

Statement of Accounts 2017/18



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Section 1

Narrative Report

1.1 Introduction to Nottingham City Council

Nottingham is known throughout the world for the legend of Robin Hood and today is a thriving modern city. It has an award winning public transport system which includes the largest publicly owned bus company in the United Kingdom and a successful tram system.

It is also a major sporting centre with the National Ice Centre, Holme Pierrepont, National Watersports Centre and Trent Bridge International cricket ground all located in and around the city. In October 2015 Nottingham was awarded the title of 'Home of English Sport'.

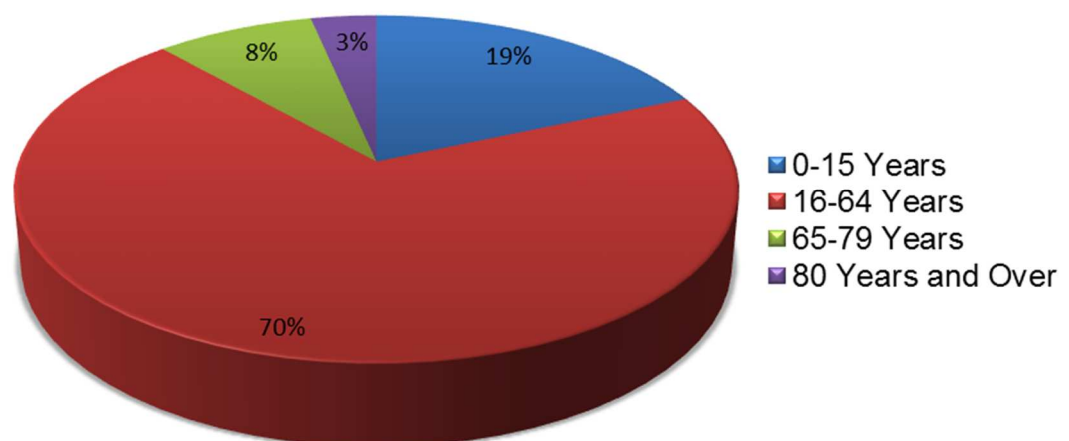
In December 2015, Nottingham was named a City of Literature by UNESCO, reflecting the city's literary heritage of Lord Byron, D.H Lawrence and Alan Sillitoe.

Putting Citizens at the Heart of everything is the core focus for the Council and is embedded across all functions of the organisation. Building new homes, tackling fuel poverty, education and providing jobs and training opportunities for young people are amongst the top priorities to make the city a great place for all who live, work and visit here.

1.1.1 Population

The latest estimate of the City's resident population is 325,300 (Office for National Statistics Mid-Year Estimates 2016). Projections suggest that this could reach 332,700 by 2024 mainly as a result of international migration and an increase in student numbers at the two universities in the city. The age profile of Nottingham's population is shown in the chart below.

Composition of Nottingham City Population



1.1.2 The Economy and External Environment

Local authorities continue to operate in a challenging financial environment of reduced levels of Government funding, with the full consequences of Brexit yet unknown. Key local economic indicators suggest an increase in unemployment and self-employment rates and in economic activity. Household disposable income within the city seems to have remained static although it has continued to rise in the wider Nottingham area. The long-term trend regarding skills is positive with more citizens holding higher-level qualifications. There are still challenges around more adults having no qualifications and that the number of 16 to 18 year olds not in education, employment or training has increased.

There are 223,000 people employed in Nottingham City, of which 67.1% are in full time employment. The rate of job growth is 1.2% which is slightly below the Core Cities Average of 1.7%.

Services are the main source of employment in Nottingham, accounting for 90% of the employed workforce. This is higher than the average for England of 85%. Manufacturing employment has been steadily declining for several decades and now accounts for less than 5% of jobs in Nottingham.

The public sector is an important source of employment in the city, accounting for 23% of all residents in employment. This exceeds the national average of 20.7%.

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

There are approximately 6,900 people unemployed in Nottingham, with increases in all age groups in the last year. The largest increases were amongst people aged 50 and over and women in the 30-39 age group.

1.1.3 The Financial Framework

The main financial objectives for the City Council focus on:

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

This policy-led, medium term approach to financial planning and management is good practice and ensures that we can fund our vision, values and priorities. The City Council is committed to maintaining financial stability and delivering value for money through effective, economic and efficient services.

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

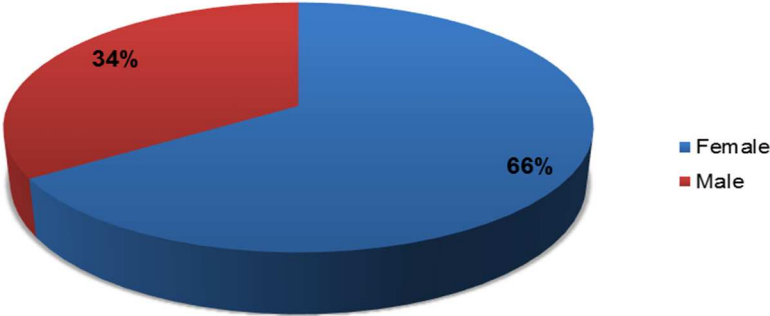
In particular, any new investment is considered in the context of how it will contribute to realising the City Council’s vision and performance improvement more generally. Options are worked up for consideration and decisions to stop, reduce or reshape services are made in full knowledge of the impact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

1.1.4 Employees

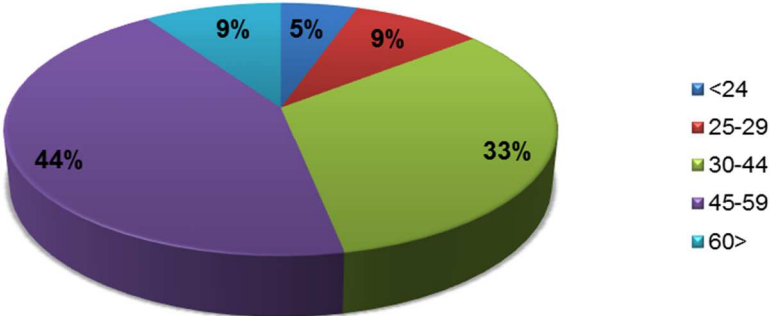
At 31 March 2018 Nottingham City Council employed 8,928 people in full time and part time contracts, including those employed in schools.

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

Workforce Breakdown by Gender %

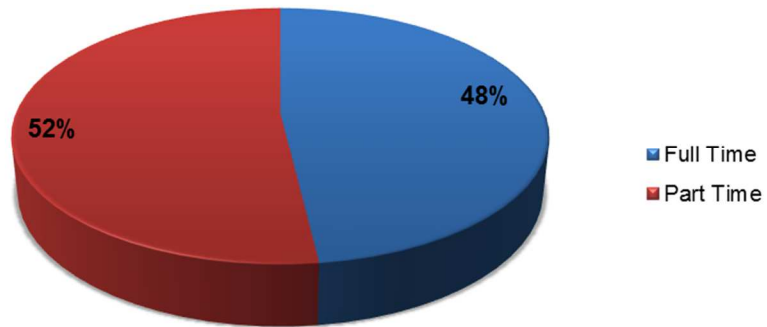


Workforce Breakdown by Age %

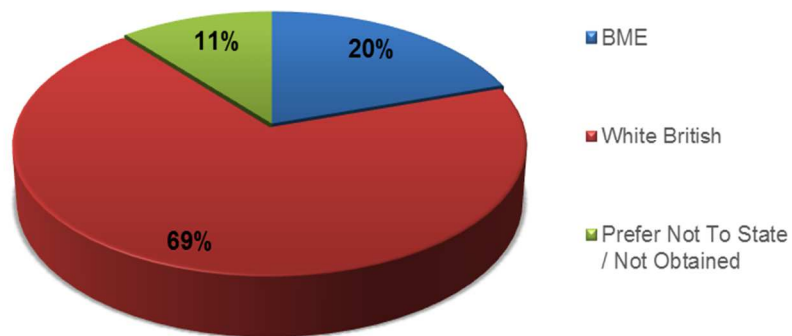


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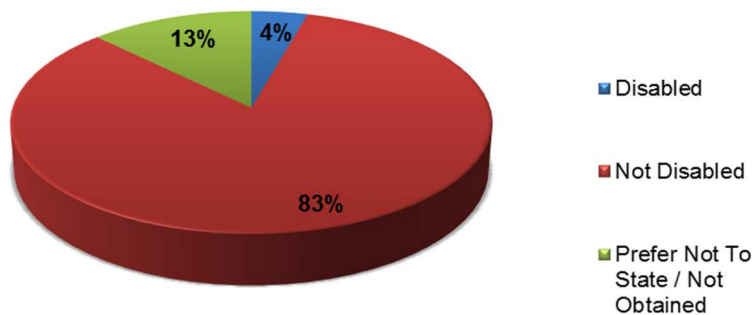
Workforce Breakdown by Contract Type %



Workforce Breakdown by Ethnicity %



Workforce Breakdown by Disability %



1.1.5 Achievements

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

The achievements of 2017/18 include:

- The demolition of Broadmarsh Car Park and Bus Station commenced in July 2017. This is the first phase of a proposed programme of works on the southern entrance to the city. There is to be improved shopping, leisure and restaurant facilities in a vibrant new environment.
- Completion of the Discovery Building, BioCity's first purpose-built bioscience space for laboratories and offices which will support more than 700 new bioscience jobs over the next 30 years. The building is illuminated by a sculpture which uses live activity from the surface of the sun and acts as an energy efficient sunscreen for the five-storey structure.
- Embarkation on a programme of building new, environmentally friendly, affordable social housing for Nottingham families. The target is to build 2,500 homes between 2015 and 2019.
- Transformation of former wholesale buildings at Sneinton Market as part of the regeneration of the area. The buildings have been refurbished to offer workshops and studio spaces of varying sizes to provide accommodation for the creative sector.
- The introduction of Travel Choices, a scheme to provide tailored advice about travel options to households in Nottingham to help citizens make the most of Nottingham's great transport system. The aim is to get more people to try buses, trams, bikes and walking more or using low carbon alternatives such as electric vehicles, car club, car sharing and local delivery services. The project will improve air quality and support more active lifestyles – two key priorities for Nottingham City.
- Recognition of Nottingham's public transport system through winning two awards in November 2017. A new fleet of electric buses was launched during the year in partnership with Nottingham Community Transport. The Environment Award was given in recognition of this effort to improve the green credentials of bus services and improve the environment in the communities they operate. The Putting Passengers First Award was given for the Robin Hood Smartcard which makes it easier for citizens to travel on bus, tram and rail operators in the Nottingham area. Approximately 38,000 cards have been sold since the scheme launched in 2015 and research has shown that it has led to increased usage of public transport around the city.

1.2 Financial Performance

1.2.1 Economic and Funding Overview

The Autumn Budget, published on 23 November, reported that key economic indicators have worsened considerably since the previous March budget. There were no significant measures to address the rising demand and funding gaps for Adult Social Care and Children's services.

The City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding because of austerity policies. These have seen Revenue Support Grant (RSG) reduce as a proportion of the Council's total revenue funding and this trend will continue in future years. RSG is projected to fall from £126.819m in 2013/14 to £25.332m in 2019/20.

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

To address the gap in Government funding and protect key services, the Council's approach to setting recent budgets has, where possible, been guided by the following principles:

- To pursue commercialisation opportunities to generate income for the Council and help offset a proportion of the impact of grant reductions.
- Reducing demand and reviewing the way we commission our services.
- Redesigning and modernising our service provision and identifying efficiencies.
- To protect frontline services and minimise the impact of service reductions and changes on vulnerable citizens.

The Council remains committed to tackling crime and anti-social behaviour, keeping Nottingham city clean, protecting children and supporting vulnerable elderly people. It is also committed to tackling homelessness.

In response to the current financial climate, the Council continues to work with council networks including the Local Government Association and the Special Interest Group of Municipal Authorities (SIGOMA) to campaign for a fairer funding settlement from central government for cities like Nottingham and other core cities.

1.2.2 Risks and Uncertainties related to the Provision of Services 2018/19

Funding Cuts

Grant funding has been cut by 50% over the past 3 years. Given that demand for Adult and Child care continues to increase this impacts on the ability to provide other services. This is being mitigated as far as possible by the proposed measures given above.

Business Rates

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

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

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

General Data Protection Regulation (GDPR)

This bill came into effect on 25 May 2018. This has a huge impact on all local authorities and carries fines of up to 4% of annual turnover for serious breaches of compliance. In mitigation, the Council has appointed a Data Protection Officer who will update all policies and privacy notices. Awareness sessions have been delivered across the authority and all colleagues were to complete mandatory GDPR training by 24 May 2018.

Commercial Income

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

Group Companies

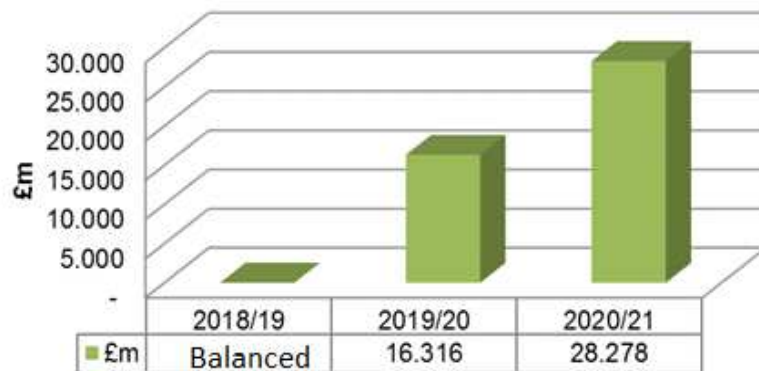
The Council has material financial interests in a number of group companies over which it has varying degrees of control or influence. There is a risk of exposure should any of the companies run into financial difficulties. This is being mitigated by the development of robust governance and monitoring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

Universal Credit

Universal Credit is due to be rolled out in Nottingham in October 2018. As the Council will need to recover Council Tax and rents directly from residents, this gives rise to a potential increase in the level of bad debts and increase in the cost of collection.

Local government continues to operate in a challenging environment and the budget assumptions are subject to ongoing review in light of changing circumstances. These issues have been brought together to produce a 3 year Medium Financial Outlook (MTFO) that is summarised in the table below:

Medium Term Financial Outlook Gap

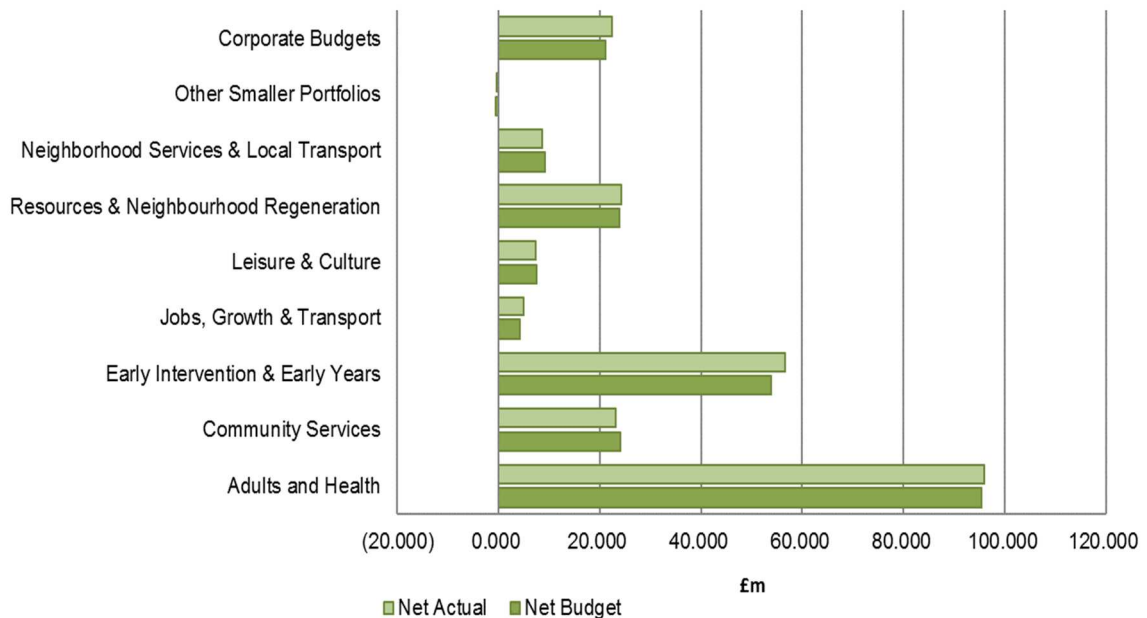


1.2.3 Revenue

The Council's 2017/18 revenue outturn position is shown in the chart below. The original budget set at full Council in March 2017, agreed how the Council planned to allocate its funding during the year in order to deliver services to the citizens and communities of Nottingham.

