
Major Repairs Reserve (MRR)	18.088	40.257
Direct Revenue Financing*	5.749	5.700
Other Capital Grants and Contributions	28.507	14.061
<b>TOTAL FINANCING</b>	<b>52.398</b>	<b>60.039</b>

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

## Section 7 – Supplementary Financial Statements and Notes

### 7.1.3.6 Capital Receipts

Capital receipts of £9.838m (£8.886m in 2013/14) arose from the sale of land, houses and other property within the HRA in 2014/15. Of this total, £8.281m (£5.676m in 2013/14) related to the disposal of houses and flats under the right to buy scheme and £1.346m (£2.543m in 2013/14) from the sale of vacant non purpose built council houses.

	2013/14 £m	2014/15 £m
Land	0.311	-
Houses	8.219	9.626
Other Property	0.356	0.212
<b>TOTAL</b>	<b>8.886</b>	<b>9.838</b>

### 7.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2014/15 as follows:

	2013/14 £m	2014/15 £m
Dwellings	26.181	25.946
Other Operational HRA Assets:		
Other Land and Buildings	0.135	0.883
Vehicles, Plant, Furniture and Equipment	1.193	1.921
Infrastructure and Community Assets	1.224	1.313
Assets Held for Sale	0.006	0.006
<b>TOTAL</b>	<b>28.739</b>	<b>30.069</b>

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

### 7.1.3.8 Revaluations and Impairments during the Financial Year

£39.457m in respect of revaluation gains have been credited to the HRA during the year (£8.440m in 2013/14).

Donated assets amounting to £1.091m (£1.792m in 2013/14) resulted from energy efficiency works undertaken to council dwellings by energy companies as part of a government initiative.

A de-recognition write out of £16.200m (£7.916m in 2013/14) was made to reflect the residual value of assets replaced.

Due to a policy of disposal of non-purpose built council housing there are assets held for sale. The revaluation gains relating to assets held for sale amounted to £0.029m.

Impairments include a credit of £0.158m in respect of an insurance impairment (reversal of charge in previous year).

The revaluation of investment Properties has resulted in a credit of £0.174m.

### 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 £5.487m at 31 March 2015

## Section 7 – Supplementary Financial Statements and Notes

(£4.427m at 31 March 2014). A total bad debt provision of £4.035m has been established at 31 March 2015 (£4.370m at 31 March 2014).

### 7.1.3.10 Average Rent for HRA Dwellings

Year	Average Rent £
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
2014/15	76.46

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

This 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:

## Section 7 – Supplementary Financial Statements and Notes

	2013/14 £m	2014/15 £m
<b>Debit Determination</b>		
Capital Asset Charges	23.921	5.360
Debt Repayment and Management Charges	0.066	0.033
Capital Asset Charges and Accounting Adjustment	24.244	52.926
Transfer to Major Repairs Reserve	28.739	30.069
	<b>76.970</b>	<b>88.388</b>
<b>Credit Determination</b>		
Bank Interest	(0.259)	(0.152)
Mortgage Interest	(0.002)	(0.002)
"T" Adjustment	(36.659)	(46.273)
Premiums and Discounts	0.014	(0.027)
	<b>(36.906)</b>	<b>(46.454)</b>
<b>TOTAL</b>	<b>40.064</b>	<b>41.934</b>

The actual charges to the HRA were:

	2013/14 £m	2014/15 £m
Bank Interest	(0.259)	(0.152)
Mortgage Interest	(0.002)	(0.002)
Capital Financing	11.511	12.053
Debt Repayment and Management Charges	0.066	0.033
Premiums and Discounts	0.014	(0.027)
Transfer to Major Repairs Reserve	28.734	30.029
<b>TOTAL</b>	<b>40.064</b>	<b>41.934</b>

## 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.

	2013/14 £m	2014/15		Total £m
		Business Rates £m	Council Tax £m	
<b>INCOME</b>				
Council Tax Receivable	(99.054)		(106.639)	(106.639)
Business Rates Receivable	(127.155)	(121.347)	-	(121.347)
<b>TOTAL INCOME</b>	<b>(226.209)</b>	<b>(121.347)</b>	<b>(106.639)</b>	<b>(227.986)</b>
<b>EXPENDITURE</b>				
<b>Precepts, Demands and Shares</b>				
Central Government	55.463	62.411	-	62.411
Police Authority	9.633	-	10.646	10.646
Fire Authority	5.054	1.211	4.372	5.583
Billing Authority	133.501	59.322	86.879	146.201
<b>Charges to Collection Fund</b>				
Write offs of uncollectable amounts	4.415	1.538	3.389	4.927
Increase (-)/Decrease in Bad Debt Provision	2.109	0.480	0.600	1.080
Increase (-)/Decrease in Provision for Appeals	9.018	(2.658)	-	(2.658)
Cost of Collection	0.498	0.498	-	0.498
Disregarded Amounts	0.090	0.059	-	0.059
<b>TOTAL EXPENDITURE</b>	<b>219.781</b>	<b>122.861</b>	<b>105.886</b>	<b>228.747</b>
Movement on the Collection Fund Balance	(6.428)	1.514	(0.753)	0.761
(Surplus)/Deficit Brought Forward	(1.661)	-	(3.455)	(3.455)
<b>(SURPLUS)/DEFICIT CARRIED FORWARD</b>	<b>(8.089)</b>	<b>1.514</b>	<b>(4.208)</b>	<b>(2.694)</b>

### 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. The Council retains 49% of the NNDR with the remainder distributed to Central Government (50%) and the Nottinghamshire Fire and Rescue Authority (1%).

## Section 7 – Supplementary Financial Statements and Notes

	2013/14 £	2014/15 £
Rate in the pound	47.1p	48.2p
Total non-domestic rateable value per NNDR system	324,418,061	318,004,575
Gross Debit	152,800,900	153,278,205
Net debit after adjustments and reliefs	130,326,000	126,566,000

### 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.

	2013/14	2014/15
<b>Council Tax Base</b>	<b>60,261</b>	<b>62,447</b>
<b>Council Tax (Band D) Property</b>	<b>£1,643.76</b>	<b>£1,675.83</b>

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	85,825	48,717	6/9	32,478
B	21,859	13,806	7/9	10,738
C	15,508	10,725	8/9	9,533
D	6,522	4,927	9/9	4,927
E	2,314	1,929	11/9	2,358
F	1,000	883	13/9	1,276
G	694	610	15/9	1,016
H	110	61	18/9	121

### 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:

	2013/14	2014/15		Total £m
	£m	Council Tax £m	NNDR £m	
Nottingham City Council	(5.224)	(3.588)	0.769	(2.819)
Nottinghamshire Police Authority	(0.356)	(0.440)	-	(0.440)
Nottinghamshire Fire and Rescue Authority	(0.192)	(0.180)	0.016	(0.164)
Central Government	(2.317)	-	0.729	0.729
<b>TOTAL</b>	<b>(8.089)</b>	<b>(4.208)</b>	<b>1.514</b>	<b>(2.694)</b>



# 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 Significant Judgements and Assumptions

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

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

## Section 8 – Group Financial Statements and Notes

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

For 2014/15 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 2014/15 have been completed using audited accounts from Bridge Estate Trust, Enviroenergy Ltd, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Nottingham Revenues and Benefits Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd.

