

Statement of Accounts 2015/16



Contents

1	Narrative Report	
	Introduction to Nottingham City Council	3
	Financial Performance	7
	Non-Financial Performance	13
	Explanation of Accounting Statements	15
2	Introductory Statements	
	Accounting Policies	16
	Supplementary Comments	19
3	Core Financial Statements	
	Comprehensive Income and Expenditure Statement (CIES)	22
	Balance Sheet	23
	Movement in Reserves Statement (MIRS)	24
	Cash Flow Statement	25
4	Certifications	
	Auditors Report	26
	Statement of Responsibilities	29
5	Funding Basis and Budget Monitoring	
	Performance against Budget	30
	Net Portfolio Spend on Funding Basis	31
	Reconciliation of CIES between Funding Basis and International Financial Reporting (IFRS) basis	32
	Capital	34
	Long Term Borrowing	36
6	Notes to the Financial Statements (see over for details)	
	Comprehensive Income and Expenditure Statement Notes	37
	Balance Sheet Notes	40
	Movement in Reserves Statement Notes	65
	Cash Flow Statement Notes	70
	Other Notes	72
7	Supplementary Financial Statements	
	Housing Revenue Account	91
	Collection Fund	97
8	Group Accounts	101
9	Appendix A – Forward Plans	127
10	Appendix B – Accounting Policies	130
11	Appendix C – Pension Schemes	144
12	Abbreviations/Glossary	152

Contents - Notes to the Financial Statements

6.1	Comprehensive Income and Expenditure Notes	
	Specific Grants Credited to Services	37
	Other Operating Expenditure	37
	Financing and Investment Income and Expenditure	38
	Taxation and Non-Specific Grant Income	38
	Revaluation of Property, Plant and Equipment assets	38
	Transactions relating to Post Employment Benefits (inc. Pensions)	39
6.2	Balance Sheet Notes	
	Property, Plant and Equipment	40
	Heritage Assets	44
	Investment Property	45
	Intangible Assets	48
	Assets Held for Sale	49
	Inventories	49
	Short Term Debtors	50
	Cash and Cash Equivalents	50
	Short Term Creditors	50
	Provisions	50
	Usable Reserves	52
	Unusable Reserves	54
	Capital Grants Received in Advance	58
	Defined Benefit Pension Schemes	58
	Financial Instruments	60
6.3	Movement in Reserves Statement Notes	
	Adjustments between Accounting Basis and Funding Basis	65
	Post Employment Benefits	69
6.4	Cash Flow Statement Notes	
	Non cash movements in surplus/deficit on the provision of services	70
	Investing or financing activities in surplus/deficit on provision of services	70
	Operating Activities	70
	Investing Activities	71
	Financing Activities	71
6.5	Other Notes	
	Trading Operations	72
	Agency Services	72
	Jointly Controlled Operations	72
	Councillors Allowances	73
	Officers Remuneration	74
	External Audit Costs	76
	Dedicated Schools Grant	76
	Related Parties	77
	Road Charging Schemes under the Transport Act 2000	79
	Leases	79
	Private Finance Initiatives and similar Contracts	82
	Trust Funds	85
	Contingent Liabilities	85
	Nature and Extent of Risks arising From Financial Instruments	85

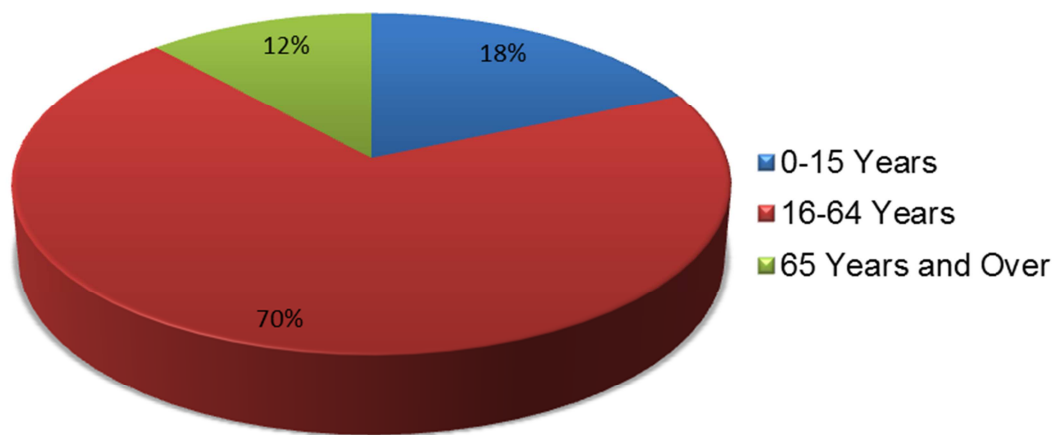
Section 1

Narrative Report

1.1 Introduction to Nottingham City Council

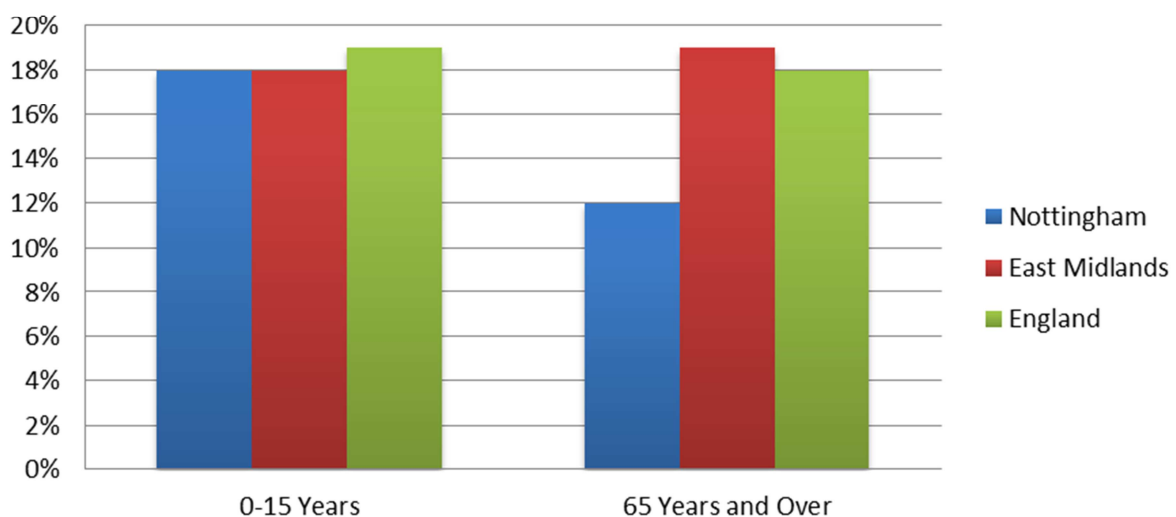
The Office for National Statistics Mid-Year Estimates for 2014 reported that Nottingham's estimated population was 314,268 with the age profile as presented below.

Composition of Nottingham City Population



In comparison with local and national population age profiles, Nottingham has a higher proportion of 16-64 years, is comparable for 0-15 years and has a lower over 65 years profile.

Comparing Nottingham Age Profile Locally and Nationally



Citizen Survey 2015

The Citizens' Survey gathers citizens' perceptions on a variety of subjects including feelings about Nottingham and satisfaction with the Council. 2,020 Nottingham citizens took part in the survey during October and November 2015.

Overall, results from the 2015 year survey are similar to last year. This is positive given the backdrop of the current challenging economic climate and difficult budget decisions. The responses have been summarised into 2 sections below.

Thinking about their local area and Nottingham:

- 85% of respondents are satisfied with their local area as a place to live,
- 71% are satisfied with the cleanliness of their local area,
- 88% feel that their local area is a place where people from different backgrounds get on well together,
- 76% would speak highly of Nottingham,
- 90% would recommend Nottingham as a place to visit.

Views of the Council are similarly positive:

- 71% were very or fairly satisfied with the way the Council runs things,
- 62% of respondents believe the City Council provides value for money,
- 87% of respondents find Council information easy to understand,
- 75% of respondents feel well informed about Council services and benefits.

Economy

Economic data tells us:

- Nottingham recently came in at number six a poll of European cities in fDi Magazine's Top 10 Mid-Sized European Cities of the Future 2016/17, this sixth position is due to Nottingham's policies for attracting national and international investors.
- A report in January 2015 which evaluated Cities growth between 2004 and 2013. Nottingham was rated in the top 10 cities for growth with a 7.7% rise in the number of jobs (which equates to just less than 21,500).
- The Office for National Statistics released a report in October 2015 which estimated the proportion of employee jobs that are paid less than the living wage in April 2014. In this statistic Nottingham performed better than the national average with 20.5% of jobs being paid under the living wage compared to United Kingdom average (23%).
- The unemployment rate in Nottingham as at March 2016 stands at 3.3%, this is higher than both the regional average (East Midlands: 1.6%) and the national average (1.8%). Nottingham's unemployment rate has dropped by 0.6% since March 2015 (3.9%). The Aspley ward has the highest levels of unemployment rate (5.8%) of any of the 20 wards within the City boundary.
- According to the September 2015 Indices of Deprivation more than one in five Nottingham residents (22.5%) experience income deprivation.
- Over three in ten Nottingham children aged 0-15 (34.5%) live in income deprived households (Income Deprivation Affecting Children Index),

- The indices indicate that one in four Nottingham residents aged over 60 (25.9%) live in income deprived households (Income Deprivation Affecting Older People Index),
- Nine of Nottingham's twenty wards are among the 10% most deprived wards in England.

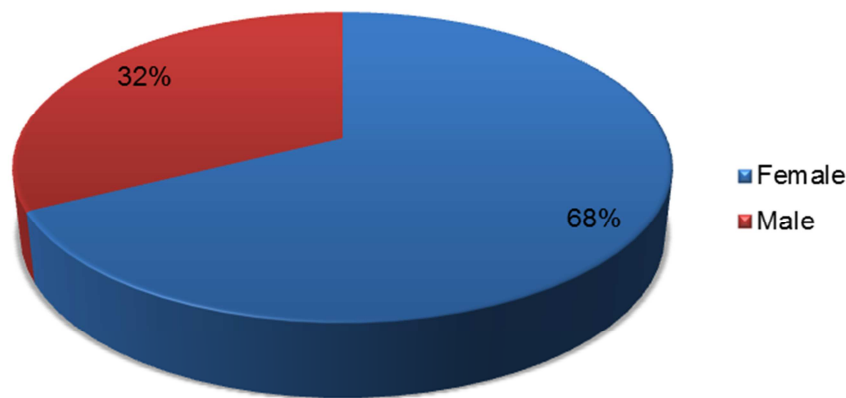
Employees

As at 31 March 2016 Nottingham City Council employs 9,543 people in full time and part time contracts, the data within this section include School workforce employed by Nottingham City Council.

Below is a detail of the make-up of the people employed by the Council.

By gender:

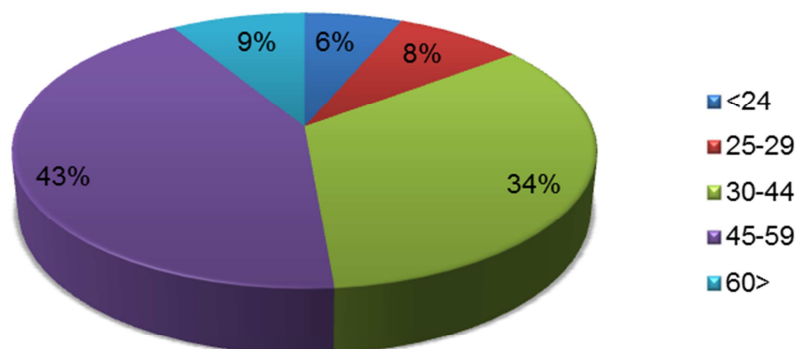
Workforce Breakdown by Gender %



The Council's gender breakdown excluding School employees is 61% Female and 39% Male.

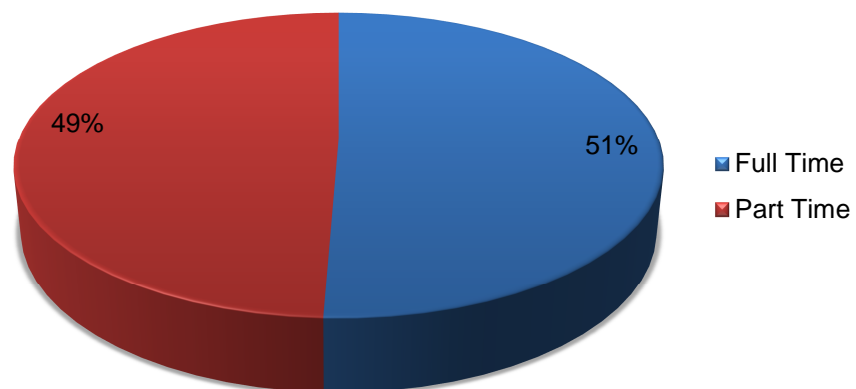
By age:

Workforce Breakdown by Age %



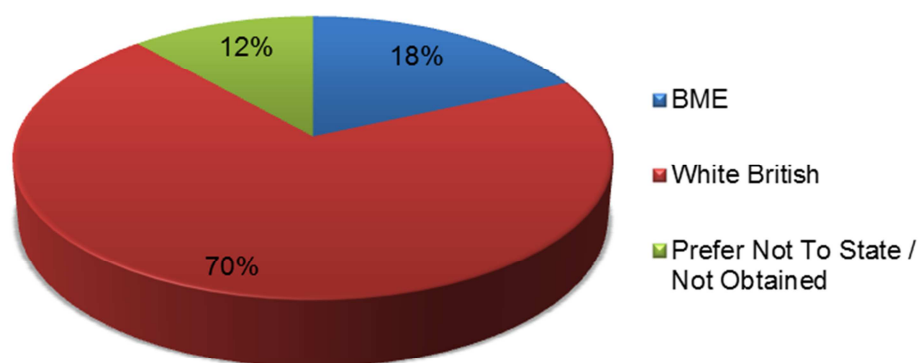
By contract type:

Workforce Breakdown by Contract Type %



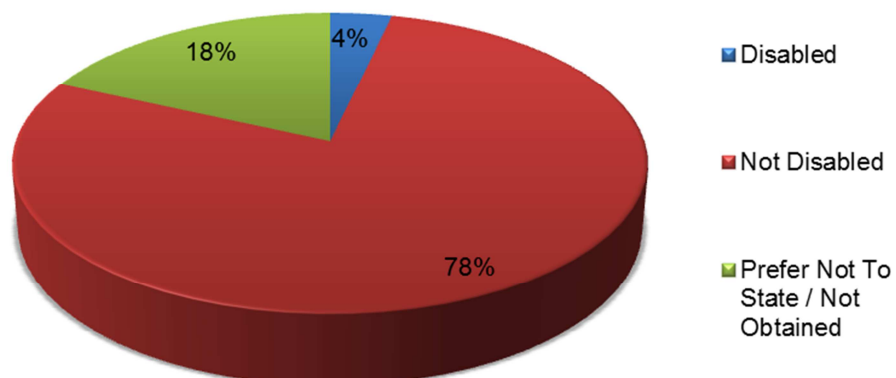
By ethnicity:

Workforce Breakdown of Ethnicity %



By disability:

Workforce Breakdown by Disability



1.2 Financial Performance

1.2.1 Economic Climate and Outlook

The Council, like all other local authorities across the country, has seen a substantial reduction in government funding as a consequence of the Government's policies to tackle the national fiscal deficit.

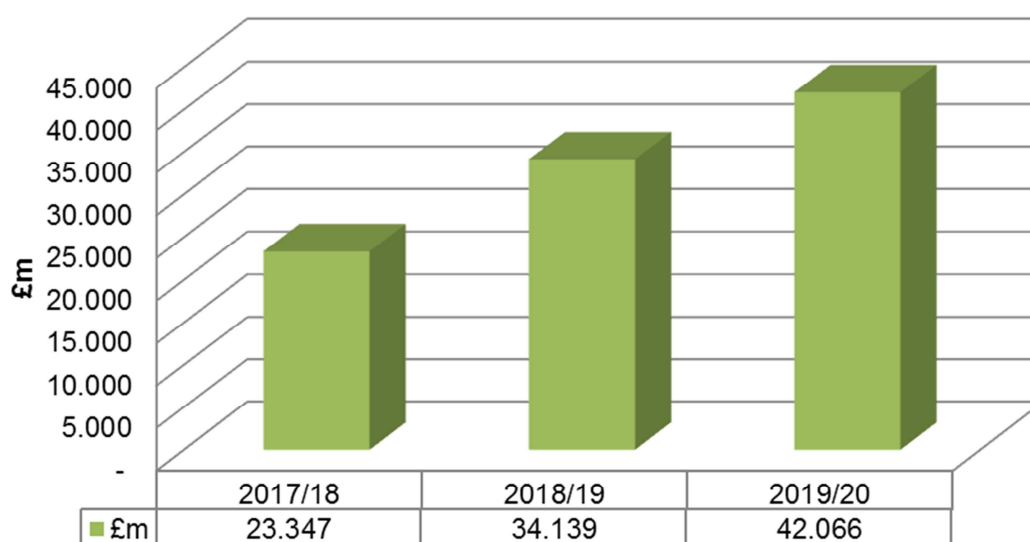
Over the last 5 years Nottingham has had to make annual savings to the total of £152m. This has been driven by the reduction in settlement funding and grant income over this period, whilst at the same time there has been increased demand for a number of services, most notably Adult Social Care and Children in Care which already account for 50% of the Council's net budget. These increasing care pressures, alongside continuing funding cuts, will continue to have a significant impact on the Council's ability to fund other local services.

In response to the current financial climate the Council continues to work with council networks including the LGA and the Special Interest Group of Municipal Authorities (SIGOMA) to campaign for a fairer funding settlement from central government for cities like Nottingham. As one of the ten Core Cities in the UK, the Council is campaigning for control over funding, programmes and policy to be devolved to cities to give us more freedom to grow our economy and reform our public services to get better outcomes for citizens.

Nationally and locally the economy has continued to show signs of a steady recovery in the past year, with an increase in the employment rate and significant fall in the number of people claiming out of work benefits, and whilst these continue to lag behind the national average the gap is narrowing. The most recent data shows higher than average growth in both the economy and wages in Nottingham in 2014 and 2015 although economic productivity, both locally and nationally, is yet to recover to pre-recession levels.

The revenue budget reductions included in the Medium Term Financial Strategy (MTFS) and Medium Term Financial Outlook (MTFO) reported to the Executive Board in February 2016 highlighted that the Council will have to continue making budget savings. The gap between the assumed net budget and assumed funding is shown below:

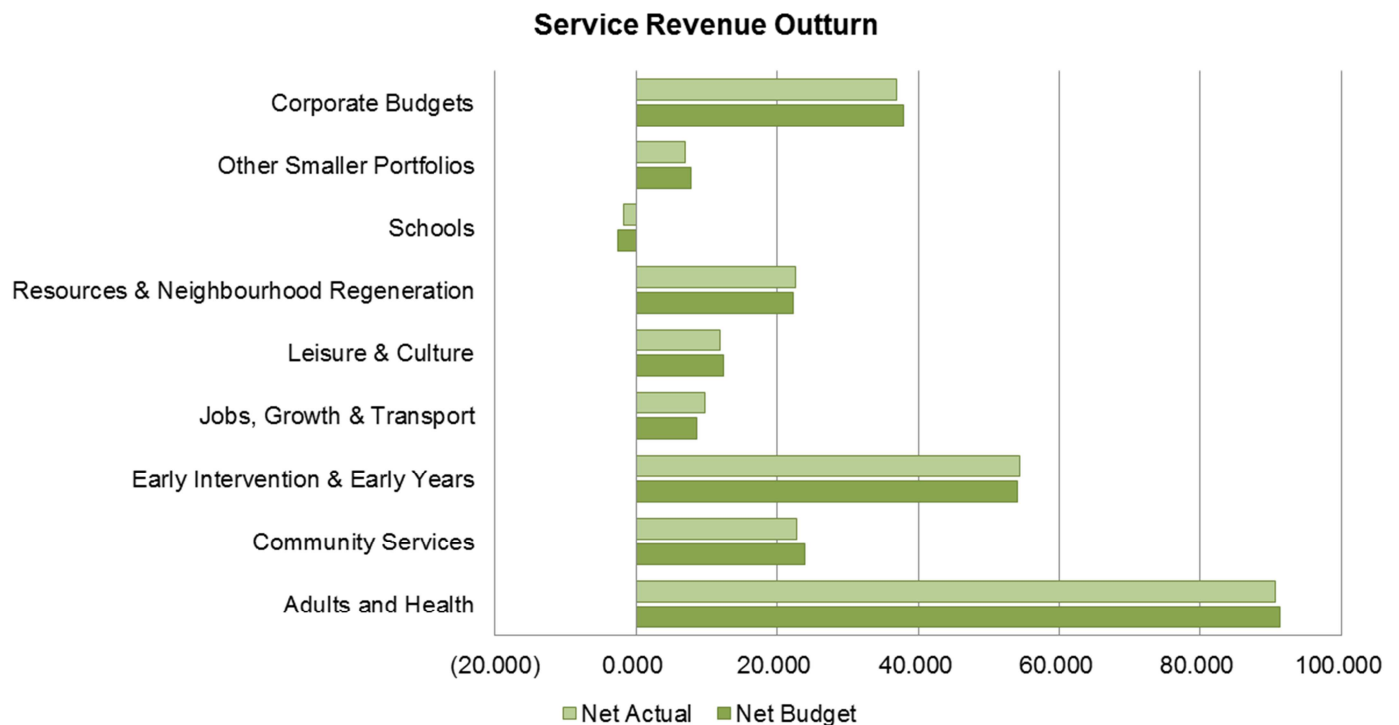
Medium Term Financial Outlook Gap



1.2.2 Revenue

The Council's 2015/16 revenue outturn position is shown in the chart below. The original budget set at full Council in March 2015, agreed how the Council planned to allocate its funding during the year in order to deliver services to the people and communities of Nottingham.