The revenue outturn for 2017/18 is an over spend of £4.215m which was reported to Executive Board on 19 June 2018.

Service Revenue Outturn



For budget management purposes, specific grant income, charges to users and expenditure items such as employees, premises, supplies and services are organized by groups of services known as portfolios (table 5.1). The outturn which was reported to Executive Board on 19 June 2018 was shown on this basis.

1.2.4 Capital

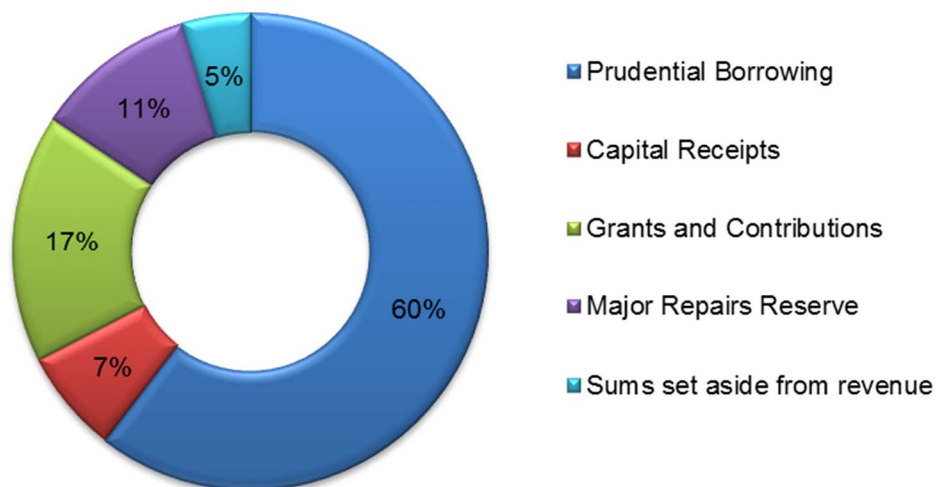
The Council’s capital position as against the approved 2017/18 Capital Programme is shown below:

	Budget / Projection 2017/18 £m	Actual 2017/18 £m
General Fund Capital Programme		
Transport Schemes	19.571	13.596
Education / Schools	7.061	5.860
Adults & Health	0.454	0.382
Early Intervention & Early Years	0.707	0.405
Leisure & Culture	13.272	8.610
Business Growth & Transport	5.991	0.398
Energy & Sustainability	5.884	3.574
Planning & Housing	3.033	1.851
Strategic Regeneration	15.385	11.665
Community Services	1.743	1.883
Resources & Neighbourhood Regeneration	111.949	118.586
Total Capital Programme General Fund	185.050	166.810
Public Sector Housing	59.887	53.396
TOTAL PROGRAMME	244.937	220.206

The General Fund and Public Sector Housing have had project slippage in 2017/18. This is anticipated within the Capital Programme and does not constitute project underspend/resources being released. Budgets will be increased in 2018/19 to accommodate the slippage.

The chart below shows the funding breakdown for the 2017/18 Capital Programme. 60% of the programme is funded by prudential borrowing:

Funding of the Capital Programme

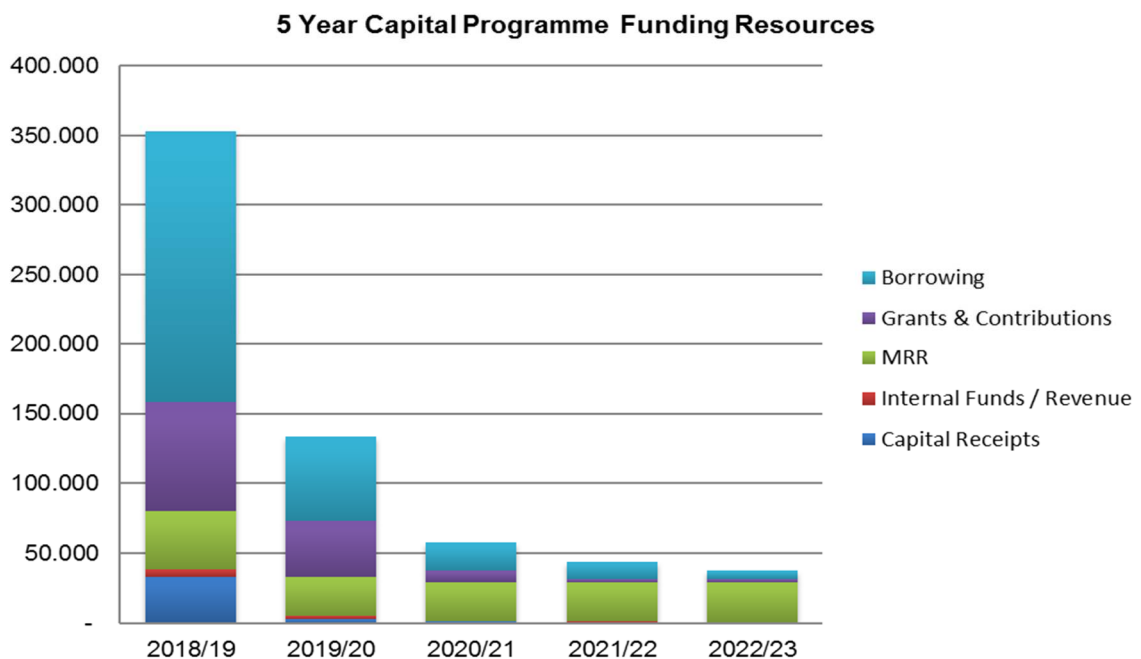
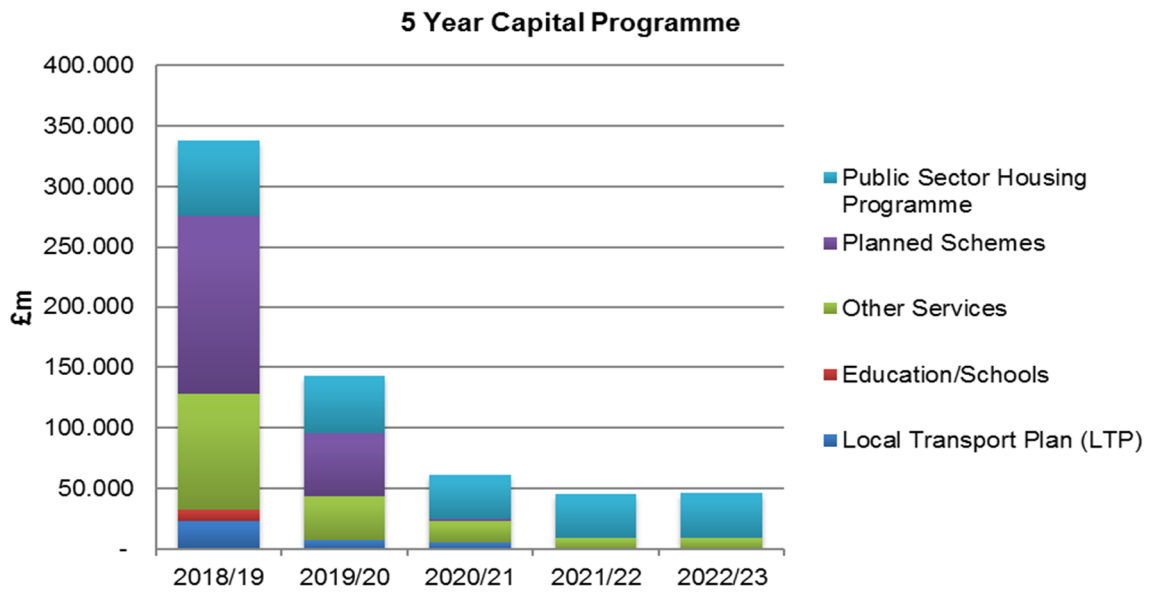


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Capital Programme and Funding

The table below shows approved major schemes (i.e. excluding schemes in development) which exceed £20m expenditure. The table shows capital expenditure incurred to 2017/18, approved expenditure for 2018/19 to 2022/23.

CAPITAL SCHEME	Spend to 2017/18 £m	2018/19 to 2022/23 £m	TOTAL £m	DETAIL
Nottingham Castle	2.307	27.929	30.236	Improvements to Nottingham Castle to help make it a major tourist attraction.



1.2.5 Balance Sheet

The following table is a summary of the balance sheet:

	31 March 2017 £m	31 March 2018 £m
Long Term Assets	2,657.802	2,910.572
Net Current Assets	(155.771)	(111.857)
Long Term Liabilities	(1,784.004)	(1,872.173)
NET ASSETS	718.027	926.542
Usable Reserves	223.020	234.566
Unusable Reserves	495.007	691.976
TOTAL RESERVES	718.027	926.542

Long Term Assets increased in 2017/18 due to:

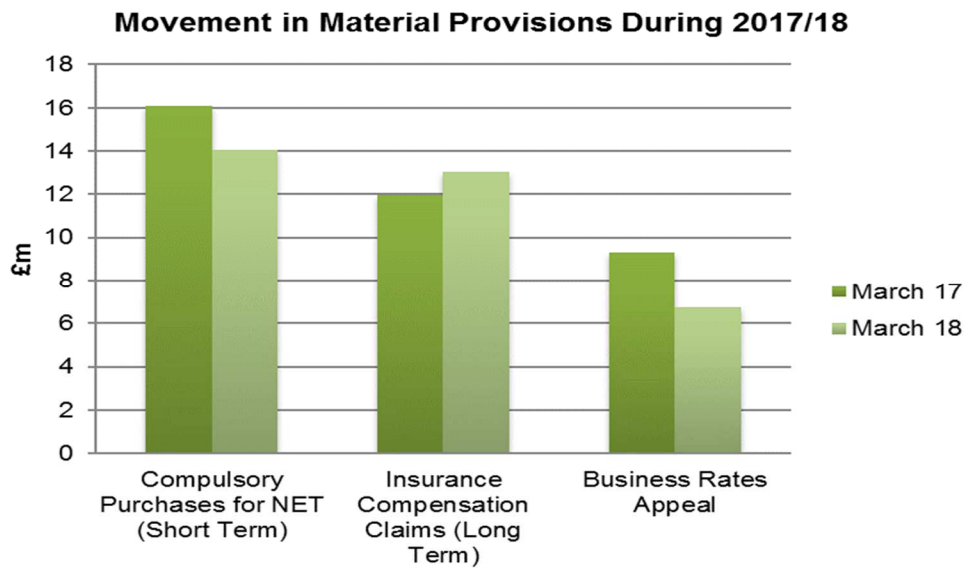
- A net increase in Property Plant & Equipment of £135.488m. This is mainly due to property revaluation gains which includes £74m of revaluation gains on Council dwellings (please refer to note 6.3.1 for further details), and
- Increase in Investment properties due to £95m of additional investment property purchases.

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

- Compulsory Purchases for NET (Short Term Provision) – The carrying value at 31 March 2018 (£14.065m) is for compulsory purchases of land and property required for the NET PFI where the purchase price has yet to be agreed.
- Insurance Compensation Claims (Long Term Provision) – The carrying value at 31 March 2018 (£13.053m) is to meet the cost of claims arising from self-insured risks and risks which fall below the external policy retention levels and for payment of external insurance premiums.
- Business Rates Appeals (Long Term Provision) – The carrying value at March 18 (£6.764m) is due to the Council bearing a risk of non-collection of business rates following appeal.

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



For further information, please refer to note 6.3.10 provisions.

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 2017/18

	31 March 2017 £m	Movement 2017/18 £m	31 March 2018 £m
General Fund	8.463	(2.998)	5.465
Earmarked General Fund Reserves	157.483	(2.899)	154.584
Other Usable Reserves	57.074	17.443	74.517
Unusable Reserves	495.007	196.969	691.976
TOTAL AUTHORITY RESERVES	718.027	208.515	926.542

1.2.6 Pension Liability

The Council is a member of the Nottinghamshire County Council pension fund; an independent actuary evaluates assets and liabilities of that fund attributed to the Council on an annual basis. The actuary has estimated that, at 31 March 2018, the Council's fund was in deficit by £820.201m (£860.824m as at 31 March 2017). Actuarial valuations are undertaken every three years and a deficit recovery plan is in place to reduce the liability to zero within 19 years.

1.3 Non-Financial Performance

1.3.1 Consultations with Citizens

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

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

- Tackling crime and anti-social behaviour – 82%
- Refuse collection – 79.7%
- Services to elderly and vulnerable people – 78.9%
- Child protection – 75.4%
- Public transport – 78%

Areas of concern given the current economic climate, 63% were concerned about cuts to public services and 41.2% who were very concerned about the impact on their health of financial hardship caused by the cuts.

1.3.2 Key Headlines from the Council Plan 2015 - 2019

The Council 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 five 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.
- 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.

Link to Council Plan:

<http://www.nottinghamcity.gov.uk/about-the-council/council-plan-puts-citizens-at-the-heart/>

As at 31 March 2018, progress continues to be made against objectives of the Council Plan.

- The percentage of children attending a City school judged as good or outstanding is showing continuing improvement.

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- The Council is on track to deliver 2,500 affordable homes by 2019.
- Work continues to reduce the level of victim based crime but there has been a marked decrease in anti-social behavior calls to the police.
- Robin Hood Energy, a not for profit energy company now has over 100,000 customers and made a small surplus in the year which will be reinvested back in to the company. Customers have seen typical savings of £197.85 for credit meter customers and £ 78.43 for pre-payment customers compared with the average of the large supplier standard tariffs.
- The number of 18-24 year olds claiming Job Seekers Allowance or the unemployment component of Universal Credit has fallen steadily since March 2017. The work undertaken by Nottingham Jobs and their partners has resulted in being able to offer all 18-24 year old City residents a job, training place or further education place.

1.4 Explanation of Accounting Statements

The Statement of Accounts sets out the Council's financial performance for 2017/18. 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 2017/18 and International Financial Reporting Standards.

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

The Statement of Accounts Core Statements are:

- The **Comprehensive Income and Expenditure Statement** (CIES) shows the Council's income and expenditure for the financial year. The top half of the statement analyses the income and expenditure by portfolio. The bottom half of the statement gives a breakdown of corporate transactions and funding. Expenditure is made up of:
 - The statutory services and activities that the Council is required to deliver, for example street cleaning and refuse collection and
 - Discretionary expenditure for local priorities and needs.
- The **Movement in Reserves Statement** (MIRS) 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** is a snapshot of the Council's assets, liabilities, cash balances and reserves as at 31 March 2018.
- The **Cash Flow Statement** explains the reasons for the movement in the Council's cash balances during the year and sets out whether the change is due to operating activities, new investment or financing activities.

The Supplementary Financial Statements are:

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

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

1.5 Medium Term Financial Plan

1.5.1 Revenue Plans

In February 2018 the Council approved a revised Medium Term Financial Plan (MTFP) covering the 3 year period from 2018/19 to 2020/21.

The MTFP reflects the culmination of the extensive work of councillors, colleagues and other stakeholders which has been scrutinised throughout the process to fulfil a legal obligation to enable the setting of a balanced budget for 2018/19 in the context of a three year MTFP to fund provision of a wide range of services, many of them statutory.

This policy-led, medium term approach to financial planning and management is good practice and ensures that we can fund our vision, values and priorities and the MTFP has been constructed under the following principles:

- Take account of the Council's priorities within the Council Plan 2015-2019.
- Address demographic and service pressures.
- Reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities.
- Support the City Council's determination to be efficient, improve performance and modernise the organisation.
- Minimise the impact of service reductions and changes on vulnerable citizens by protecting frontline services.
- Pursue commercialisation opportunities to generate income for the City Council.