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

	2013/14		2014/15	
	Single Entity Accounts £m	Group Accounts £m	Single Entity Accounts £m	Group Accounts £m
<b>Comprehensive Income and Expenditure (CIES):</b>				
(Surplus)/Deficit on Provision of Services	(20.509)	(21.607)	68.036	71.072
Other CIES	(53.597)	(40.889)	105.818	130.928
<b>Total CIES (Surplus)/Deficit</b>	<b>(74.106)</b>	<b>(62.496)</b>	<b>173.854</b>	<b>202.000</b>
<b>Balance Sheet:</b>				
Long Term Assets	2,143.067	2,211.941	2,162.155	2,230.213
Current Assets	331.358	327.308	324.932	327.103
Current Liabilities	(226.700)	(235.557)	(246.670)	(257.979)
Long Term Liabilities	(1,353.371)	(1,432.046)	(1,519.917)	(1,629.338)
<b>Nets Assets</b>	<b>894.354</b>	<b>871.646</b>	<b>720.500</b>	<b>669.999</b>
Usable Reserves	238.186	240.874	250.884	253.551
Unusable Reserves	656.168	630.772	469.616	416.448
	<b>894.354</b>	<b>871.646</b>	<b>720.500</b>	<b>669.999</b>
<b>Cash Flow Statement:</b>				
Net Cash Flows from Operating Activities	138.422	145.268	70.962	83.764
Investing Activities	(81.194)	(81.554)	(57.025)	(61.510)
Financing Activities	(75.103)	(80.782)	(19.569)	(24.644)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(17.875)</b>	<b>(17.068)</b>	<b>(5.632)</b>	<b>(2.390)</b>
Cash and Cash Equivalents at the beginning of the reporting period	76.916	90.467	59.041	73.399
<b>Cash and Cash Equivalents at 31 March</b>	<b>59.041</b>	<b>73.399</b>	<b>53.409</b>	<b>71.009</b>

### 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.

## Section 8 – Group Financial Statements and Notes

### 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.

Notes	2013/14 Restated (Note 2.2.8)			2014/15		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Central services to the public	5.397	(3.492)	1.905	4.619	(3.484)	1.135
Cultural and related services	61.019	(31.633)	29.386	63.325	(37.567)	25.758
Environmental and regulatory services	51.006	(16.005)	35.001	52.523	(19.316)	33.207
Planning services	31.306	(23.500)	7.806	13.345	(31.814)	(18.469)
Education and children's services	265.230	(180.303)	84.927	286.089	(181.949)	104.140
Highways and transport services	115.785	(121.824)	(6.039)	129.238	(126.466)	2.772
Local authority housing (HRA)	65.586	(96.189)	(30.603)	50.566	(109.325)	(58.759)
Other housing services	162.631	(146.281)	16.350	168.181	(147.601)	20.580
Adult social care	119.767	(32.773)	86.994	133.238	(46.543)	86.695
Public Health	24.770	(25.765)	(0.995)	42.109	(43.577)	(1.468)
Corporate and democratic core	32.947	(20.906)	12.041	36.036	(23.679)	12.357
Non distributed costs	(1.370)	-	(1.370)	(7.447)	-	(7.447)
<b>Cost of Services</b>	<b>934.074</b>	<b>(698.671)</b>	<b>235.403</b>	<b>971.822</b>	<b>(771.321)</b>	<b>200.501</b>
8.7.1.1 Other operating expenditure			37.879			141.986
8.7.1.2 Financing and investment income and expenditure			55.014			55.719
Taxation and non-specific grants			(350.035)			(327.037)
Other			-			-
<b>(Surplus) or Deficit on Provision of Services</b>			<b>(21.739)</b>			<b>71.169</b>
Share of the surplus or deficit on the provision of services by associates			-			(0.794)
Tax expenses of subsidiaries			0.132			0.697
<b>Group (Surplus)/Deficit</b>			<b>(21.607)</b>			<b>71.072</b>
Revaluation of PPE/Heritage assets			(28.587)			(42.537)
Remeasurements of pension assets/liabilities			(12.348)			178.278
Other gains/losses recognised required			0.046			(4.813)
<b>Other Comprehensive Income and Expenditure</b>			<b>(40.889)</b>			<b>130.928</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(62.496)</b>			<b>202.000</b>

**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.

	2013/14			2014/15		
	Authority	Minority Interest	Total	Authority	Minority Interest	Total
	£m	£m	£m	£m	£m	£m
Group (surplus) / Deficit	(21.490)	(0.117)	(21.607)	71.098	(0.026)	71.072
Other CIES	(41.028)	0.139	(40.889)	130.976	(0.048)	130.928
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(62.518)</b>	<b>0.022</b>	<b>(62.496)</b>	<b>202.074</b>	<b>(0.074)</b>	<b>202.000</b>

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

	2013/14	2014/15
	£m	£m
Total (surplus)/deficit on the authority's single entity CIES	(74.106)	173.854
Add (surplus)/deficit arising from group entities:		
Subsidiaries	12.027	30.325
Joint Ventures		(0.794)
Trust Funds	(0.417)	(1.385)
<b>Total (surplus)/deficit on the Group CIES</b>	<b>(62.496)</b>	<b>202.000</b>

## Section 8 – Group Financial Statements and Notes

### 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 2014 £m	31 March 2015 £m
Property, Plant & Equipment	8.7.2.1	2,022.780	2,019.963
Heritage Assets		47.185	55.174
Investment Property	8.7.2.2	66.692	73.470
Intangible Assets		2.329	3.162
Assets Held for Sale		-	0.078
Long Term Investments		16.119	11.192
Long Term Debtors		56.836	58.830
Investments in Associates and Joint Ventures		-	8.344
<b>Long Term Assets</b>		<b>2,211.941</b>	<b>2,230.213</b>
Short Term Investments		160.350	149.477
Assets Held for Sale		4.621	9.011
Inventories		4.849	6.058
Short Term Debtors	8.7.2.3	84.089	91.548
Cash and Cash Equivalents	8.7.2.4	73.399	71.009
<b>Current Assets</b>		<b>327.308</b>	<b>327.103</b>
Short Term Borrowing		(31.973)	(24.875)
Short Term Creditors	8.7.2.5	(197.961)	(205.608)
Provisions		(5.605)	(27.463)
Current Tax Liability		(0.018)	(0.033)
<b>Current Liabilities</b>		<b>(235.557)</b>	<b>(257.979)</b>
Long Term Creditors		(18.351)	(15.262)
Provisions		(14.831)	(13.707)
Long Term Borrowing		(685.889)	(670.493)
Other Long Term Liabilities		(98.843)	(112.364)
Capital Grants Receipts in Advance		(3.310)	(2.765)
Deferred Tax Liability		(0.222)	(0.904)
Defined Benefit Pension Scheme		(610.600)	(813.843)
<b>Long Term Liabilities</b>		<b>(1,432.046)</b>	<b>(1,629.338)</b>
<b>NET ASSETS</b>		<b>871.646</b>	<b>669.999</b>
Usable Reserves	8.7.2.6	240.874	253.551
Unusable Reserves	8.7.2.7	630.772	416.448
<b>TOTAL RESERVES</b>		<b>871.646</b>	<b>669.999</b>