In overall terms Nottingham City achieved a surplus of £1.688m for the financial year when comparing net budget with net actual.



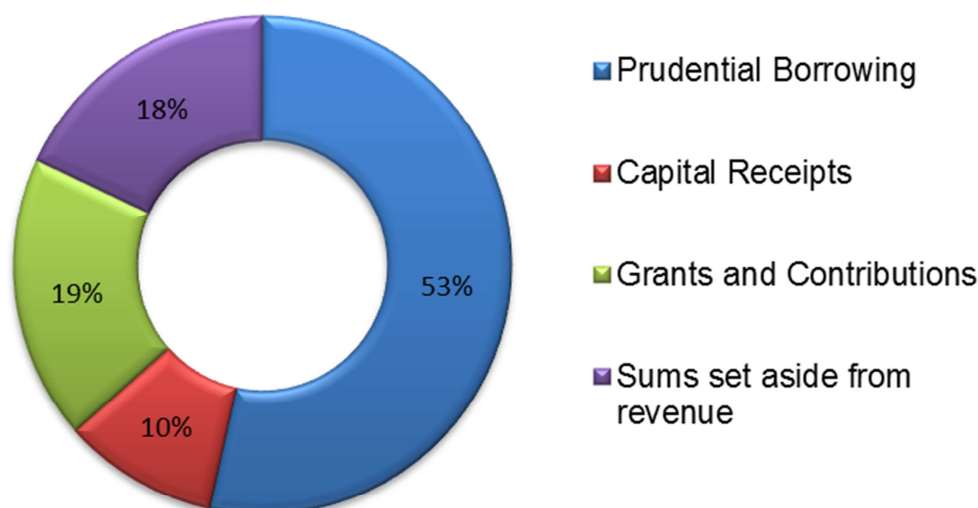
1.2.3 Capital

2015/16 Expenditure and Funding

The Council's capital position as against the approved 2015/16 capital programme is shown below:

	Budget / Projection 2015/16 £m	Actual 2015/16 £m
General Fund Capital Programme		
Local Transport Programme	20.108	15.853
Education / Schools	13.623	10.176
Adults, Health and Community Sector	1.974	1.466
Early Intervention and Early Years	0.716	0.197
Leisure and Culture	10.444	8.977
Jobs, Growth and Transport	107.006	108.748
Energy & Sustainability	4.704	5.603
Planning and Housing	2.903	2.657
Strategic Regeneration, Development & Community Sector	48.965	39.310
Community Services	2.032	2.048
Resources & Neighbourhood Regeneration	16.255	6.182
Total Capital Programme General Fund	228.730	201.217
Public Sector Housing	54.612	51.030
TOTAL PROGRAMME	283.342	252.247

Prudential Borrowing is the largest proportion of funding in the 2015/16 programme, accounting for over half of the actual expenditure. The following chart shows how the 2015/16 capital programme has been funded.

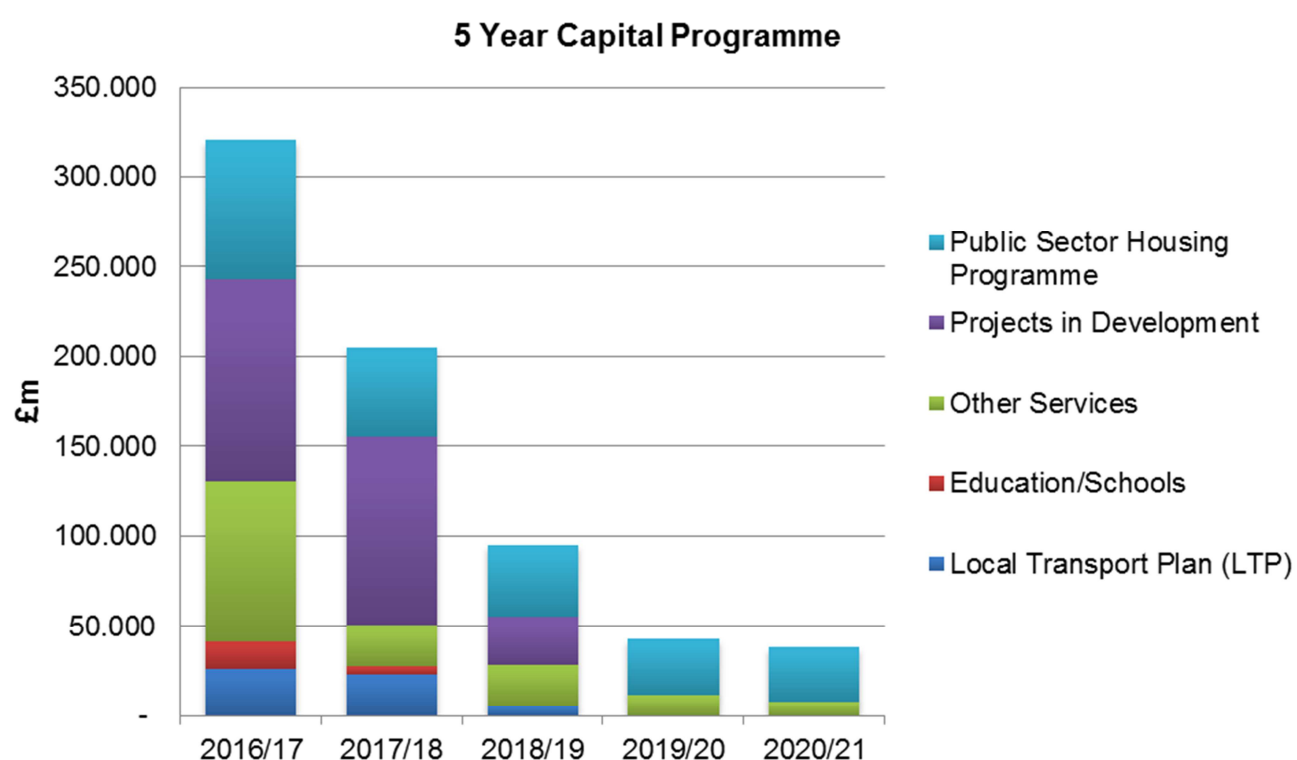


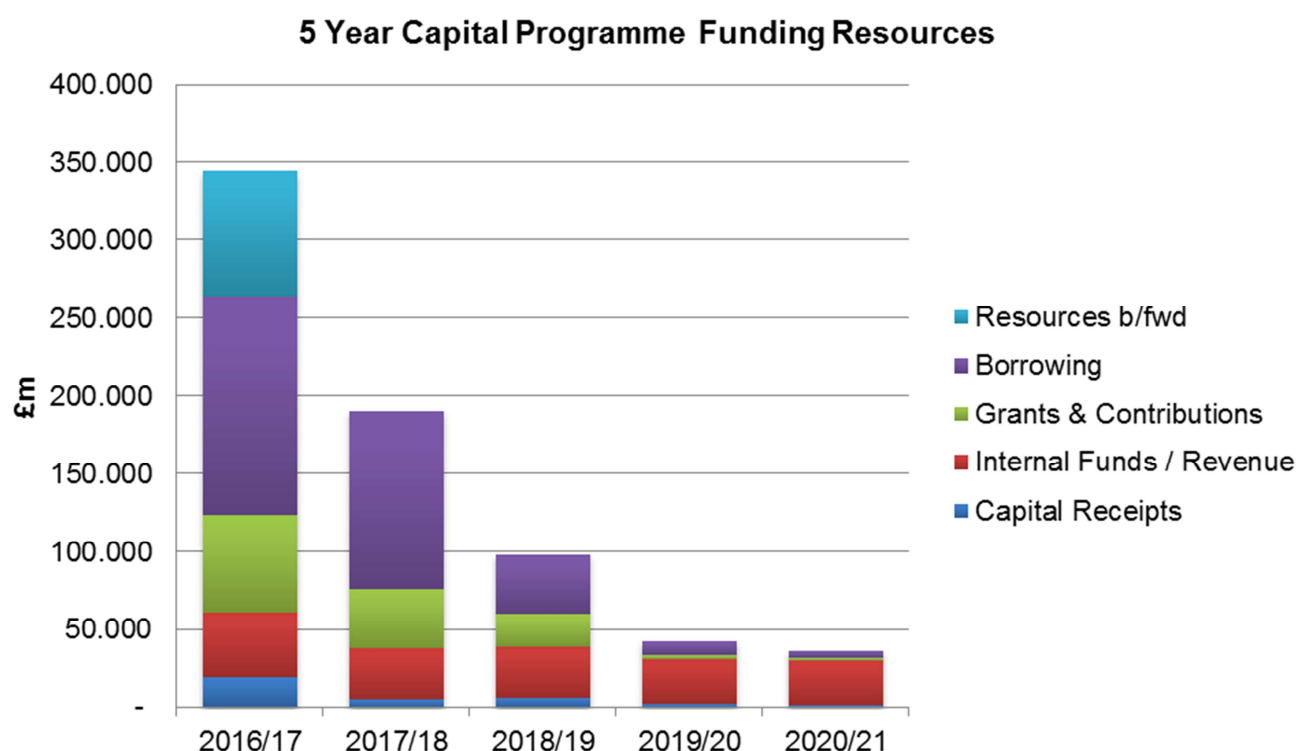
Capital Programme and Funding

A summary of all approved major schemes (i.e. excluding schemes in development) is shown below the table whereby total expenditure exceeds £20m. The table contains the scheme name, capital expenditure incurred during 2015/16, the planned / approved expenditure during 2016/17 to 2020/21 and a brief explanation about the capital scheme.

Section 3 – Core Financial Statements

CAPITAL SCHEME	2015/16 £m	2016/17 to 2020/21 £m	TOTAL £m	DETAIL
Secure and Warm	10.235	65.662	75.897	A series of measures to keep Council dwellings secure, warm and modern including internals, heating system replacements and chimney and roof replacements.
No Fines / Solid Walls Insulation	1.985	28.649	30.634	Improvements to Council dwellings to improve energy efficiency and tackle fuel poverty.
Expansion of Bio-City	9.431	17.776	27.207	Expansion of the Bio-City area.
Nottingham Castle	1.255	22.702	23.957	Improvements to Nottingham Castle to help make it a major tourist attraction.





The resources surplus / shortfall on the general fund items (i.e. projects excluding the Public Sector Housing Programme) over the next 5 years is as follows:

PROGRAMME ELEMENT	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	TOTAL £m
Resource (Surplus)/Shortfall	(9.203)	6.418	0.538	0.116	1.000	(1.131)

1.2.4 Balance Sheet

Despite the financial challenges facing the Council the balance sheet remains in a strong position:

	31 March 2015 £m	31 March 2016 £m
Long Term Assets	2,162.155	2,352.221
Net Current Assets	78.262	(36.088)
Long Term Liabilities	(1,519.917)	(1,552.716)
NET ASSETS	720.500	763.417
Useable Reserves	250.884	252.490
Unusable Reserves	469.616	510.927
TOTAL RESERVES	720.500	763.417

Long Term Assets have increased in 2015/16 due to bringing the NET Private Finance Initiative (PFI) on balance sheet at a value of £232.850m, please refer to the

Section 3 – Core Financial Statements

PFI note (reference 6.5.11) for further details. During 2015/16 the Council purchased two material investment properties:

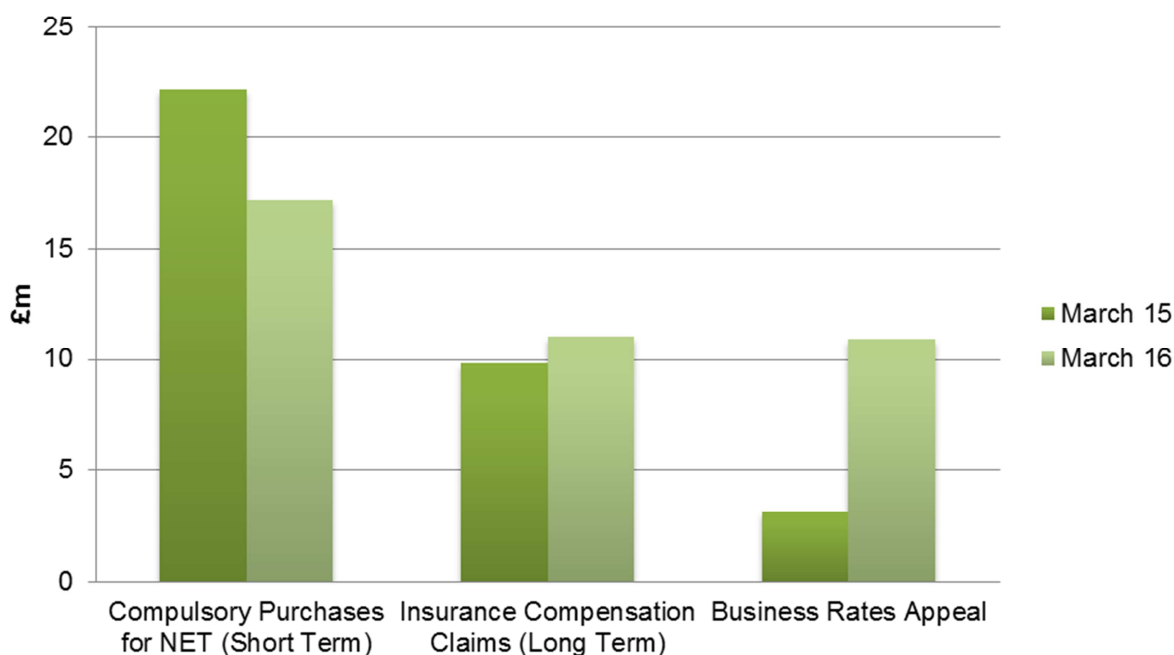
- Ashgate Retail Park (£4.223m), and
- The Flying Horse Walk (£6.403m).

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

- Compulsory Purchases for NET (Short Term Provision) – The carrying value at March 16 (£17.131m) is for compulsory purchases of land and property required for the NET PFI where the purchase price has yet to be agreed.
- Insurance Compensation Claims (Long Term Provision) – The carrying value at March 16 (£11.034m) is to meet the cost of claims arising from self-insured risks, risks which fall below the external policy retention levels and for payment of external insurance premiums.
- Business Rates Appeals (Long Term Provision) – The carrying value at March 16 (10.891)) is due to the Council bearing a risk of non-collection of business rates following appeal.

For further information please refer to note 6.2.10 provisions.

Movement in Material Provisions During 2015/16



Surpluses and deficits from previous financial years are reflected in the reserve figures brought from the Movement in Reserves Statement. (See section 3.3 – Movement in Reserves Statement).

	31 March 2015 £m	Movement 2015/16 £m	31 March 2016 £m
General Fund	19.553	(8.302)	11.251
Earmarked General Fund Reserves	160.105	14.826	174.931
Other Usable Reserves	71.226	(4.918)	66.308
Unusable Reserves	469.616	41.311	510.927
TOTAL AUTHORITY RESERVES	720.500	42.917	763.417

1.2.5 Pension Liability

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 2016, the Council's fund was in deficit by £623.310m (£720.588m as at 31 March 2015). 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. A deficit recovery plan is in place and our estimated duration of the liability is 18 years.

1.3 Non-Financial Performance

1.3.1 Resident Survey

The results of the Council's annual Citizen Survey 2015 was positive given the backdrop of the current challenging economic climate and difficult budget decisions. The headline findings are shown below:

- Thinking about their local area and Nottingham:
 - 85% of respondents are satisfied with their local area as a place to live
 - 71% are satisfied with the cleanliness of their local area
 - 88% feel that their local area is a place where people from different backgrounds get on well together
 - 76% would speak highly of Nottingham
 - 90% would recommend Nottingham as a place to visit
- Views of the Council are similarly positive:
 - 71% were very or fairly satisfied with the way the Council runs things.
 - 62% of respondents believe the City Council provides value for money
 - 87% of respondents find Council information easy to understand
 - 75% of respondents feel well informed about Council services and benefits

1.3.2 Council Plan 2015-2019

The plan sets out how the City Council aims to make Nottingham a great city with citizens at the heart of everything we do.

The latest Council Plan, approved by Full Council on 9 November 2015, sets out the Council's ambitions for the city over the next four years to 2019. The Plan underpins the council's wider Good to Great journey, with a continued emphasis on placing citizens at the heart of everything we do to shape our service delivery going forward. This includes 5 key objectives for the Council to deliver:

- Ensure that every child in Nottingham is taught in a school that is judged good or outstanding by Ofsted
- Build 2,500 new homes that Nottingham people can afford to rent or buy
- Cut the number of victims of crime by a fifth and continue to reduce anti-social behaviour

Section 3 – Core Financial Statements

- Tackle fuel poverty by setting up a not for profit energy company, to sell energy at the lowest possible price to Nottingham people
- Guarantee a job, training place or further education plan for every 18-24 year old

1.3.3 Citizens at the Heart

This strategy ensures that all areas of the City Council's work have the 'Citizen at the Heart'. This strategy has four elements to it being:

- Great City - Shared Prosperity – Reduced Poverty
- Great Workforce - Working Together
- Great Services – The Nottingham Way
- Great Council – Delivering on Promises



1.4 Explanation of Accounting Statements

The Statement of Accounts provides a summary of the Council's financial performance for 2015/16. It is comprised of core statements and supplementary financial statements with relevant supporting notes and is shown as both single entity accounts and as consolidated group accounts. The format of the Statement of Accounts is defined by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and International Financial Reporting Standards.

An Abbreviation and Glossary section has been included at the end of this document.

The Statement of Accounts includes the following **Core Statements**:

- The **Comprehensive Income and Expenditure Statement** states the Council's income and expenditure activity for the financial year. This statement analyses the income and expenditure by service area and a breakdown of corporate transactions and funding.
- The **Movement in Reserves Statement** summarises the changes within the Council's reserves over the financial year. These reserves are either:
 - Useable (i.e. those that can be applied to fund expenditure or reduce local taxation), or
 - Unusable (i.e. not available to support services and are set aside for specific purposes).
- The **Balance Sheet** shows the financial position of the Council evidencing the assets, liabilities, cash balances and reserves as at the 31 March 2016.
- The **Cash Flow Statement** shows the movement in the Council's cash balances during the year and sets out whether the change is due to operating activities, new investment or financing activities.

The accounts include the following **Supplementary Financial Statements**:

- The **Housing Revenue Account** records all revenue expenditure and income relating to the provision of council dwellings and related services.
- The **Collection Fund** summarises the collection of Council Tax and Business Rates, and the redistribution of some of the money to the precepting authorities and central government.

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 2015/16 (the Code) which is based on approved accounting standards. In addition, the Council's accounts also comply with the Service Reporting Code of Practice 2015/16, 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 2015/16

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 2015/16 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:

- **IAS 1 – Presentation of Financial Statements.** This standard provides guidance on the form of the financial statements. The disclosure initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and there will be a new Expenditure and Funding Analysis.
- **Transport Infrastructure** – The CIPFA Code of Practice on Transport Infrastructure Assets takes effect from the 1 April 2016. From this date transport infrastructure assets will be recognised as a separate class of Property, Plant and Equipment measured at depreciated replacement cost. In transferring the assets into the new categories, there is likely to be a resulting revaluation gain due to the change from depreciated historic cost to depreciated replacement cost basis. If the changes had been implemented in 2015/16, based on current estimates the value of infrastructure assets would increase from £223.762m to circa £2,661.671m.

There are other minor changes due to annual improvements to IFRS cycles, IFRS11 Joint Arrangements, IAS 16 Property, Plant, Equipment, IAS 38 Intangible Assets and IAS 19 Employee Benefits. These are not expected to have a material effect on the Council's Statement of Accounts. The implementation dates for these is 1 April 2016 so there is no impact on the 2015/16 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 Minimis Capital Expenditure

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

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

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

Section 3 – Core Financial Statements

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 current value. 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:

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 2015/16 Statements

For 2015/16 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 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 2016, 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 £1.480m for every year that useful lives had to be reduced. Further details can be found in Note 6.2.1.
- Nottingham Playhouse - The building has been re-valued on a basis that more accurately reflects the use and nature of the building rather than on its economic use alone. The revised approach provided a valuation of £21.051m, an increase of £20.279m from its carrying value at 31 March 2015.
- 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.