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

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Local government continues to operate in a challenging environment and the budget assumptions are subject to ongoing review in light of changing circumstances. These issues have been brought together to produce a 3 year Medium Term Financial Outlook (MTFO) which is summarised below:

	2018/19 £m	2019/20 £m	2020/21 £m
Expenditure:			
2017/18 Budget Requirement	238.544	238.544	238.544
Budget Refresh	32.769	38.949	45.541
Potential Overspends Risks	4.424	4.313	7.537
Sub-Total	275.738	281.806	291.622
Portfolio Proposals	(23.076)	(22.968)	(23.311)
Targeted Intervention	(5.299)	(5.191)	(5.191)
Partnership Funding Review	(1.000)	(1.000)	(1.000)
Assumed Net Budget	246.363	252.648	262.121
Funding:			
Retained Business Rates, Top-up & RSG	(131.024)	(122.393)	(116.273)
Council Tax	(110.406)	(113.939)	(117.570)
Collection Fund	(4.932)	-	-
FUNDING GAP	-	16.316	28.278

NB table may not sum exactly due to rounding

1.5.2 Capital Plans

The Council is planning to invest £633.179m 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 2017/18 Outturn are detailed below:

	CAPITAL PROGRAMME					Total £m
	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	
Expenditure:						
Public Sector Housing	61.622	47.351	36.686	36.727	36.892	219.278
Local Transport Plan	22.908	7.745	5.172	-	-	35.825
Education	9.470	-	-	-	-	9.470
All Other Services	95.599	35.617	17.814	8.885	9.142	167.057
Planned Schemes	147.787	51.936	1.826	-	-	201.549
TOTAL	337.386	142.649	61.498	45.612	46.034	633.179
Forecast Funding:						
Prudential Borrowing	(194.740)	(60.233)	(20.428)	(12.152)	(6.155)	(293.708)
Capital Receipts	(8.647)	(3.290)	(1.567)	(0.959)	(0.891)	(15.354)
Internal Funds / Revenue	(5.397)	(1.851)	(0.122)	(0.044)	(0.010)	(7.424)
Major Repairs Reserve	(27.633)	(27.715)	(27.881)	(28.036)	(28.036)	(139.301)
Grants & Contributions	(78.484)	(40.035)	(7.814)	(2.421)	(2.227)	(130.981)
TOTAL	(314.901)	(133.124)	(57.812)	(43.612)	(37.319)	(586.768)
Resources Brought Forward	(38.326)					
CUMULATIVE SURPLUS	(15.841)	(6.316)	(2.630)	(0.630)	8.085	

The capital programme is expecting total funding of £586.768m, leaving a funding shortfall of £8.085m. The shortfall is within the Public Sector Housing programme and is regarding fire safety works to high rise blocks which was approved following the tragic fire at Grenfell. The Council is seeking additional financial support from the Government and if it is not provided then other non-essential schemes may need to be deferred to ensure the programme can be fully resourced.

The Capital Programme includes a number of schemes that are currently at the planning stage. Before these projects can gain full approval they will be subject to a process of business case appraisal 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 following summarise the major schemes with expenditure incurred from 2017/18 onwards:

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

Section 2

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 2015. It complies with proper accounting practices and is prepared on a going concern basis. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) which is based on approved accounting standards. In addition, the Council's accounts also comply with the Service Reporting Code of Practice 2017/18, 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 2015 Act.

2.1.2 Accounting Developments and Changes

Developments and other changes during 2017/18

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

Prior Year Reclassifications

In line with the CIPFA reporting requirements the service part of the CIES is based on the organisational structure of the Council i.e. portfolios. A report is taken by the Leader of the Council to the City Council Committee in May each year detailing the changes to the Portfolios for the coming year. The 2016/17 CIES and associated notes have been restated where required to align with the 2017/18 Portfolio position of the Council.

Accounting Standards Issued but not adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2017/18 Code, and which came into effect from or before 1 January 2018.

The following standards are being introduced in the 2018/19 Code:

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

The transitional reporting requirements for IFRS 9 and IFRS 15 have been adopted such that the preceding year is not restated. These are not expected to have a material effect on the Statement of Accounts next year.

The other narrow scope amendments and IFRIC included in the consultation on the 2018/19 Code listed below were not adopted by the EU in time for inclusion in the 2018/19 Code and therefore have been rolled forward into the development programme for the 2019/20 Code:

- IAS 40 Investment Property: Transfers of Investment Property.
- Annual Improvements to IFRS Standards 2014-2016 Cycle.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

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
Heritage Assets	0.005

Componentisation

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

Depreciation (including amortisation of intangible assets)

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

- Buildings, vehicles, plant, furniture and equipment.
- Infrastructure and Community are depreciated over 25 years.
- Intangible assets are depreciated over 5 years.
- Dwellings, based upon major components current price data allocated on a straight line basis over the useful life.

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 A.

Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accruals basis. This means that income and expenditure are recognised in the accounts in the period

Section 2 – Introductory Statements

in which they are earned or incurred and not when money is received or paid. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor is recorded in the Balance Sheet.

Government Grants and Contributions

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

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

Charges to CIES for Non-Current Assets

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

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

Valuation of Non-Current Assets

Generally non-current assets are valued initially at cost and subsequently revalued at fair value. 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 individually 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 Appendix A, 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 derecognition 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 derecognition 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 carrying out a full review of all related organisations to evaluate whether the Council has the necessary material financial interest and/or level of control required for inclusion the Group.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

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 2017/18 Statements

For 2017/18 the Government has not implemented any legislative or funding changes that have made a material impact on the Council's Statement of Accounts.

The 2017/18 Code reflects the new principles based approach to narrative reporting and includes provisions to confirm the going concern basis of accounting for local authorities.

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.

Section 2 – Introductory Statements

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 the Business Rates Retention Scheme 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 2018, 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, this being 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 £1.509m for every year that useful lives had to be reduced. Further details can be found in Note 6.3.1.
- **Council Dwellings** – A combination of general increases in market values and higher value new build properties has resulted in a valuation gain of £74.293m (£197.578m in 2016/17). Of this gain £51.181m (£178.476m 2016/17) reversed previous revaluation losses charged to the HRA. The balance of £23.112m (£19.102m in 2016/17) was credited to the Revaluation Reserve.
- **Post-Retirement Benefits** – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, for example the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See Note 6.3.14 and Section 10 for further details.

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

- **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 Retail Price Index 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

There were no subsequent material events that need to be reported after the reporting date of 31 July 2018, when the audited accounts were authorised for issue by the Chief Financial Officer.

2.3 Expenditure and Funding Analysis (EFA)

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

The EFA has been restated for 2016/17 to align with the 2017/18 Portfolio position of the Council.

	Restated 2016/17			2017/18		
	Net Expenditure Chargeable to the General Fund and HRA Balances £m	Adjustments Between Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m	Net Expenditure Chargeable to the General Fund and HRA Balances £m	Adjustments Between Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m
Adults and Health	91.453	1.350	92.803	95.193	3.226	98.419
Business, Education and Skills	2.813	0.310	3.123	2.205	0.935	3.140
Community and Customer Services	22.764	1.962	24.726	23.165	5.440	28.605
Early Intervention and Early Years	54.245	15.359	69.604	56.515	2.660	59.175
Energy and Sustainability	12.193	2.336	14.529	12.931	3.225	16.156
Leisure and Culture	8.764	9.992	18.756	7.237	1.369	8.606
Neighbourhood Services and Local Transport	8.956	23.471	32.427	8.603	32.455	41.058
Planning, Housing and Heritage	(43.768)	28.135	(15.633)	(42.180)	28.627	(13.553)
Resources and Neighbourhood Regeneration	26.156	(1.949)	24.207	25.036	6.227	31.263
Strategic Infrastructure and Communications	(5.342)	21.830	16.488	(3.083)	18.905	15.822
Corporate Items	(34.766)	20.286	(14.480)	(36.683)	13.540	(23.143)
Exceptional revaluation gain on HRA Council Dwellings	-	(178.476)	(178.476)	-	(51.181)	(51.181)
Net Cost of Services	143.468	(55.394)	88.074	148.939	65.428	214.367
Other income and expenditure	(123.611)	(74.213)	(197.824)	(143.085)	(40.041)	(183.126)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	19.857	(129.607)	(109.750)	5.854	25.387	31.241
	Note 6.1.2	Note 6.1.1		Note 6.1.2	Note 6.1.1	
Opening General Fund, Earmarked General Fund Reserves and HRA Balance at 1 April	(190.162)			(170.305)		
(Surplus)/Deficit on General Fund and HRA Balance in Year	19.857			5.854		
Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*	(170.305)			(164.451)		

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

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 Expenditure and Funding Analysis, the Movement in Reserves Statement and in section 5.

Notes	Restated 2016/17			2017/18		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adults and Health	173.392	(80.589)	92.803	174.947	(76.528)	98.419
Business, Education and Skills	144.292	(141.169)	3.123	137.769	(134.629)	3.140
Community and Customer Services	36.252	(11.526)	24.726	50.627	(22.022)	28.605
Early Intervention and Early Years	94.737	(25.133)	69.604	84.843	(25.668)	59.175
Energy and Sustainability	21.024	(6.495)	14.529	22.426	(6.270)	16.156
Leisure and Culture	54.181	(35.425)	18.756	44.071	(35.465)	8.606
Neighbourhood Services and Local Transport	87.402	(54.975)	32.427	95.608	(54.550)	41.058
Planning, Housing and Heritage	97.105	(112.738)	(15.633)	96.723	(110.276)	(13.553)
Resources and Neighbourhood Regeneration	45.933	(21.726)	24.207	51.284	(20.021)	31.263
Strategic Infrastructure and Communications	36.106	(19.618)	16.488	28.283	(12.461)	15.822
Corporate Items	187.501	(201.981)	(14.480)	180.243	(203.386)	(23.143)
Exceptional revaluation gain on HRA Council Dwellings	(178.476)	-	(178.476)	(51.181)	-	(51.181)
6.2.1 Cost of Services	799.449	(711.375)	88.074	915.643	(701.276)	214.367
6.2.2 Other operating expenditure			28.783			47.590
6.2.3 Financing and investment income and expenditure			65.926			51.986
6.2.4 Taxation and non-specific grant income			(292.533)			(282.702)
6.2.5 (Surplus)/Deficit on Provision of Services			(109.750)			31.241
6.2.6 Revaluation of PPE/Heritage assets			(56.610)			(166.863)
6.2.7 Re-measurement of pension assets/liabilities			211.763			(72.893)
Other gains/losses recognised required			(0.013)			-
Other Comprehensive Income and Expenditure			155.140			(239.756)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			45.390			(208.515)

3.2 Balance Sheet

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

- Usable reserves - 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. cannot be used to fund Council Services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Notes	31 March 2017 £m	31 March 2018 £m
6.3.1 Property, Plant & Equipment	2,360.669	2,496.157
6.3.2 Heritage Assets	56.815	58.469
6.3.3 Investment Property	146.809	236.733
6.3.4 Intangible Assets	5.608	5.207
6.3.15(a) Long Term Investments	5.345	20.395
6.3.15(a) Long Term Debtors	75.006	93.611
Assets Held for Sale (non-current)	7.550	-
Long Term assets	2,657.802	2,910.572
6.3.5 Assets Held for Sale (current)	1.120	3.800
6.3.15(a) Short Term Investments	18.135	10.000
6.3.6 Inventories	2.809	2.982
6.3.7 Short Term Debtors	105.440	91.115
6.3.8 Cash and Cash Equivalents	20.016	26.163
Current Assets	147.520	134.060
6.3.15(b) Short Term Borrowing	(138.847)	(73.785)
6.3.9 Short Term Creditors	(146.444)	(157.287)
6.3.10(a) Provisions (current provisions)	(18.000)	(14.845)
Current Liabilities	(303.291)	(245.917)
6.3.15(b) Long Term Borrowing	(657.411)	(802.145)
6.3.15(b) Other Long Term Liabilities	(228.403)	(211.045)
6.3.10(b) Provisions (non-current)	(21.686)	(19.817)
6.3.13 Capital Grants Receipts in Advance	(15.680)	(18.965)
6.3.14 Defined Benefit Pension Scheme	(860.824)	(820.201)
Long Term Liabilities	(1,784.004)	(1,872.173)
NET ASSETS	718.027	926.542
6.3.11 Usable Reserves	223.020	234.566
6.3.12 Unusable Reserves	495.007	691.976
TOTAL RESERVES	718.027	926.542

Section 3 – Core Financial Statements

3.3 Movement in Reserves Statement

This statement shows the in-year movement of reserves, analysed into 'usable reserves' and 'unusable reserves' (see Section 3.2 above). The Total Comprehensive Income and Expenditure 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.

2017/18	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2017	8.463	157.483	4.359	26.459	10.292	15.964	223.020	495.007	718.027
Movement in 2017/18:									
Total CIE (Table 3.2)	(86.824)	-	55.583	-	-	-	(31.241)	239.756	208.515
Funding basis adjustments (Note 6.4.1)	80.927	-	(55.540)	10.702	3.670	3.028	42.787	(42.787)	-
Net increase/decrease before transfers to earmarked reserves	(5.897)	-	0.043	10.702	3.670	3.028	11.546	196.969	208.515
Transfers to/from earmarked reserves	2.899	(2.899)	-	-	-	-	-	-	-
Movement in Year	(2.998)	(2.899)	0.043	10.702	3.670	3.028	11.546	196.969	208.515
BALANCE AT 31 MARCH 2018	5.465	154.584	4.402	37.161	13.962	18.992	234.566	691.976	926.542

* CIE - Comprehensive Income and Expenditure

2016/17	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2016	11.231	174.931	4.000	23.032	27.078	12.218	252.490	510.927	763.417
Movement in 2016/17:									
Total CIE (Table 3.2)	(69.264)	-	179.014	-	-	-	109.750	(155.140)	(45.390)
Funding basis adjustments (Note 6.4.1)	49.048	-	(178.655)	3.427	(16.786)	3.746	(139.220)	139.220	-
Net increase/decrease before transfers to earmarked reserves	(20.216)	-	0.359	3.427	(16.786)	3.746	(29.470)	(15.920)	(45.390)
Transfers to/from earmarked reserves	17.448	(17.448)	-	-	-	-	-	-	-
Movement in Year	(2.768)	(17.448)	0.359	3.427	(16.786)	3.746	(29.470)	(15.920)	(45.390)
BALANCE AT 31 MARCH 2017	8.463	157.483	4.359	26.459	10.292	15.964	223.020	495.007	718.027

* CIE - Comprehensive Income and Expenditure

3.4 Cash Flow Statement

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

Notes	2016/17 £m	2017/18 £m
Net Surplus/(Deficit) on the provision of Services	109.750	(31.241)
6.5.1 Adjustments to net surplus or deficit on the provision of services for non-cash movements	1.685	192.949
6.5.2 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(53.629)	(58.131)
6.5.3 Net Cash Flows from Operating Activities	57.806	103.577
6.5.4 Investing activities	(160.721)	(166.904)
6.5.5 Financing activities	90.971	69.474
Net Increase or Decrease in Cash and Cash Equivalents	(11.944)	6.147
Cash and cash equivalents at the beginning of the reporting period	31.960	20.016
CASH AND CASH EQUIVALENTS AT 31 MARCH	20.016	26.163

Section 4

Certifications

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

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 20 July 2018.

Signed:

Date:

Councillor Michael Edwards

Chair of the Audit Committee

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, I have:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that were reasonable and prudent.
- Complied with the Code.
- Kept proper accounting records which were up-to-date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Assessed the Authority's and the Group's ability to continue as a going concern disclosing, as applicable, matters relating to going concern.
- Used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.
- Maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that these financial statements give a true and fair view of the financial position of the Authority at 31 March 2018 and of its income and expenditure for the year then ended.

Signed:

Date:

Laura Pattman

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 the Expenditure and Funding Analysis and in section 5.2, and the movements in reserves are shown in section 6.4.