## 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.

2014/15	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	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31/3/15</b>	<b>12.229</b>	<b>148.763</b>	<b>4.854</b>	<b>14.416</b>	<b>38.658</b>	<b>19.266</b>	<b>238.186</b>	<b>656.168</b>	<b>894.354</b>	<b>(23.082)</b>	<b>0.374</b>	<b>871.646</b>
Movement in 2014/15:												
Surplus/(deficit) on the provision of services	(51.563)	-	34.979	-	-	-	(16.584)	-	(16.584)	(54.514)	0.026	(71.072)
Other CIE	-	-	-	-	-	-	-	(105.818)	(105.818)	(25.158)	0.048	(130.928)
<b>Total CIE (Table 8.4.1)</b>	<b>(51.563)</b>	<b>-</b>	<b>34.979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16.584)</b>	<b>(105.818)</b>	<b>(122.402)</b>	<b>(79.672)</b>	<b>0.074</b>	<b>(202.000)</b>
Adjustments between group accounts and authority accounts (Note 8.7.3.2(a))	(51.452)	-	-	-	-	-	(51.452)	-	(51.452)	51.411	-	(0.041)
<b>Net Increase/Decrease before transfers</b>	<b>(103.015)</b>	<b>-</b>	<b>34.979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68.036)</b>	<b>(105.818)</b>	<b>(173.854)</b>	<b>(28.261)</b>	<b>0.074</b>	<b>(202.041)</b>
Funding basis adjustments	121.681	-	(35.526)	8.134	(10.188)	(3.367)	80.734	(80.734)	-	0.394	-	0.394
<b>Movement before discretionary transfers</b>	<b>18.666</b>	<b>-</b>	<b>(0.547)</b>	<b>8.134</b>	<b>(10.188)</b>	<b>(3.367)</b>	<b>12.698</b>	<b>(186.552)</b>	<b>(173.854)</b>	<b>(27.867)</b>	<b>0.074</b>	<b>(201.647)</b>
Discretionary transfers	(11.342)	11.342	-	-	-	-	-	-	-	-	-	-
<b>Movement in year</b>	<b>7.324</b>	<b>11.342</b>	<b>(0.547)</b>	<b>8.134</b>	<b>(10.188)</b>	<b>(3.367)</b>	<b>12.698</b>	<b>(186.552)</b>	<b>(173.854)</b>	<b>(27.867)</b>	<b>0.074</b>	<b>(201.647)</b>
<b>Balance at 31/3/15</b>	<b>19.553</b>	<b>160.105</b>	<b>4.307</b>	<b>22.550</b>	<b>28.470</b>	<b>15.899</b>	<b>250.884</b>	<b>469.616</b>	<b>720.500</b>	<b>(50.949)</b>	<b>0.448</b>	<b>669.999</b>

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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	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31/3/13</b>	<b>13.802</b>	<b>118.656</b>	<b>5.030</b>	<b>9.303</b>	<b>28.007</b>	<b>19.225</b>	<b>194.023</b>	<b>626.225</b>	<b>820.248</b>	<b>(12.573)</b>	<b>0.396</b>	<b>808.071</b>
<b>Opening balance restatement (note 8.7.3.1)</b>										<b>(0.579)</b>		<b>(0.579)</b>
Movement in 2013/14:												
Surplus/(deficit) on the provision of services	60.580	-	11.177	-	-	-	71.757	-	71.757	(50.267)	0.117	21.607
Other CIE	-	-	-	-	-	-	-	53.597	53.597	(12.569)	(0.139)	40.889
<b>Total CIE (Table 8.4.1)</b>	<b>60.580</b>	<b>-</b>	<b>11.177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71.757</b>	<b>53.597</b>	<b>125.354</b>	<b>(62.836)</b>	<b>(0.022)</b>	<b>62.496</b>
Adjustments between group accounts and authority accounts (Note 8.7.3.2(a))	(51.248)	-	-	-	-	-	(51.248)	-	(51.248)	52.516	-	1.268
<b>Net Increase/Decrease before Transfers</b>	<b>9.332</b>	<b>-</b>	<b>11.177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.509</b>	<b>53.597</b>	<b>74.106</b>	<b>(10.320)</b>	<b>(0.022)</b>	<b>63.764</b>
Funding basis adjustments	19.202	-	(11.353)	5.113	10.651	0.041	23.654	(23.654)	-	0.390	-	0.390
<b>Movement before discretionary transfers</b>	<b>28.534</b>	<b>-</b>	<b>(0.176)</b>	<b>5.113</b>	<b>10.651</b>	<b>0.041</b>	<b>44.163</b>	<b>29.943</b>	<b>74.106</b>	<b>(9.930)</b>	<b>(0.022)</b>	<b>64.154</b>
Discretionary transfers	(30.107)	30.107	-	-	-	-	-	-	-	-	-	-
<b>Movement in year</b>	<b>(1.573)</b>	<b>30.107</b>	<b>(0.176)</b>	<b>5.113</b>	<b>10.651</b>	<b>0.041</b>	<b>44.163</b>	<b>29.943</b>	<b>74.106</b>	<b>(9.930)</b>	<b>(0.022)</b>	<b>64.154</b>
<b>Balance at 31/3/15</b>	<b>12.229</b>	<b>148.763</b>	<b>4.854</b>	<b>14.416</b>	<b>38.658</b>	<b>19.266</b>	<b>238.186</b>	<b>656.168</b>	<b>894.354</b>	<b>(23.082)</b>	<b>0.374</b>	<b>871.646</b>



#### 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	2013/14 £m	2014/15 £m
<b>Net (Surplus)/Deficit on the provision of Services</b>		<b>21.739</b>	<b>(71.169)</b>
Adjustments to net surplus or deficit on the provision of services for non-cash movements		202.687	240.268
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(79.158)	(85.335)
<b>Net Cash Flows from Operating Activities</b>	<b>8.7.4.1</b>	<b>145.268</b>	<b>83.764</b>
Investing activities	<b>8.7.4.2</b>	(81.554)	(61.510)
Financing activities	<b>8.7.4.3</b>	(80.782)	(24.644)
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>		<b>(17.068)</b>	<b>(2.390)</b>
Cash and cash equivalents at the beginning of the reporting period		90.467	73.399
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>		<b>73.399</b>	<b>71.009</b>

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

Unless otherwise stated in sections 8.5.1 to 8.5.3 below:

- The accounts used to produce the Draft 2014/15 group accounts are unaudited
- Copies of the accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ

#### 8.5.1 Subsidiaries:

##### **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.

###### *Risk to the Council*

The steam used to generate energy for resale and electricity generation is purchased from the Council. Debt for the steam purchased due to the Council as at 31 March 2015 is £14.528m (31 March 2014 £16.312m)

##### **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.

###### *Risk to the Council*

The Council has a management agreement with NCH until 31 March 2020. The annual management fee paid to NCH was £22.014m (2013/14 £28.037m).

The Council will continue to assist NCH in meeting their pension fund liabilities as and when they fall due, but only to the extent that money is not otherwise available to NCH to meet such liabilities

##### **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:

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- 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.

### *Period of Accounts*

The financial statements used in the preparation of the group accounts are for the 52 week period ending 28 March 2015 (as this is the last week ending date for NCT’s internal group reporting purposes).