2.2.3 Events after the Reporting Date

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

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	2014/15			2015/16		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure	Income	£m	Expenditure	Income	£m
	£m	£m		£m	£m	
Central services to the public	4.619	(3.484)	1.135	3.547	(2.182)	1.365
Cultural and related services	53.422	(27.591)	25.831	51.112	(29.365)	21.747
Environmental and Regulatory services	52.523	(19.316)	33.207	57.742	(23.311)	34.431
Planning Services	13.775	(32.485)	(18.710)	43.615	(25.992)	17.623
Education and children's services	286.089	(181.949)	104.140	271.126	(173.773)	97.353
Highways and transport services	86.607	(80.658)	5.949	153.494	(94.371)	59.123
Local authority housing (HRA)	50.566	(109.325)	(58.759)	81.961	(109.958)	(27.997)
Other housing services	172.334	(151.883)	20.451	172.229	(153.492)	18.737
Adult social care	133.238	(46.543)	86.695	143.013	(55.390)	87.623
Public Health	21.229	(22.697)	(1.468)	16.658	(16.184)	0.474
Corporate and democratic core	36.036	(23.679)	12.357	27.068	(19.727)	7.341
Non distributed costs	(7.447)	-	(7.447)	(4.154)		(4.154)
6.1.1 Cost of Services	902.991	(699.610)	203.381	1,017.411	(703.745)	313.666
6.1.2 Other operating expenditure			136.506			49.184
6.1.3 Financing and investment income and expenditure			55.186			59.982
6.1.4 Taxation and non-specific grant income			(327.037)			(291.528)
(Surplus)/Deficit on Provision of Services			68.036			131.304
6.1.5 Revaluation of PPE/Heritage assets			(42.537)			(50.630)
6.1.6 Re-measurement of pension assets/liabilities			153.168			(123.604)
Other gains/losses recognised required			(4.813)			0.013
Other Comprehensive Income and Expenditure			105.818			(174.221)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			173.854			(42.917)

3.2 Balance Sheet

This statement 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 2015 £m	31 March 2016 £m
6.2.1	Property, Plant & Equipment	1,974.385	2,154.173
6.2.2	Heritage Assets	55.174	55.461
6.2.3	Investment Property	44.024	59.292
6.2.4	Intangible Assets	3.162	4.558
6.2.15(a)	Long Term Investments	15.345	5.445
6.2.15(a)	Long Term Debtors	62.437	65.742
6.2.5	Assets Held for Sale (non-current)	7.628	7.550
	Long Term assets	2,162.155	2,352.221
6.2.5	Assets Held for Sale (current)	9.011	0.160
6.2.15(a)	Short Term Investments	149.477	47.941
6.2.6	Inventories	3.834	1.880
6.2.7	Short Term Debtors	109.201	104.581
6.2.8	Cash and Cash Equivalents	53.409	31.960
	Current Assets	324.932	186.522
6.2.15(b)	Short Term Borrowing	(25.145)	(42.961)
6.2.9	Short Term Creditors	(195.608)	(159.337)
6.2.10(a)	Provisions (current provisions)	(25.917)	(20.312)
	Current Liabilities	(246.670)	(222.610)
6.2.15(b)	Long Term Borrowing	(670.493)	(654.941)
6.2.15(b)	Other Long Term Liabilities	(112.364)	(235.766)
6.2.10(b)	Provisions (non-current)	(13.707)	(22.360)
6.2.13	Capital Grants Receipts in Advance	(2.765)	(16.339)
6.2.14	Defined Benefit Pension Scheme	(720.588)	(623.310)
	Long Term Liabilities	(1,519.917)	(1,552.716)
	NET ASSETS	720.500	763.417
6.2.11	Usable Reserves	250.884	252.490
6.2.12	Unusable Reserves	469.616	510.927
	TOTAL RESERVES	720.500	763.417

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.

2015/16	General Fund £m	Earmarked General Fund £m	Housing Revenue Account £m	Capital Receipts £m	Major Repairs £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance at 31/3/15	19.553	160.105	4.307	22.550	28.470	15.899	250.884	469.616	720.500
Movement in 2015/16:									
Surplus/(deficit) on the provision of services	(141.070)	-	9.766	-	-	-	(131.304)	-	(131.304)
Other CIE*	-	-	-	-	-	-	-	174.221	174.221
Total CIE (Table 3.1)	(141.070)	-	9.766	-	-	-	(131.304)	174.221	42.917
Funding basis adjustments (Note 6.3.1)	147.574	-	(10.073)	0.482	(1.392)	(3.681)	132.910	(132.910)	-
Movement before discretionary transfers	6.504	-	(0.307)	0.482	(1.392)	(3.681)	1.606	41.311	42.917
Discretionary transfers	(14.826)	14.826	-	-	-	-	-	-	-
Movement in Year	(8.322)	14.826	(0.307)	0.482	(1.392)	(3.681)	1.606	41.311	42.917
Balance at 31/3/16	11.231	174.931	4.000	23.032	27.078	12.218	252.490	510.927	763.417

* CIE - Comprehensive Income and Expenditure

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

* 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	2014/15 £m	2015/16 £m
Net Surplus/(Deficit) on the provision of Services	(68.036)	(131.304)
6.4.1 Adjustments to net surplus or deficit on the provision of services for non-cash movements	223.820	224.396
6.4.2 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(84.822)	(71.341)
6.4.3 Net Cash Flows from Operating Activities	70.962	21.751
6.4.4 Investing activities	(57.025)	59.702
6.4.5 Financing activities	(19.569)	(102.902)
Net Increase or Decrease in Cash and Cash Equivalents	(5.632)	(21.449)
Cash and cash equivalents at the beginning of the reporting period	59.041	53.409
CASH AND CASH EQUIVALENTS AT 31 MARCH	53.409	31.960

Section 4

Certifications

4.1 Independent Auditor's Report to the members of Nottingham City Council (to be copied in at end of Audit)

4.1.1 Auditors Report

We have audited the financial statements of Nottingham City Council for the year ended 31 March 2016 on pages 22 to 25 and 31 to 154. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2016 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters

4.1.2 Conclusion on Nottingham City Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Nottingham City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Tony Crawley

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

30 September 2016

4.2 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required to:

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

The statement of accounts was approved at a meeting of the Audit Committee on XX.

Signed..... Date: XX

Councillor Sarah Piper

Chair of the Audit Committee

The Chief Finance Officer's Responsibilities

I am responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, I have:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the 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 2016.

Signed..... Date: XX

Geoff Walker

Chief Finance Officer

Loxley House

Station Road

Nottingham

NG2 3NG

Section 5

Funding Basis and Budget Monitoring

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

5.1 Performance against Budget 2015/16

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 in June 2016 will show the net outturn as being £1.688m lower than that planned for the year.

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.

2015/16	Adults and Health	Community Services	Early Intervention and Early Years	Jobs, Growth & Transport	Leisure & Culture	Resources & Neighbourhood Regeneration	Schools	Other Smaller Portfolios	Corporate Budgets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, Charges, other income	(61.066)	(40.955)	(9.066)	(32.460)	(32.450)	(19.883)	(8.555)	(17.755)	(89.833)	(312.023)
Government Grants	(3.022)	(0.220)	(14.203)	(11.665)	(0.572)	(6.647)	(144.710)	(4.358)	(130.067)	(315.464)
Total Income	(64.088)	(41.175)	(23.269)	(44.125)	(33.022)	(26.530)	(153.265)	(22.113)	(219.900)	(627.487)
Employee Expenses	29.534	38.199	37.719	12.752	18.516	21.634	78.392	6.481	6.986	250.213
Other Service Expenses	124.636	25.765	40.365	40.984	26.532	28.207	70.313	23.879	249.872	630.553
Support Service Recharges	0.522	(0.014)	(0.472)	0.102	(0.140)	(0.674)	2.742	(1.220)	-	0.846
Total Expenditure	154.692	63.950	77.612	53.838	44.908	49.167	151.447	29.140	256.858	881.612
NET EXPENDITURE	90.604	22.775	54.343	9.713	11.886	22.637	(1.818)	7.027	36.958	254.125

2014/15	Adults and Health	Community Services	Early Intervention and Early Years	Jobs, Growth & Transport	Leisure & Culture	Resources & Neighbourhood Regeneration	Schools	Other Smaller Portfolios	Corporate Budgets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, Charges, other income	(79.699)	(41.299)	(6.391)	(28.502)	(30.326)	(18.357)	(8.210)	(17.805)	(88.351)	(318.940)
Government Grants	(0.458)	(0.086)	(13.114)	(20.133)	(0.534)	(6.349)	(138.961)	(1.344)	(113.579)	(294.558)
Total Income	(80.157)	(41.385)	(19.505)	(48.635)	(30.860)	(24.706)	(147.171)	(19.149)	(201.930)	(613.498)
Employee Expenses	30.461	39.033	37.092	13.245	18.325	27.813	88.228	7.778	1.746	263.721
Other Service Expenses	142.412	26.269	40.536	47.186	25.673	26.484	51.051	18.966	239.142	617.719
Support Service Recharges	0.481	(0.185)	(0.394)	0.474	(0.183)	(0.682)	1.780	(1.277)	-	0.014
Total Expenditure	173.354	65.117	77.234	60.905	43.815	53.615	141.059	25.467	240.888	881.454
NET EXPENDITURE	93.197	23.732	57.729	12.270	12.955	28.909	(6.112)	6.318	38.958	267.956

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 £1,708.51 (2014/15 £1,675.83).

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:

	2014/15 £m	2015/16 £m
Funding Basis		
Net Portfolio Spend	267.956	254.125
(Use)/Contributions to Reserves included above	(9.950)	(14.555)
Expenditure financed from Council Tax and Non-specific Grants	258.006	239.570
Council Tax and NNDR	(146.611)	(148.456)
Non-Specific Grants	(130.061)	(101.100)
(SURPLUS)/DEFICIT ON FUNDING BASIS BEFORE TRANSFERS TO RESERVES	(18.666)	(9.986)
ADJUSTMENTS TO MOVE TO ACCOUNTING BASIS		
Other Comprehensive Items		
Revaluation of Property, Plant and Equipment / Heritage assets	(42.537)	(50.630)
Re-measurement of pension assets/liabilities	153.168	(123.604)
Other gains/losses recognised	(4.813)	0.013
Movements In Non Current Assets	179.887	190.844
Capital Financing		
Revenue Expenditure Funded From Capital Under Statute	13.021	3.125
Provision for Debt Redemption	(34.324)	(34.733)
Cap Exp charged to GFB - DRF	(8.425)	(1.207)
Cap Exp charged to GFB - Reserves		
Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	1.879	2.147
Pension Fund - IAS 19 Adjustments	16.922	26.326
Other Movements		
Capital Grants & Contributions	(47.185)	(37.242)
Financial Instrument Adjustment Account	(0.330)	0.333
Transfer to/(from) Collection Fund Adjustment Account	0.774	-
Employee Benefits	-	0.191
Additional items required by Accounting Basis:		
Housing Revenue Account	(34.979)	(9.766)
Other Smaller Adjustments	(0.538)	1.272
Total Comprehensive Income & Expenditure	173.854	(42.917)

Section 5 – Funding Basis and Budget Monitoring

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:

2015/16	Portfolio Spend on Funding Basis	Add Amounts not included in Funding Basis	Remove Amounts not in Cost of Services	Cost of Services per CIES (IFRS)	Items below Cost of Services in CIES (IFRS)	Totals per CIES (IFRS)
	£m	£m	£m	£m	£m	£m
Fees, charges, other income	(312.023)	(66.198)	(14.555)	(392.776)	-	(392.776)
Interest and investment income	-	-	(0.636)	(0.636)	(16.847)	(17.483)
Council tax and NNDR	-	-	-	-	(249.155)	(249.155)
Government grants and contributions	(315.464)	(37.242)	42.373	(310.333)	(42.373)	(352.706)
Total Income	(627.487)	(103.440)	27.182	(703.745)	(308.375)	(1,012.120)
Employee expenses	250.213	56.863	(29.169)	277.907	-	277.907
Other service expenses	631.399	74.883	(126.013)	580.269	-	580.269
Depreciation, amortisation and impairment	-	193.968	(34.733)	159.235	-	159.235
Interest payments	-	-	-	-	76.829	76.829
Payments to Housing Capital Receipts Pool	-	-	-	-	2.147	2.147
Disposal of Fixed Assets	-	-	-	-	47.037	47.037
Total Expenditure	881.612	325.714	(189.915)	1,017.411	126.013	1,143.424
NET (SURPLUS)/DEFICIT*	254.125	222.274	(162.733)	313.666	(182.362)	131.304

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

Section 5 – Funding Basis and Budget Monitoring

2014/15	Portfolio Spend on Funding Basis £m	Add Amounts not included in Funding Basis £m	Remove Amounts not in Cost of Services £m	Cost of Services per CIES (IFRS) £m	Items below Cost of Services in CIES (IFRS) £m	Totals per CIES (IFRS) £m
Fees, charges, other income	(298.060)	(108.968)	(1.648)	(408.676)	-	(408.676)
Interest and investment income	-	-	(0.330)	(0.330)	(8.301)	(8.631)
Council tax and NNDR	-	-	-	-	(275.898)	(275.898)
Government grants and contributions	(294.558)	(47.185)	51.139	(290.604)	(51.139)	(341.743)
Total Income	(592.618)	(156.153)	49.161	(699.610)	(335.338)	(1,034.948)
Employee expenses	263.721	44.596	(28.212)	280.105	-	280.105
Other service expenses	596.852	73.989	(199.993)	470.848	-	470.848
Depreciation, amortisation and impairment	-	192.908	(40.870)	152.038	-	152.038
Interest payments	-	-	-	-	63.487	63.487
Payments to Housing Capital Receipts Pool	-	-	-	-	1.879	1.879
Disposal of Fixed Assets	-	-	-	-	134.627	134.627
Total Expenditure	860.573	311.493	(269.075)	902.991	199.993	1,102.984
NET (SURPLUS)/DEFICIT*	267.955	155.340	(219.914)	203.381	(135.345)	68.036

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:

The capital programme is actively managed throughout the year and varied in line with agreed approvals and changes in funding. A resource balance of £79.110m was carried forward into financial year 2015/16. Further resources were identified during 2015/16 of £257.663m which means the Council had total available resources of £336.773m during 2015/16. After spending £252.247m, the balance of £84.526m is therefore available to carry forward into 2016/17, to cover expenditure that has slipped between years.

	2014/15 £m	2015/16 £m
Planning and Housing	62.683	53.687
Jobs, Growth and Transport	57.607	124.601
Strategic Regeneration	19.677	39.310
Other	43.560	34.649
CAPITAL EXPENDITURE	183.527	252.247

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:

	2014/15 £m	2015/16 £m
Capital Investment on IFRS Basis		
Property, Plant and Equipment	168.929	122.597
Reduction Of Long Term Liabilities	-	100.000
Assets Held for Sale	-	0.632
Investment Properties	5.401	16.325
Intangible Assets	1.539	2.248
Long Term Debtors	0.542	1.600
Total Additions to Assets on IFRS Basis	176.411	243.402
Revenue Expenditure Funded from Capital under Statute	7.116	8.845
Total Expenditure to be Financed from Capital Sources	183.527	252.247
Financing		
Capital receipts	(5.588)	(25.388)
Government grants and other contributions	(56.925)	(46.643)
Sums set aside from revenue	(54.383)	(45.397)
UNDERLYING BORROWING REQUIREMENT IN YEAR	66.631	134.819

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:

Section 5 – Funding Basis and Budget Monitoring

	2014/15 £m	2015/16 £m
Opening Capital Financing Requirement	916.935	960.733
Increase in underlying need to borrow:		
Supported by government financial assistance	0.182	1.151
Unsupported by government financial assistance	66.449	133.668
Statutory Minimum Revenue Provision	(7.907)	(7.406)
Voluntary Revenue Provision	(23.692)	(24.102)
Voluntarily Set Aside Capital Receipts	-	(0.270)
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	11.304	236.921
PFI Liability Discharged	(1.989)	(103.852)
Other Items	(0.549)	(0.900)
CLOSING CAPITAL FINANCING REQUIREMENT	960.733	1,195.943

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 2015/16 of £1,030.5m (including PFI and finance lease related debt of £235.5m). Actual external debt on 1 April 2015 was £791.2m and this increased to £926.0m at 31 March 2016.

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:

	2014/15	2015/16
	£m	£m
Revenue Grants		
Department for Communities and Local Government: PFI Grant	(2.898)	(2.898)
Department for Education: Dedicated School Grant	(128.947)	(115.279)
Department for Education: PFI Grant	(5.590)	(5.620)
Department for Education: Universal Free School Meals	(0.962)	(1.810)
Department of Transport: PFI Grants	(47.429)	(61.491)
Department for Work & Pensions: Housing Benefit Admin	(3.011)	(2.248)
Department for Work & Pensions: Innovation Fund	(1.428)	(0.143)
Growth Fund	(1.112)	(0.072)
Mandatory Rent Allowances: Subsidy	(79.229)	(82.162)
Public Health	(27.839)	(31.106)
Pupil Premium Grant	(9.966)	(8.427)
Rent Rebates Granted to HRA Tenants	(62.847)	(62.605)
<i>Other Revenue Grants</i>	(59.824)	(57.696)
Contributions	(17.139)	(21.994)
TOTAL	(448.221)	(453.551)

6.1.2 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2014/15	2015/16
	£m	£m
Derecognition of Academies	113.949	34.138
Other Derecognition	25.524	20.052
Payments to the Government Housing Capital Receipts Pool	1.879	2.147
Revaluation increases / decrease on assets held for sale	0.570	0.598
Net Gain/Loss on the disposal of non-current assets	(5.416)	(7.751)
TOTAL	136.506	49.184

Section 6 – Notes to the Financial Statements

6.1.3 Financing and Investment Income and Expenditure

Financing and Investment includes the following items, further information on Trading Operations can be found in note 6.5.1:

	2014/15			2015/16		
	Expenditure	Income	Net	Expenditure	Income	Net
	£m			£m		
Net Interest on Pension Fund	23.099	-	23.099	22.752	-	22.752
Other interest	35.847	(2.369)	33.478	50.014	(3.475)	46.539
Trading Operations	2.601	(4.482)	(1.881)	4.063	(7.195)	(3.132)
Investment Property Revaluations	1.835	-	1.835	-	(3.677)	(3.677)
Other Finance and Investment items	0.105	(1.450)	(1.345)	-	(2.500)	(2.500)
TOTAL	63.487	(8.301)	55.186	76.829	(16.847)	59.982

6.1.4 Taxation and Non-Specific Grant Income

	2014/15 £m	2015/16 £m
Revenue:		
<i>Council Tax income</i>		
Demand on the collection fund	(85.835)	(89.108)
Apportionment of Collection Fund Surplus/Deficit	(1.357)	(4.132)
<i>National Non domestic rates (NNDR)</i>		
Demand on the collection fund	(59.235)	(60.468)
Top Up Grant	(26.796)	(27.308)
Apportionment of Collection Fund Surplus/Deficit	0.590	5.653
Other	(0.790)	(0.401)
<i>Non-ringfenced government grants</i>		
Revenue Support Grant *	(103.265)	(73.792)
New Homes Bonus	(3.397)	(4.730)
Capital:		
<i>Government Departments</i>	(41.855)	(28.483)
<i>Other</i>	(5.331)	(8.759)
TOTAL	(327.037)	(291.528)

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

During 2015/16 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £50.344m for PPE assets (see note 6.2.1) and £0.287m for Heritage Assets (see note 6.2.2). There are no charges within Other Operating Expenditure relating to physical damage and demolition of assets in 2015/16.

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	
	Pension Scheme			
	2014/15	2015/16	2014/15	2015/16
	£m	£m	£m	£m
Cost of Services:				
Service cost	21.885	32.724	-	-
Administration expenses	0.150	0.019	-	-
Financing and Investment Income and Expenditure:				
Net interest on the defined liability (asset)	22.059	22.063	1.040	0.689
Total Charged to (Surplus)/Deficit on Provision of Services	44.094	54.806	1.040	0.689
Other Comprehensive Income and Expenditure (OCIE):				
Re-measurements of the net defined benefit liability (asset):				
Return on Fund assets in excess of interest	(55.171)	36.584	-	-
Other actuarial (gains)/losses on assets	-	-	-	-
Change in financial assumptions	206.492	(159.511)	1.708	(0.957)
Change in demographic assumptions	-	-	0.139	-
Experience (gain)/loss on defined benefit obligation	-	0.280	-	-
Total Charged to OCIE	151.321	(122.647)	1.847	(0.957)
Total Charged to the CIES	195.415	(67.841)	2.887	(0.268)

These transactions are summarised in the following table:

	2014/15	2015/16
	£m	£m
Comprehensive Income and Expenditure Statement:		
Cost of services	22.035	32.743
Financing and Investment income and expenditure	23.099	22.752
Other Comprehensive Income and Expenditure	153.168	(123.604)
TOTAL	198.302	(68.109)

6.2 Balance Sheet Notes

6.2.1 Property Plant and Equipment

2015/16	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	610.225	852.739	155.032	450.263	29.890	27.575	124.382	2,250.106	99.087
Accumulated Depreciation b/f	-	(54.833)	(74.390)	(139.197)	(7.273)	(0.028)	-	(275.721)	(11.608)
Accumulated Impairment b/f	-	-	-	-	-	-	-	-	-
Net Book Value at 1st April 2015	610.225	797.906	80.642	311.066	22.617	27.547	124.382	1,974.385	87.479
Additions - Capital Expenditure	33.251	8.070	13.912	21.501	1.115	6.894	37.854	122.597	-
Additions - Donations	0.151	-	-	-	-	-	-	0.151	-
Additions - PFI	-	-	55.944	180.977	-	-	-	236.921	236.921
Depreciation Charge	(25.425)	(23.852)	(13.371)	(18.015)	(0.978)	(0.619)	-	(82.260)	(4.091)
Revaluations - Recognised in Revaluation Reserve	(0.489)	43.078	-	-	-	7.755	-	50.344	(0.147)
Revaluations - Recognised in the CIES	7.529	(96.655)	-	-	-	(0.599)	(0.143)	(89.868)	(13.109)
Derecognition - Disposals	(11.460)	-	(0.015)	-	-	(1.690)	-	(13.165)	-
Derecognition - Other	(3.012)	(36.377)	-	-	-	(12.728)	(0.084)	(52.201)	(18.220)
Impairments - Recognised in the CIES	-	(0.069)	-	-	-	-	-	(0.069)	-
Other - Transfers to Held for Sale	24.532	103.319	(9.779)	1.504	-	9.741	(121.979)	7.338	-
Net Book Value at 31st March 2016	635.302	795.420	127.333	497.033	22.754	36.301	40.030	2,154.173	288.833
Gross Book Value c/f	635.302	849.487	208.339	654.246	31.005	36.301	40.030	2,454.710	296.444
Accumulated Depreciation c/f	-	(53.998)	(81.006)	(157.213)	(8.251)	-	-	(300.468)	(7.611)
Accumulated Impairment c/f	-	(0.069)	-	-	-	-	-	(0.069)	-
Net Book Value at 31 March 2016	635.302	795.420	127.333	497.033	22.754	36.301	40.030	2,154.173	288.833

Section 6 – Notes to the Financial Statements

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

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

During 2015/16, the Council's internal valuers completed asset valuations for operational 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.