5.1 Net Portfolio Spend on Funding Basis (management accounts)

The analysis of income and expenditure in the CIES is presented in line with the Council's organisational structure i.e. portfolios. The table below provides a more detailed analysis of Net Portfolio Spend on a funding basis.

2017/18	Adults and Health £m	Business, Education and Skills £m	Community and Customer Services £m	Early Intervention & Early Years £m	Energy and Sustainability £m	Leisure and Culture £m	Neighbourhood Services and Local Transport £m	Planning, Housing and Heritage £m	Resources & Neighbourhood Regeneration £m	Strategic Infrastructure and Communications £m	Corporate Items £m	Total £m
Fees, charges, other income	(17.829)	(9.283)	(8.025)	(1.495)	(6.528)	(32.523)	(47.655)	(2.271)	(10.020)	(23.606)	(3.401)	(162.636)
Government Grants and contributions	(58.699)	(125.336)	(13.998)	(24.173)	(0.054)	(2.931)	(7.282)	(1.152)	(10.754)	(1.711)	(204.970)	(451.060)
Interest and investment income	-	(0.194)	-	-	-	(0.012)	-	-	(0.050)	(0.038)	(8.382)	(8.676)
Total Income	(76.528)	(134.813)	(22.023)	(25.668)	(6.582)	(35.466)	(54.937)	(3.423)	(20.824)	(25.355)	(216.753)	(622.372)
Employee Expenses	24.860	71.722	24.017	40.479	5.133	18.586	27.680	3.214	23.208	2.435	11.120	252.454
Levies	-	-	-	-	-	-	-	-	-	-	0.072	0.072
Other service expenses	145.885	62.461	22.559	41.481	14.703	24.706	37.573	2.152	24.742	7.821	232.615	616.698
Support service recharges	0.976	2.835	(1.388)	0.223	(0.415)	(0.589)	(1.789)	0.016	(2.755)	(0.225)	0.018	(3.093)
Total Expenditure	171.721	137.018	45.188	82.183	19.421	42.703	63.464	5.382	45.195	10.031	243.825	866.131
NET EXPENDITURE	95.193	2.205	23.165	56.515	12.839	7.237	8.527	1.959	24.371	(15.324)	27.072	243.759

Section 5 – Funding Basis and Budget Monitoring

Restated 2016/17	Adults and Health	Business, Education and Skills	Community and Customer Services	Early Intervention & Early Years	Energy and Sustainability	Leisure and Culture	Neighbourhood Services and Local Transport	Planning, Housing and Heritage	Resources & Neighbourhood Regeneration	Strategic Infrastructure and Communications	Corporate Items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges, other income	(16.493)	(10.487)	(10.145)	(2.246)	(6.453)	(32.279)	(50.119)	(2.238)	(12.326)	(15.671)	(2.756)	(161.213)
Government Grants and contributions	(64.095)	(130.705)	(1.381)	(22.888)	(0.190)	(3.131)	(5.351)	(1.849)	(10.463)	(5.911)	(205.383)	(451.347)
Interest and investment income	-	(0.155)	-	-	-	(0.015)	-	-	(0.053)	(0.054)	(6.928)	(7.205)
Total Income	(80.588)	(141.347)	(11.526)	(25.134)	(6.643)	(35.425)	(55.470)	(4.087)	(22.842)	(21.636)	(215.067)	(619.765)
Employee Expenses	25.243	80.863	22.740	39.348	4.555	19.128	27.794	3.115	24.379	3.166	8.809	259.140
Levies	-	-	-	-	-	-	-	-	-	-	0.071	0.071
Other service expenses	146.362	56.206	11.597	39.723	14.328	25.228	36.474	3.585	25.197	11.451	228.481	598.632
Support service recharges	0.436	7.091	(0.047)	0.307	-	(0.167)	0.155	0.042	(0.755)	(0.092)	0.010	6.980
Total Expenditure	172.041	144.160	34.290	79.378	18.883	44.189	64.423	6.742	48.821	14.525	237.371	864.823
NET EXPENDITURE	91.453	2.813	22.764	54.244	12.240	8.764	8.953	2.655	25.979	(7.111)	22.304	245.058

5.2 Reconciliation of CIES between Funding Basis and IFRS basis

Contributions from National Non-Domestic Rates (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 £1,851.74 (2016/17 £1,771.08).

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:

	2016/17 £m	2017/18 £m
Funding Basis		
Net Portfolio Spend	245.058	243.759
(Use)/Contributions to Reserves included above	19.035	1.755
Expenditure financed from Council Tax and Non-specific Grants	264.093	245.514
Council Tax and NNDR	(161.451)	(170.916)
Non-Specific Grants	(85.915)	(71.178)
(SURPLUS)/DEFICIT ON FUNDING BASIS BEFORE TRANSFERS TO RESERVES	16.727	3.420
ADJUSTMENTS TO MOVE TO ACCOUNTING BASIS		
Other Comprehensive Items		
Revaluation of Property, Plant and Equipment / Heritage assets	(56.610)	(166.863)
Re-measurement of pension assets/liabilities	211.763	(72.893)
Other gains/losses recognised	(0.013)	-
Movements In Non Current Assets	114.087	125.222
Capital Financing		
Revenue Expenditure Funded From Capital Under Statute	1.014	1.157
Provision for Debt Redemption	(35.782)	(33.693)
Cap Exp charged to GFB - DRF	(0.225)	(0.803)
Cap Exp charged to GFB - Reserves	(14.651)	(5.739)
Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.103	2.089
Deferred Capital Receipts Reversal	-	0.172
Pension Fund - IAS 19 Adjustments	25.751	32.270
Other Movements		
Capital Grants & Contributions	(39.738)	(36.529)
Financial Instrument Adjustment Account	(0.217)	(0.288)
Employee Benefits	0.195	(0.454)
Additional items required by Accounting Basis:		
Housing Revenue Account	(179.014)	(55.583)
TOTAL COMPREHENSIVE INCOME & EXPENDITURE	45.390	(208.515)

5.3 Capital

5.3.1 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:

	2016/17 £m	2017/18 £m
Planning and Housing	56.298	55.247
Jobs, Growth and Transport	22.358	13.994
Strategic Regeneration	125.696	130.251
Other	30.109	20.714
CAPITAL EXPENDITURE	234.461	220.206

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

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

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

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

Section 5 – Funding Basis and Budget Monitoring

	2016/17 £m	2017/18 £m
Capital Investment on IFRS Basis		
Property, Plant and Equipment	135.661	96.919
Investment Properties	87.466	94.924
Intangible Assets	2.205	1.160
Long Term Debtors	6.200	14.487
Long Term Investments	-	7.500
Total Additions to Assets on IFRS Basis	231.532	214.990
Revenue Expenditure Funded from Capital under Statute	2.929	5.216
Total Expenditure to be Financed from Capital Sources	234.461	220.206
Financing		
Capital receipts	(9.426)	(15.463)
Government grants and other contributions	(37.907)	(37.279)
Sums set aside from revenue	(65.363)	(34.374)
UNDERLYING BORROWING REQUIREMENT IN YEAR	121.765	133.090

5.3.2 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:

	Restated 2016/17 £m	2017/18 £m
Opening Capital Financing Requirement	1,195.943	1,280.545
Increase in underlying need to borrow:		
Unsupported by government financial assistance	121.765	133.090
Statutory Minimum Revenue Provision	(28.826)	(27.488)
PFI Liability Discharged	(10.321)	(17.947)
New Capital Loans not financed by Unsupported borrowing	0.863	0.541
Other Items	1.121	1.089
CLOSING CAPITAL FINANCING REQUIREMENT	1,280.545	1,369.830

5.4 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 initially approved an operational boundary on the level of external debt during 2017/18 of £1,107.2m. This was subsequently increased to £1,275m due to the approval of new capital schemes which were to be financed by borrowing. The actual external debt on 1 April 2017 was £1,014.9m and increased to £1,073.6m (including PFI and finance lease related debt of £208.0m) by 31 March 2018.

Section 6

Notes to the Financial Statements

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

6.1 Expenditure and Funding Analysis Notes

6.1.1 Adjustments between Funding and Accounting Basis

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

	Restated 2016/17				2017/18			
	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net Change for the Pension Adjustments	Other Differences	Total Adjustments
	£m	£m	£m	£m	£m	£m	£m	£m
Adults and Health	0.630	0.720	-	1.350	0.745	2.481	-	3.226
Business, Education and Skills	0.110	0.200	-	0.310	0.237	0.698	-	0.935
Community and Customer Services	1.281	0.681	-	1.962	2.887	2.553	-	5.440
Early Intervention and Early Years	15.757	(0.398)	-	15.359	(0.835)	3.495	-	2.660
Energy and Sustainability	2.139	0.197	-	2.336	2.508	0.717	-	3.225
Leisure and Culture	9.414	0.578	-	9.992	(0.598)	1.967	-	1.369
Neighbourhood Services and Local Transport	22.574	0.897	-	23.471	29.495	2.960	-	32.455
Planning, Housing and Heritage	28.026	0.109	-	28.135	28.260	0.367	-	28.627
Resources and Neighbourhood Regeneration	(2.785)	0.836	-	(1.949)	3.391	2.836	-	6.227
Strategic Infrastructure and Communications	21.669	0.161	-	21.830	18.469	0.436	-	18.905
Corporate Items	19.863	0.228	0.195	20.286	22.633	(8.639)	(0.454)	13.540
Exceptional revaluation gain on HRA Council Dwellings	(178.476)	-	-	(178.476)	(51.181)	-	-	(51.181)
Net Cost of Services	(59.798)	4.209	0.195	(55.394)	56.011	9.871	(0.454)	65.428
Other Income and Expenditure from the Expenditure and Funding Analysis	(92.084)	21.542	(3.671)	(74.213)	(59.709)	22.399	(2.731)	(40.041)
DIFFERENCE BETWEEN GENERAL FUND SURPLUS OR DEFICIT AND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	(151.882)	25.751	(3.476)	(129.607)	(3.698)	32.270	(3.185)	25.387

Section 6 – Notes to the Financial Statements

6.1.2 Analysis of Items in Net Expenditure Chargeable to the General Fund and HRA

This note shows the income and expenditure by portfolio.

2017/18	Adults and Health	Business, Education and Skills	Community and Customer Services	Early Intervention and Early Years	Energy and Sustainability	Leisure and Culture	Neighbourhood Services and Local Transport	Planning, Housing and Heritage	Resources and Neighbourhood Regeneration	Strategic Infrastructure and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income																	
Council Tax and NNDR Fees, charges, other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(195.627)	(195.627)	(195.627)
Government Grants and Contributions	(17.829)	(9.283)	(8.025)	(1.495)	(6.216)	(32.522)	(47.268)	(109.124)	(9.218)	(10.719)	(2.475)	(254.174)	-	(15.536)	-	(15.536)	(269.710)
Interest and investment income	(58.699)	(125.336)	(13.997)	(24.173)	(0.054)	(2.931)	(7.282)	(1.152)	(10.754)	(1.711)	(200.891)	(446.980)	-	-	(48.564)	(48.564)	(495.544)
	-	(0.194)	-	-	-	(0.012)	-	-	(0.049)	(0.030)	(0.020)	(0.305)	-	(8.407)	-	(8.407)	(8.712)
Total Income	(76.528)	(134.813)	(22.022)	(25.668)	(6.270)	(35.465)	(54.550)	(110.276)	(20.021)	(12.460)	(203.386)	(701.459)	-	(23.943)	(244.191)	(268.134)	(969.593)
Expenditure																	
Employee expenses	24.860	71.721	24.017	40.479	5.003	18.586	27.511	4.318	22.815	2.435	11.120	252.865	-	0.693	-	0.693	253.558
Interest payments	-	(0.002)	-	-	-	-	(0.009)	-	-	-	-	(0.011)	-	50.460	-	50.460	50.449
Levies	-	-	-	-	-	-	-	-	-	-	0.072	0.072	-	-	-	-	0.072
Other service expenses	145.885	62.464	22.558	41.481	14.613	24.705	37.406	60.970	24.833	7.168	155.493	597.576	-	1.020	-	1.020	598.596
Support service recharges	0.976	2.835	(1.388)	0.223	(0.415)	(0.589)	(1.755)	2.808	(2.591)	(0.226)	0.018	(0.104)	-	(0.198)	-	(0.198)	(0.302)
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	(0.139)	72.465	-	72.326	72.326
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.253	0.495	0.748	0.748
Total Expenditure	171.721	137.018	45.187	82.183	19.201	42.702	63.153	68.096	45.057	9.377	166.703	850.398	(0.139)	124.693	0.495	125.049	975.447
TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES	95.193	2.205	23.165	56.515	12.931	7.237	8.603	(42.180)	25.036	(3.083)	(36.683)	148.939	(0.139)	100.750	(243.696)	(143.085)	5.854

Section 6 – Notes to the Financial Statements

Restated 2016/17	Adults and Health	Business, Education and Skills	Community and Customer Services	Early Intervention and Early Years	Energy and Sustainability	Leisure and Culture	Neighbourhood Services and Local Transport	Planning, Housing and Heritage	Resources and Neighbourhood Regeneration	Strategic Infrastructure and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income																	
Council Tax and NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(182.016)	(182.016)	(182.016)
Fees, charges, other income	(16.493)	(10.487)	(10.145)	(2.246)	(6.305)	(32.279)	(49.625)	(110.888)	(11.211)	(13.663)	(1.973)	(265.315)	-	(4.770)	-	(4.770)	(270.085)
Government Grants and Contributions	(64.095)	(130.705)	(1.381)	(22.888)	(0.190)	(3.131)	(5.351)	(1.849)	(10.463)	(5.911)	(199.954)	(445.918)	-	-	(63.808)	(63.808)	(509.726)
Interest and investment income	-	(0.155)	-	-	-	(0.015)	-	-	(0.053)	(0.045)	(0.054)	(0.322)	-	(7.031)	-	(7.031)	(7.353)
Total Income	(80.588)	(141.347)	(11.526)	(25.134)	(6.495)	(35.425)	(54.976)	(112.737)	(21.727)	(19.619)	(201.981)	(711.555)	-	(11.801)	(245.824)	(257.625)	(969.180)
Expenditure																	
Employee expenses	25.243	80.863	22.740	39.348	4.475	19.128	27.592	4.209	23.477	3.166	8.809	259.050	-	1.185	-	1.185	260.235
Interest payments	-	(0.003)	-	-	-	-	(0.023)	-	-	-	-	(0.026)	-	50.494	-	50.494	50.468
Levies	-	-	-	-	-	-	-	-	-	-	0.071	0.071	-	-	-	-	0.071
Other service expenses	146.362	56.209	11.597	39.723	14.214	25.228	36.207	61.927	25.161	11.203	158.324	586.155	-	0.770	-	0.770	586.925
Support service recharges	0.436	7.091	(0.047)	0.307	-	(0.167)	0.156	2.834	(0.755)	(0.092)	0.010	9.773	-	-	-	-	9.773
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	84.864	-	84.864	84.864
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.183	(3.482)	(3.299)	(3.299)
Total Expenditure	172.041	144.160	34.290	79.378	18.689	44.189	63.932	68.970	47.883	14.277	167.214	855.023	-	137.496	(3.482)	134.014	989.037
TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES	91.453	2.813	22.764	54.244	12.194	8.764	8.956	(43.767)	26.156	(5.342)	(34.767)	143.468	-	125.695	(249.306)	(123.611)	19.857

6.2 Comprehensive Income and Expenditure Notes

6.2.1 Specific Grants Credited to Services

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

	2016/17 £m	2017/18 £m
Revenue Grants		
Ministry of Housing, Communities and Local Government: PFI Grant	(2.898)	(2.899)
Department for Education: Dedicated School Grant	(115.210)	(111.487)
Department for Education: PFI Grant	(5.620)	(5.620)
Department for Education: Universal Free School Meals	(1.772)	(1.761)
Department of Transport: PFI Grants	(61.491)	(61.491)
Department for Work & Pensions: Housing Benefit Admin	(1.860)	(1.706)
Growth Fund	(1.442)	(0.119)
Mandatory Rent Allowances: Subsidy	(79.114)	(77.848)
Public Health	(35.601)	(34.723)
Pupil Premium Grant	(8.348)	(7.133)
Rent Rebates Granted to HRA Tenants	(59.381)	(58.491)
<i>Other Revenue Grants</i>	(22.019)	(39.607)
Contributions	(51.162)	(44.095)
TOTAL	(445.918)	(446.980)

6.2.2 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2016/17 £m	2017/18 £m
Derecognition of Academies	15.792	30.315
Other Derecognitions	15.018	19.930
Payments to the Government Housing Capital Receipts Pool	2.103	2.089
Reversal of Deferred Capital Receipt	-	0.172
Net Gain/Loss on the disposal of non-current assets	(4.130)	(4.916)
TOTAL	28.783	47.590

6.2.3 Financing and Investment Income and Expenditure

Financing and Investment is shown in the table below. Further information on Trading Operations can be found in note 6.6.1:

	Restated 2016/17			2017/18		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	21.521	-	21.521	22.328	-	22.328
Interest and similar charges and income	50.620	(3.526)	47.094	50.460	(5.884)	44.576
Trading Operations	1.647	(1.758)	(0.111)	0.879	(1.434)	(0.555)
Income and expenditure in relation to investment properties and changes in their fair value	3.939	(2.017)	1.922	2.094	(12.963)	(10.869)
Other Finance and Investment items	-	(4.500)	(4.500)	0.169	(3.663)	(3.494)
TOTAL	77.727	(11.801)	65.926	75.930	(23.944)	51.986

The restated 2016/17 figures in the table above are due to all investment property income and expenditure, including changes in their fair value, now being reported on one line.