### *Summarised Financial Information of NCT showing Minority Interest*

	2013/14		2014/15	
	NCT £m	5% Minority Interest £m	NCT £m	5% Minority Interest £m
Profit for the period attributable to equity shareholders	(2.313)	(0.116)	(1.266)	(0.063)
Dividends Paid	0.526	0.026	0.737	0.037
Other Comprehensive Income and Expenditure	2.234	0.112	(0.958)	(0.048)
<b>Total Comprehensive Income</b>	<b>0.447</b>	<b>0.022</b>	<b>(1.487)</b>	<b>(0.074)</b>
Non-current Assets	41.969	2.098	37.589	1.879
Current Assets	9.550	0.478	10.581	0.529
Current Liabilities	(14.878)	(0.744)	(14.287)	(0.714)
Non-current Liabilities	(29.163)	(1.458)	(24.918)	(1.246)
<b>Net Assets</b>	<b>7.478</b>	<b>0.374</b>	<b>8.965</b>	<b>0.448</b>

### **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.

### **Nottingham Revenues & Benefits Ltd (Registered Company Number: 09157986)**

#### *Nature of the business*

The company is principally engaged in the provision of administration services in relation to Nottingham’s revenue and benefit services.

#### *Relationship with the Council*

## Section 8 – Group Financial Statements and Notes

The Council is the ultimate controlling party of Nottingham Revenues & Benefits Ltd, owning 100% of the issued share capital.

### 8.5.2 Jointly Ventures:

#### **Blueprint Limited Partnership (Registered Limited Partnership Number: LP10442)**

##### *Nature of the business*

The principal activities of the partnership are that of the purchase of interests in and redevelopment of property, and the sale and interim rental of land and property. The General Partner, Blueprint (General Partner) Ltd, manages the activity of the partnership.

The objectives of the partnership are to carry out this trading and development in order to generate a commercial return and to encourage the physical regeneration and economic growth of the priority urban areas within Nottingham City.

##### *Relationship with the Council*

The Council and Aviva Investor's Igloo Regeneration Partnership each own 49.95%, with Blueprint (General Partner) Ltd owning the remaining 0.1% (the general partner being owned equally by the Council & Aviva). The Council in effect owns 50% of Blueprint Limited Partnership. The Council purchased its share on 9 March 2015.

##### *Commitments*

The Council has committed to loan Blueprint £0.325m in 2015/16 to part fund repairs to the Trent Basin Walls which are costing £0.500m.

##### *Summarised Financial Information*

The following table summarise the financial position of Blueprint:

	2014/15 £m
Turnover	(6.239)
Cost of Sales	4.695
<b>Gross Profit</b>	<b>(1.544)</b>
Other Operating Income	(0.688)
Administrative Expenses	0.753
<b>Operating Profit</b>	<b>(1.479)</b>
Interest Receivable	(0.017)
Interest Payable	0.057
<b>Profit for the Financial Year</b>	<b>(1.439)</b>
Current Assets	18.104
Current Liabilities	(1.417)
<b>Net Assets as at 31 March 2015</b>	<b>16.687</b>
<b>Investment in Joint Venture included in the Council's Group Accounts (50% of net assets)</b>	<b>8.344</b>
Amounts included in the above figures:	
Cash at Bank and In Hand (included in current assets)	5.717
Accruals and Deferred Income (included in Current Liabilities)	(1.103)

### **Futures Advice, Skills and Employment Ltd (Registered Company Number: 04172770)**

#### *Nature of the business*

Futures Advice, Skills and Employment Ltd (Futures) is a company which is an all age, careers and employability advice service which delivers a range of careers, advice and consultancy services in the East Midlands and across England.

#### *Relationship with the Council*

The company is jointly owned 50/50 by the Council and Nottinghamshire County Council.

The Council's share of Future's accumulated net liability and loss in year as at 31 March 2015, equating to £9.090m (2013/14 £4.798m) and £4.292m (2013/14 £0.924m) respectively, have not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

#### *Commitments*

The Council is committed to paying Futures £1.700m in 2015/16, being grant funding for the delivery of careers advice. Up to a further £0.090m is payable based on performance, in respect of the Innovation Fund funding received by the Council from DWP.

#### *Summarised Financial Information*

The following table summarise the financial position of Futures group:

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	2013/14 £m	2014/15 £m
Revenue	(13.145)	(15.800)
Operating Charges	13.253	15.061
<b>Operating Loss</b>	<b>0.108</b>	<b>(0.739)</b>
Finance Costs	0.422	0.487
Investment Income	(0.013)	(0.005)
<b>Loss before Tax</b>	<b>0.517</b>	<b>(0.257)</b>
Income Tax Expense	0.194	0.104
<b>Loss for the Year</b>	<b>0.711</b>	<b>(0.153)</b>
Other Comprehensive Income and Expenditure	1.137	8.736
<b>Total Comprehensive Loss for the Year</b>	<b>1.848</b>	<b>8.583</b>
Non-current Assets	0.241	0.169
Current Assets	2.559	4.231
Current Liabilities	(1.028)	(20.778)
Non-current Liabilities	(11.368)	(1.801)
<b>Net Liabilities as at 31 March 2015</b>	<b>(9.596)</b>	<b>(18.179)</b>
<b>Councils Share (50%) of Net Liability not recognised in the Group accounts under IAS 28</b>	<b>(4.798)</b>	<b>(9.090)</b>
<b>Amounts included in the above figures:</b>		
Depreciation (in Operating Charges)	0.090	0.103
Interest on Bank Overdrafts and Loans (in Finance Costs)	0.007	0.005
Defined Benefit Pension Finance Costs (in Finance Costs)	0.415	0.482
Interest Earned on Loans and Deposits (in Investment Income)	(0.013)	(0.005)
Cash and Cash Equivalents (in Current Assets)	0.995	2.233
Accruals (in Current Liabilities)	0.603	1.206
Retirement Benefit Obligation (in Non-current Liabilities)	(11.177)	(20.618)

### 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.

## 8.6 Details of associates, joint ventures and trust funds not included in the group accounts

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

### 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. The Council is deemed to have significant influence even though it holds less than 20% of the voting rights.

#### **Ticketing Network East Midlands Ltd (Registered Company Number: 06623526)**

##### *Nature of the company*

The founding members of Ticketing Network East Midlands Ltd (TNEM) are the Lakeside Arts Centre, Nottingham Theatre Royal and Royal Concert Hall, Nottingham Playhouse and Dance4. TNEM is run on behalf of this consortium of arts organisations to manage its ticketing and customer relationship management system.

TNEM is the first consortium in the United Kingdom to be formed specifically for the purpose of enabling multiple organisations within this region to share Tessitura software and services from the Tessitura network.

##### *Relationship with the Council*

The Council holds 25% of the shares of TNEM, as do each of the other three member organisations Lakeside Arts Centre, Nottingham Playhouse and Dance4.

### 8.6.2 Joint Ventures

#### **Blueprint General Partner Ltd (Registered Company Number: 05340186)**

##### *Nature of the Company*

Blueprint (General Partner) Ltd manages the activity of the Blueprint Limited Partnership.

## Section 8 – Group Financial Statements and Notes

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### *Relationship with the Council*

The company is jointly owned by the Council and Aviva Investor's Igloo Regeneration Partnership. The Council purchased the 50% share on 9 March 2015.

### **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



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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 Other Operating Expenditure

This includes the IAS 19 valuation of NRB Ltd's net defined benefit liability at the point of transfer from the Council of £5.480m. The remaining £136.506m balance relates to the Council's single entity accounts.