Valuers' Assumptions - Cyclical and Non Cyclical Valuations

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

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

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

Council Housing Stock Valuation – beacon revaluation (see note 10.3.1 for details)

Material Revaluation Gains, Losses and Impairments

5 properties / sites with a total value of £34.138m 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.

Other material changes as a result of revaluation in 2015/16 include a loss of £71.530m for the land used in NET PFI, the reduction reflects the value of land and buildings purchased as part of construction being revalued as land under the tram tracks. A gain of £20.279m reflects the increase in value of the Nottingham Playhouse

Section 6 – Notes to the Financial Statements

as a result of the valuation basis changing from Existing Use Value to Depreciated Replacement Cost.

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 2015/16.

Valuation at 31 March 2016

DESCRIPTION	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total £m
Carried at depreciated historical cost			127.333	497.033	22.754			647.120
Valued at depreciated current value as at:								
2011/12	-	134.280	-	-	-	-	2.370	136.650
2012/13	-	210.274	-	-	-	-	-	210.274
2013/14	-	100.142	-	-	-	-	-	100.142
2014/15	-	150.334	-	-	-	-	1.400	151.734
2015/16	635.302	200.390	-	-	-	36.301	36.260	908.253
TOTAL	635.302	795.420	127.333	497.033	22.754	36.301	40.030	2,154.173

Section 6 – Notes to the Financial Statements

Capital Commitments

At 31 March 2016, 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 2015 £m	31 March 2016 £m
Public Sector Housing Programme			
Cranwell Road New Build	2014-2017	5.342	3.711
Meadows New Build	2014-2017	6.101	3.046
No Fines / Solid Wall Insulation Scheme	2016-2017	-	6.666
Affordable Homes - Garage Sites - New Build	2016-2018	-	11.384
Installation of Solar Panels	2016-2017	-	5.064
Other Services			
Eastcroft Incinerator Waste Recycling Contract	Rolling	8.583	11.201
Harvey Hadden Pool	2013-2016	3.980	0.081
NET2/3 Land Acquisitions	2012-2017	7.044	4.729
NET2/3 Other Elements of Scheme	2013-2017	109.067	-
Creative Quarter - Daykene St	2013-2016	4.920	0.017
Southglade Food Park - Phase 2	2013-2016	1.496	-
Growing Places - Boots Site - Infrastructure	2014-2018	7.541	6.454
Acquisition of Property - Shakespeare Street	2016-2017	-	5.300
Expansion of Bio City	2016-2018	-	19.506
Commitments less than £5m at 31 March	-	72.090	54.971
TOTAL		226.164	132.130

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 2014 £m	Revaluations £m	31 March 2015 £m	Revaluations £m	31 March 2016 £m
Byron Collection	14.152	0.084	14.236	0.071	14.307
Costume Collection	0.545	(0.009)	0.536	0.014	0.550
Decorative Art	2.398	1.518	3.916	0.020	3.936
Fine Art	28.150	6.340	34.490	0.172	34.662
Human & Social History	0.604	0.043	0.647	0.003	0.650
Industrial History	0.015	-	0.015	-	0.015
Civic Regalia & Silver Collection	1.321	0.013	1.334	0.007	1.341
TOTAL	47.185	7.989	55.174	0.287	55.461

Since April 2011 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:

	2014/15 £m	2015/16 £m
Balance at 1 April	38.388	44.024
Additions	5.579	16.325
Disposals	(1.835)	(1.997)
Net gains/(losses) from fair value adjustments	1.991	3.725
Transfers to / from Property Plant and Equipment	(0.099)	(2.785)
BALANCE AT 31 MARCH	44.024	59.292

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

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2016 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2016 £m
Industrial	-	2.196	-	2.196
Land	-	7.721	5.269	12.990
Leisure / Other	-	5.551	1.329	6.880
Office	-	8.824	0.482	9.306
Retail	-	26.199	0.690	26.889
Services	-	0.790	0.241	1.031
Total	-	51.281	8.011	59.292

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties:

- **Significant Observable Inputs – Level 2**

The fair value valuations have been on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

- **Significant Unobservable Inputs – Level 3**

Level 3 properties are measured using the income approach, by means of a discounted cash flow method, to establish the present value of the net income stream. This method uses the Council's data factoring in cash flows, rent movements, occupancy / bad debt levels, etc. For level 3 properties there is no reasonably available information that indicated that market participants would use different assumptions.

Highest and Best Use of Investment Properties

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

Valuation Techniques

IFRS13 Fair Value accounting has been used during financial year 2015/16 for investment properties.

Section 6 – Notes to the Financial Statements

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs – Level 3

	As at 31 March 2016 £m	Valuation Technique Used to measure fair value	Unobservable Inputs	Level of Confidence	Sensitivity
Land	5.269	Income approach using a discounted cash flow (DCF) technique	Use	25% - 75%	Level of confidence within the unobservable inputs, any significant changes in confidence level will result in a significantly lower or higher fair value
			Rent Comparables	25% - 75%	
			Yield Comparables	25% - 75%	
Leisure / Other	1.329	Term and Reversion valuation of existing leasehold interests / Marriage Valuation of existing leasehold interests.	Planning	25%	Level of confidence within the unobservable inputs, any significant changes in confidence level will result in a significantly lower or higher fair value
			Use	25%	
			Rent Comparables	25% - 50%	
			Yield Comparables	50%	
Office	0.482	Term and Reversion valuation of existing leasehold interests / Marriage Valuation of existing leasehold interests.	Rent Comparables	25% - 50%	Level of confidence within the unobservable inputs, any significant changes in confidence level will result in a significantly lower or higher fair value
			Yield Comparables	25% - 50%	
Retail	0.690	Term and Reversion valuation of existing leasehold interests.	Rent Comparables	25%	Level of confidence within the unobservable inputs, any significant changes in confidence level will result in a significantly lower or higher fair value
			Yield Comparables	50%	
Services	0.241	Term and Reversion valuation of existing leasehold interests.	Use	25% - 50%	Level of confidence within the unobservable inputs, any significant changes in confidence level will result in a significantly lower or higher fair value
			Rent Comparables	50%	
			Yield Comparables	50%	

25% - Low Risk

50% - Medium Risk

75% - High Risk

Valuation Process for Investment Properties

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

Section 6 – Notes to the Financial Statements

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 2015/16 was £0.851m.

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

	2014/15 £m	2015/16 £m
Balance at start of year:		
Gross carrying amounts	5.643	7.181
Accumulated amortisation	(3.314)	(4.020)
Net carrying amount at start of year	2.329	3.161
Additions - Purchases	1.539	2.248
Amortisation for the period	(0.706)	(0.851)
Net carrying amount at end of year	3.162	4.558
Comprising:		
Gross carrying amounts	7.181	9.429
Accumulated amortisation	(4.019)	(4.871)
TOTAL	3.162	4.558

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:

	2014/15 £m	2015/16 £m
Balance outstanding at start of year	4.621	9.011
Assets newly classified as held for sale:		
Property, Plant and Equipment	5.842	(4.553)
Revaluation losses	(0.570)	(0.614)
Revaluation gains	0.028	0.016
Assets declassified as held for sale:		
Property, Plant and Equipment	-	-
Assets sold	(0.910)	(4.410)
Other movements	-	0.710
BALANCE AT 31 MARCH	9.011	0.160

6.2.6 Inventories

	2014/15				2015/16			
	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
Balance at 1 April	0.524	0.064	1.949	2.537	0.635	0.430	2.769	3.834
Purchases	4.771	0.558	19.085	24.414	5.350	4.319	6.245	15.914
Recognised as an expense in the year	(4.660)	(0.192)	(18.265)	(23.117)	(5.333)	(4.624)	(7.911)	(17.868)
Written off balances	-	-	-	-	-	-	-	-
BALANCE AT 31 MARCH	0.635	0.430	2.769	3.834	0.652	0.125	1.103	1.880

Section 6 – Notes to the Financial Statements

6.2.7 Short Term Debtors

	31 March 2015 £m	31 March 2016 £m
Central government bodies	15.764	13.544
Other local authorities	7.201	4.185
NHS Bodies	1.905	4.775
Public corporations and trading funds	0.188	-
Other entities and individuals	84.143	82.077
TOTAL	109.201	104.581

6.2.8 Cash and Cash Equivalents

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

	31 March 2015 £m	31 March 2016 £m
Cash held by the Authority	0.342	0.241
Bank current accounts	(4.133)	(3.681)
Short-term deposits with banks and building societies	57.200	35.400
TOTAL	53.409	31.960

The Council has set-off overdrafts of £12.335m (£15.335m in 2014/15) against credit balances held within its bank current accounts.

6.2.9 Short Term Creditors

	31 March 2015 £m	31 March 2016 £m
Central government bodies	(38.562)	(24.095)
Other local authorities	(6.922)	(3.961)
NHS Bodies	(7.773)	(9.696)
Other entities and individuals	(142.351)	(121.585)
TOTAL	(195.608)	(159.337)

6.2.10 Provisions

Current Provisions

These are amounts set aside meet specific expenditure in 2016/17. The NET2 provision has reduced during 2015/16 due to acquisition prices being agreed on compulsory purchases, the closing balance are for compulsory purchases where the purchase price has yet to be agreed.

A number of Single Status payments (£0.672m) have been made in 2015/16 against the job evaluation provision.

Section 6 – Notes to the Financial Statements

	Compulsory Purchases for NET2	Job Evaluation	Other	Total
	£m	£m	£m	£m
Balance at 1 April 2015	(22.173)	(3.744)	-	(25.917)
Additional provisions made	-	-	(0.110)	(0.110)
Amounts used	5.043	0.672	-	5.715
BALANCE AT 31 MARCH 2016	(17.130)	(3.072)	(0.110)	(20.312)

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
Balance at 1 April 2015	(9.833)	(3.117)	(0.757)	(13.707)
Additional provisions made	(1.201)	(10.677)	-	(11.878)
Amounts used	-	2.903	0.322	3.225
BALANCE AT 31 MARCH 2016	(11.034)	(10.891)	(0.435)	(22.360)

Insurance Compensation Claims

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

The majority of costs met from the provision arise from property damage, liability claims made against the Council and motor accidents involving Council motor vehicles. In order to limit the Council's exposure to these risks the policies for external fire 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 2015/2016 policy year were £5m across all classes. Other costs falling on the provision include self-insured risks and the payment of insurance premium for policies where the risk has been transferred to the market.

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

Section 6 – Notes to the Financial Statements

Business Rates

The council bears a risk of non-collection of business rates following appeals. An additional provision of has been made as a result of the assessment of outstanding appeals at 31st March 2016, 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 £0.435m 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 2014 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2015 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2016 £m
Restricted Reserves:							
Schools	21.767	(3.461)	5.816	24.122	(6.385)	4.127	21.864
Capital	5.134	(1.556)	8.562	12.140	(2.342)	0.700	10.498
Other Reserves:							
Private Finance Initiatives	24.038	(4.996)	16.510	35.552	(4.621)	15.357	46.288
Investment	13.055	(13.574)	22.399	21.880	(14.097)	9.470	17.253
Contingency	18.407	(12.427)	11.258	17.238	(4.413)	17.806	30.631
Services	13.879	(8.817)	5.671	10.733	(9.886)	11.964	12.811
Workforce Issues	15.227	(8.441)	1.311	8.097	(1.647)	2.632	9.082
Business Transformation	15.629	(9.040)	1.098	7.687	(5.377)	3.003	5.313
Local Economy	6.614	(11.889)	12.759	7.484	(8.590)	7.482	6.376
Information Technology	8.750	(5.327)	3.592	7.015	(4.096)	3.566	6.485
Insurance & Risk							
Management	2.279	-	2.500	4.779	-	0.084	4.863
Asset Maintenance	3.984	(1.436)	0.830	3.378	(1.709)	1.798	3.467
	148.763	(80.964)	92.306	160.105	(63.163)	77.989	174.931

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.

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.

Section 6 – Notes to the Financial Statements

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.

	2014/15 £m	2015/16 £m
Revaluation Reserve	315.722	351.829
Capital Adjustment Account	877.330	794.066
Financial Instruments Adjustment Account	(6.883)	(6.584)
Pensions Reserve	(720.588)	(623.310)
Deferred Capital Receipts Reserve	3.893	1.248
Collection Fund Adjustment Account	4.232	(2.028)
Accumulated Absences Account	(4.091)	(4.281)
Available for Sale Financial Instruments Reserve	-	(0.013)
TOTAL UNUSABLE RESERVES	469.616	510.927

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.

	2014/15 £m	2015/16 £m
Balance at 1 April	327.492	315.722
Upward revaluation of assets	50.388	66.694
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7.851)	(16.064)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	42.537	50.630
Difference between fair value depreciation and historical cost depreciation	(9.317)	(9.578)
Accumulated gains on assets sold or scrapped	(44.990)	(4.945)
Amount written off to the Capital Adjustment Account	(54.307)	(14.523)
BALANCE AT 31 MARCH	315.722	351.829

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.

	2014/15 £m	2015/16 £m
Balance at 1 April	881.690	877.330
Other Comprehensive Items		
Voluntary aided school recognition	4.813	-
	4.813	-
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(0.706)	(0.851)
Charges for depreciation of non-current assets	(86.276)	(82.260)
Charges for impairment of non-current assets	0.158	(0.069)
Revaluation losses on Property, Plant and Equipment	38.700	(90.141)
Donated assets	1.091	0.151
Movements in the market value of Investment Properties	1.817	3.677
Revenue expenditure funded from capital under statute (REFCUS)	(19.394)	(8.845)
REFCUS expenditure funded by grants	6.373	5.720
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(150.354)	(71.772)
Adjusting amounts written out of the Revaluation Reserve	54.307	14.523
	(154.284)	(229.867)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	5.588	25.658
Use of the Major Repairs Reserve to finance new capital expenditure	40.257	28.470
Application of grants from the Capital Grants Unapplied Account	50.552	40.923
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7.907	7.406
Voluntary set aside of capital receipts for debt redemption	23.693	24.102
Adjustment to MRP as a result of PFI Projects	3.729	3.730
Capital expenditure charged against the General Fund and HRA balances	14.125	16.926
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(0.740)	(0.612)
	145.111	146.603
BALANCE AT 31 MARCH	877.330	794.066

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Authority arising from changes in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated balances are revalued, impaired or disposed of and the gains/losses are realised.

	2014/15 £m	2015/16 £m
Balance at 1 April	-	-
Upward revaluation of investments		
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	(0.013)
		(0.013)
Accumulated gains on assets sold and maturing assets written out to the CIES as part of Other Investment Income	-	-
BALANCE AT 31 MARCH	-	(0.013)

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).

	2014/15 £m	2015/16 £m
Balance at 1 April	(7.186)	(6.883)
Premiums incurred in the year	0.369	0.363
Discounts incurred in the year	(0.072)	(0.072)
Lenders Option Borrowers Option Loans	0.004	0.006
Soft Loans	0.002	0.002
BALANCE AT 31 MARCH	(6.883)	(6.584)

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

Section 6 – Notes to the Financial Statements

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.

	2014/15 £m	2015/16 £m
Balance at 1 April	(550.498)	(720.588)
Return on plan assets	55.171	(36.584)
Actuarial gains or (losses) on pensions assets and liabilities	(208.339)	160.188
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(45.134)	(55.495)
Employer's pensions contributions and direct payments to the pensioners payable in the year	28.212	29.169
BALANCE AT 31 MARCH	(720.588)	(623.310)

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.

	2014/15 £m	2015/16 £m
Balance at 1 April	4.293	3.893
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.400)	(0.015)
Created in year	-	(2.630)
BALANCE AT 31 MARCH	3.893	1.248

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.

Section 6 – Notes to the Financial Statements

	2014/15 £m	2015/16 £m
Balance at 1 April	5.006	4.232
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	(0.774)	(6.260)
BALANCE AT 31 MARCH	4.232	(2.028)

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.

	2014/15 £m	2015/16 £m
Balance at 1 April	(4.628)	(4.090)
Settlement or cancellation of accrual made at the end of the preceding year	4.628	4.090
Amounts accrued at the end of the current year	(4.090)	(4.281)
Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis	0.538	(0.191)
BALANCE AT 31 MARCH	(4.090)	(4.281)

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:

	2014/15 £m	2015/16 £m
Department for Education	(0.177)	(0.174)
Department of Health	(0.019)	(0.019)
Dept for Local Government & Communities	-	(9.432)
Office for Low Emission Vehicles	-	(3.000)
S106 Contributions - Affordable Housing	(1.206)	(2.481)
S106 Contributions - Open Space	(1.022)	(1.024)
S106 Contributions - Transport / Public Realm / Training	(0.252)	(0.120)
Other Grants and Contributions	(0.089)	(0.089)
TOTAL	(2.765)	(16.339)

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

Section 6 – Notes to the Financial Statements

make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in three post employment schemes:

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

Further details for these schemes can be found in Appendix C

The following tables explain the amounts in the financial statements. 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	
	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m
Opening balance at 1 April	(1,351.191)	(1,592.727)	(31.658)	(32.387)
Current service cost	(30.227)	(37.516)	-	-
Interest cost	(58.312)	(51.605)	(1.040)	(0.689)
Change in financial assumptions	(206.492)	159.511	(1.708)	0.957
Change in demographic assumptions	-	-	(0.139)	-
Experience loss/(gain) on defined benefit obligation	-	(0.280)	-	-
Liabilities assumed/extinguished on settlements	19.615	9.286	-	-
Estimated benefits paid net of transfers in	42.069	45.852	-	-
Past Service costs including curtailments	(0.916)	(1.250)	-	-
Contributions by scheme participants	(8.519)	(8.450)	-	-
Unfunded pension payments	1.246	1.175	2.158	2.164
CLOSING BALANCE AT 31 MARCH	(1,592.727)	(1,476.004)	(32.387)	(29.955)

Section 6 – Notes to the Financial Statements

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2014/15	2015/16
	£m	£m
Opening balance at 1 April	832.351	904.526
Interest on assets	36.253	29.542
Return on assets less interest	55.171	(36.584)
Other actuarial gains/losses	-	-
Administration expenses	(0.150)	(0.019)
Contributions by the employer including unfunded	26.054	27.005
Contributions by scheme participants	8.519	8.450
Estimated benefits paid plus unfunded net of transfers in	(43.315)	(47.027)
Settlement prices received/paid	(10.357)	(3.244)
CLOSING BALANCE AT 31 MARCH	904.526	882.649

The total return on the fund assets for the year to 31 March 2016 is (£7.042m).

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

	Local Government Pension Scheme		Teachers Benefits	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£m	£m	£m	£m
Present value of obligation	(1,577.116)	(1,461.352)	-	-
Fair value of scheme assets (bid value)	904.526	882.649	-	-
Net Liability	(672.590)	(578.703)	-	-
Present value of unfunded obligation	(15.611)	(14.652)	(32.387)	(29.955)
NET LIABILITY IN BALANCE SHEET	(688.201)	(593.355)	(32.387)	(29.955)

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 £623.310m. 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

Section 6 – Notes to the Financial Statements

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 2016 (and 31 March 2015).