6.2.4 Taxation and Non-Specific Grant Income

	2016/17 £m	2017/18 £m
Revenue:		
<i>Council Tax income</i>		
Demand on the Collection Fund	(94.212)	(100.947)
Apportionment of Collection Fund Surplus/Deficit	(2.010)	(2.954)
<i>National Non Domestic Rates (NNDR)</i>		
Demand on the Collection Fund	(61.782)	(67.489)
Top Up Grant	(27.536)	(26.693)
Apportionment of Collection Fund Surplus/Deficit	(2.749)	0.972
Other	(0.698)	(0.498)
<i>Non-ringfenced government grants</i>		
Revenue Support Grant	(58.379)	(44.485)
New Homes Bonus	(5.429)	(4.079)
Capital:		
<i>Government Departments</i>	(35.871)	(32.846)
<i>Other</i>	(3.867)	(3.683)
TOTAL	(292.533)	(282.702)

Section 6 – Notes to the Financial Statements

6.2.5 Expenditure and Income analysed by Nature

	2016/17 £m	2017/18 £m
Income		
Council Tax and NNDR	(188.987)	(197.609)
Fees, charges, other income	(270.085)	(269.710)
Government grants and contributions	(549.464)	(532.073)
Interest and investment income	(7.353)	(8.712)
Total Income	(1,015.889)	(1,008.104)
Expenditure		
Employee expenses	264.660	263.045
Interest payments	71.990	72.776
Levies	0.071	0.072
Other service expenses	587.939	600.035
Support service recharges	9.773	(0.302)
Capital charges including depreciation, amortisation, impairment, revaluations	(56.982)	56.254
Payments to Housing Capital Receipts Pool	2.103	2.089
Disposal of assets	26.585	45.376
Total Expenditure	906.139	1,039.345
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	(109.750)	31.241

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

During 2017/18 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £165.208m for PPE assets (see note 6.3.1) and £1.654m for Heritage Assets (see note 6.3.2). There are no charges within Other Operating Expenditure relating to physical damage and demolition of assets in 2017/18.

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

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

	Local Government Pension Scheme		Teachers Benefits	
	2016/17 £m	2017/18 £m	2016/17 £m	2017/18 £m
Cost of Services:				
Service cost	34.432	43.197	-	-
Administration expenses	0.314	0.412	-	-
Financing and Investment Income and Expenditure:				
Net interest on the defined liability (asset)	20.856	21.502	0.665	0.826
Total Charged to (Surplus)/Deficit on Provision of Services	55.602	65.111	0.665	0.826
Other Comprehensive Income and Expenditure (OCIE):				
Re-measurements of the net defined benefit liability (asset):				
Return on Fund assets in excess of interest	(169.488)	0.178	-	-
Other actuarial (gains)/losses on assets	4.333	-	-	-
Change in financial assumptions	392.033	(71.794)	4.237	(1.277)
Change in demographic assumptions	8.220	-	(0.066)	-
Experience (gain)/loss on defined benefit obligation	(35.164)	-	7.658	-
Total Charged to OCIE	199.934	(71.616)	11.829	(1.277)
TOTAL CHARGED TO THE CIES	255.536	(6.505)	12.494	(0.451)

These transactions are summarised in the following table:

	2016/17 £m	2017/18 £m
Comprehensive Income and Expenditure Statement:		
Cost of services	34.746	43.609
Financing and Investment income and expenditure	21.521	22.328
Other Comprehensive Income and Expenditure	211.763	(72.893)
TOTAL	268.030	(6.956)

6.3 Balance Sheet Notes

6.3.1 Property Plant and Equipment

	2017/18								
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	835.958	854.468	218.355	678.567	32.268	35.018	53.488	2,708.122	290.321
Accumulated Depreciation b/f	-	(60.162)	(94.190)	(183.601)	(9.280)	-	(0.005)	(347.238)	(16.536)
Accumulated Impairment b/f	-	(0.015)	-	-	(0.200)	-	-	(0.215)	-
Net Book Value at 1 April 2017	835.958	794.291	124.165	494.966	22.788	35.018	53.483	2,360.669	273.785
Additions - Capital Expenditure	29.239	9.289	3.549	22.513	0.958	1.243	30.128	96.919	-
Depreciation Charge	(26.126)	(26.274)	(15.420)	(27.242)	(1.068)	(0.572)	-	(96.702)	(12.776)
Revaluations - Recognised in Revaluation Reserve	23.112	141.469	-	-	-	0.627	-	165.208	9.117
Revaluations - Recognised in the CIES	51.181	(1.041)	-	-	-	(6.579)	-	43.561	2.237
Derecognition - Disposals	(14.549)	(0.410)	(0.055)	-	-	(5.247)	-	(20.261)	-
Derecognition - Other	(3.663)	(45.274)	(0.038)	-	-	(1.270)	-	(50.245)	-
Impairments - Recognised in the CIES	-	0.015	-	-	-	-	-	0.015	-
Other Movements - Transfers to Assets Held for Sale	-	-	-	-	-	(2.680)	-	(2.680)	-
Other Movements - Other	26.027	25.078	-	(0.325)	(0.133)	4.456	(55.430)	(0.327)	0.734
Net Book Value at 31 March 2018	921.179	897.143	112.201	489.912	22.545	24.996	28.181	2,496.157	273.097
Gross Book Value c/f	921.179	903.458	214.380	700.755	33.050	24.996	28.181	2,825.999	301.277
Accumulated Depreciation c/f	-	(6.315)	(102.179)	(210.843)	(10.305)	-	-	(329.642)	(28.180)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	(0.200)	-
NET BOOK VALUE AT 31 MARCH 2018	921.179	897.143	112.201	489.912	22.545	24.996	28.181	2,496.157	273.097

2016/17

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	635.302	849.487	208.339	654.246	31.005	36.301	40.030	2,454.710	296.444
Accumulated Depreciation b/f	-	(53.998)	(81.006)	(157.213)	(8.251)	-	-	(300.468)	(7.611)
Accumulated Impairment b/f	-	(0.069)	-	-	-	-	-	(0.069)	-
Net Book Value at 1 April 2016	635.302	795.420	127.333	497.033	22.754	36.301	40.030	2,154.173	288.833
Additions - Capital Expenditure	30.377	12.396	16.476	21.143	1.263	8.638	45.368	135.661	-
Depreciation Charge	(25.572)	(23.942)	(14.139)	(26.388)	(1.029)	(0.022)	-	(91.092)	(12.433)
Revaluations - Recognised in Revaluation Reserve	19.102	35.552	-	-	-	0.600	-	55.254	(0.343)
Revaluations - Recognised in the CIES	178.476	(28.847)	-	-	-	(0.640)	-	148.989	(2.272)
Derecognition - Disposals	(7.054)	(0.247)	(0.095)	-	-	(2.661)	-	(10.057)	-
Derecognition - Other	(4.660)	(18.394)	-	-	-	(7.756)	-	(30.810)	-
Impairments - Recognised in the CIES	-	0.055	-	-	(0.200)	-	-	(0.145)	-
Other Movements - Transfers to Assets Held for Sale	-	-	-	-	-	(1.120)	0.160	(0.960)	-
Other Movements - Other	9.987	22.298	(5.410)	3.178	-	1.678	(32.075)	(0.344)	-
Net Book Value at 31 March 2017	835.958	794.291	124.165	494.966	22.788	35.018	53.483	2,360.669	273.785
Gross Book Value c/f	835.958	854.468	218.355	678.567	32.268	35.018	53.488	2,708.122	290.321
Accumulated Depreciation c/f	-	(60.162)	(94.190)	(183.601)	(9.280)	-	(0.005)	(347.238)	(16.536)
Accumulated Impairment c/f	-	(0.015)	-	-	(0.200)	-	-	(0.215)	-
NET BOOK VALUE AT 31 MARCH 2017	835.958	794.291	124.165	494.966	22.788	35.018	53.483	2,360.669	273.785

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Depreciation

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

	Standard Life	Overall Range
Council Dwellings – component based calculation	-	15-80 years
Other Land and Buildings	-	5-75 years
Furniture & Equipment	5 years	5-30 years
Vehicles	7 years	5-7 years
Infrastructure and Community Assets	25 years	16-75 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 2017/18, 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 because of capital investment, material impairment or reclassification. A review of Depreciated Replacement Cost (DRC) based valuations using up to date site information and build rates resulted in additional valuations in 2017/18.

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 7.1.3.3 for details).

Material Revaluation Gains, Losses and Impairments

8 properties/sites with a total value of £30.315m 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.

Material revaluation gains included an increase of £74.293m for Council Dwellings (see note 2.2.2 for further details) and £55.079m for three museum sites as a result of the DRC revaluation review referred to above.

Section 6 – Notes to the Financial Statements

Material revaluation losses in 2017/18 included £16.653m in relation to the Bio Science site moving from a specialised construction value to existing use value as required by the accounting standards.

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 2017/18.

Valuation at 31 March 2018

The Council's rolling revaluation programme is summarised below:

DESCRIPTION	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Carried at depreciated historical cost			112.201	489.912	22.545			624.658
Valued at depreciated current value as at:								
2013/14		14.607						14.607
2014/15		49.643						49.643
2015/16		61.142						61.142
2016/17		100.789						100.789
2017/18	921.179	670.962				24.996	28.181	1,645.318
NET BOOK VALUE AT 31 MARCH 2018	921.179	897.143	112.201	489.912	22.545	24.996	28.181	2,496.157

Capital Commitments

At 31 March 2018, the Council had entered into a number of contracts for the construction or enhancement of PPE with future costs estimated as £89.633m. The equivalent figure as at 31 March 2017 was £74.762m. The commitments have increased due to a number of additional schemes being approved as at the 31 March 2018. The major commitments are summarised below:

Capital Programme Element	Major Schemes	31 March 2018 £m
Public Sector Housing	Decent Homes - Safe	11.150
Public Sector Housing	Decent Homes - Warm & Modern	10.856
Public Sector Housing	Energy Efficient & Tackling Fuel Poverty	5.734
Public Sector Housing	Building A Better Nottingham	15.243
Public Sector Housing	Other Public Sector Housing Schemes	5.956
Education	Middleton Primary Expansion	3.700
Education	Glade Hill Primary Expansion	1.900
Education	Other Education Schemes	0.804
Other Services	Eastcroft Plant Works	2.732
Other Services	Skills Hub	19.600
Other Services	Growing Places Loans	4.717
Other Services	Nottingham Science Park	1.197
Other Services	Highfields Park Refurbishment	1.575
Other Services	Other Schemes	4.178
Transport	Various	0.291
TOTAL		89.633

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6.3.2 Heritage Assets

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

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

Collections:	Byron	Costume	Decorative Art	Fine Art	Human & Social History	Industrial History	Civic Regalia & Silver	Wollaton Non-Operational Buildings	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2016	14.307	0.550	3.936	34.662	0.650	0.015	1.341	-	55.461
Additions	0.027	-	0.006	0.055	-	-	-	-	0.088
Disposals	(0.005)	-	-	-	-	-	-	-	(0.005)
Revaluations	0.328	0.012	0.089	0.796	0.015	-	0.031	-	1.271
31 March 2017	14.657	0.562	4.031	35.513	0.665	0.015	1.372	-	56.815
Additions	-	-	-	0.007	-	-	-	-	0.007
Revaluations	0.337	0.023	0.093	0.817	0.015	-	0.031	0.331	1.647
31 MARCH 2018	14.994	0.585	4.124	36.337	0.680	0.015	1.403	0.331	58.469

Until financial year 2016/17, there had been no additions to or disposals from the collections since April 2012.

Preservation and Management

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

6.3.3 Investment Property

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

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

Section 6 – Notes to the Financial Statements

	2016/17 £m	2017/18 £m
Balance at 1 April	59.292	146.809
Additions	87.466	94.924
Disposals	(0.655)	(3.607)
Net gains/(losses) from fair value adjustments	0.362	(1.394)
Transfers to / from Property Plant and Equipment	0.344	0.001
BALANCE AT 31 MARCH	146.809	236.733

Details of related income and expenditure included in the CIES are shown in section 6.2.3.

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 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 2018 £m
Industrial	-	47.254	-	47.254
Land	-	15.085	2.029	17.114
Leisure / Other	-	9.335	1.209	10.544
Office	-	64.496	0.451	64.947
Retail	-	95.027	0.730	95.757
Services	-	0.864	0.253	1.117
Total	-	232.061	4.672	236.733

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.

Section 6 – Notes to the Financial Statements

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 2017/18 for investment properties.

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

	As at 31 March 2018 £m	Valuation Technique Used to measure fair value	Unobservable Inputs	Level of Confidence	Sensitivity
Land	2.029	Comparative method of valuation	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%	
			Capital Comparables	25% - 75%	
Leisure / Other	1.209	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	0.451	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	0.730	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	0.253	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 is 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.

6.3.4 Intangible Assets

The balances shown below relate to purchased software licences that are not an integral part of a particular IT system. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use. 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 2017/18 was £1.561m.

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

	2016/17 £m	2017/18 £m
Balance at start of year:		
Gross carrying amounts	9.429	11.635
Accumulated amortisation	(4.871)	(6.027)
Net carrying amount at start of year	4.558	5.608
Additions - Purchases	2.206	1.160
Amortisation for the period	(1.156)	(1.561)
NET CARRYING AMOUNT AT END OF YEAR	5.608	5.207
Comprising:		
Gross carrying amounts	11.635	12.795
Accumulated amortisation	(6.027)	(7.588)
NET CARRYING AMOUNT AT END OF YEAR	5.608	5.207

6.3.5 Assets Held for Sale

Current

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

	2016/17 £m	2017/18 £m
Balance outstanding at start of year	0.160	1.120
PPE declassified as held for sale	(0.160)	-
PPE newly classified as held for sale	1.120	2.680
BALANCE AT 31 MARCH	1.120	3.800

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6.3.6 Inventories

	2016/17				2017/18			
	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	0.652	0.125	1.103	1.880	0.758	0.150	1.901	2.809
Purchases	5.051	0.052	2.378	7.481	3.490	0.224	11.955	15.669
Recognised as an expense in the year	(4.945)	(0.027)	(1.580)	(6.552)	(3.603)	(0.129)	(11.764)	(15.496)
BALANCE AT 31 MARCH	0.758	0.150	1.901	2.809	0.645	0.245	2.092	2.982

6.3.7 Short Term Debtors

	31 March 2017 £m	31 March 2018 £m
Central government bodies	12.875	21.083
Other local authorities	3.069	2.995
NHS Bodies	3.428	6.894
Other entities and individuals	86.068	60.143
TOTAL	105.440	91.115

6.3.8 Cash and Cash Equivalents

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

	31 March 2017 £m	31 March 2018 £m
Cash held by the Authority	0.402	0.208
Bank current accounts	7.614	4.646
Short-term deposits	12.000	21.309
TOTAL	20.016	26.163

The Council has offset overdrafts of £6.997m (£9.819m in 2016/17) against credit balances held within its bank current accounts.