##### 8.7.1.2 Financing and Investment Income and Expenditure

	2013/14			2014/15		
	Expenditure	Income	Net	Expenditure	Income	Net
	£m			£m		
Net Interest on Pension Fund	24.375	-	24.375	23.825	-	23.825
Other interest	34.672	(3.154)	31.518	35.783	(2.362)	33.421
Trading Operations	2.425	(3.786)	(1.361)	2.601	(4.482)	(1.881)
Investment Property						
Revaluations	0.736	-	0.736	0.599	-	0.599
Other Finance and Investment items	(1.643)	1.389	(0.254)	(0.953)	0.708	(0.245)
<b>TOTAL</b>	<b>60.565</b>	<b>(5.551)</b>	<b>55.014</b>	<b>61.855</b>	<b>(6.136)</b>	<b>55.719</b>

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## Section 8 – Group Financial Statements and Notes

### 8.7.2 Group Balance Sheet Notes

#### 8.7.2.1 Property, Plant and Equipment

2014/15	Council Dwellings £m	Other Land and Buildings £m	Furniture & Equipment £m	Vehicles, Plant, £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	569.260	939.608	220.078	432.522	29.076	38.608	81.904	<b>2,311.056</b>	<b>105.470</b>	
Accumulated Depreciation b/f	-	(57.125)	(94.778)	(123.758)	(6.331)	(1.089)	-	<b>(283.081)</b>	<b>(7.969)</b>	
Accumulated Impairment b/f	(0.158)	(0.357)	(0.671)	-	-	-	(4.009)	<b>(5.195)</b>	-	
<b>Net Book Value at 1st April 2014</b>	<b>569.102</b>	<b>882.126</b>	<b>124.629</b>	<b>308.764</b>	<b>22.745</b>	<b>37.519</b>	<b>77.895</b>	<b>2,022.780</b>	<b>97.501</b>	
Additions - Capital Expenditure	39.446	11.164	21.881	7.658	0.814	5.168	66.938	<b>153.069</b>	0.008	
Additions - Donations	1.091	-	-	-	-	-	-	<b>1.091</b>	-	
Additions - PFI / VA School Recognition	-	4.813	-	11.304	-	-	-	<b>16.117</b>	11.304	
Depreciation Charge	(25.946)	(26.597)	(21.578)	(16.685)	(0.942)	(0.978)	-	<b>(92.726)</b>	(3.914)	
Revaluations - Recognised in Revaluation Reserve	0.931	30.181	-	-	-	3.437	-	<b>34.549</b>	-	
Revaluations - Recognised in the CIES	39.623	0.391	-	-	-	(0.911)	-	<b>39.103</b>	(17.420)	
Derecognition - Disposals	(5.012)	(0.025)	(0.267)	-	-	(3.110)	(0.559)	<b>(8.973)</b>	-	
Derecognition - Other	(4.907)	(116.759)	-	-	-	(11.392)	(6.404)	<b>(139.462)</b>	-	
Impairments - Recognised in Revaluation Reserve	-	-	-	-	-	-	-	-	-	
Impairments - Recognised in the CIES	0.158	-	-	-	-	-	-	<b>0.158</b>	-	
Other - Transfers to Held for Sale	(4.261)	13.324	0.270	0.025	-	(2.186)	(12.915)	<b>(5.743)</b>	-	
<b>Net Book Value at 31st March 2015</b>	<b>610.225</b>	<b>798.618</b>	<b>124.935</b>	<b>311.066</b>	<b>22.617</b>	<b>27.547</b>	<b>124.955</b>	<b>2,019.963</b>	<b>87.479</b>	
Gross Book Value c/f	610.225	854.928	235.473	450.263	29.890	27.575	124.955	<b>2,333.309</b>	99.087	
Accumulated Depreciation c/f	-	(56.310)	(109.867)	(139.197)	(7.273)	(0.028)	-	<b>(312.675)</b>	(11.608)	
Accumulated Impairment c/f	-	-	(0.671)	-	-	-	-	<b>(0.671)</b>	-	
<b>Net Book Value at 31 March 2015</b>	<b>610.225</b>	<b>798.618</b>	<b>124.935</b>	<b>311.066</b>	<b>22.617</b>	<b>27.547</b>	<b>124.955</b>	<b>2,019.963</b>	<b>87.479</b>	

Section 8 – Group Financial Statements and Notes

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	<b>2,221.735</b>	<b>76.450</b>
Accumulated Depreciation b/f	-	(40.797)	(78.984)	(107.736)	(5.438)	(1.212)	-	<b>(234.167)</b>	<b>(4.784)</b>
Accumulated Impairment b/f	(0.188)	(5.856)	(1.120)	-	-	(7.425)	(4.009)	<b>(18.598)</b>	-
<b>Net Book Value at 1st April 2013</b>	<b>561.875</b>	<b>888.120</b>	<b>107.172</b>	<b>294.956</b>	<b>22.464</b>	<b>21.817</b>	<b>72.566</b>	<b>1,968.970</b>	<b>71.666</b>
Additions - Capital Expenditure	36.223	6.242	39.515	18.529	1.174	4.895	21.446	<b>128.024</b>	0.025
Additions - Donations	1.792	-	0.054	-	-	-	-	<b>1.846</b>	-
Additions - PFI Recognition	-	16.403	-	11.301	-	-	1.291	<b>28.995</b>	28.995
Depreciation Charge	(26.182)	(26.308)	(19.604)	(16.022)	(0.893)	(0.134)	-	<b>(89.143)</b>	(3.185)
Revaluations - Recognised in Revaluation Reserve	0.920	24.543	-	-	-	2.415	-	<b>27.878</b>	-
Revaluations - Recognised in the CIES	7.812	(7.589)	-	-	-	(0.068)	-	<b>0.155</b>	-
Derecognition - Disposals	-	(0.453)	(3.091)	-	-	(2.840)	-	<b>(6.384)</b>	-
Derecognition - Other	(3.531)	(26.953)	-	-	-	(4.803)	-	<b>(35.287)</b>	-
Impairments - Recognised in the CIES	0.030	0.017	-	-	-	-	-	<b>0.047</b>	-
Other - Transfers to Held for Sale	(9.837)	8.104	0.583	-	-	16.237	(17.408)	<b>(2.321)</b>	-
<b>Net Book Value at 31st March 2014</b>	<b>569.102</b>	<b>882.126</b>	<b>124.629</b>	<b>308.764</b>	<b>22.745</b>	<b>37.519</b>	<b>77.895</b>	<b>2,022.780</b>	<b>97.501</b>
Gross Book Value c/f	569.260	939.608	220.078	432.522	29.076	38.608	81.904	<b>2,311.056</b>	105.470
Accumulated Depreciation c/f	-	(57.125)	(94.778)	(123.758)	(6.331)	(1.089)	-	<b>(283.081)</b>	(7.969)
Accumulated Impairment c/f	(0.158)	(0.357)	(0.671)	-	-	-	(4.009)	<b>(5.195)</b>	-
<b>Net Book Value at 31 March 2014</b>	<b>569.102</b>	<b>882.126</b>	<b>124.629</b>	<b>308.764</b>	<b>22.745</b>	<b>37.519</b>	<b>77.895</b>	<b>2,022.780</b>	<b>97.501</b>

### 8.7.2.2 Investment Properties

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

	2013/14 £m	2014/15 £m
Opening Balance At 1 April	66.587	66.692
Additions	7.851	5.623
Disposals	(6.023)	(1.926)
Net gains/losses from fair value adjustments	(0.391)	3.180
Transfers to / from Property Plant and Equipment	(1.332)	(0.099)
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>66.692</b>	<b>73.470</b>

Where the Bridge Estate's fixed assets have been consolidated with the Council's it has been assumed that the properties class will remain as investment property upon consolidation.