	Notes	Long-term		Current	
		31 March	31 March	31 March	31 March
		2015 £m	2016 £m	2015 £m	2016 £m
Investments					
Loans and receivables					
- investments (principal)		10.000	-	136.600	35.000
- accrued interest		-	-	0.550	0.174
- Icelandic deposits		-	-	2.340	2.780
		10.000	-	139.490	37.954
Available for sale					
- investments (principal)		-	-	9.980	9.987
- accrued interest		-	-	0.007	-
Unquoted equity investment at cost		5.345	5.445	-	-
TOTAL INVESTMENTS		15.345	5.445	149.477	47.941
Cash and Cash Equivalents					
- cash (including bank accounts)		-	-	(3.791)	(3.440)
- cash equivalents (principal)		-	-	57.200	35.400
TOTAL CASH EQUIVALENTS		-	-	53.409	31.960
Debtors					
Loans and receivables	1	62.437	65.742	88.162	80.799
TOTAL DEBTORS		62.437	65.742	88.162	80.799

Notes:

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

Section 6 – Notes to the Financial Statements

	Notes	Long-term		Current	
		31 March 2015 £m	31 March 2016 £m	31 March 2015 £m	31 March 2016 £m
Borrowings					
Financial liabilities at amortised cost					
- principal	1	669.552	654.007	18.409	36.389
- interest		-	-	6.736	6.572
- accounting adjustments		0.941	0.934	-	-
TOTAL BORROWINGS		670.493	654.941	25.145	42.961
Other Long Term Liabilities					
PFI and finance lease liabilities	1	101.102	225.990	2.141	10.323
Growing Places Fund and other		11.261	9.776	9.758	8.804
TOTAL OTHER LONG TERM LIABILITIES		112.363	235.766	11.899	19.127
Creditors					
Financial liabilities at amortised cost	2	-	-	127.750	97.555
TOTAL CREDITORS				127.750	97.555

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):

	2014/15 £m	2015/16 £m
Interest expense	(23.462)	(33.613)
Impairment losses	(0.183)	-
Total Expense in (Surplus)/Deficit on Provision of Services	(23.645)	(33.613)
Interest and investment income	2.031	2.067
Interest and other income - impaired financial assets	0.072	1.075
Dividend Income	0.700	0.700
Total Income in (Surplus)/Deficit on Provision of Services	2.803	3.842
NET GAIN/(LOSS) FOR THE YEAR	(21.542)	(29.771)

Financial Instruments – Fair Values

Financial assets classified as available for sale and all derivative assets and liabilities are carried in the Balance Sheet at fair value. For most assets, including treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2016, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to a 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 other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March
- 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.
- Shares in Nottingham City Transport (NCT) have been valued at cost with fair value being calculated from the company’s balance sheet net assets and adding expected future profits, discounted at a suitable market rate for similar equity investments.
- No early repayment or impairment is recognised for any financial instrument.
- 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.
- The fair value of investments excludes all sums deposited with Icelandic banks which have been accounted for separately.

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

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

Section 6 – Notes to the Financial Statements

The fair values calculated are as follows:

	Fair value level	31 March 2015		31 March 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
PWLB debt	2	641.197	752.319	625.932	752.089
Market loans	2	50.427	79.670	50.421	79.983
3% stock	2	0.648	0.647	0.627	0.792
Bonds etc	*	0.176	0.176	0.002	0.002
PFI and finance leases	2	103.516	407.274	236.313	382.888
Other debt	*	3.191	3.191	20.920	20.920
Trade creditors	*	145.806	145.806	97.555	97.555
Total Financial Liabilities		944.961	1,389.083	1,031.770	1,334.229
Money Market & Pooled Funds (< 1 year)	1	47.200	47.200	45.387	45.387
Other Investments (< 1 year)	*	137.163	137.163	37.954	37.954
UK Government Treasury Bills (< 1 year)	2	9.987	9.987	-	-
Investments (> 1 year)	2	10.000	10.175	-	-
Shares in unlisted companies	3	5.345	61.253	5.445	69.944
Debtors	*	90.399	90.399	80.799	80.799
Long-term debtors	2	62.437	62.437	65.742	64.419
Financial Assets		362.531	418.614	235.327	298.503

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

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 2016, 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

2015/16	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	£m
Non Current Assets						
• Amortisation of Intangible Fixed Assets	0.847	0.004	-	-	-	(0.851)
• Depreciation	55.182	27.078	-	-	-	(82.260)
• Impairment	0.069	-	-	-	-	(0.069)
• Revaluation Losses	97.225	(7.386)	-	-	-	(89.839)
• Donated Assets	-	(0.151)	-	-	-	0.151
• Investment Property Movement	(3.677)	-	-	-	-	3.677
• Assets Held for Sale Movement	0.301	-	-	-	-	(0.301)
• Derecognition of Fixed Assets	38.740	15.866	-	-	-	(54.606)
• (Loss)/Gain on Sale of Fixed Assets	2.155	(10.018)	27.659	-	-	(19.796)
	190.842	25.393	27.659	-	-	(243.894)
Capital Financing						
• Revenue Expenditure Funded From Capital Under Statute	3.125	-	-	-	-	(3.125)
• Statutory Minimum Revenue Provision for Capital Financing	(7.406)	-	-	-	-	7.406
• Voluntary Revenue Provision for Capital Financing	(23.597)	(0.505)	-	-	-	24.102
• PFI Minimum Revenue Provision	(3.730)	-	-	-	-	3.730
• Capital Expenditure charged in year to General Fund Balance	(9.010)	(7.916)	-	-	-	16.926
• Transfer to/from Major Repairs Reserve	-	(27.078)	-	(1.392)	-	28.470
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.147	-	(2.147)	-	-	-
• Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	-	-	0.628	-	-	(0.628)
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(25.658)	-	-	25.658
• Capital Grants Applied	-	-	-	-	(40.923)	40.923
	(38.471)	(35.499)	(27.177)	(1.392)	(40.923)	143.462

Continued on the next page

Section 6 – Notes to the Financial Statements

2015/16	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	£m
Employee Benefits	0.191	-	-	-	-	(0.191)
Pension Fund						
• Net charges made for Retirement Benefits in accordance with IAS19	55.495					(55.495)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(29.169)					29.169
	26.326	-	-	-	-	(26.326)
Other Movements						
• Capital Grants & Contributions	(37.242)	-	-	-	37.242	-
• Financial Instrument Adjustment Account	(0.333)	0.033	-	-	-	0.300
• Transfer to/(from) Collection Fund Adjustment Account	6.261	-	-	-	-	(6.261)
	(31.314)	0.033	-	-	37.242	(5.961)
TOTAL ADJUSTMENTS	147.574	(10.073)	0.482	(1.392)	(3.681)	(132.910)

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	£m
Non Current Assets						
• 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)
Capital Financing						
• 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

Continued on the next page

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	£m
Employee Benefits	(0.538)	-	-	-	-	0.538
Pension Fund						
• 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)
Other Movements						
• 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)
TOTAL ADJUSTMENTS	121.681	(35.526)	8.134	(10.188)	(3.367)	(80.734)

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		
	2014/15	2015/16	2014/15	2015/16
	£m	£m	£m	£m
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(44.094)	(54.806)	(1.040)	(0.689)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	26.054	27.005		
Retirement benefits payable to pensioners			2.158	2.164

These transactions can be summarised as follows:

	2014/15	2015/16
	£m	£m
Movement in Reserves Statement:		
Reversal of Charges made in accordance with the Code	(45.134)	(55.495)
Charges to General Fund made on a funding basis	28.212	29.169
TOTAL	(16.922)	(26.326)

6.4 Cash Flow Statement Notes

6.4.1 Non cash movements in surplus/deficit on the provision of services

	2014/15 £m	2015/16 £m
Depreciation	86.277	82.260
Impairment and downward valuations	(38.858)	90.210
Amortisation	0.706	0.851
Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	0.183	(0.330)
Adjustment for effective interest rates	-	(0.007)
Increase/Decrease in Interest Creditors	(0.153)	(0.328)
Increase/Decrease in Creditors	(0.975)	(46.653)
Increase/Decrease in Interest and Dividend Debtors	(0.299)	0.546
Increase/Decrease in Debtors	(7.877)	(0.885)
Increase/Decrease in Inventories	(1.297)	1.954
Movement in Pension Liability	16.922	26.326
Non Cash Adjustment	0.658	(0.691)
Contributions to/(from) Provisions	19.996	3.048
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	150.354	71.772
Movement in Investment Property Values	(1.817)	(3.677)
	223.820	224.396

6.4.2 Investing or financing activities in surplus/deficit on provision of services

	2014/15 £m	2015/16 £m
Capital Grants credited to surplus or deficit on the provision of services	(53.635)	(43.069)
Net adjustment from the sale of short and long term investments	(15.986)	-
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(15.201)	(28.272)
	(84.822)	(71.341)

6.4.3 Operating Activities

The cash flows for operating activities include the following items:

	2014/15 £m	2015/16 £m
Interest received	1.817	3.688
Interest paid	(23.131)	(34.278)
Dividends received	0.700	0.700
	(20.614)	(29.890)

6.4.4 Investing Activities

	2014/15 £m	2015/16 £m
Purchase of property, plant and equipment, investment property and intangible assets	(144.115)	(142.860)
Purchase of short-term and long-term investments	(0.029)	(0.120)
Other payments for investing activities	(2.030)	(1.600)
Proceeds from short-term and long-term investments	-	111.600
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	30.850	30.304
Other receipts from investing activities	58.299	62.378
NET CASH FLOWS FROM INVESTING ACTIVITIES	(57.025)	59.702

6.4.5 Financing Activities

	2014/15 £m	2015/16 £m
Cash receipts of short and long-term borrowing	2.000	20.000
Other receipts from financing activities	0.257	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1.737)	(103.853)
Repayments of short and long-term borrowing	(20.089)	(19.049)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(19.569)	(102.902)

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:

	2014/15			2015/16		
	Income	Expenditure	(Surplus) Deficit	Income	Expenditure	(Surplus) Deficit
	£m	£m	£m	£m	£m	£m
Included within Services:						
Car Parking	(7.823)	5.341	(2.482)	(8.081)	5.678	(2.403)
Commercial Waste	(4.682)	4.746	0.064	(5.428)	6.525	1.097
Education Catering	(7.677)	7.265	(0.412)	(8.095)	8.438	0.343
Leisure Centres	(5.457)	11.561	6.104	(5.869)	10.487	4.618
Property	(9.350)	4.717	(4.633)	(10.250)	2.458	(7.792)
Royal Centre Theatre	(15.089)	17.104	2.015	(15.734)	17.567	1.833
Smaller activities	(6.562)	5.719	(0.843)	(6.251)	5.911	(0.340)
Included in Finance and Investment:	-	-	-			
Investment in Property Developer	-	-	-	(1.583)	0.317	(1.266)
Investment Properties	(2.623)	(0.392)	(3.015)	(2.154)	0.001	(2.153)
Smaller Activities	(1.859)	2.993	1.134	(3.458)	3.745	0.287
TOTAL (SURPLUS)/DEFICIT	(61.122)	59.054	(2.068)	(66.903)	61.127	(5.776)

The 2014/15 figures have been updated to enable 2015/16 comparatives to represent a correct position.

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 2015/16 was £3.132m (2014/15 £1.881m).

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%.

Section 6 – Notes to the Financial Statements

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

	Total EMSS		Amounts included within NCC Accounts	
	2014/15 £m	2015/16 £m	2014/15 £m	2015/16 £m
Income:				
Direct external income - LCC	(1.386)	(1.592)		
Direct external income - NCC	(0.504)	(0.563)	(0.504)	(0.563)
Total Income	(1.890)	(2.155)	(0.504)	(0.563)
Expenditure:				
Direct costs incurred by LCC	6.463	6.232		
Direct costs incurred by NCC	0.245	0.125	0.245	0.125
Third party payments to LCC			2.959	2.810
Total Expenditure	6.708	6.357	3.204	2.935
NET EXPENDITURE	4.818	4.202	2.700	2.372

6.5.4 Councillors' Allowances

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

	2014/15 £m	2015/16 £m
Allowances	1.077	1.092
Expenses	0.001	0.001
TOTAL	1.078	1.093

Section 6 – Notes to the Financial Statements

6.5.5 Officers Remuneration

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

POST HOLDER	2014/15 £	2015/16 £
Chief Executive - Ian Curryer		
- Salary, Fees & Allowances	160,000	160,000
- Pension Contributions	-	-
	160,000	160,000
Corporate Director of Resilience*		
- Salary, Fees & Allowances	90,352	115,587
- Pension Contributions	10,906	11,413
	101,258	127,000
Corporate Director - Children and Adults - Alison Michalska		
- Salary, Fees & Allowances	140,000	140,000
- Pension Contributions	17,500	17,500
	157,500	157,500
Corporate Director - Community Services **		
- Salary, Fees & Allowances	130,000	54,167
- Pension Contributions	-	-
	130,000	54,167
Corporate Director - Commercial and Operations ***		
- Salary, Fees & Allowances	102,918	113,464
- Pension Contributions	12,694	13,956
	115,612	127,420
Corporate Director - Development and Growth - David Bishop		
- Salary, Fees & Allowances	127,500	135,000
- Pension Contributions	16,483	16,875
	143,983	151,875
Strategic Director Strategy and Commissioning ****		
- Salary, Fees & Allowances	93,465	94,860
- Pension Contributions	11,498	11,675
	104,963	106,535
Strategic Director of Finance and Section 151 Officer *****		
- Salary, Fees & Allowances	84,906	93,841
- Pension Contributions	10,613	11,730
	95,519	105,572
Strategic Director Organisation and Transformation *****		
- Salary, Fees & Allowances	93,465	71,910
- Pension Contributions	10,839	9,293
	104,304	81,203
Director - Major Projects ****		
- Salary, Fees & Allowances	74,813	77,776
- Pension Contributions	9,665	9,722
	84,478	87,498
Director of HR and Transformation ****		
- Salary, Fees & Allowances	57,575	63,519
- Pension Contributions	7,197	7,940
	64,771	71,459

* Acting Corporate Director Resources role from 14/07/2014. Appointed to Corporate Director of Resilience 2015/16

** Corporate Director - Community Services left 31/8/2015.

*** Appointed Corporate Director - Commercial and Operations 2015/16

**** Posts were not considered Senior Employees during 2014/15, however following a restructure in 2015/16 they report direct to the Chief Executive, therefore meet the Senior Employee requirements.

***** Strategic Director Organisation and Transformation left 03/01/2016

Section 6 – Notes to the Financial Statements

A total of 176 employees (including senior employees) received remuneration of more than £0.050m, of these 79 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					
	2014/15			2015/16		
	School Based Staff	Senior Employees	Other Staff	School Based Staff	Senior Employees	Other Staff
50,000 - 54,999	30	-	19	19	1	23
55,000 - 59,999	19	-	15	26	-	26
60,000 - 64,999	14	-	12	16	1	12
65,000 - 69,999	7	-	6	7	-	9
70,000 - 74,999	2	-	2	3	1	3
75,000 - 79,999	4	-	3	3	1	3
80,000 - 84,999	1	-	4	2	-	3
85,000 - 89,999	2	-	6	-	-	3
90,000 - 94,999	2	-	3	1	2	3
95,000 - 99,999	2	-	-	1	-	-
100,000 - 104,999	1	-	1	-	-	-
105,000 - 109,999	-	-	-	1	-	-
110,000 - 114,999	-	-	-	-	1	-
115,000 - 119,999	-	-	-	-	1	-
120,000 - 124,999	-	1	-	-	-	-
125,000 - 129,999	-	1	1	-	-	1
130,000 - 134,999	-	1	-	-	-	-
135,000 - 139,999	-	-	-	-	1	-
140,000 - 144,999	-	1	-	-	1	-
145,000 - 149,999	-	-	-	-	-	-
150,000 - 154,999	-	-	-	-	-	-
155,000 - 159,999	-	-	-	-	-	-
160,000 - 164,999	-	1	-	-	1	-
Total	84	5	72	79	11	86
Grand Total	161			176		

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

Type of Exit Package	2014/15			2015/16		
	Up to £20,000	£20,001 to £40,000	£40,001 to £1,500,000	Up to £20,000	£20,001 to £40,000	£40,001 to £1,500,000
Number of:						
Compulsory redundancies	24	2	4	50	1	-
Other departures agreed	25	6	-	8	1	-
Total departures	49	8	4	58	2	-
Total Cost	£228,287	£348,125	£363,146	£404,852	£46,649	£0

Section 6 – Notes to the Financial Statements

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:

	2014/15 £m	2015/16 £m
Statutory audit and inspection work	0.229	0.172
Certification of grant claims and returns	0.032	0.019
Refund of prior year fees by Audit Commission	(0.055)	-
TOTAL	0.206	0.191

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

6.5.7 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by DSG provided by the Department for Education. This is a ring fenced grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2013. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2015/16 are as follows:

Notes	Central Expenditure £m	ISB £m	Total £m
A Final DSG for 2015/16 before Academy recoupment			240.803
B Academy figure recouped for 2015/16			(125.524)
C Total DSG after Academy recoupment for 2015/16			115.279
D Plus: Brought forward from 2014/15			14.882
E Carry forward to 2016/17 agreed in advance			10.621
F Agreed initial budgeted distribution in 2015/16	28.896	90.731	119.628
G In year Adjustments	2.840	7.940	10.780
H Final Distribution for 2015/16	31.736	98.671	130.407
I Less Actual central expenditure	30.094		
J Less ISB deployed to schools		(98.671)	
K Plus Local Authority contribution 2015/16	-	-	-
L Carry forward to 2016/17 agreed in advance	1.642	-	12.262

Notes to DSG:

- A Figure as announced by the Department for Education (DfE) in March 2016.
- B Figure recouped from the Council in 2015/16 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recoupment for 2015/16.
- D Figure brought forward from 2014/15 as agreed with the DfE.
- E The amount which the Council planned after consultation with the schools forum to carry forward to 2016/17, rather than distribute in 2015/16.

- 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 2015/16.
- 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 2015/16 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2016/17. The total figure is the carry forward to 2016/17 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 6.1.4. Grant receipts outstanding at 31 March 2016 are shown in Table 6.2.13.

Councillors/Officers

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2015/16 is shown in the Councillors' allowances note.

During 2015/16 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:

	2014/15 £m	2015/16 £m
Payments	84.502	58.974
Receivables	(16.622)	(21.261)
Debtors	7.806	4.224
Creditors	(9.422)	(1.018)

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

Section 6 – Notes to the Financial Statements

Other Public Bodies

The Council has pooled budget arrangements with Integrated Community Equipment Services (ICES), Better Care Fund and the Adult Safeguarding Partnership Board. There were no significant transactions with ICES and Adult Safeguarding Partnership Board in 2015/16.

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

	2015/16 £m
Funding	
NHS Nottingham City Clinical Commissioning Group	23.100
Nottingham City Council (Capital)	1.876
Nottingham City Council	0.716
Total Funding	25.692
Expenditure	
Access & Navigation	1.440
Assistive Technology	1.184
Carers	1.310
Co-ordinated Care	6.778
Capital Grants	1.876
Independence Pathway	10.628
Programme Costs	0.151
Total Expenditure	23.368
BALANCE CARRIED FORWARD	2.324

The Council paid £0.070m in 2015/16 (£0.070m 2014/15) to the Environment Agency for flood defence.

Entities Controlled or Significantly Influenced by the Council

The following are significant related-party transactions with the Council's subsidiary and associated companies. These companies are included in the Group Accounts. Further information on all companies, associated with the Council, can be found within Section 8 - Group Financial Statements and Notes.

	2014/15		2015/16	
	Payments	Receipts	Payments	Receipts
	£m	£m	£m	£m
Nottingham City Transport	7.784	(0.966)	8.050	(0.968)
Nottingham City Homes (NCH) Ltd	58.420	(8.373)	62.259	(9.780)
Enviroenergy Ltd	0.921	(4.061)	1.328	(4.358)
Futures Advice, Skills and Employment Ltd	3.217	(0.012)	2.583	(0.010)
Nottingham Revenues & Benefits Ltd	-	(1.857)	-	(5.734)
Robin Hood Energy Ltd	-	-	0.109	(0.624)
Other Related Parties	0.668	(2.479)	0.615	(2.803)

	2014/15		2015/16	
	Debtors	Creditors	Debtors	Creditors
	£m	£m	£m	£m
Nottingham City Transport	0.959	(0.315)	0.872	(0.296)
Nottingham City Homes (NCH) Ltd	2.506	(9.701)	14.733	(4.524)
Enviroenergy Ltd	16.849	(3.197)	14.888	(0.680)
Futures Advice, Skills and Employment Ltd	-	-	-	(0.220)
Nottingham Revenues and Benefits Ltd	0.375	(0.248)	0.576	(0.331)
Robin Hood Energy Ltd	-	-	5.974	(0.109)
Other Related Parties	5.987	(0.440)	5.032	(0.191)

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 2016 are as follows:

	2014/15	2015/16
	£m	£m
Income	(9.089)	(9.336)
Expenditure	0.837	0.787
NET INCOME	(8.252)	(8.549)

6.5.10 Leases

Council as Lessee

Finance Leases

The assets acquired under these leases are carried as PPE in the Balance Sheet within the classification of Other Land and Buildings the net amount at 31 March 2016 was £37.706m (31 March 2015: £38.526m).