6.3.9 Short Term Creditors

	31 March 2017	31 March 2018
	£m	£m
Central government bodies	(18.545)	(26.133)
Other local authorities	(7.266)	(4.292)
NHS Bodies	(2.888)	(3.976)
All Other Bodies	(117.745)	(122.886)
TOTAL	(146.444)	(157.287)

6.3.10 Provisions

Current Provisions

These are amounts set aside to meet specific expenditure in 2018/19.

The NET2 provision has reduced during 2017/18 due to acquisition prices being agreed on compulsory purchases. The closing balance is for compulsory purchases where the purchase price has yet to be agreed.

A number of Single Status payments (£1.403m) have been made in 2017/18 against the job evaluation provision.

	Compulsory Purchases for NET2	Job Evaluation	Other	Total
	£m	£m	£m	£m
Balance at 1 April 2017	(16.107)	(1.707)	(0.186)	(18.000)
Additional provisions made	-	-	(0.290)	(0.290)
Amounts used	2.042	1.403	-	3.445
BALANCE AT 31 MARCH 2018	(14.065)	(0.304)	(0.476)	(14.845)

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 2017	(11.946)	(9.305)	(0.435)	(21.686)
Additional provisions made	(3.814)	(0.764)	-	(4.578)
Amounts used	2.707	3.305	-	6.012
Unused amounts reversed	-	-	0.435	0.435
BALANCE AT 31 MARCH 2018	(13.053)	(6.764)	(0.000)	(19.817)

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 2017/18 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.

Business Rates

The Council bears a risk of non-collection of business rates following appeals. An increase of £1.559m in the provision (included within the movement on provision) has been made as a result of the assessment of outstanding appeals at 31st March 2018, 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. There are no further claims and the provision is no longer required.

6.3.11 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:

	Restated 2016/2017		2017/18		
	Balance at 1 April 2016 £m	Net Movements £m	Balance at 31 March 2017 £m	Net Movements £m	Balance at 31 March 2018 £m
Restricted Reserves:					
Capital	27.750	(7.298)	20.452	2.029	22.481
Schools	21.864	(3.114)	18.750	(2.294)	16.456
Other Reserves:					
Asset Maintenance	3.467	0.286	3.753	0.263	4.016
Contingency & Risk	18.713	(3.647)	15.066	5.457	20.523
Information Technology	6.485	1.947	8.432	(0.546)	7.886
Local Economy	6.376	0.136	6.512	0.380	6.892
Private Finance Initiatives	46.288	(2.531)	43.757	1.109	44.866
Services	12.811	(3.277)	9.534	(2.533)	7.001
Transformation	5.313	(3.911)	1.402	3.753	5.155
Treasury Management	14.927	(5.375)	9.552	(4.711)	4.841
Workforce	10.937	9.336	20.273	(5.806)	14.467
TOTAL	174.931	(17.448)	157.483	(2.899)	154.584

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

The detailed categories are explained below:

Capital

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

Schools

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

Asset Maintenance

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

Contingency & Risk

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

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

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Information Technology

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

Local Economy

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

Private Finance Initiatives

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

Services

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

Transformation

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

Treasury Management

Reserves have been set aside to protect the Council's financial position from revenue shocks caused by economic or financial market volatility.

Workforce

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

6.3.12 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 not available as a source of general funding.

	2016/17 £m	2017/18 £m
Revaluation Reserve	392.902	529.088
Capital Adjustment Account	971.110	987.174
Financial Instruments Adjustment Account	(6.400)	(6.146)
Pensions Reserve	(860.824)	(820.201)
Deferred Capital Receipts Reserve	1.235	2.146
Collection Fund Adjustment Account	1.460	3.937
Accumulated Absences Account	(4.476)	(4.022)
TOTAL UNUSABLE RESERVES	495.007	691.976

Revaluation Reserve

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

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

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

	2016/17 £m	2017/18 £m
Balance at 1 April	351.829	392.902
Upward revaluation of assets	73.676	215.848
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(17.066)	(48.985)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	56.610	166.863
Difference between fair value depreciation and historical cost depreciation	(10.694)	(12.875)
Accumulated gains on assets sold or scrapped	(4.843)	(17.802)
Amount written off to the Capital Adjustment Account	(15.537)	(30.677)
BALANCE AT 31 MARCH	392.902	529.088

Section 6 – Notes to the Financial Statements

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement. Depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance costs of acquisition, construction and enhancement.

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

	Restated 2016/17 £m	2017/18 £m
Balance at 1 April	794.066	971.110
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(1.156)	(1.561)
Charges for depreciation of non-current assets	(91.092)	(96.702)
Charges for impairment of non-current assets	(0.145)	0.015
Revaluation losses on Property, Plant and Equipment	148.989	43.560
Movements in the market value of Investment Properties	0.387	(1.394)
Revenue expenditure funded from capital under statute (REFCUS)	(2.929)	(5.216)
REFCUS expenditure funded by grants	1.915	3.777
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(41.522)	(74.113)
Adjusting amounts written out of the Revaluation Reserve	15.537	30.677
	29.984	(100.957)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	9.426	15.463
Use of the Major Repairs Reserve to finance new capital expenditure	44.112	24.115
Application of grants to fund capital expenditure	35.992	33.501
Statutory provision for the financing of capital investment charged against the General Fund	28.827	26.761
Voluntary Revenue Provision for Capital Financing	-	0.728
Adjustment to MRP as a result of PFI Projects	7.460	6.932
Capital expenditure charged against the General Fund and HRA balances	21.250	10.258
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(0.007)	(0.737)
	147.060	117.021
BALANCE AT 31 MARCH	971.110	987.174

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Council arising from changes in the value of its investments that have quoted market prices or 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.

	2016/17 £m	2017/18 £m
Balance at 1 April	(0.013)	-
Accumulated loss on assets sold and maturing assets written out to the CIES as part of Other Investment Income	0.013	-
BALANCE AT 31 MARCH	-	-

Financial Instruments Adjustment Account

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

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

	2016/17 £m	2017/18 £m
Balance at 1 April	(6.584)	(6.400)
Premiums incurred in the year	0.363	0.363
Discounts incurred in the year	(0.072)	(0.072)
Lenders Option Borrowers Option Loans	0.004	0.005
Soft Loans	(0.111)	(0.042)
BALANCE AT 31 MARCH	(6.400)	(6.146)

Pensions Reserve

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

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benefits earned by past and current employees and the resources set aside to meet them. Statutory arrangements ensure that funding will have been set aside by the time the benefits are due to be paid.

	2016/17 £m	2017/18 £m
Balance at 1 April	(623.310)	(860.824)
Return on plan assets	169.488	(0.178)
Actuarial gains or (losses) on pensions assets and liabilities	(381.251)	73.071
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(56.267)	(65.937)
Employer's pensions contributions and direct payments to the pensioners payable in the year	30.516	33.667
BALANCE AT 31 MARCH	(860.824)	(820.201)

Deferred Capital Receipts Reserve

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

	2016/17 £m	2017/18 £m
Balance at 1 April	1.248	1.235
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.013)	(0.017)
Created in year	-	1.100
Reversal in year	-	(0.172)
BALANCE AT 31 MARCH	1.235	2.146

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.

	2016/17 £m	2017/18 £m
Balance at 1 April	(2.028)	1.460
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	3.488	2.477
BALANCE AT 31 MARCH	1.460	3.937

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.

	2016/17 £m	2017/18 £m
Balance at 1 April	(4.281)	(4.476)
Settlement or cancellation of accrual made at the end of the preceding year	4.281	4.476
Amounts accrued at the end of the current year	(4.476)	(4.022)
Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis	(0.195)	0.454
BALANCE AT 31 MARCH	(4.476)	(4.022)

6.3.13 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 they are not met.

The balances at the year-end are as follows:

	2016/17 £m	2017/18 £m
Department for Education	(0.156)	(0.103)
Ministry of Housing, Communities and Local Government	(8.924)	(10.635)
Office for Low Emission Vehicles	(1.780)	(3.503)
S106 Contributions - Affordable Housing	(3.281)	(2.399)
S106 Contributions - Open Space	(0.953)	(1.259)
S106 Contributions - Transport / Public Realm / Training	(0.497)	(0.977)
Other Grants and Contributions	(0.089)	(0.089)
TOTAL	(15.680)	(18.965)

6.3.14 Defined Benefit Pension Schemes

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

The Council participates in three post-employment schemes:

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

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

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

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	
	2016/17 £m	2017/18 £m	2016/17 £m	2017/18 £m
Opening balance at 1 April	(1,476.004)	(1,883.534)	(29.955)	(40.347)
Current service cost	(34.518)	(52.248)	-	-
Interest cost	(52.344)	(49.980)	(0.665)	(0.826)
Change in financial assumptions	(392.033)	71.794	(4.237)	1.277
Change in demographic assumptions	(8.220)	-	0.066	-
Experience loss/(gain) on defined benefit obligation	35.164	-	(7.658)	-
Liabilities assumed/extinguished on settlements	3.772	14.517	-	-
Estimated benefits paid net of transfers in	50.116	47.949	-	-
Past Service costs including curtailments	(1.950)	(0.983)	-	-
Contributions by scheme participants and other employers	(8.632)	(8.681)	-	-
Unfunded pension payments	1.115	1.067	2.102	2.078
CLOSING BALANCE AT 31 MARCH	(1,883.534)	(1,860.099)	(40.347)	(37.818)

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2016/17 £m	2017/18 £m
Opening balance at 1 April	882.649	1,063.057
Interest on assets	31.488	28.478
Return on assets less interest	169.488	(0.178)
Other actuarial gains/losses	(4.333)	-
Administration expenses	(0.314)	(0.412)
Contributions by the employer including unfunded	28.414	31.589
Contributions by scheme participants and other employers	8.632	8.681
Estimated benefits paid plus unfunded net of transfers in	(51.231)	(49.016)
Settlement prices received/paid	(1.736)	(4.483)
CLOSING BALANCE AT 31 MARCH	1,063.057	1,077.716

The total return on the fund assets for the year to 31 March 2018 is £28.300m.

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

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	Local Government Pension Scheme		Teachers Benefits	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£m	£m	£m	£m
Present value of obligation	(1,867.667)	(1,845.240)	-	-
Fair value of scheme assets (bid value)	1,063.057	1,077.716	-	-
Net Liability	(804.610)	(767.524)	-	-
Present value of unfunded obligation	(15.867)	(14.859)	(40.347)	(37.818)
NET LIABILITY IN BALANCE SHEET	(820.477)	(782.383)	(40.347)	(37.818)

The liabilities show the Council's commitment to pay post-employment (retirement) benefits. The total liability of £820.201m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit are in place to safeguard the financial position of the Council:

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

6.3.15 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 Ministry of Housing, Communities and Local Government, CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council approves an annual treasury strategy, reviewing risk and expected activities during the year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 these financial instruments within assets and liabilities.

The following tables show the appropriate value of all financial instruments on the Balance Sheet as at 31 March 2018 (and 31 March 2017).

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	Notes	Long-term		Current	
		31 March	31 March	31 March	31 March
		2017	2018	2017	2018
		£m	£m	£m	£m
Investments					
Loans and receivables					
- investments (principal)		-	-	15.000	10.000
- accrued interest		-	-	0.006	-
- Icelandic deposits		-	-	3.129	-
		-	-	18.135	10.000
Unquoted equity investment at cost		5.345	20.395	-	-
TOTAL INVESTMENTS		5.345	20.395	18.135	10.000
Cash and Cash Equivalents					
- cash (including bank accounts)		-	-	8.016	4.854
- cash equivalents (principal)		-	-	12.000	21.300
- accrued interest		-	-	-	0.009
TOTAL CASH EQUIVALENTS		-	-	20.016	26.163
Debtors					
Loans and receivables	1	75.006	93.611	82.438	73.786
TOTAL DEBTORS		75.006	93.611	82.438	73.786

Notes:

- Debtors exclude non-contractual items e.g. NNDR and Council Tax, and with payments in advance.

	Notes	Long-term		Current	
		31 March	31 March	31 March	31 March
		2017	2018	2017	2018
		£m	£m	£m	£m
Borrowings					
Financial liabilities at amortised cost					
- principal	1	656.481	801.219	132.416	64.366
- interest		-	-	6.431	9.419
- accounting adjustments		0.930	0.926	-	-
TOTAL BORROWINGS		657.411	802.145	138.847	73.785
Other Long Term Liabilities					
PFI and finance lease liabilities	1	218.696	201.026	7.297	7.018
Growing Places Fund and other		9.707	10.019	8.999	8.507
TOTAL OTHER LONG TERM LIABILITIES		228.403	211.045	16.296	15.525
Creditors					
Financial liabilities at amortised cost	2	-	-	96.118	85.841
TOTAL CREDITORS		-	-	96.118	85.841

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):

	2016/17 £m	2017/18 £m
Interest expense	(38.153)	(38.262)
Impairment losses	-	-
Total Expense in (Surplus)/Deficit on Provision of Services	(38.153)	(38.262)
Interest and investment income	2.687	3.017
Interest and other income - impaired financial assets	0.349	0.078
Dividend Income	2.070	2.014
Total Income in (Surplus)/Deficit on Provision of Services	5.106	5.109
NET GAIN/(LOSS) FOR THE YEAR	(33.047)	(33.153)

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 assets, including shares in money market funds the fair value is 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 2018, using the following methods and assumptions:

- PWLB loans borrowed by the Council have been valued on the basis of using the PWLB new borrowing rates matching the remaining duration of the loans.
- The fair values of other long-term borrowing has been estimated using UK government gilt prices plus a margin (80 bpts) for the most appropriate maturity and repayment profiles as proxy for fair value in the absence of any detailed market transactions.
- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- Where appropriate the fair value for long term debtors has been estimated using the PWLB's interest rates for new fixed rate loans with the most appropriate maturity and repayment profile as at 31st March 2018. The fair value on the remaining long term debtors is deemed to be the balance outstanding at 31st March 2018.

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- Shares in Nottingham City Transport (NCT), Blue Print Limited and Robin Hood Energy (RHE) have been recognised at cost within the Council's accounts with the fair value as at 31 March 2018 being equal to cost.
- 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.

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.

The stock of £0.627m in the table below includes £0.619m of listed debt on the London Stock Exchange.

The fair values calculated are as follows:

	Fair value level	Restated		31 March 2018	
		31 March 2017		Carrying amount	Fair value
		Carrying amount	Fair value	£m	£m
		£m	£m	£m	£m
PWLB debt	2	629.449	782.598	796.094	927.119
Market loans	2	50.420	79.092	50.421	77.484
Stock	2	0.629	0.762	0.627	0.754
PFI and finance leases	2	225.993	380.614	208.044	311.220
Other debt	*	115.759	115.759	28.788	28.788
Trade creditors	*	96.118	96.118	85.841	85.841
TOTAL FINANCIAL LIABILITIES		1,118.368	1,454.943	1,169.815	1,431.206
Money Market & Pooled Funds (< 1 year)	*	12.000	12.000	21.309	21.309
Other Investments (< 1 year)	*	18.135	18.135	10.000	10.000
Investments (> 1 year)	2	-	-	-	-
Shares in unlisted companies	3	5.345	5.345	20.395	20.395
Debtors	*	82.438	82.438	73.786	73.786
Long-term debtors	2	75.006	83.033	93.611	105.712
TOTAL FINANCIAL ASSETS		192.924	200.951	219.101	231.202

* 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 as at the balance sheet date.

This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £732.959m would be valued at £872.772m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,004.567m.

All loans and receivables held on the Balance Sheet at 31 March 2018 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 2018, giving a 'carrying amount' at year-end.

Financial Guarantee

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided financial guarantees in respect of Robin Hood Energy Ltd (RHE) to a total value of £4.9m, which is 80% of the liability to its wholesale energy suppliers, this has been assessed as having a minimal probability of being called as at 31 March 2018 and so has not been recognised within the accounts.