### 8.7.2.3 Short Term Debtors

	31 March 2014 £m	31 March 2015 £m
Central government bodies	21.257	16.895
Other local authorities	5.548	7.365
NHS bodies	1.247	1.990
Public corporations and trading funds	0.187	0.188
Other entities and individuals	55.850	65.110
<b>TOTAL</b>	<b>84.089</b>	<b>91.548</b>

### 8.7.2.4 Cash and Cash Equivalents

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

	31 March 2014 £m	31 March 2015 £m
Cash held by the Authority / Group Organisation	0.405	0.353
Bank current accounts	11.121	5.749
Short-term deposits with banks and building societies	61.873	64.907
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>73.399</b>	<b>71.009</b>

8.7.2.5 Short Term Creditors

	31 March 2014	31 March 2015
	£m	£m
Central government bodies	(34.009)	(41.322)
Other local authorities	(1.846)	(9.539)
NHS bodies	(7.437)	(7.773)
Other entities and individuals	(154.669)	(146.974)
<b>TOTAL</b>	<b>(197.961)</b>	<b>(205.608)</b>

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 2014	31 March 2015
	£m	£m
Revaluation Reserve	336.762	326.271
Capital Adjustment Account	897.201	892.927
Financial Instruments Adjustment Account	(7.186)	(6.882)
Pensions Reserve	(602.376)	(797.111)
Deferred Capital Receipts Reserve	4.293	3.893
Collection Fund Adjustment Account	5.006	4.232
Accumulated Absences Account	(5.023)	(4.471)
Profit and Loss and Other Reserves of Group Entities	1.721	(3.653)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	-	0.794
Minority Interest - Equity	0.374	0.448
<b>TOTAL</b>	<b>630.772</b>	<b>416.448</b>

## Section 8 – Group Financial Statements and Notes

### 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.

	2013/14 £m	2014/15 £m
<b>Opening Balance at 1 April</b>	<b>319.783</b>	<b>336.762</b>
Upward revaluation of assets	32.571	52.449
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4.388)	(8.655)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>28.183</b>	<b>43.794</b>
Difference between fair value depreciation and historical cost depreciation	(8.554)	(9.295)
Accumulated gains on assets sold or scrapped	(2.650)	(44.990)
Asset reclassifications		
<b>Amount written off to the Capital Adjustment Account</b>	<b>(11.204)</b>	<b>(54.285)</b>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>336.762</b>	<b>326.271</b>

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement 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.

	2013/14 £m	2014/15 £m
<b>Opening Balance at 1 April</b>	<b>885.701</b>	<b>897.201</b>
<b>Other Comprehensive Items</b>		
Voluntary aided school recognition		<b>4.813</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Amortisation of intangible assets	(0.513)	(0.706)
Charges for depreciation of non-current assets	(83.296)	(86.272)
Charges for impairment of non-current assets	0.047	0.158
Revaluation losses on Property, Plant and Equipment	2.593	38.700
Donated Assets	1.846	1.091
Movements in the market value of Investment Properties	0.006	1.817
Revenue expenditure funded from capital under statute (REFCUS)	(6.572)	(19.394)
REFCUS expenditure funded by grants	4.933	6.373
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(52.701)	(150.512)
Adjusting amounts written out of the Revaluation Reserve	11.217	54.307
	<u>(122.440)</u>	<u>(154.438)</u>
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	9.285	5.632
Use of the Major Repairs Reserve to finance new capital expenditure	18.088	40.257
Application of grants to capital financing from the Capital Grants Unapplied Account	55.698	50.552
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12.469	7.907
Voluntary set aside of capital receipts for debt redemption	22.606	23.889
Adjustment to MRP as a result of PFI Projects		3.729
Capital expenditure charged against the General Fund and HRA balances	16.820	14.125
<b>Reduction in Liabilities &amp; Repayment of Long Term Debtors etc:</b>		
Principal Repayment of Capital Loans	(1.026)	(0.740)
	<u>133.940</u>	<u>145.351</u>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>897.201</b>	<b>892.927</b>

## Section 8 – Group Financial Statements and Notes

### 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.

	2013/14 £m	2014/15 £m
<b>Opening Balance at 1 April</b>	<b>(588.226)</b>	<b>(602.376)</b>
Return on plan assets	12.792	55.171
Actuarial gains or (losses) on pensions assets and liabilities	2.377	(232.984)
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	(56.433)	(45.134)
Employer's pensions contributions and direct payments to the pensioners payable in the year	27.114	28.212
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>(602.376)</b>	<b>(797.111)</b>



### 8.7.3 Group Movement in Reserves Statement Notes

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

2014/15	General Fund Balance	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(67.932)	(67.932)	67.932	-
Receipts in relation to goods and services provided to subsidiaries	14.268	14.268	(14.268)	-
Interest and investment income from/to subsidiaries	0.708	0.708	(0.708)	-
Contributions from subsidiaries	1.504	1.504	(1.504)	-
Other movements	-	-	(0.041)	(0.041)
<b>TOTAL ADJUSTMENTS</b>	<b>(51.452)</b>	<b>(51.452)</b>	<b>51.411</b>	<b>(0.041)</b>

2013/14	General Fund Balance	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£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
<b>TOTAL ADJUSTMENTS</b>	<b>(51.248)</b>	<b>(51.248)</b>	<b>52.516</b>	<b>1.268</b>

### 8.7.4 Group Cash Flow Notes

#### 8.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £m	2014/15 £m
Interest received	9.112	3.001
Interest paid	(34.174)	(23.937)
Dividends received	1.000	0.700
Dividends paid	(1.340)	(1.025)
Taxation	0.043	-

## Section 8 – Group Financial Statements and Notes

### 8.7.4.2 Investing Activities

	2013/14 £m	2014/15 £m
Purchase of property, plant and equipment, investment property and intangible assets	(140.899)	(146.331)
Purchase of short-term and long-term investments	(22.668)	(0.075)
Other payments for investing activities	(0.417)	(4.780)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17.480	31.377
Proceeds from short-term and long-term investments	0.342	-
Other receipts from investing activities	64.608	58.299
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(81.554)</b>	<b>(61.510)</b>

### 8.7.4.3 Financing Activities

	2013/14 £m	2014/15 £m
Cash receipts of short and long-term borrowing	10.000	2.000
Other receipts from financing activities	3.143	0.257
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6.607)	(6.560)
Repayments of short and long-term borrowing	(87.318)	(20.341)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(80.782)</b>	<b>(24.644)</b>

# Section 9 (Appendix A)

## Forward Plans

### 9.1 Medium Term Financial Plan

#### 9.1.1 Revenue Plans

In February 2015 the Council approved a revised Medium Term Financial Plan (MTFP) covering the 3 year period from 2015/16 to 2017/18.