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:

Section 6 – Notes to the Financial Statements

	31 March 2015 £m	31 March 2016 £m
Finance lease liabilities*:		
current	0.001	0.001
non-current	2.205	2.204
Finance costs payable in future years	11.302	11.095
MINIMUM LEASE PAYMENTS	13.508	13.300

* 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 2015 £m	31 March 2016 £m	31 March 2015 £m	31 March 2016 £m
Not later than one year	0.208	0.208	0.001	0.001
Between one and five years	0.833	0.833	0.005	0.005
Later than five years	12.467	12.259	2.200	2.199
TOTAL	13.508	13.300	2.206	2.205

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

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

Operating Leases

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

	31 March 2015 £m	31 March 2016 £m
Not later than one year	0.342	0.596
Between one and five years	0.700	1.848
Later than five years	2.125	3.575
TOTAL	3.167	6.019

The expenditure charged to the CIES during 2015/16 in relation to these leases was £0.436m (2013/14 £0.251m).

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 2015 £m	31 March 2016 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	59.337	59.271
Anticipated residual value of property	8.567	8.902
GROSS INVESTMENT IN THE LEASE	68.926	69.195

* 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 2015 £m	31 March 2016 £m	31 March 2015 £m	31 March 2016 £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	68.593	68.862	60.026	59.960
TOTAL	68.926	69.195	60.359	60.293

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.

Section 6 – Notes to the Financial Statements

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 2015 £m	31 March 2016 £m
Not later than one year	4.035	4.586
Between one and five years	12.470	14.465
Later than five years	95.796	96.741
TOTAL	112.301	115.792

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 2015/16 of £0.891m (2014/15 £1.111m). 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 two tram lines became operational August 2015.

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

Building Schools for the Future (BSF)

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

A further PFI school, Farnborough School was handed over in 2013/14, the land element 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.

Section 6 – Notes to the Financial Statements

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:

	2016/17	2017/18- 2020/21	2020/21 - 2024/25	2025/26 - 2029/30	2030/31 - 2034/35	2035/36 - 2039/40	Total
	£m	£m	£m	£m	£m	£m	£m
NET							
Repayment of Liability	7.929	25.860	41.746	34.208	21.406	-	131.149
Interest Charges	14.755	51.176	44.716	23.260	2.842	-	136.749
Service Charges	14.791	70.285	89.613	£122	85.636	-	381.840
NET Unitary Charge	37.475	147.321	176.075	178.983	109.884	-	649.738
BSF							
Repayment of Liability	1.160	5.542	10.557	14.233	14.585	3.440	49.517
Interest Charges	3.775	14.130	14.538	9.720	3.534	0.308	46.005
Service Charges	3.100	13.505	17.978	22.645	20.951	4.413	82.592
BSF Unitary Charge	8.035	33.177	43.073	46.598	39.070	8.161	178.114
LIFT							
Repayment of Liability	0.413	1.870	3.040	3.783	4.183	0.519	13.808
Interest Charges	1.158	4.300	4.435	3.097	1.402	0.052	14.444
Service Charges	0.639	2.874	4.399	5.972	4.845	0.425	19.154
LIFT Unitary Charge	2.210	9.044	11.874	12.852	10.430	0.996	47.406
Street Lighting							
Repayment of Liability	0.820	4.308	8.716	12.560	13.230	-	39.634
Interest Charges	4.197	15.757	16.358	10.365	3.920	-	50.597
Service Charges	1.547	6.595	9.247	13.621	18.086	-	49.096
Street Lighting Unitary Charge	6.564	26.660	34.321	36.546	35.236	-	139.327
TOTAL CHARGES	54.284	216.202	265.343	274.979	194.620	9.157	1,014.585

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:

	2014/15			2015/16			
	Total £m	BSF £m	NET £m	LIFT £m	Street Lighting £m	Total £m	
Opening balance at 1 April	91.474	50.667	-	14.225	36.146	101.038	
Additions	11.304	-	232.850	-	4.071	236.921	
Repayment of Liability	(1.740)	(1.149)	(101.701)	(0.417)	(0.584)	(103.851)	
CLOSING BALANCE AT 31 MARCH	101.038	49.518	131.149	13.808	39.633	234.108	

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 £27.547m (£28.204m at 31 March 2015) with a turnover of £2.278m (£2.038m 2014/15), 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 £1.740m (£1.734m as at 31 March 2015) with a turnover of £0.389m (£0.300m 2014/15). 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 2016, the Council has the following contingent liabilities that could exceed a materiality level of £5m:

Insurance Claims

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

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

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;

Section 6 – Notes to the Financial Statements

- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or equity prices.

Overall Procedures for Managing Risk

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

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

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

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

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

Credit Risk

Credit risk arises from the Council's investments with banks and other financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long term credit rating, the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The adopted credit criteria in respect of financial assets held by the Council in 2015/16 are:

- 1) Minimum credit ratings – a minimum long-term credit rating of BBB+ (or equivalent).
- 2) Individual cash limits – a limit of £15m per eligible counterparty except the UK Central Government.
- 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 £20m will be placed with any one country.
- 5) 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 £80.387m at 31 March 2016 (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 2016 that this was likely to crystallise.

The following table summarises the value of the Council's investment portfolio at 31 March 2016 (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 2015	31 March 2016	31 March 2015	31 March 2016
	£m	£m	£m	£m
AAA	-	-	68.780	45.387
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	55.000	5.000
A+	-	-	-	10.000
A	-	-	35.000	10.000
A-	-	-	-	-
Unrated local authorities	10.000	-	45.000	10.000
Total Investments	10.000	-	203.780	80.387

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

Liquidity Risk

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

Section 6 – Notes to the Financial Statements

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 2016 is:

	31 March 2015 £m	31 March 2016 £m
Less than 1 year	18.410	36.389
1 to 2 years	15.494	15.902
2 to 5 years	103.274	112.720
5 to 10 years	122.369	114.970
10 – 25 years	219.071	201.121
25 – 40 years	145.574	156.098
40 – 70 years	63.098	52.574
Irredeemable	0.671	0.622
TOTAL	687.961	690.396

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

The maturity analysis of the principal element of loans and receivables at 31 March 2016 is shown below. The Icelandic bank deposits have been expressed based on the current forecast of recovery percentages and dates.

	31 March 2015 £m	31 March 2016 £m
Less than 1 year	206.086	83.341
1 to 2 years	10.000	-
TOTAL	216.086	83.341

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.

Investments classed as “loans and receivables” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “available for sale” 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 2015/16 strategy allowed for a maximum of 50% of borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the cost of borrowing and provide compensation for a proportion of any higher costs.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	31 March 2016 £m
Increase in interest payable on variable rate borrowings	0.543
Increase in interest receivable on variable rate investments	(0.604)
Impact on Surplus or Deficit on the Provision of Services	(0.061)
Share of overall impact debited to the HRA	(0.342)
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	(0.403)

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 £5.445m in a number of joint ventures and in local industry, at 31 March 2016. These holdings are generally illiquid and are shown in the balance sheet at cost. The equity holding in Nottingham City Transport Limited 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 ISK495m (Icelandic Krona) held in escrow pending the relaxation of capital controls by the Icelandic Government. Based on the official exchange rate at 31 March 2016 the ISK had a sterling value of £2.8m. The council is therefore exposed to the risk of adverse movements in foreign exchange rates. The Council is working with the Local Government Association and Bevan Brittan, 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.

	2014/15 £m	2015/16 £m
Expenditure		
Repairs and maintenance	30.354	30.686
Supervision and Management	26.648	28.266
Rents, rates, taxes and other charges	2.981	3.243
Depreciation and impairment of non-current assets	(10.662)	19.545
Debt management costs	0.033	0.046
Movement in the allowance for bad debts	1.212	0.177
Total Expenditure	50.566	81.963
Income		
Dwelling Rents	(100.617)	(99.989)
Non Dwelling Rents	(3.137)	(3.636)
Charges for Services and Facilities	(5.571)	(6.335)
Contributions Towards Expenditure	-	-
Total Income	(109.325)	(109.960)
Net Cost of HRA Services as included in the CIES	(58.759)	(27.997)
HRA services' share of Corporate and Democratic Core	0.034	0.035
NET COST FOR HRA SERVICES	(58.725)	(27.962)
HRA Share of the Operating Income and Expenditure included in the CIES		
Fixed Asset Derecognition	15.817	15.789
Fixed asset revaluation (Surplus & Held for Sale)	-	0.327
Gain or (loss) on sale of HRA non-current assets	(4.180)	(10.018)
Interest payable and similar charges	12.437	12.401
Interest and Investment Income	(0.328)	(0.303)
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	(34.979)	(9.766)

Section 7 – Supplementary Financial Statements and Notes

7.1.2 Movement on the HRA Statement

	2014/15 £m	2015/16 £m
Balance on HRA at the start of the Year	4.854	4.307
Surplus or (deficit) for the year	34.979	9.766
Adjustments between accounting basis and funding basis	(35.526)	(10.073)
Increase or (Decrease) in Year on the HRA	(0.547)	(0.307)
BALANCE ON THE HRA AT THE END OF THE YEAR	4.307	4.000

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 2015 Number	31 March 2016 Number
Houses and Bungalows		
1 Bedroom	992	996
2 Bedroom	5,857	5,784
3 Bedroom	10,290	10,057
4 or more Bedrooms	514	508
Flats		
1 Bedroom	7,298	7,221
2 Bedrooms	1,506	1,518
3 or more Bedrooms	162	137
TOTAL	26,619	26,221

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 2015 £m	Value at 31 March 2016 £m
Operational Assets		
Council Dwellings	610.225	635.302
Other Land and Buildings	9.631	7.908
Assets Under Construction	21.651	9.982
Surplus Assets not held for sale	10.021	2.291
Investment Properties	0.946	0.918
Assets Held for Sale	1.934	-
Infrastructure	21.079	23.859
Vehicles, IT and Other Equipment	9.911	3.693
TOTAL VALUE OF ASSETS	685.398	683.953

7.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2016 was £1,868.536m (1 April 2015 £1,794.781m). The Balance Sheet value of dwellings was £635.302m. The difference of £1,233.234m 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 valuation of the housing stock as at 31 March 2016.

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:

	2014/15 £m	2015/16 £m
Balance Brought Forward	(38.658)	(28.470)
Credits - Depreciation on HRA Assets	(30.069)	(27.078)
Debits - Capital Expenditure	40.257	28.470
BALANCE AT END OF YEAR	(28.470)	(27.078)

7.1.3.5 Capital Expenditure

Capital expenditure of £51.030m (£60.039m in 2014/15) in respect of HRA assets was financed from a range of sources in 2015/16. This is set out below:

	2014/15 £m	2015/16 £m
CAPITAL EXPENDITURE	60.039	51.030
Financed By:		
Capital Receipts Reserve	0.021	11.743
Major Repairs Reserve (MRR)	40.257	28.470
Direct Revenue Financing*	5.700	7.916
Other Capital Grants and Contributions	14.061	2.901
TOTAL FINANCING	60.039	51.030

* 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 £23.441m (£9.838m in 2014/15) arose from the sale of land, houses and other property within the HRA in 2015/16. Of this total, £13.704m (£8.281m in 2014/15) related to the disposal of houses and flats under the right to buy scheme and £1.575m (£1.346m in 2014/15) from the sale of vacant non purpose built council houses.

	2014/15 £m	2015/16 £m
Land	-	7.977
Houses	9.626	15.317
Other Property	0.212	0.147
TOTAL	9.838	23.441

7.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2015/16 as follows:

	2014/15 £m	2015/16 £m
Dwellings	25.946	25.425
Other Operational HRA Assets:		
Other Land and Buildings	0.883	0.121
Vehicles, Plant, Furniture and Equipment	1.921	0.147
Infrastructure and Community Assets	1.313	1.385
Assets Held for Sale	0.006	-
TOTAL	30.069	27.078

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

7.1.3.8 Revaluations and Impairments during the Financial Year

£7.386m in respect of revaluation gains have been credited to the HRA during the year (£39.457m in 2014/15).

Donated assets amounting to £0.151m (£1.091m in 2014/15) resulted from energy efficiency works undertaken to council dwellings by energy companies as part of a government initiative.

A de-recognition write out of £15.866m (£16.200m in 2014/15) 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 £0.000m (£0.029m in 2014/15).

Impairments include a credit of £0.000m in respect of an insurance impairment (reversal of charge in previous year) (£0.158m in 2014/15).

The revaluation of investment Properties has resulted in a credit of £0.048m (£0.174m in 2014/15).

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

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £4.661m at 31 March 2016 (£5.487m at 31 March 2015). A total bad debt provision of £3.575m has been established at 31 March 2016 (£4.035m at 31 March 2015).

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
2015/16	77.72

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

	2014/15 £m	2015/16 £m
Debit Determination		
Capital Asset Charges	5.360	35.358
Debt Repayment and Management Charges	0.033	0.046
Capital Asset Charges and Accounting Adjustment	52.926	20.188
Transfer to Major Repairs Reserve	30.069	27.078
	88.388	82.670
Credit Determination		
Bank Interest	(0.152)	(0.249)
Mortgage Interest	(0.002)	(0.004)
"T" Adjustment	(46.273)	(42.948)
Premiums and Discounts	(0.027)	(0.033)
	(46.454)	(43.234)
TOTAL	41.934	39.436

The actual charges to the HRA were:

	2014/15 £m	2015/16 £m
Bank Interest	(0.152)	(0.249)
Mortgage Interest	(0.002)	(0.004)
Capital Financing	12.053	12.324
Debt Repayment and Management Charges	0.033	0.046
Premiums and Discounts	(0.027)	(0.033)
Transfer to Major Repairs Reserve	30.029	27.352
TOTAL	41.934	39.436

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.

	2014/15	2015/16		
	Total £m	Business Rates £m	Council Tax £m	Total £m
INCOME				
Council Tax Receivable	(106.639)		(111.837)	(111.837)
Business Rates Receivable	(121.347)	(126.282)		(126.282)
TOTAL INCOME	(227.986)	(126.282)	(111.837)	(238.119)
EXPENDITURE				
Precepts, Demands and Shares				
Central Government	62.411	61.702	-	61.702
Police Authority	10.646	-	10.769	10.769
Fire Authority	5.583	1.234	4.422	5.656
Nottingham City Council	146.201	60.468	89.108	149.576
Charges to Collection Fund				-
Write offs of uncollectable amounts	4.927	0.681	2.911	3.592
Increase (-)/Decrease in Bad Debt Provision	1.080	0.007	(0.244)	(0.237)
Increase (-)/Decrease in Provision for Appeals	(2.658)	15.865	-	15.865
Cost of Collection	0.498	0.496	-	0.496
Disregarded Amounts	0.059	-	-	-
Apportionment of previous year's estimated Collection Fund Surplus				
Police & Crime Commissioner	-	-	0.253	0.253
Central Government	-	2.600		
Nottinghamshire Fire & Rescue Service	-	0.052	0.104	0.156
Nottingham City Council	-	2.548	1.785	4.333
TOTAL EXPENDITURE	228.747	145.653	109.108	252.161
Movement on the Collection Fund Balance	0.761	19.371	(2.729)	16.642
(Surplus)/Deficit Brought Forward	(8.089)	(3.120)	(4.208)	(7.328)
(SURPLUS)/DEFICIT CARRIED FORWARD	(7.328)	16.251	(6.937)	9.314

Section 7 – Supplementary Financial Statements and Notes

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%).

	2014/15 £	2015/16 £
Rate in the pound	48.2p	49.3p
Total non-domestic rateable value per NNDR system	318,004,575	322,610,002
Gross Debit	153,278,205	159,046,731
Net debit after adjustments and reliefs	126,566,000	129,705,000

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.

	2014/15	2015/16
Council Tax Base	62,447	63,425
Council Tax (Band D) Property	£1,675.83	£1,708.51

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	85,685	49,188	6/9	32,792
B	22,087	14,108	7/9	10,973
C	15,744	11,013	8/9	9,789
D	6,622	5,050	1	5,050
E	2,331	1,946	11/9	2,379
F	1,002	881	13/9	1,273
G	703	620	15/9	1,034
H	112	68	2	135

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:

	2014/15	2015/16		
	Total £m	Council Tax £m	NNDR £m	Total £m
Nottingham City Council	(5.117)	(5.935)	7.963	2.028
Nottinghamshire Police Authority	(0.440)	(0.710)	-	(0.710)
Nottinghamshire Fire and Rescue Authority	(0.211)	(0.292)	0.163	(0.129)
Central Government	(1.560)	-	8.125	8.125
TOTAL	(7.328)	(6.937)	16.251	9.314

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.
- Joint Venture – where the Council exercises joint control with one or more organisations and has rights to its net assets. Where these are material they have been included in the group.
- 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 2015/16 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 2015/16 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, Robin Hood Energy 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:

	2014/15		2015/16	
	Single Entity Accounts £m	Group Accounts £m	Single Entity Accounts £m	Group Accounts £m
Comprehensive Income and Expenditure (CIES):				
(Surplus)/Deficit on Provision of Services	68.036	71.191	131.304	135.996
Other CIES	105.818	130.928	(174.221)	(204.455)
Total CIES (Surplus)/Deficit	173.854	202.119	(42.917)	(68.459)
Balance Sheet:				
Long Term Assets	2,162.155	2,230.118	2,352.221	2,429.370
Current Assets	324.932	326.872	186.522	184.950
Current Liabilities	(246.670)	(257.772)	(222.610)	(240.235)
Long Term Liabilities	(1,519.917)	(1,629.338)	(1,552.716)	(1,636.331)
Nets Assets	720.500	669.880	763.417	737.754
Usable Reserves	250.884	253.612	252.490	254.937
Unusable Reserves	469.616	416.268	510.927	482.817
	720.500	669.880	763.417	737.754
Cash Flow Statement:				
Net Cash Flows from Operating Activities	70.962	83.740	21.751	35.133
Investing Activities	(57.025)	(61.501)	59.702	47.342
Financing Activities	(19.569)	(24.644)	(102.902)	(105.393)
Net Increase (Decrease) in Cash and Cash Equivalents	(5.632)	(2.405)	(21.449)	(22.918)
Cash and Cash Equivalents at the beginning of the reporting period	59.041	73.399	53.409	70.994
Cash and Cash Equivalents at 31 March	53.409	70.994	31.960	48.076

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	2014/15			2015/16		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Central services to the public	4.619	(3.484)	1.135	3.547	(2.182)	1.365
Cultural and related services	63.325	(37.567)	25.758	61.303	(39.267)	22.036
Environmental and regulatory services	52.523	(19.316)	33.207	57.742	(23.311)	34.431
Planning services	13.376	(31.845)	(18.469)	43.205	(25.836)	17.369
Education and children's services	286.089	(181.949)	104.140	271.126	(173.773)	97.353
Highways and transport services	129.238	(126.466)	2.772	195.277	(139.489)	55.788
Local authority housing (HRA)	50.566	(109.325)	(58.759)	81.961	(109.958)	(27.997)
Other housing services	168.397	(147.814)	20.583	171.830	(150.628)	21.202
Adult social care	133.238	(46.543)	86.695	143.013	(55.390)	87.623
Public Health	21.229	(22.697)	(1.468)	16.658	(16.184)	0.474
Corporate and democratic core	36.036	(23.679)	12.357	27.068	(19.727)	7.341
Non distributed costs	(7.447)	-	(7.447)	(4.154)	-	(4.154)
Cost of Services	951.189	(750.685)	200.504	1,068.576	(755.745)	312.831
Other operating expenditure			141.986			49.184
8.7.1.1 Financing and investment income and expenditure			55.805			65.441
Taxation and non-specific grants			(327.037)			(291.528)
(Surplus) or Deficit on Provision of Services			71.258			135.928
Share of the surplus or deficit on the provision of services by associates			(0.794)			(1.188)
Tax expenses of subsidiaries			0.727			1.256
Group (Surplus)/Deficit			71.191			135.996
Revaluation of PPE/Heritage assets			(42.537)			(50.630)
Remeasurements of pension assets/liabilities			178.278			(155.296)
Other gains/losses recognised required			(4.813)			0.013
Share of other comprehensive income and expenditure of associates and joint ventures			-			1.458
Other Comprehensive Income and Expenditure			130.928			(204.455)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			202.119			(68.459)

Section 8 – Group Financial Statements and Notes

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

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

	Authority	2014/15 Minority Interest	Total	Authority	2015/16 Minority Interest	Total
	£m	£m	£m	£m	£m	£m
Group (surplus) / Deficit	71.217	(0.026)	71.191	135.994	0.002	135.996
Other CIES	130.976	(0.048)	130.928	(204.126)	(0.329)	(204.455)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	202.193	(0.074)	202.119	(68.132)	(0.327)	(68.459)

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

	2014/15 £m	2015/16 £m
Total (surplus)/deficit on the authority's single entity CIES	173.854	(42.917)
Add (surplus)/deficit arising from group entities:		
Subsidiaries	30.358	(26.410)
Joint Ventures	(0.794)	0.270
Trust Funds	(1.299)	0.598
Total (surplus)/deficit on the Group CIES	202.119	(68.459)

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 2015 £m	31 March 2016 £m
Property, Plant & Equipment	8.7.2.1	2,019.954	2,212.763
Heritage Assets		55.174	55.461
Investment Property	8.7.2.2	73.384	87.753
Intangible Assets		3.162	5.214
Assets Held for Sale		0.078	-
Long Term Investments		11.192	1.291
Long Term Debtors		58.830	58.862
Investments in Associates and Joint Ventures		8.344	8.026
Long Term Assets		2,230.118	2,429.370
Short Term Investments		149.477	51.920
Assets Held for Sale		9.011	0.160
Inventories		6.058	4.400
Short Term Debtors	8.7.2.3	91.332	80.394
Cash and Cash Equivalents	8.7.2.4	70.994	48.076
Current Tax Asset		-	-
Current Assets		326.872	184.950
Short Term Borrowing		(24.875)	(42.961)
Short Term Creditors	8.7.2.5	(205.371)	(175.893)
Provisions		(27.463)	(21.305)
Current Tax Liability		(0.063)	(0.076)
Current Liabilities		(257.772)	(240.235)
Long Term Creditors		(15.262)	(13.833)
Provisions		(13.707)	(22.360)
Long Term Borrowing		(670.493)	(654.940)
Other Long Term Liabilities		(112.364)	(235.766)
Capital Grants Receipts in Advance		(2.765)	(16.339)
Deferred Tax Liability		(0.904)	(2.632)
Defined Benefit Pension Scheme		(813.843)	(690.461)
Long Term Liabilities		(1,629.338)	(1,636.331)
NET ASSETS		669.880	737.754
Usable Reserves	8.7.2.6	253.612	254.937
Unusable Reserves	8.7.2.7	416.268	482.817
TOTAL RESERVES		669.880	737.754

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.