The Council has also given RHE a Deed of Guarantee Bond in relation to pension fund obligations. The guarantee is limited to a maximum of 80% of fund liabilities and subject to a cap of £0.696m (with 20% to be provided by RHE). In line with other financial guarantees it has been assessed as having a minimal probability of being called as at 31 March 2018. Due to the guarantee being immaterial and the minimal probability of it being called, there is no fair value assessment of it in the statement of accounts.

Soft Loans

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are £0.374m issued in 2014 then £0.150m issued in 2017 to Nottingham Castle Trust and £0.064m to Citizens Advice in 2007. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account.

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6.4 Movement in Reserves Statement Notes

6.4.1 Adjustments between Accounting Basis and Funding Basis under regulations

2017/18	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
Non Current Assets						
• Amortisation of Intangible Fixed Assets	1.556	0.005	-	-	-	(1.561)
• Depreciation	68.917	27.785	-	-	-	(96.702)
• Impairment	(0.015)	-	-	-	-	0.015
• Revaluation Losses	7.485	(51.045)	-	-	-	43.560
• Investment Property Movement	1.489	(0.095)	-	-	-	(1.394)
• Derecognition of Fixed Assets	46.582	3.663	-	-	-	(50.245)
• (Loss)/Gain on Sale of Fixed Assets	(0.793)	(3.938)	27.499	-	-	(22.768)
	125.221	(23.625)	27.499	-	-	(129.095)
Capital Financing						
• Revenue Expenditure Funded From Capital Under Statute	1.158	0.281	-	-	-	(1.439)
• Statutory Minimum Revenue Provision for Capital Financing	(26.761)	-	-	-	-	26.761
• Voluntary Revenue Provision for Capital Financing	-	(0.728)	-	-	-	0.728
• PFI Minimum Revenue Provision	(6.932)	-	-	-	-	6.932
• Capital Expenditure charged in year to General Fund Balance	(6.542)	(3.717)	-	-	-	10.259
• Transfer to/from Major Repairs Reserve	-	(27.785)	-	3.670	-	24.115
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.089	-	(2.089)	-	-	-
• Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	0.172	-	0.755	-	-	(0.927)
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(15.463)	-	-	15.463
• Capital Grants Applied	(25.111)	-	-	-	(8.390)	33.501
	(61.927)	(31.949)	(16.797)	3.670	(8.390)	115.393

Continued on the next page

Section 6 – Notes to the Financial Statements

2017/18	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
Employee Benefits	(0.454)	-	-	-	-	0.454
Pension Fund						
• Net charges made for Retirement Benefits in accordance with IAS19	65.937	-	-	-	-	(65.937)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(33.667)	-	-	-	-	33.667
	32.270	-	-	-	-	(32.270)
Other Movements						
• Capital Grants & Contributions	(11.418)	-	-	-	11.418	-
• Financial Instrument Adjustment Account	(0.288)	0.034	-	-	-	0.254
• Transfer to/(from) Collection Fund Adjustment Account	(2.477)	-	-	-	-	2.477
	(14.183)	0.034	-	-	11.418	2.731
TOTAL ADJUSTMENTS	80.927	(55.540)	10.702	3.670	3.028	(42.787)

Section 6 – Notes to the Financial Statements

2016/17	Usable Reserves					Unusable Reserves £m
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
Non Current Assets						
• Amortisation of Intangible Fixed Assets	1.150	0.006	-	-	-	(1.156)
• Depreciation	63.926	27.166	-	-	-	(91.092)
• Impairment	0.145	-	-	-	-	(0.145)
• Revaluation Losses	29.424	(178.413)	-	-	-	148.989
• Investment Property Movement	(0.387)	-	-	-	-	0.387
• Derecognition of Fixed Assets	20.137	10.672	-	-	-	(30.809)
• (Loss)/Gain on Sale of Fixed Assets	(0.309)	(3.915)	14.937	-	-	(10.713)
	114.086	(144.484)	14.937	-	-	15.461
Capital Financing						
• Revenue Expenditure Funded From Capital Under Statute	1.014	-	-	-	-	(1.014)
• Statutory Minimum Revenue Provision for Capital Financing	(4.101)	-	-	-	-	4.101
• Voluntary Revenue Provision for Capital Financing	(24.221)	(0.505)	-	-	-	24.726
• PFI Minimum Revenue Provision	(7.460)	-	-	-	-	7.460
• Capital Expenditure charged in year to General Fund Balance	(14.876)	(6.374)	-	-	-	21.250
• Transfer to/from Major Repairs Reserve	-	(27.326)	-	(16.786)	-	44.112
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.103	-	(2.103)	-	-	-
• Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	-	-	0.019	-	-	(0.019)
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(9.426)	-	-	9.426
• Capital Grants Applied	(29.664)	-	-	-	(6.328)	35.992
	(77.205)	(34.205)	(11.510)	(16.786)	(6.328)	146.034

Continued on the next page

Section 6 – Notes to the Financial Statements

2016/17	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
Employee Benefits	0.195	-	-	-	-	(0.195)
Pension Fund						
• Net charges made for Retirement Benefits in accordance with IAS19	56.267	-	-	-	-	(56.267)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(30.516)	-	-	-	-	30.516
	25.751	-	-	-	-	(25.751)
Other Movements						
• Capital Grants & Contributions	(10.074)	-	-	-	10.074	-
• Financial Instrument Adjustment Account	(0.217)	0.034	-	-	-	0.183
• Transfer to/(from) Collection Fund Adjustment Account	(3.488)	-	-	-	-	3.488
	(13.779)	0.034	-	-	10.074	3.671
TOTAL ADJUSTMENTS	49.048	(178.655)	3.427	(16.786)	3.746	139.220

Section 6 – Notes to the Financial Statements

6.4.2 Post-employment Benefits Transactions

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

	Local Government Pension Scheme		Teachers Benefits	
	2016/17 £m	2017/18 £m	2016/17 £m	2017/18 £m
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(55.602)	(65.111)	(0.665)	(0.826)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	28.414	31.589		
Retirement benefits payable to pensioners			2.102	2.078

These transactions can be summarised as follows:

	2016/17 £m	2017/18 £m
Movement in Reserves Statement:		
Reversal of Charges made in accordance with the Code	(56.267)	(65.937)
Charges to General Fund made on a funding basis	30.516	33.667
TOTAL	(25.751)	(32.270)

6.5 Cash Flow Statement Notes

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

	2016/17 £m	2017/18 £m
Depreciation	91.092	96.702
Impairment and movement in asset valuations	(148.844)	(43.575)
Amortisation	1.156	1.561
Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	0.006	-
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	0.111	0.042
Adjustment for effective interest rates	(0.004)	(0.004)
Net PFI Debtor Adjustments	-	8.157
Increase/Decrease in Interest Creditors	(0.142)	5.978
Increase/Decrease in Creditors	(2.770)	11.630
Increase/Decrease in Interest and Dividend Debtors	(0.432)	1.319
Increase/Decrease in Debtors	(3.109)	0.694
Increase/Decrease in Inventories	(0.929)	(0.173)
Movement in Pension Liability	25.751	32.270
Other non cash adjustment	1.649	0.315
Contributions to/(from) Provisions	(2.986)	(5.024)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	41.523	81.663
Movement in Investment Property Values	(0.387)	1.394
TOTAL	1.685	192.949

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

	2016/17 £m	2017/18 £m
Capital Grants credited to surplus or deficit on the provision of services	(38.765)	(28.889)
Net adjustment from the sale of short and long term investments	0.093	(0.077)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(14.957)	(29.165)
TOTAL	(53.629)	(58.131)

Section 6 – Notes to the Financial Statements

6.5.3 Operating Activities

The cash flows for operating activities include the following items:

	2016/17 £m	2017/18 £m
Interest received	2.366	3.956
Interest paid	(38.293)	(32.288)
Dividends received	2.070	2.514
	(33.857)	(25.818)

6.5.4 Investing Activities

	2016/17 £m	2017/18 £m
Purchase of property, plant and equipment, investment property and intangible assets	(241.556)	(223.705)
Purchase of short-term and long-term investments	-	(7.500)
Other payments for investing activities	(14.063)	(23.903)
Proceeds from short-term and long-term investments	29.994	27.448
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14.746	8.206
Other receipts from investing activities	50.158	52.550
NET CASH FLOWS FROM INVESTING ACTIVITIES	(160.721)	(166.904)

6.5.5 Financing Activities

	2016/17 £m	2017/18 £m
Cash receipts of short and long-term borrowing	135.500	208.500
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7.462)	(6.931)
Repayments of short and long-term borrowing	(37.067)	(132.095)
NET CASH FLOWS FROM FINANCING ACTIVITIES	90.971	69.474

6.6 Other Notes

6.6.1 Trading Operations

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

	2016/17			2017/18		
	Expenditure	Income	(Surplus) Deficit	Expenditure	Income	(Surplus) Deficit
	£m	£m	£m	£m	£m	£m
Included within Services:						
Car Parking	3.819	(8.001)	(4.182)	5.993	(7.733)	(1.740)
Commercial Waste	3.822	(5.431)	(1.609)	3.838	(4.985)	(1.147)
Education Catering	7.473	(8.416)	(0.943)	7.592	(8.156)	(0.564)
Garage	7.802	(1.712)	6.090	7.781	(1.619)	6.162
Highways	0.529	(1.724)	(1.195)	1.250	(2.247)	(0.997)
Leisure Centres	8.334	(6.538)	1.796	6.064	(7.393)	(1.329)
Property	26.308	(11.807)	14.501	6.388	(10.321)	(3.933)
Royal Centre Theatre	18.030	(16.618)	1.412	16.898	(15.107)	1.791
Smaller activities	5.050	(5.486)	(0.436)	5.428	(5.863)	(0.435)
Included in Finance and Investment:						
Commercialism Services	4.599	(0.072)	4.527	0.011	(0.478)	(0.467)
Investment Properties	(0.591)	(2.017)	(2.608)	2.094	(12.963)	(10.869)
Smaller Activities	1.647	(1.686)	(0.039)	0.868	(0.956)	(0.088)
TOTAL (SURPLUS)/DEFICIT	86.822	(69.508)	17.314	64.205	(77.821)	(13.616)

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

The increase in Investment Properties income from 2016/17 to 2017/18 reflects the Council's strategy of securing external income streams through long-term property investment.

6.6.2 Agency Services

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

6.6.3 Jointly Controlled Operations

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

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

Section 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	
	2016/17	2017/18	2016/17	2017/18
	£m	£m	£m	£m
Income:				
Direct external income - LCC	(1.401)	(1.414)	-	-
Direct external income - NCC	(0.631)	(0.617)	(0.631)	(0.617)
Total Income	(2.032)	(2.031)	(0.631)	(0.617)
Expenditure:				
Direct costs incurred by LCC	6.321	6.259	-	-
Direct costs incurred by NCC	0.262	0.267	0.262	0.267
Third party payments to LCC	-	-	2.848	2.766
Total Expenditure	6.583	6.526	3.110	3.033
NET EXPENDITURE	4.551	4.495	2.479	2.416

6.6.4 Councillors' Allowances

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

	2016/17	2017/18
	£m	£m
Allowances	1.103	1.032
Expenses	0.001	0.001
TOTAL	1.104	1.033

6.6.5 Officers Remuneration

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

POST HOLDER	2016/17 £	2017/18 £
Chief Executive - Ian Curryer		
- Salary, Fees & Allowances	161,600	163,216
- Pension Contributions	-	-
	161,600	163,216
Corporate Director of Resilience ¹		
- Salary, Fees & Allowances	98,365	27,507
- Pension Contributions	-	-
	98,365	27,507
Corporate Director - Children and Adults		
- Salary, Fees & Allowances	141,400	142,814
- Pension Contributions	17,675	19,566
	159,075	162,380
Corporate Director - Commercial and Operations		
- Salary, Fees & Allowances	121,200	122,412
- Pension Contributions	15,150	16,770
	136,350	139,182
Corporate Director - Development and Growth		
- Salary, Fees & Allowances	136,350	137,638
- Pension Contributions	17,043	18,856
	153,393	156,494
Corporate Director for Strategy and Resources ²		
- Salary, Fees & Allowances	50,500	122,412
- Pension Contributions	6,256	16,521
	56,756	138,933
Strategic Director Strategy and Commissioning ³		
- Salary, Fees & Allowances	55,889	-
- Pension Contributions	6,906	-
	62,795	-
Strategic Director of Finance and Section 151 Officer ⁴		
- Salary, Fees & Allowances	95,809	48,643
- Pension Contributions	11,976	6,664
	107,785	55,307
Strategic Director of Finance and Section 151 Officer ⁵		
- Salary, Fees & Allowances	-	44,482
- Pension Contributions	-	6,094
	-	50,576

1. Corporate Director - Resilience left 07/07/2017. Post now removed from structure

2. Appointed in New Post- Corporate Director for Strategy and Resources 01/11/2016

3. Strategic Director Strategy and Commissioning left 31/10/2016

4. Strategic Director of Finance and Section 151 Officer left 30/09/2017

5. New Strategic Director of Finance and Section 151 Officer Appointed 16/10/2017

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A total of 183 employees (including senior employees) received remuneration of more than £0.050m, of which 73 are employed directly by schools. The figures do not include staff employed by academy schools, as they are not Council employees:

Remuneration Banding £	Number of Employees					
	2016/17			2017/18		
	School Based Staff	Senior Employees	Other Staff	School Based Staff	Senior Employees	Other Staff
50,000 - 54,999	25	-	28	25	-	33
55,000 - 59,999	24	-	24	14	-	24
60,000 - 64,999	21	-	18	12	-	17
65,000 - 69,999	9	-	9	14	-	8
70,000 - 74,999	2	-	5	3	-	4
75,000 - 79,999	3	-	-	1	-	4
80,000 - 84,999	3	-	8	1	-	5
85,000 - 89,999	1	-	2	1	-	3
90,000 - 94,999	1	-	2	1	-	4
95,000 - 99,999	-	2	2	1	1	-
100,000 - 104,999	-	-	-	-	1	-
105,000 - 109,999	1	1	-	-	-	-
110,000 - 114,999	-	-	-	-	-	-
115,000 - 119,999	-	-	-	-	-	-
120,000 - 124,999	-	1	-	-	2	-
125,000 - 129,999	-	-	1	-	1	-
130,000 - 134,999	-	-	-	-	-	-
135,000 - 139,999	-	1	-	-	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	90	7	99	73	8	102
GRAND TOTAL			196			183

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	Restated 2016/17			2017/18		
	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	63	10	12	72	10	5
Other departures agreed	5	4	3	6	3	1
TOTAL DEPARTURES	68	14	15	78	13	6
Total Cost	£526,506	£390,692	£1,134,915	£486,456	£343,482	£312,175

6.6.6 External Audit Costs

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

	Restated 2016/17 £m	2017/18 £m
Statutory audit	0.179	0.172
Certification of Housing Benefit grant claim	0.011	0.018
Certification of other grant claims and returns	0.014	0.011
TOTAL	0.204	0.201

The restatement for 2016/17 is following the PSAA approving audit fee variations for additional audit work undertaken.

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

6.6.7 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 2015. 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 2017/18 are as follows:

Notes	Central Expenditure £m	ISB £m	Total £m
A Final DSG for 2017/18 before Academy recoupment			257.768
B Academy figure recouped for 2017/18			(146.281)
C Total DSG after Academy recoupment for 2017/18			111.487
D Plus: Brought forward from 2016/17			11.514
E Carry forward to 2018/19 agreed in advance			6.350
F Agreed initial budgeted distribution in 2017/18	29.601	92.244	121.845
G In year Adjustments	3.042	(7.830)	(4.788)
H Final Distribution for 2017/18	32.643	84.414	117.057
I Less Actual central expenditure	30.493		
J Less ISB deployed to schools		(84.414)	
K Plus Local Authority contribution 2017/18	-	-	-
L CARRY FORWARD TO 2018/19 AGREED IN ADVANCE	2.150	-	8.500

Notes to DSG:

- A Figure as announced by the Department for Education (DfE) in March 2018.
- B Figure recouped from the Council in 2017/18 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recoupment for 2017/18.
- D Figure brought forward from 2016/17 as agreed with the DfE.