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) which is summarised below:

	2015/16 £m	2016/17 £m	2017/18 £m
<b>Expenditure:</b>			
2014/15 Budget Requirement	277.229	277.229	277.229
Budget Refresh	2.859	8.931	18.973
New Pressures	0.759	2.479	4.084
<b>Sub-Total</b>	<b>280.847</b>	<b>288.639</b>	<b>300.286</b>
Portfolio Proposal	(23.533)	(23.016)	(29.652)
Corporate Proposals	(1.500)	(2.500)	(2.500)
<b>Assumed Net Budget</b>	<b>255.814</b>	<b>263.123</b>	<b>268.134</b>
<b>Funding:</b>			
Retained Business Rates, Top-up & RSG	(162.064)	(149.513)	(139.968)
Council Tax	(89.108)	(91.562)	(94.077)
Collection Fund	(4.642)	-	-
<b>FUNDING GAP</b>	<b>(0.000)</b>	<b>22.048</b>	<b>34.089</b>

The Council has identified proposals to produce a balanced budget for 2015/16 and will continue to work on proposals to meet the future funding gap, which rises to £34.089m by 2017/18. The 2015/16 budget has been constructed in accordance with the MTFS and all relevant corporate financial protocols. It is a balanced budget; policy-led, medium term and risk assessed and reflects the Council Plan priorities. Budgets have been redirected to enable some resources to be targeted on the

## Section 9 (Appendix A) – Forward Plans

Council's current focus of supporting the most vulnerable, local jobs, and enjoying Nottingham. Resources have been redirected by:

- Reducing demand and reviewing the way we commission our services.
- Reviewing and optimising income streams of all kinds
- Redesigning and modernising our service provision / identifying efficiencies

### 9.1.2 Capital Plans

The Council is planning to invest £882.390m over the next 5 years, enabling substantial regeneration in and around the City and allowing the Council to deliver the capital requirements that have arisen from business service needs. The capital programme and funding proposals following the 2014/15 Outturn are detailed below:

	CAPITAL PROGRAMME					
	2015/16	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	£m	£m
<b>Expenditure:</b>						
Public Sector Housing	71.373	64.056	51.396	42.021	62.235	<b>291.081</b>
Transport	25.781	23.881	16.469	-	-	<b>66.131</b>
Education	19.215	5.647	-	-	-	<b>24.862</b>
All Other Services	168.651	27.346	12.887	14.704	7.988	<b>231.576</b>
Schemes in Development	96.718	103.922	46.800	19.800	1.500	<b>268.740</b>
<b>TOTAL</b>	<b>381.738</b>	<b>224.852</b>	<b>127.552</b>	<b>76.525</b>	<b>71.723</b>	<b>882.390</b>
<b>Forecast Funding:</b>						
Unsupported Borrowing	212.325	118.374	58.554	15.946	2.094	<b>407.293</b>
Capital Receipts	10.316	14.002	6.059	0.870	-	<b>31.247</b>
Revenue /Reserves etc	17.294	8.575	9.506	10.370	10.214	<b>55.959</b>
Major Repairs Reserve (Housing)	30.069	30.069	30.069	30.069	30.069	<b>150.345</b>
Grants & Contributions	61.534	48.530	23.462	21.157	7.309	<b>161.992</b>
<b>TOTAL</b>	<b>331.538</b>	<b>219.550</b>	<b>127.650</b>	<b>78.412</b>	<b>49.686</b>	<b>806.836</b>
Resources Brought Forward	79.118	28.918	23.616	23.714	25.601	
<b>CUMULATIVE SURPLUS</b>	<b>(28.918)</b>	<b>(23.616)</b>	<b>(23.714)</b>	<b>(25.601)</b>	<b>(3.564)</b>	

The total funding shortfall of £75.554m is met from resources brought forward (£79.118m) leaving a balance of available funding of £3.564m.

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

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

Some spending within the capital programme will be delivered in partnership with other organisations. The paragraphs below summarise the major partnership schemes with expenditure incurred from 2015/16 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

## 9.2 Future Significant Developments

Following the May 2015 General Election a number of new and previously planned Government policies are likely to have an impact on the Council’s finances in the future.

### 9.2.1 Universal Credit

The Government will continue to roll out the introduction a single Universal Benefit across the country. The Universal Benefit replaces 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.

### 9.2.2 Fiscal Consolidation

The Government plans to eliminate budget deficit by 2018/19 and run at a surplus thereafter while protecting areas of spend such as Education the NHS and pensions. This consolidation is likely to result in significant reductions in funding for local government which could exceed those already included in the MTFO.

Part of the consolidation plans include a £12bn reduction to the Welfare Budget. While this may not affect local government directly the Council is likely to see an increase in the demand for services related to those currently in receipt of benefits.



# 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 2014/15 financial year and its position at the year end of 31 March 2015. 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 2014/15 (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 2014/15. 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.

## Section 10 (Appendix B) – Accounting Policies

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### 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

### 10.2.1 Government 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.

### 10.2.2 Business 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.

### 10.2.3 Operating Leases

#### Receivable (Council as lessor)

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

#### Payable (Council as lessee)

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

### 10.2.4 Employee Benefits

#### Benefits Payable During Employment

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

An accrual is made for the cost of the holiday entitlements or for any form of leave, 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.

## Section 10 (Appendix B) – Accounting Policies

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### 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.

### 10.2.5 Charges to Service Revenue Accounts for Non-Current Assets

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

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

### 10.2.6 Financing 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.

### 10.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

- The proportion of receipts relating to HRA disposals payable to the Government
- Gains or losses on sale and derecognition of non-current assets (excluding investment properties)
- Actuarial gains or losses and return on plan assets 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 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

### 10.2.12 Exceptional Items

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

### 10.2.13 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**

###### *General*

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.

###### *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.

###### *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.

###### *Finance Leases - General*

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

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

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

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

Lease payments are apportioned between:

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

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

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

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

### *Heritage Assets*

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

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

### *Intangible Assets*

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

## Section 10 (Appendix B) – Accounting Policies

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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.

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

### **Componentisation**

Where an asset consists of significant components that have different useful lives and / or depreciation methods to the remainder of asset, these components are separately identified and depreciated 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.

### **10.3.2 Investment 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.

### **10.3.3 Long 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.

### **10.3.4 PPE Assets Held for Sale**

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation,

## **Section 10 (Appendix B) – Accounting Policies**

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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.

### **10.3.5 Inventories 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.

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

### **10.3.10 Contingent Assets**

A contingent asset occurs where a possible asset may arise but is dependent upon the outcome of future events before it can be confirmed. 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.

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### **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 Employee Benefits**

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

### **10.5.6 Termination Benefits - Pension Enhancements**

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

### **10.5.7 Financial Liabilities**

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

### **10.5.8 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.

### **10.5.9 Use of Reserves**

The Council may make a charge against the General Fund to set aside specific amounts as reserves for future policy purposes or to cover contingencies. The Council may then also choose to use these reserves to reduce the impact on the General Fund when the expenditure is incurred.

## 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 and treatment of bonds
- Treatment of soft loans
- Changes to accounting policies
- Community Infrastructure Levy
- Subsequent revaluation of assets held for sale
- Jointly controlled assets
- Provision for backpay arising from unequal pay claims
- Treatment of foreign currency translations



# Section 11 (Appendix C)

## PENSION SCHEMES

### 11.1 Defined Benefit Pension Schemes accounted for as Defined Contribution Schemes

#### 11.1.1 Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 6,000 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Council paid £4.278m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £4.988m and 14.1%. There were no contributions remaining payable at the year-end. The employer contribution rate for 2015/16 will be 14.1% for April to August, and then 16.48% 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. These costs are accounted for on a defined benefit basis and shown under past service costs/gains in section 11.2.1 below..