2015/16	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
Balance at 31/3/15	19.553	160.105	4.307	22.550	28.470	15.899	250.884	469.616	720.500	(51.068)	0.448	669.880
Opening balance restatement (note 8.7.3.1)										(0.934)		(0.934)
Movement in 2015/16:												
Surplus/(deficit) on the provision of services	(91.238)		9.766				(81.472)		(81.472)	(54.522)	(0.002)	(135.996)
Other CIE							-	174.221	174.221	29.905	0.329	204.455
Total CIE (Table 8.4.1)	(91.238)	-	9.766	-	-	-	(81.472)	174.221	92.749	(24.617)	0.327	68.459
Adjustments between group accounts and authority accounts (Note 8.7.3.1)	(49.832)						(49.832)		(49.832)	49.801		(0.031)
Net Increase/Decrease before transfers	(141.070)	-	9.766	-	-	-	(131.304)	174.221	42.917	25.184	0.327	68.428
Funding basis adjustments	147.574		(10.073)	0.482	(1.392)	(3.681)	132.910	(132.910)	-	0.380		0.380
Movement before discretionary transfers	6.504	-	(0.307)	0.482	(1.392)	(3.681)	1.606	41.311	42.917	25.564	0.327	68.808
Discretionary transfers	(14.826)	14.826					-		-			-
Movement in year	(8.322)	14.826	(0.307)	0.482	(1.392)	(3.681)	1.606	41.311	42.917	25.564	0.327	68.808
Balance at 31/3/16	11.231	174.931	4.000	23.032	27.078	12.218	252.490	510.927	763.417	(26.438)	0.775	737.754

Section 8 – Group Financial Statements and Notes

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
Balance at 31/3/15	12.229	148.763	4.854	14.416	38.658	19.266	238.186	656.168	894.354	(23.082)	0.374	871.646
Movement in 2014/15:												
Surplus/(deficit) on the provision of services	(51.532)	-	34.979	-	-	-	(16.553)	-	(16.553)	(54.664)	0.026	(71.191)
Other CIE	-	-	-	-	-	-	-	(105.818)	(105.818)	(25.158)	0.048	(130.928)
Total CIE (Table 8.4.1)	(51.532)	-	34.979	-	-	-	(16.553)	(105.818)	(122.371)	(79.822)	0.074	(202.119)
Adjustments between group accounts and authority accounts (Note 8.7.3.1)	(51.483)	-	-	-	-	-	(51.483)	-	(51.483)	51.442	-	(0.041)
Net Increase/Decrease before transfers	(103.015)	-	34.979	-	-	-	(68.036)	(105.818)	(173.854)	(28.380)	0.074	(202.160)
Funding basis adjustments	121.681	-	(35.526)	8.134	(10.188)	(3.367)	80.734	(80.734)	-	0.394	-	0.394
Movement before discretionary transfers	18.666	-	(0.547)	8.134	(10.188)	(3.367)	12.698	(186.552)	(173.854)	(27.986)	0.074	(201.766)
Discretionary transfers	(11.342)	11.342	-	-	-	-	-	-	-	-	-	-
Movement in year	7.324	11.342	(0.547)	8.134	(10.188)	(3.367)	12.698	(186.552)	(173.854)	(27.986)	0.074	(201.766)
Balance at 31/3/15	19.553	160.105	4.307	22.550	28.470	15.899	250.884	469.616	720.500	(51.068)	0.448	669.880

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	2014/15 £m	2015/16 £m
Net (Surplus)/Deficit on the provision of Services		(71.258)	(135.928)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		240.333	243.202
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(85.335)	(72.141)
Net Cash Flows from Operating Activities	8.7.4.1	83.740	35.133
Investing activities	8.7.4.2	(61.501)	47.342
Financing activities	8.7.4.3	(24.644)	(105.393)
Net Increase or Decrease in Cash and Cash Equivalents		(2.405)	(22.918)
Cash and cash equivalents at the beginning of the reporting period		73.399	70.994
CASH AND CASH EQUIVALENTS AT 31 MARCH		70.994	48.076

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 2015/16 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 2016 is £11.728m (31 March 2015 £14.528)

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 £23.005m (2014/15 £22.014m).

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:

Section 8 – Group Financial Statements and Notes

- 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 26 March 2016 (as this is the last week ending date for NCT’s internal group reporting purposes). From 2015/2016 Nottingham City Transport no longer produces group accounts as their subsidiaries are dormant. The effect on the 2014/2015 net assets of Nottingham City Transport shown in the table below is not material, an increase of £0.007m to £8.972m.

Summarised Financial Information of Nottingham City Transport showing Minority Interest

	2014/15		2015/16	
	NCT	5% Minority	NCT	5% Minority
	£m	Interest	£m	Interest
		£m		£m
Profit for the period attributable to equity shareholders	(1.266)	(0.063)	(0.707)	(0.035)
Ordinary Dividends Paid	0.737	0.037	0.737	0.037
Other Comprehensive Income and Expenditure	(0.958)	(0.048)	(6.577)	(0.329)
Total Comprehensive Income	(1.487)	(0.074)	(6.547)	(0.327)
Non-current Assets	37.589	1.879	36.439	1.821
Current Assets	10.581	0.529	11.832	0.592
Current Liabilities	(14.287)	(0.714)	(14.644)	(0.732)
Non-current Liabilities	(24.918)	(1.246)	(18.108)	(0.906)
Net Assets	8.965	0.448	15.519	0.775

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

Section 8 – Group Financial Statements and Notes

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

Relationship with the Council

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

Robin Hood Energy Ltd (Registered Company Number: 08053212)

Nature of the business

The company is principally engaged in the supply of gas and electricity for residential and business customers. As at 31 March 2015 the company had not commenced trading and their results (£0.712m loss / net liability) were not included in the group accounts. The company started trading in a controlled manner (Controlled Market Entry) in July 2015 and started trading nationally in September 2015. The results for the 12 months to 31 March 2016 are included in the group accounts.

Relationship with the Council

The Council is the ultimate controlling party of Robin Hood Energy Ltd, owning 100% of the issued share capital.

Risk

The Council has a Robin Hood Energy debtor balance of £5.974m at 31 March 2016, this is made up of a loan and a short term debtor balance.

8.5.2 Joint 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.

Summarised Financial Information

The following table summarise the financial position of Blueprint at the 31 March 2015:

Section 8 – Group Financial Statements and Notes

	2014/15 £m	2015/16 £m
Turnover	(6.239)	(11.788)
Cost of Sales	4.695	9.171
Gross Profit	(1.544)	(2.617)
Other Operating Income	(0.688)	(0.399)
Administrative Expenses	0.753	0.663
Operating Profit	(1.479)	(2.353)
Interest Receivable	(0.017)	(0.024)
Interest Payable	0.057	-
Profit for the Financial Year	(1.439)	(2.377)
Current Assets	18.104	17.413
Current Liabilities	(1.417)	(1.360)
Net Assets as at 31 March 2015	16.687	16.053
Investment in Joint Venture included in the Council's Group Accounts (50% of net assets)	8.344	8.027
Amounts included in the above figures:		
Cash at Bank and In Hand (included in current assets)	5.717	3.927
Accruals and Deferred Income (included in Current Liabilities)	(1.103)	(1.227)

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 profit / loss in year as at 31 March 2016, equating to £6.570m (2014/15 £9.205m) and £2.635m profit (2014/15 £4.407m loss) 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 £1.525m in 2016/17, being grant funding for the delivery of careers advice.

Summarised Financial Information of Futures group

Section 8 – Group Financial Statements and Notes

	2014/15 £m	2015/16 £m
Revenue	(15.800)	(16.476)
Operating Charges	15.042	15.924
Operating Loss	(0.758)	(0.552)
Finance Costs	0.487	0.690
Investment Income	(0.005)	(0.006)
Loss before Tax	(0.276)	0.132
Income Tax Expense	0.354	0.234
Loss for the Year	0.078	0.366
Other Comprehensive Income and Expenditure	8.736	(5.636)
Total Comprehensive Loss/(Profit) for the Year	8.814	(5.270)
Non-current Assets	0.214	0.124
Current Assets	4.223	4.508
Current Liabilities	(2.087)	(1.547)
Non-current Liabilities	(20.760)	(16.224)
Net Liabilities as at 31 March 2015	(18.410)	(13.139)
Councils Share (50%) of Net Liability not recognised in the Group accounts under IAS 28	(9.205)	(6.570)
Amounts included in the above figures:		
Depreciation (in Operating Charges)	0.072	0.104
Interest on Bank Overdrafts and Loans (in Finance Costs)	0.005	0.004
Defined Benefit Pension Finance Costs (in Finance Costs)	0.482	0.686
Interest Earned on Loans and Deposits (in Investment Income)	(0.005)	(0.007)
Cash and Cash Equivalents (in Current Assets)	2.233	2.546
Accruals (in Current Liabilities)	1.215	0.657
Retirement Benefit Obligation (in Non-current Liabilities)	(20.618)	(16.194)

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

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

Section 8 – Group Financial Statements and Notes

the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Highfields Leisure Park Trust are subject to the same financial regulations and procedures as those relating to the Council.

8.7 Notes to the Core Group Financial Statements

These notes provide information that supports, and helps in interpreting the financial statements. Where the group account figures are not materially different from those of the council only accounts, no additional disclosure notes have been made.

8.7.1 Group Comprehensive Income and Expenditure Statement Notes

8.7.1.1 Financing and Investment Income and Expenditure

	2014/15			2015/16		
	Expenditure	Income	Net	Expenditure	Income	Net
	£m			£m		
Net Interest on Pension Fund	23.825	-	23.825	25.757		25.757
Other interest	35.847	(2.426)	33.421	50.407	(3.589)	46.818
Trading Operations	2.601	(4.482)	(1.881)	4.063	(7.195)	(3.132)
Investment Property						
Revaluations	0.685	-	0.685	0.967	(3.677)	(2.710)
Other Finance and						
Investment items	1.152	(1.397)	(0.245)	0.976	(2.268)	(1.292)
TOTAL	64.110	(8.305)	55.805	82.170	(16.729)	65.441

Section 8 – Group Financial Statements and Notes

8.7.2 Group Balance Sheet Notes

8.7.2.1 Property, Plant and Equipment

2015/16	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	610.225	854.928	235.464	450.263	29.890	27.575	124.955		2,333.300	99.087
Accumulated Depreciation b/f	-	(56.310)	(109.867)	(139.197)	(7.273)	(0.028)	-		(312.675)	(11.608)
Accumulated Impairment b/f	-	-	(0.671)	-	-	-	-		(0.671)	-
Net Book Value at 1st April 2015	610.225	798.618	124.926	311.066	22.617	27.547	124.955		2,019.954	87.479
Additions - Capital Expenditure	33.251	17.498	19.531	21.501	1.115	6.894	42.411		142.201	-
Additions - Donations	0.151	-	-	-	-	-	-		0.151	-
Additions - PFI / VA School Recognition	-	-	55.944	180.977	-	-	-		236.921	236.921
Depreciation Charge	(25.425)	(23.969)	(19.874)	(18.015)	(0.978)	(0.619)	-		(88.880)	(4.091)
Revaluations - Recognised in Revaluation Reserve	(0.489)	43.078	-	-	-	7.755	-		50.344	(0.147)
Revaluations - Recognised in the CIES	7.529	(96.655)	-	-	-	(0.599)	(0.143)		(89.868)	(13.109)
Derecognition - Disposals	(11.460)	-	(0.465)	-	-	(1.690)	-		(13.615)	-
Derecognition - Other	(3.012)	(36.377)	-	-	-	(12.728)	(0.084)		(52.201)	(18.220)
Impairments - Recognised in Revaluation Reserve	-	-	-	-	-	-	-		-	-
Impairments - Recognised in the CIES	-	(0.069)	0.039	-	-	-	-		(0.030)	-
Other - Transfers to Held for Sale	24.532	103.450	(8.826)	1.504	-	9.741	(122.615)		7.786	-
Net Book Value at 31st March 2016	635.302	805.574	171.275	497.033	22.754	36.301	44.524		2,212.763	288.833
Gross Book Value c/f	635.302	861.235	290.427	654.246	31.005	36.301	44.524		2,553.040	296.444
Accumulated Depreciation c/f	-	(55.592)	(118.481)	(157.213)	(8.251)	-	-		(339.537)	(7.611)
Accumulated Impairment c/f	-	(0.069)	(0.671)	-	-	-	-		(0.740)	-
Net Book Value at 31 March 2016	635.302	805.574	171.275	497.033	22.754	36.301	44.524		2,212.763	288.833

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	939.608	220.078	432.522	29.076	38.608	81.904	2,311.056	105.470
Accumulated Depreciation b/f	-	(57.125)	(94.778)	(123.758)	(6.331)	(1.089)	-	(283.081)	(7.969)
Accumulated Impairment b/f	(0.158)	(0.357)	(0.671)	-	-	-	(4.009)	(5.195)	-
Net Book Value at 1st April 2014	569.102	882.126	124.629	308.764	22.745	37.519	77.895	2,022.780	97.501
Additions - Capital Expenditure	39.446	10.605	21.872	7.658	0.814	5.168	66.938	152.501	0.008
Additions - Donations	1.091	-	-	-	-	-	-	1.091	-
Additions - PFI / VA School Recognition	-	4.813	-	11.304	-	-	-	16.117	11.304
Depreciation Charge	(25.946)	(26.597)	(21.580)	(16.685)	(0.942)	(0.978)	-	(92.728)	(3.914)
Revaluations - Recognised in Revaluation Reserve	0.931	30.181	-	-	-	3.437	-	34.549	-
Revaluations - Recognised in the CIES	39.623	0.391	-	-	-	(0.911)	-	39.103	(17.420)
Derecognition - Disposals	(5.012)	(0.025)	(0.265)	-	-	(3.110)	-	(8.412)	-
Derecognition - Other	(4.907)	(116.759)	-	-	-	(11.392)	(6.404)	(139.462)	-
Impairments - Recognised in the CIES	0.158	-	-	-	-	-	-	0.158	-
Other - Transfers to Held for Sale	(4.261)	13.883	0.270	0.025	-	(2.186)	(13.474)	(5.743)	-
Net Book Value at 31st March 2015	610.225	798.618	124.926	311.066	22.617	27.547	124.955	2,019.954	87.479
Gross Book Value c/f	610.225	854.928	235.464	450.263	29.890	27.575	124.955	2,333.300	99.087
Accumulated Depreciation c/f	-	(56.310)	(109.867)	(139.197)	(7.273)	(0.028)	-	(312.675)	(11.608)
Accumulated Impairment c/f	-	-	(0.671)	-	-	-	-	(0.671)	-
Net Book Value at 31 March 2015	610.225	798.618	124.926	311.066	22.617	27.547	124.955	2,019.954	87.479

8.7.2.2 Investment Properties

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

	2014/15 £m	2015/16 £m
Opening Balance At 1 April	66.692	73.384
Additions	5.623	16.392
Disposals	(1.926)	(1.997)
Net gains/losses from fair value adjustments	3.094	2.759
Transfers to / from Property Plant and Equipment	(0.099)	(2.785)
CLOSING BALANCE AT 31 MARCH	73.384	87.753

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 2015 £m	31 March 2016 £m
Central government bodies	16.895	19.613
Other local authorities	6.033	4.478
NHS bodies	1.990	0.071
Public corporations and trading funds	0.188	2.420
Other entities and individuals	66.226	53.812
TOTAL	91.332	80.394

8.7.2.4 Cash and Cash Equivalents

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

	31 March 2015 £m	31 March 2016 £m
Cash held by the Authority / Group Organisation	0.353	0.252
Bank current accounts	5.734	7.156
Short-term deposits with banks and building societies	64.907	40.668
TOTAL CASH AND CASH EQUIVALENTS	70.994	48.076

8.7.2.5 Short Term Creditors

	31 March 2015 £m	31 March 2016 £m
Central government bodies	(41.322)	(26.892)
Other local authorities	(9.223)	(4.777)
NHS bodies	(7.773)	(4.924)
Other entities and individuals	(147.053)	(139.300)
TOTAL	(205.371)	(175.893)

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 2015 £m	31 March 2016 £m
Revaluation Reserve	326.124	361.348
Capital Adjustment Account	892.927	810.198
Financial Instruments Adjustment Account	(6.882)	(6.584)
Pensions Reserve	(797.111)	(678.049)
Deferred Capital Receipts Reserve	3.893	1.248
Collection Fund Adjustment Account	4.232	(2.028)
Accumulated Absences Account	(4.471)	(4.281)
Available for Sale Financial Instruments Reserve	-	(0.013)
Profit and Loss and Other Reserves of Group Entities	(3.686)	(0.273)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	0.794	0.476
Minority Interest - Equity	0.448	0.775
TOTAL	416.268	482.817

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.

	2014/15 £m	2015/16 £m
Opening Balance at 1 April	336.762	326.124
Upward revaluation of assets	52.449	66.695
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(8.802)	(16.969)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	43.647	49.726
Difference between fair value depreciation and historical cost depreciation	(9.295)	(9.557)
Accumulated gains on assets sold or scrapped	(44.990)	(4.945)
Asset reclassifications		
Amount written off to the Capital Adjustment Account	(54.285)	(14.502)
CLOSING BALANCE AT 31 MARCH	326.124	361.348

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.

	2014/15 £m	2015/16 £m
Opening Balance at 1 April	897.201	892.927
Other Comprehensive Items		
Voluntary aided school recognition	4.813	-
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(0.706)	(0.851)
Charges for depreciation of non-current assets	(86.272)	(82.257)
Charges for impairment of non-current assets	0.158	(0.069)
Revaluation losses on Property, Plant and Equipment	38.700	(90.141)
Donated Assets	1.091	0.151
Movements in the market value of Investment Properties	1.817	3.677
Revenue expenditure funded from capital under statute (REFCUS)	(19.394)	(8.845)
REFCUS expenditure funded by grants	6.373	5.720
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(150.512)	(71.772)
Adjusting amounts written out of the Revaluation Reserve	54.307	14.524
	(154.438)	(229.863)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	5.632	25.724
Use of the Major Repairs Reserve to finance new capital expenditure	40.257	28.470
Application of grants to capital financing from the Capital Grants Unapplied Account	50.552	40.923
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7.907	7.406
Voluntary set aside of capital receipts for debt redemption	23.889	24.568
Adjustment to MRP as a result of PFI Projects	3.729	3.730
Capital expenditure charged against the General Fund and HRA balances	14.125	16.926
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(0.740)	(0.613)
	145.351	147.134
CLOSING BALANCE AT 31 MARCH	892.927	810.198

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.

	2014/15 £m	2015/16 £m
Opening Balance at 1 April	(602.376)	(797.111)
Return on plan assets	55.171	(36.584)
Actuarial gains or (losses) on pensions assets and liabilities	(232.984)	181.972
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(45.134)	(55.495)
Employer's pensions contributions and direct payments to the pensioners payable in the year	28.212	29.169
CLOSING BALANCE AT 31 MARCH	(797.111)	(678.049)

8.7.3 Group Movement in Reserves Statement Notes

As at 31 March 2015 Robin Hood Energy had not commenced trading and their results (£0.712m loss / net liability) were not included in the group accounts, therefore an opening balance adjustment has been included in the MIRS.

From 2015/2016 Nottingham City Transport no longer produces group accounts as their subsidiaries are dormant. An opening balance adjustment of £0.007m has therefore been included in the MIRS.

The 2014/2015 balance sheet reserves of Blueprint and NCH have been restated due to transition from UK GAAP to FRS102. Opening balance adjustments (Blueprint -£0.048m, NCH -£0.181m) have been included in the Group MIRS.

8.7.3.1 Adjustments between Group Accounts and Authority Accounts

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

2015/16	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	(72.620)	(72.620)	72.620	-
Grants and provisions for subsidiaries	-	-	-	-
Receipts in relation to goods and services provided to subsidiaries	20.495	20.495	(20.495)	-
Interest and investment income from/to subsidiaries	0.707	0.707	(0.707)	-
Contributions from subsidiaries	1.586	1.586	(1.586)	-
Other movements		-	(0.031)	(0.031)
TOTAL ADJUSTMENTS	(49.832)	(49.832)	49.801	(0.031)

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	-
Grants and provisions for subsidiaries	-	-	-	-
Receipts in relation to goods and services provided to subsidiaries	14.237	14.237	(14.237)	-
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)
TOTAL ADJUSTMENTS	(51.483)	(51.483)	51.442	(0.041)

Section 8 – Group Financial Statements and Notes

8.7.4 Group Cash Flow Notes

8.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2014/15 £m	2015/16 £m
Interest received	3.001	3.784
Interest paid	(23.942)	(35.352)
Dividends received	0.700	0.700
Dividends paid	(1.025)	(1.025)
Taxation	-	0.026

8.7.4.2 Investing Activities

	2014/15 £m	2015/16 £m
Purchase of property, plant and equipment, investment property and intangible assets	(146.322)	(151.051)
Purchase of short-term and long-term investments	(0.075)	(4.105)
Other payments for investing activities	(4.780)	(1.600)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	31.377	112.400
Proceeds from short-term and long-term investments	-	30.574
Other receipts from investing activities	58.299	61.124
NET CASH FLOWS FROM INVESTING ACTIVITIES	(61.501)	47.342

8.7.4.3 Financing Activities

	2014/15 £m	2015/16 £m
Cash receipts of short and long-term borrowing	2.000	24.139
Other receipts from financing activities	0.257	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6.560)	(108.478)
Repayments of short and long-term borrowing	(20.341)	(21.054)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(24.644)	(105.393)

Section 9 (Appendix A)

Forward Plans

9.1 Medium Term Financial Plan

9.1.1 Revenue Plans

In February 2016 the Council approved a revised Medium Term Financial Plan (MTFP) covering the 4 year period from 2016/17 to 2019/20.

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 four years. Detailed budgets were then worked up based on current priorities and plans, underlying demographic trends and predicted inflation factors.

Local government continues to operate in a challenging environment and the budget assumptions are subject to ongoing review in light of changing circumstances. In particular funding projections will be updated to reflect the final results of the Government consultations on New Homes Bonus grant and the proposed implementation of 100% locally retained business rates by 2019/20. These issues have been brought together to produce a 4 year Medium Term Financial Outlook (MTFO) which is summarised below:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Expenditure				
2015/16 Net Budget Requirement	255.814	255.814	255.814	255.814
Budget Refresh	4.565	12.289	18.032	21.454
New Pressures	4.325	10.039	15.686	18.460
Sub-total	264.704	278.142	289.532	295.728
Portfolio Proposals	(19.826)	(20.038)	(22.749)	(22.749)
Corporate Proposals	(1.000)	-	-	-
Assumed Net Budget	243.878	258.104	266.783	272.979
Retained Business Rates, Top-up & RSG	(148.201)	(136.063)	(129.261)	(122.625)
Council Tax	(94.212)	(98.694)	(103.383)	(108.288)
Collection Fund	(1.465)	-	-	-
FUNDING GAP	-	23.347	34.139	42.066

The Council has identified proposals to produce a balanced budget for 2016/17 and will continue to work on proposals to meet the future funding gap, which rises to £42.066 by 2019/20. The 2016/17 budget has been constructed in accordance with the MTFP 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 Council's current focus of supporting the most vulnerable, local jobs, and enjoying Nottingham. Resources have been redirected by:

Section 12 – Abbreviations/Glossary

- 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 £702.381 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 2015/16 Outturn are detailed below:

	CAPITAL PROGRAMME					
	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m	£m
Expenditure:						
Public Sector Housing	78.243	49.374	40.175	31.945	30.489	230.226
Local Transport Plan	26.452	23.125	5.283	-	-	54.860
Education	15.359	4.227	-	-	-	19.586
All Other Services	88.136	23.436	23.541	11.350	7.704	154.167
Projects in Development	112.885	104.637	26.020	-	-	243.542
TOTAL	321.075	204.799	95.019	43.295	38.193	702.381
Forecast Funding:						
Prudential Borrowing	140.454	114.374	38.054	9.048	5.012	306.942
Capital Receipts	19.869	9.817	6.828	2.096	1.622	40.232
Set aside from Revenue	13.966	5.431	4.894	1.923	1.923	28.137
Major Repairs Reserve	27.078	27.078	27.078	27.078	27.078	135.390
Grants & Contributions	62.317	37.817	21.333	2.345	1.200	125.012
TOTAL	263.684	194.517	98.187	42.490	36.835	635.713
Resources Brought Forward	81.177					
CUMULATIVE SURPLUS	(23.786)	(13.504)	(16.672)	(15.867)	(14.509)	

The total funding shortfall of £66.668m is met from resources brought forward (£81.177m) leaving a balance of available funding of £14.509m.

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 2016/17 onwards:

Nottingham Castle (£23.250m) – Scheme to develop Nottingham Castle into a world class visitor attraction.

Expansion of Bio-City (£19.506m) – A creation of facility for incubator BioScience companies, using £6m of growth fund grant to support the industry in the city.

Primary School Reorganisation Programme (£12.222m) – Addressing the need for primary school places within the city.

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 Spending Review 2015 set out its plans to eliminate the budget deficit by 2019/20 and run at a surplus thereafter while protecting areas of spend such as Education, the NHS and pensions. This continuation of fiscal consolidation will result in a significant reduction in the Revenue Support Grant provided to local government. These reductions are reflected in the 4-year local government settlement offered by the Government and included in our current MTFO.

9.2.3 HRA Rent Reductions

The Chancellor announced in his 2015 summer budget that rents in social housing are to be reduced by 1% a year, from April 2016, for the next four years. The Council will need to consider the impact that the rent reductions may have on its Housing Revenue Account and revise its HRA plan accordingly.

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 2015/16 financial year and its position at the year end of 31 March 2016. 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 2015 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 2015/16 (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 2015/16. 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 Part 3 of the 2015 Act.

10.1.2 Accounting Convention

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

10.1.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

10.1.4 Events after the Balance Sheet Date

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

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

10.1.5 Accruals of Expenditure and Income

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

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Fees, charges and rents due from customers are accounted for as income at the date that the Council provides the associated goods or services.
- Supplies are recorded as expenditure in the period during which they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Works are charged as expenditure, once complete, prior to completion they are carried as 'works in progress' on the Balance Sheet.
- For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecasted cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service revenue account in the CIES. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.

Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. In the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in the relevant service. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.

10.2 Policies primarily affecting the CIES

10.2.1 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.

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 and 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 it 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 current 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 Current 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.

Section 12 – Abbreviations/Glossary

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 desktop valuation of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman and Mitchell.
- Other land and buildings are valued at current value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of current value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at present value of the minimum lease payments.
- Heritage assets are reported in the Balance Sheet at market value and have been valued 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 current value.

Assets included in the Balance Sheet at current 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.

Section 12 – Abbreviations/Glossary

- 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.

Fair Value Measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs

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, 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.

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.

Section 12 – Abbreviations/Glossary

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 2015/16, the Council paid £4.053m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay for April to August and 16.4% from September. The figures for 2014/15 were £4.278m and 14.1%. The employer contribution rate for 2016/17 will be 16.4%.

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.

On 1 April 2015 a new NHS Pension Scheme was introduced. The new scheme covers all former members of the 1995/2008 Scheme not eligible to continue in that Scheme as well as new NHS employees on or after 1 April 2015. The 2015 Scheme is a Career Average Revalued Earnings Scheme, with benefits based on a proportion of pensionable earnings each year during your career.

The Scheme is an unfunded defined benefit occupational Scheme with the benefits underwritten by the Government. The Scheme is not designed to be run in a way that would enable NHS bodies / local authorities to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a

defined contribution scheme: the cost to the Council is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme receives contributions from employers and employees to defray the costs of pensions and other benefits. The costs of the scheme are determined by the Government and also the Scheme actuary who performs periodic valuations of the Scheme to determine how much needs to be paid in to provide the benefits paid out. These costs are shared between the NHS employers and the Scheme members.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2012 the valuation report recommended that employer contributions should be at a rate of 14.3% of pensionable pay for both the 1995/2008 Scheme and the 2015 Scheme. The employee contributions are on a tiered scale from 5.0% to 14.5% of their pensionable pay. On advice from the Scheme actuary, Scheme contributions may be varied from time to time to reflect changes in the Schemes liabilities.

In 2015/16 the Council's contribution to the Scheme was £0.142m, representing 14.3% of pensionable pay (£0.993m). The Councils expected contributions to the Scheme for 2016/17 are 14.3% of member's pensionable pay.

If the Scheme operates with a surplus of cash outflow, due to income exceeding the payments made, the surplus is returned to HM Treasury during the following financial year. If payments exceed income within a financial year, or the scheme requires funds to maintain a level of cash flow to make payments the balance of the funding required is requested from parliament through the annual Supply Estimates process.

As the Scheme is unfunded liabilities are underwritten by the Exchequer.

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 2013, 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.

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.

Section 12 – Abbreviations/Glossary

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 2017 are as follows:

	LGPS 31 March 2017 £m	Teachers Benefits £m
Service cost	33.578	-
Net interest on the defined liability (asset)	20.902	0.689
Administration expenses	0.019	-
TOTAL	54.499	0.689
Employer Contributions	25.696	-

Actuarial Methods and Assumptions

Both the Local Government Pension Scheme and Teachers Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2013 and using financial assumptions that comply with IAS19.

Valuation Data - Data Sources

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

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2016;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2013, 31 March 2015 and 31 December 2015, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2016;
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2016;
- Details of any new early retirements for the period to 31 March 2016 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 2016 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	851	0.702	79

The Council also has a share of the responsibility for some of the historic Nottinghamshire County Council liabilities accrued prior to the reorganisation of local government 1 April 1998, and a responsibility for the liabilities of Nottingham City Transport 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 12 – Abbreviations/Glossary

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Pre-1998 Nottinghamshire County Council:			
Deferred pensioners	3,905	2.756	53
Pensioners	6,211	21.000	76
Unfunded Pensioners	1,453	1.499	82
Nottingham City Transport:			
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 2016 is calculated using an estimate of the average total pensionable payroll during the year of £131.219m. The projected service cost for the year ending 31 March 2017 has been calculated assuming the payroll remains at this level over the year.

There were 27 new early LGPS retirements in respect of the year ending 31 March 2015. The total annual pension that came into payment was £0.223m.

Scheduled Contributions

The table below summarises the minimum employer contributions due from the Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 12.5% of payroll p.a. The monetary contributions are due to be paid in monthly instalments.

	Minimum employer contributions due for the period beginning		
	1 Apr 2014	1 Apr 2015	1 Apr 2016
		£m	
Percent of Payroll	12.5%	12.5%	12.5%
plus monetary amounts	8.031	8.880	9.356

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be -1%.

The LGPS estimated asset allocation for the Council as at 31 March 2016 is as follows:

	Local Government Pension Scheme			
	31 March 2015		31 March 2016	
	£m	%	£m	%
Equities	637.637	70%	614.504	69%
Gilts	28.262	3%	27.468	3%
Other Bonds	63.838	7%	60.369	7%
Property	105.570	12%	111.487	13%
Cash	43.988	5%	35.788	4%
Inflation-linked pooled fund	25.231	3%	24.846	3%
Infrastructure	-	0%	8.187	1%
TOTAL	904.526	100%	882.649	100%

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.

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 2016 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 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.

Section 12 – Abbreviations/Glossary

Assumptions

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

	Local Government Pension Scheme		Teachers Benefits	
	2014/15	2015/16	2014/15	2015/16
Mortality Assumptions (Years):				
Longevity at 65 retiring today:				
Males	22.1	22.1	22.1	22.1
Females	25.2	25.3	25.2	25.3
Longevity at 65 retiring in 20 years:				
Males	24.2	24.4	24.2	24.4
Females	27.6	27.7	27.6	27.7
Financial Assumptions:				
RPI increase	3.2%	3.2%	2.6%	2.4%
CPI increase	2.4%	2.3%	1.8%	1.5%
Rate of increase in salaries	4.2%	4.1%	n/a	n/a
Rate of increase in pensions	2.4%	2.3%	1.8%	1.5%
Rate for discounting scheme liabilities	3.3%	3.6%	2.2%	2.3%
Estimate in years of duration of liabilities	18	18	8	8

The financial assumptions are set with reference to market conditions at 31 March 2016.

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, 27 former Council employees became entitled to unreduced early retirement benefits under the LGPS (24 due to redundancy, 3 due to voluntary redundancy / other grounds). The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £1.250m.

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

Settlements

As a result of some members transferring to / from another employer over the year, liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £6.042m.

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 life expectancy assumption, it is assumed that a member will live a year longer or a year less, for example, under +1 year it is assumed that a member with a 25 year life expectancy is actually expected to live for 26 years.

	Local Government Pension Scheme			Teachers Benefits		
	£m	£m	£m	£m	£m	£m
Adjustment to discount rate:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,450.478	1,476.004	1,502.005	29.722	29.955	30.191
Projected service cost	32.822	33.578	34.352	-	-	-
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%	-	-	-
Present value of total obligation	1,478.804	1,476.004	1,473.222	-	-	-
Projected service cost	33.578	33.578	33.578	-	-	-
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,499.513	1,476.004	1,452.913	29.955	29.955	29.955
Projected service cost	34.361	33.578	32.812	-	-	-
Adjustment to life expectancy assumptions:	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,521.158	1,476.004	1,432.232	31.055	29.955	28.894
Projected service cost	34.435	33.578	32.742	-	-	-

Section 12

ABBREVIATIONS/GLOSSARY

12.1 Abbreviations

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

12.2 Glossary of Financial Terms

Items in **bold** are described further within the glossary.

Accounting Period

The period of time covered by the Council's accounts. Normally twelve months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, measuring and presenting **assets**, **liabilities**, gains, losses and changes to **reserves**.

Accrual

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Accruals are made for **revenue** and **capital expenditure** and income (see **debtors** and **creditors**).

Actuarial gains and losses

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

Agency Services

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

Amortisation

The writing down of an **intangible asset** reflecting its diminution in value as its useful life expires over time.

Assets

Items having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year e.g. land, buildings, plant, vehicles and equipment. Current assets can be readily converted into cash.

Audit Commission

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

Bad (and doubtful) Debts

Debts which may be uneconomical to collect or unrecoverable.

Balance Sheet

A statement of recorded **assets** and **liabilities**, and other balances at the end of an **accounting period**.

Section 12 – Abbreviations/Glossary

Business Rates – see **Non-Domestic Rates**

Capital Adjustment Account

This account contains the balances previously held on the Capital Financing Account, the Fixed Asset Restatement Account and the Government Grants Deferred Account. The movements in year relate to the amount of capital expenditure financed from revenue, grants and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

Capital Expenditure

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

Capital Financing Requirement

An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account and Fixed Asset Restatement Account. The sum represents the “underlying” need to borrow of the Council. The Council is required to make an annual provision of 4% of this amount from revenue resources to meet its debt repayment obligations. This is known as the Minimum Revenue Provision

Capital Receipt

Money received from the disposal of land and other **assets**, and from the repayment of capital grants and loans made by the Council.

Cash and Cash Equivalents

Cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts. CIPFA advises central government and other bodies on local government and public sector finance matters.

Code of Practice on Local Authority Accounting (UK)

Publication produced by **CIPFA** that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

Collection Fund

A separate fund recording the expenditure and income relating to **Council Tax**, **National Non-Domestic Rates** (collected on behalf of the Central Government) and residual community charge.

Community Assets

Assets that a local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples are parks and historical buildings.

Consolidated

Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration e.g. debtors.

Contingency

A sum included in the revenue budget to cover unexpected expenditure during the **accounting period**. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

Contingent Liabilities

A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or a present obligation that arises from past events but is not recognised because either it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Rents

The portion of the lease payments that is not fixed in amount, but is based on the future amount of a factor that changes other than with the passage of time. (E.g. percentage of future sales, amount of future use, future price indices and future market rates of interest.)

Corporate and Democratic Core

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

Council Tax

A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of the home.

Council Tax Benefit

Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their **Council Tax** bills.

Council Tax Discounts and Exemptions

Discounts are available to people who live alone and for homes that are not anyone's main home. **Council Tax** is not charged for certain properties, known as exempt properties, like those only lived in by students.

Creditors

Amounts owed by an authority for works done, goods received or services rendered before the end of an **accounting period**, but for which actual payments had not been made by the end of that accounting period.

Current Service Cost

The increase in present value of a defined benefit pension scheme's **liabilities** expected to arise from employee service in the current financial year.

Current Value

The current value of an **asset** is a measurement of the assets service potential and can be measured at:

- Existing Use Value – where an active market exists,
- Existing Use Value Social Housing – for council dwellings, or
- Depreciated Replacement Cost– for assets where there is no market and / or the assets are specialised.

Debtors

Amounts due to an authority for works done, goods supplied or service rendered before the end of an **accounting period**, but for which actual payments had not been received by the end of that accounting period.

Dedicated Schools Grant

A **specific grant** paid to Local Authorities to fund the cost of running its schools.

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation

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 assets or liability could be exchanged in an orderly transaction between market participants at the measurement date under current market conditions.

Finance Lease

A lease, which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance. Asset held under Finance Leases are recognised on the Balance Sheet as Assets.

Financial Instrument

Any contract giving rise to a financial **asset** in one entity and a financial **liability** or equity instrument in another. Examples include the treasury management activity of the Council, including the borrowing and lending of money and the making of investments.

Fixed Assets

Tangible assets which have value to the Council for more than one year.

Funding Basis

The accounting basis that local authorities are required by statute to follow when setting their Council Tax. This is different to the IFRS basis, which is used to produce the Statement of Accounts.

General Fund

The common name for the account which accumulates balances for all services except the **Housing Revenue Account** and the **Collection Fund**.

Group Financial Statements

Where a Council has an interest in another organisation (e.g. a **subsidiary** organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.

Historical Cost

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

Housing Benefit

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

Housing Revenue Account (HRA)

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards

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

Investment Properties

An interest in land and/or buildings which is held for its investment potential.

Joint Ventures

An organisation in which the Council is involved where decisions require the consent of all participants.

Liability

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Section 12 – Abbreviations/Glossary

Medium Term Financial Plan (MTFP)

A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP currently covers three years.

Minimum Revenue Provision

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

National Non-Domestic Rates

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

Net Revenue Expenditure

This represents the Council's budget requirement and use of **reserves**.

Non-Cancellable Lease

A lease that is cancellable only:

- Upon the occurrence of some remote contingency.
- With the permission on the lessor.
- If the lessee enters into a new lease for the same or an equivalent asset with the same lessor
- Upon payment by the lessee of such an additional amount that, at the inception of the lease, continuation of the lease is reasonably certain.

Non-operational Assets

Assets held by the Council but not actually used in the direct delivery of services, including surplus assets, industrial units and assets used by other organisations in order to provide services on the Council's behalf. See **Operational Assets**.

Operating Leases

A lease where substantially all of the risks and rewards of ownership of a fixed **asset** are retained by the lessor. Operating leases do not result in a charge against the local authority's capital resources.

Operational Assets

Assets held by the Council for the purpose of the direct delivery of services for which the Council has either a statutory or discretionary responsibility. See **Non-operational Assets**.

Outturn

Actual income and expenditure in an **accounting period**.

Past Service Cost

The increase in **liabilities** arising from current year decisions whose effect relates to years of service earned in earlier years.

PFI Credits

The financial support provided to Local Authorities to part fund **Private Finance Initiative** capital projects.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The amount of **Council Tax** income County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services.

Prior Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Private Finance Initiative (PFI)

A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

Provision

An amount set aside to cover a **liability** that will almost certainly occur, but where the amounts or dates on which the cost will arise are uncertain.

Prudential Code

The Prudential Code ensures, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable.

Public Works Loans Board (PWLB)

A Government agency which provides loans, for terms of one year and above, to local authorities. The interest rates applied are only slightly higher than those at which the Government can borrow.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and **provisions** which are set up to meet known liabilities.

Residual Value

The net realisable value of an **asset** at the end of its useful life.

Revaluation Reserve

This represents the non-distributable increase/decrease in the valuation of fixed **assets**.

Revenue Expenditure

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

Revenue Expenditure Funded From Capital under Statute (REFCUS)

This is expenditure that can be deemed capital expenditure under Statute but does not result in an **asset** for the Council (e.g. Housing improvement grants). Such expenditure is written off to the Income and Expenditure Account in the year it is incurred.

Revenue Support Grant (RSG)

Government financial support to aid local authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

Section 106 contributions

These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

Service Reporting Code of Practice

Published by **CIPFA** the Service Reporting Code of Practice establishes "proper practice" with regard to consistent financial reporting to enhance the comparability of local authority financial information and is given statutory force in England by regulations under the Local Government Act 2011.

Single Entity Financial Statements

The main financial statements for the Council as shown in section 3.

Specific Grant

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

Stocks

Comprise the following categories; goods or other **assets** purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

Subsidiary and Associated Companies

An organisation in which the Council has a participating interest and over which it can exercise significant influence e.g. where the Council controls the majority of voting rights.

Trading Accounts

Services run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

Trust Funds

Funds administered by a local authority for purposes such as charities, and specific projects and on behalf of minors.

Work in Progress

Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.