The Council is not liable to the scheme for any other entities obligations under the plan.

#### 11.1.2 NHS 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

## Section 11 (Appendix C) – Pension Schemes

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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 2014/15 the Council's contribution to the Scheme was £0.134m, representing 14% of pensionable pay (£0.956m). The Councils expected contributions to the Scheme for 2015/16 are 14.3% 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

### 11.2.1 Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2014, is contracted out of the State Second Pension and currently provides benefits based on career average revalued salary and length of service on retirement.

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.

## Section 11 (Appendix C) – Pension Schemes

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 2016 are as follows:

	LGPS 31 March 2016 £m	Teachers Benefits £m
Service cost	37.640	-
Net interest on the defined liability (asset)	22.297	0.713
Administration expenses	0.163	-
<b>TOTAL</b>	<b>60.100</b>	<b>0.713</b>
<b>Employer Contributions</b>	25.274	-

### 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

## Section 11 (Appendix C) – Pension Schemes

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 2015;
- Fund investment returns for the period to 30 September 2014, and market returns (estimated where necessary) thereafter for the period 31 March 2015.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2015.
- Details of any new early retirements for the period to 31 March 2015 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 a share of the responsibility for some of the historic 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. The data underlying the pre-1998 Nottinghamshire County Council and Nottingham City Transport LGPS liabilities is as follows:



## Section 11 (Appendix C) – Pension Schemes

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
<b>Pre-1998 Nottinghamshire County Council:</b>			
Deferred pensioners	3,905	2.756	53
Pensioners	6,211	21.000	76
<b>Nottingham City Transport:</b>			
Actives	101	2.042	58
Deferred pensioners	63	0.253	55
Pensioners	777	4.740	71

The service cost for the year ending 31 March 2015 is calculated using an estimate of the average total pensionable payroll during the year of £131.652m. The projected service cost for the year ending 31 March 2016 has been calculated assuming the payroll remains at this level over the year.

There were 34 new early LGPS retirements in respect of the year ending 31 March 2015. The total annual pension that came into payment was £0.200m.

### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 11%.

The LGPS estimated asset allocation for the Council as at 31 March 2015 is as follows:

	Local Government Pension Scheme			
	31 March 2014		31 March 2015	
	£m	%	£m	%
Equities	607.616	73%	637.637	70%
Gilts	66.588	8%	28.262	3%
Other Bonds	41.618	5%	63.838	7%
Property	91.559	11%	105.570	12%
Cash	24.971	3%	43.988	5%
Inflation-linked pooled fund	n/a	n/a	25.231	3%
<b>TOTAL</b>	<b>832.352</b>	<b>100%</b>	<b>904.526</b>	<b>100%</b>

At 31 March 2014 the inflation-linked pooled fund was included within equities

Based on the above, the Council's share of the assets of the Fund is approximately 22%.

Of the Equities allocation above, 48% are UK investments and 52% are overseas investments.

All of the Gilts allocation above is UK fixed interest Gilts.

Of the Other Bonds allocation above, 96% are UK corporates and 4% are overseas corporates.

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

## Section 11 (Appendix C) – Pension Schemes

### 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 Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2015 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 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.

### Assumptions

Assumed life expectations and financial assumptions used for the purpose of IAS19 calculations are shown in the table below:

	Local Government		Teachers Benefits	
	2013/14	2014/15	2013/14	2014/15
<b>Mortality Assumptions (Years):</b>				
Longevity at 65 retiring today:				
Males	22.0	22.1	18.8	22.1
Females	25.1	25.2	22.9	25.2
Longevity at 65 retiring in 20 years:				
Males	24.1	24.2	20.8	24.2
Females	27.4	27.6	24.7	27.6
<b>Financial Assumptions:</b>				
RPI increase	3.5%	3.2%	3.1%	2.6%
CPI increase	2.7%	2.4%	2.3%	1.8%
Rate of increase in salaries	4.5%	4.2%	n/a	n/a
Rate of increase in pensions	2.7%	2.4%	2.3%	1.8%
Rate for discounting scheme liabilities	4.4%	3.3%	3.4%	2.2%
Estimate in years of duration of liabilities	18	18	8	8

The financial assumptions are set with reference to market conditions at 31 March 2015.

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.

### **Past Service Costs/Gains**

Past service costs or gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years would be considered a past service cost. 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, 34 former Council employees became entitled to unreduced early retirement benefits under the LGPS (19 due to redundancy, 15 due to voluntary redundancy / other grounds). The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £0.916m.

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 internal Fund transfers over the year, LGPS liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £9.258m.

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

### **Demographics**

The demographics used by the actuary are consistent with those used for the most recent fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables with a multiplier of 110% for males and 100% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

### **Sensitivity Analysis**

The sensitivity analysis below focuses on four assumptions – discount rate, salary increases, inflation (which is used to determine pension increases and deferred revaluation) and mortality. For the adjustment to the mortality age rating assumption, it is assumed that a member has the mortality of someone a year older or a year younger, for example, under 1+ year it is assumed that a 40 year actually has the mortality rate of a 41 year old

## Section 11 (Appendix C) – Pension Schemes

	Local Government Pension Scheme			Teachers Benefits		
	£m	£m	£m	£m	£m	£m
<b>Adjustment to discount rate:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,565.103	1,592.727	1,620.866	32.135	32.387	32.642
Projected service cost	36.790	37.640	38.510	-	-	-
<b>Adjustment to long term salary increase:</b>	+0.1%	0.0%	-0.1%	-	-	-
Present value of total obligation	1,596.481	1,592.727	1,588.997	-	-	-
Projected service cost	37.658	37.640	37.622	-	-	-
<b>Adjustment to pension increases and deferred revaluation:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,617.334	1,592.727	1,568.565	32.643	32.387	32.134
Projected service cost	38.499	37.640	36.800	-	-	-
<b>Adjustment to mortality age rating assumption:</b>	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,535.979	1,592.727	1,650.017	31.193	32.387	33.594
Projected service cost	36.335	37.640	38.958	-	-	-

# Section 12

## ABBREVIATIONS/GLOSSARY

### 12.1 Abbreviations

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

### 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

## Section 12 – Abbreviations/Glossary

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### **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.

## Section 12 – Abbreviations/Glossary

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### **Historical Cost**

This represents the original cost of acquisition, construction or purchase of a fixed **asset**.

### **Housing Benefit**

Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their rent. Parts of the cost, including those associated with the running expenses of the scheme, are refunded directly by the Government.

### **Housing Revenue Account (HRA)**

Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

### **Impairment**

A reduction in the value of a fixed **asset**, resulting from financial loss, damage or obsolescence. In order to comply with accounting standards, the Council undertakes annual reviews of its assets to identify any that are impaired.

### **Infrastructure Assets**

**Assets** held by local authorities which do not normally have a resale value and for which a useful life span cannot easily be assessed. Examples include highways, bridges and drainage facilities.

### **Intangible Assets**

**Assets** that do not have physical substance but are identifiable and controlled by the Council through custom or legal rights.

### **International Financial Reporting Standards**

International Financial Reporting Standards are standards and interpretations adopted by the International Accounting Standards Board (IASB). Many of the standards forming part of the IFRS were previously known as International Accounting Standards.

### **Investment Properties**

An interest in land and/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

## Section 12 – Abbreviations/Glossary

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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.