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- E The amount which the Council planned after consultation with the schools forum to carry forward to 2018/19, rather than distribute in 2017/18.
- 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 2017/18.
- 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 2017/18 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2018/19. The total figure is the carry forward to 2018/19 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

6.6.8 Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the CIES note 6.2.4. Capital grants received in advance as at 31 March 2018 are shown in Table 6.3.13.

Councillors/Officers

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2017/18 is shown in the Councillors' allowances note 6.6.4.

During 2017/18 payments, receipts and balances outstanding for works and services to other organisations (the majority being transactions with the Authority's subsidiaries) in which Councillors or relevant officers had an interest were as follows:

	2016/17 £m	2017/18 £m
Payments	101.580	104.707
Receivables	(28.024)	(26.023)
Debtors	8.146	8.149
Creditors	(12.718)	(8.896)

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

Other Public Bodies

The Council has pooled budget arrangements with Integrated Community Equipment and Loan Services (ICELS), Better Care Fund and the Adult Safeguarding Partnership Board. There were no significant transactions with ICELS and Adult Safeguarding Partnership Board in 2017/18.

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

	2017/18 £m
Funding	
Balance brought forward	-
NHS Nottingham City Clinical Commissioning Group	(23.253)
Nottingham City Council (Capital)	(2.075)
Nottingham City Council	(0.716)
Nottingham City Council(Improved Better Care Fund)	(8.570)
Total Funding	(34.614)
Expenditure	
Access & Navigation	2.291
Assistive Technology	1.061
Carers	1.350
Co-ordinated Care	15.957
Capital Grants	2.075
Independence Pathway	11.636
Programme Costs	0.244
Total Expenditure	34.614
Brought forward pool	-
BALANCE CARRIED FORWARD	-

The Council paid £0.072m in 2017/18 (£0.071m 2016/17) 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.

Section 6 – Notes to the Financial Statements

	2016/17		2017/18	
	Payments	Receipts	Payments	Receipts
	£m	£m	£m	£m
Nottingham City Transport	7.894	(1.713)	6.725	(2.753)
Nottingham City Homes (NCH) Ltd	67.592	(11.744)	75.497	(11.213)
Enviroenergy Ltd	4.522	(5.183)	0.710	(5.257)
Futures Advice, Skills and Employment Ltd	4.715	(0.013)	3.027	(0.046)
Nottingham Revenues & Benefits Ltd	0.107	(5.973)	0.060	(7.066)
Robin Hood Energy Ltd	11.344	(2.784)	18.483	(9.595)
Other Related Parties	0.705	(2.972)	1.574	(3.791)

	2016/17		2017/18	
	Debtors	Creditors	Debtors	Creditors
	£m	£m	£m	£m
Nottingham City Transport	0.862	(0.056)	0.732	-
Nottingham City Homes (NCH) Ltd	21.710	(11.637)	30.291	(9.462)
Enviroenergy Ltd	14.667	(1.000)	14.664	(0.197)
Futures Advice, Skills and Employment Ltd	-	(0.487)	-	(0.378)
Nottingham Revenues and Benefits Ltd	0.567	-	1.110	(1.564)
Robin Hood Energy Ltd	11.579	(3.047)	12.446	(3.538)
Other Related Parties	5.045	(0.364)	3.571	(0.109)

6.6.9 Road Charging Schemes under the Transport Act 2000

The Council introduced the workplace parking levy on 1 April 2012 charged under section 178-190 of the Transport Act 2000 (the Act). As per section 180 and 181 of the Act, all monies which are raised by the levy are to be re-invested in the City Councils Transport Plan. The figures for the year ending 31 March 2018 are as follows:

	2016/17	2017/18
	£m	£m
Income	(9.422)	(9.178)
Expenditure	0.588	0.219
NET INCOME	(8.834)	(8.959)

6.6.10 Leases

Council as Lessee

Finance Leases

The assets acquired under finance leases are carried as PPE in the Balance Sheet within the classification of Other Land and Buildings. The net amount at 31 March 2018 was £24.286m (31 March 2017: £39.852m).

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 2017 £m	31 March 2018 £m
Finance lease liabilities*:		
current	0.001	0.001
non-current	2.203	2.201
Finance costs payable in future years	12.645	12.411
MINIMUM LEASE PAYMENTS	14.849	14.613

* 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 2017 £m	31 March 2018 £m	31 March 2017 £m	31 March 2018 £m
Not later than one year	0.236	0.236	0.001	0.001
Between one and five years	0.945	0.945	0.006	0.006
Later than five years	13.668	13.432	2.197	2.195
TOTAL	14.849	14.613	2.204	2.202

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 2017 £m	31 March 2018 £m
Not later than one year	0.777	0.885
Between one and five years	2.618	2.640
Later than five years	8.961	8.762
TOTAL	12.356	12.287

The expenditure charged to the CIES during 2017/18 in relation to these leases was £0.777m (£0.575m in 2016/17).

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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 2017 £m	31 March 2018 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	51.263	50.752
Anticipated residual value of property	11.661	14.612
GROSS INVESTMENT IN THE LEASE	63.946	66.386

* 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 2017 £m	31 March 2018 £m	31 March 2017 £m	31 March 2018 £m
	Not later than one year	0.096	0.063	0.094
Between one and five years	0.386	0.288	0.377	0.281
Later than five years	63.464	66.035	62.332	64.858
TOTAL	63.946	66.386	62.803	65.200

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

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

Operating Leases

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

- The provision of community services, such as sports facilities, tourism services and community centres.

Section 6 – Notes to the Financial Statements

- Economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2017 £m	31 March 2018 £m
Not later than one year	10.849	15.458
Between one and five years	37.768	54.714
Later than five years	151.945	212.323
TOTAL	200.562	282.495

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 2017/18 of £0.663m (2016/17 £0.268m). There were no contingent rents for any of the other types of lease arrangement.

6.6.11 Private Finance Initiatives and Similar Contracts

The Council has four PFI arrangements which 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 the title to the property transfers to the Council (or a continuing concessionaire) at nil cost with the assets in a satisfactory condition for its continued operational use.

Building Schools for the Future (BSF)

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

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

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

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Local Improvement Finance Trust (LIFT) Joint Service Centres

The Council has completed two new Joint Service Centres located in Hyson Green and Bulwell and have been procured using the LIFT vehicle in partnership with NHS Nottingham City. The Council has recognised its share of occupancy of both sites on the Balance Sheet.

The contract expiry and the asset treatment are as follows:

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

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

Street Lighting Contract

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

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

Future Contractual Payments

The next table shows the Council's future contractual payments. The future Service Charge payments are estimated using the Service Charge payments incurred during 2017/18, which are then inflated using the inflation rate implicit with each PFI arrangement:

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	2018/19	2019/20 -	2023/24 -	2028/29 -	2033/34 -	2038/39 -	Total
	£m	2022/23	2027/28	2032/33	2037/38	2042/43	£m
	£m	£m	£m	£m	£m	£m	£m
NET							
Repayment of Liability	4.305	27.697	36.035	37.622	2.098	-	107.757
Interest Charges	13.149	44.985	35.296	14.588	0.120	-	108.138
Service Charges	19.967	84.986	118.744	134.348	28.918	-	386.964
NET Unitary Charge	37.421	157.668	190.075	186.558	31.136	-	602.859
BSF							
Repayment of Liability	1.252	7.135	12.072	15.836	10.230	0.679	47.204
Interest Charges	3.590	13.154	12.776	7.388	1.626	0.012	38.546
Service Charges	3.260	13.877	19.389	21.937	13.543	0.832	72.838
BSF Unitary Charge	8.102	34.166	44.237	45.161	25.399	1.523	158.588
LIFT							
Repayment of Liability	0.445	2.153	3.283	4.373	2.720	-	12.974
Interest Charges	1.094	3.997	3.935	2.468	0.668	-	12.162
Service Charges	1.140	4.854	6.782	7.673	3.379	-	23.828
LIFT Unitary Charge	2.679	11.004	14.000	14.514	6.767	-	48.964
Street Lighting							
Repayment of Liability	1.014	5.320	10.792	11.030	9.746	-	37.902
Interest Charges	4.002	14.737	14.289	7.836	1.431	-	42.295
Service Charges	2.100	8.676	11.457	21.474	9.199	-	52.906
Street Lighting Unitary Charge	7.117	28.733	36.538	40.339	20.375	-	133.103
TOTAL CHARGES	55.319	231.571	284.851	286.573	83.677	1.523	943.514

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.

	2016/17			2017/18		
	Total	BSF	NET	LIFT	Street Lighting	Total
	£m	£m	£m	£m	£m	£m
Opening balance at 1 April	234.108	48.359	123.220	13.394	38.814	223.787
Repayment of Liability	(10.321)	(1.152)	(15.463)	(0.419)	(0.912)	(17.946)
CLOSING BALANCE AT 31 MARCH	223.787	47.207	107.757	12.975	37.902	205.841

6.6.12 Trust Funds

The Council acts as sole trustee for a number of trust funds. The funds do not represent assets of the Council and, therefore, have not been included in the Balance Sheet. These trusts include the Bridge Estate Trust, which holds net assets of £27.675m (£26.702m at 31 March 2017) with a turnover of £2.199m (£2.278m 2016/17), primarily from the rental of investment properties. The Trust was established for the repair and maintenance of Trent Bridge and the construction of new bridges over the River Trent.

The Council is also sole trustee for a number of other Trusts whose net assets total £1.149m (£1.065m as at 31 March 2017) with a turnover of £0.391m (£0.387m 2016/17). These Trusts include:

Section 6 – Notes to the Financial Statements

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

6.6.13 Contingent Liabilities

At 31 March 2018, the Council has the following contingent liability that could exceed a materiality level of £5m:

Insurance Claims

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

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

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

6.6.14 Nature and Extent of Risks arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out in the 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 exposure to fixed and variable rates.
 - Its maximum and minimum exposure in the maturity structure of its debt.
 - Its maximum annual exposure to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties, in compliance with the Government Guidance.

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

The Council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash, through Treasury Management Practices, 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 2017/18 are:

- Minimum credit ratings – a minimum long-term credit rating of A- (or equivalent) except for UK local authorities.
- Individual cash limits on unsecured investments – a limit of £10m per eligible counterparty except the UK Central Government.
- Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds Bank), individual limits will also apply to the group as a whole.
- Country limits – other than UK institutions, a total investment limit for all counterparties in a particular country. No more than £10m will be placed with any one country.
- Money Market Funds – individual cash limit of £10m with any one fund and an overall limit of £50m for all Money Market Funds.

Section 6 – Notes to the Financial Statements

The Council's maximum exposure to credit risk in relation to its investments of £31.3m at 31 March 2018 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 2018 that this was likely to crystallise.

The following table summarises the value of the Council's investment portfolio at 31 March 2018 and confirms that all investments were made in line with the approved credit rating criteria:

Credit Rating	Long Term		Short Term	
	31 March 2017	31 March 2018	31 March 2017	31 March 2018
	£m	£m	£m	£m
AAA	-	-	12.000	21.300
AA+	-	-	-	-
AA	-	-	-	-
AA-	-	-	-	-
A+	-	-	-	-
A	-	-	5.000	-
A-	-	-	-	-
Unrated local authorities	-	-	10.000	10.000
TOTAL INVESTMENTS	-	-	27.000	31.300

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. There is a risk relating to managing exposure to replacing financial instruments as they mature. There is a risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that the approved prudential indicator limits the Council's borrowing that matures in any given period.

Section 6 – Notes to the Financial Statements

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.
- 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 2018 is:

	31 March 2017 £m	31 March 2018 £m
Less than 1 year	132.416	64.366
1 to 2 years	35.258	31.187
2 to 5 years	96.876	90.721
5 to 10 years	129.189	130.035
10 – 25 years	185.865	159.984
25 – 40 years	165.147	169.673
40 – 70 years	43.524	219.000
Irredeemable	0.622	0.619
TOTAL	788.897	865.585

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, and cash equivalent financial assets as at 31 March 2018 is shown below.

	31 March 2017 £m	31 March 2018 £m
Less than 1 year	30.135	31.309
1 to 2 years	-	-
TOTAL	30.135	31.309

Section 6 – Notes to the Financial Statements

Interest Rate Risk

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

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

Investments classed as “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 2017/18 strategy allowed for a maximum net exposure to variable interest rates of £300m.

According to this assessment strategy, at 31 March 2018, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	31 March 2018 £m
Increase in interest payable on variable rate borrowings	0.828
Increase in interest receivable on variable rate investments	(0.313)
Impact on Surplus or Deficit on the Provision of Services	0.515
Share of overall impact debited to the HRA	(0.510)
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	0.005

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 £20.395m in a number of joint ventures and in local industry, as at 31 March 2018. These holdings are generally illiquid and are shown in the balance sheet at cost. The main equity holdings are in Nottingham City Transport Limited, Robin Hood Energy Limited and Blue Print Limited which are all 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.

Foreign Exchange Risk

The Council has no material exposure to the risk of adverse movements in foreign exchange rates.

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.

	2016/17 £m	2017/18 £m
Expenditure		
Repairs and maintenance	30.349	30.439
Supervision and Management	27.558	28.444
Rents, rates, taxes and other charges	3.096	3.002
Depreciation and impairment of non-current assets	27.235	27.925
Debt management costs	0.048	0.064
Movement in the allowance for bad debts	1.143	1.012
Exceptional revaluation gain on HRA Council dwellings	(178.476)	(51.181)
Total Expenditure	(89.047)	39.705
Income		
Dwelling Rents	(99.330)	(96.362)
Non Dwelling Rents	(2.811)	(3.294)
Charges for Services and Facilities	(6.509)	(7.197)
Total Income	(108.650)	(106.853)
Net Cost of HRA Services as included in the CIES	(197.697)	(67.148)
HRA services' share of Corporate and Democratic Core	0.035	0.035
NET COST FOR HRA SERVICES	(197.662)	(67.113)
HRA Share of the Operating Income and Expenditure included in the CIES		
Fixed Asset Derecognition	10.672	3.663
Gain or (loss) on sale of HRA non-current assets	(3.915)	(3.938)
Interest payable and similar charges	12.235	12.159
Interest and Investment Income	(0.344)	(0.354)
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	(179.014)	(55.583)

7.1.2 Movement on the HRA Statement

	2016/17 £m	2017/18 £m
Balance on HRA at the start of the Year	4.000	4.359
Surplus or (deficit) for the year	179.014	55.583
Adjustments between accounting basis and funding basis	(178.655)	(55.540)
Increase or (Decrease) in Year on the HRA	0.359	0.043
BALANCE ON THE HRA AT THE END OF THE YEAR	4.359	4.402

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 2017 Number	31 March 2018 Number
Houses and Bungalows		
1 Bedroom	1,005	1,039
2 Bedroom	5,753	5,806
3 Bedroom	9,917	9,652
4 or more Bedrooms	500	501
Flats		
1 Bedroom	7,248	7,207
2 Bedroom	1,506	1,476
3 or more Bedrooms	136	127
TOTAL	26,065	25,808

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 2017 £m	Value at 31 March 2018 £m
Operational Assets		
Council Dwellings	835.958	921.179
Other Land and Buildings	7.585	7.761
Assets Under Construction	19.395	13.146
Surplus Assets not held for sale	0.653	0.376
Investment Properties	0.893	0.988
Infrastructure	25.411	27.311
TOTAL VALUE OF ASSETS	889.895	970.761

Section 7 – Supplementary Financial Statements and Notes

7.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2018 was £2,193.285m (1 April 2017 £1,990.377m). The Balance Sheet value of dwellings was £921.179m. The difference of £1,272.106m between the vacant possession valuation and the balance sheet value reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. Operational assets in a commercial environment are required to earn a rate of return. The value placed on such assets will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for this purpose will be reduced.

External valuers Herbert Button & Partners and Freeman & Mitchell completed a valuation of the housing stock as at 31 March 2018.

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:

	2016/17 £m	2017/18 £m
Balance Brought Forward	(27.078)	(10.292)
Credits - Depreciation on HRA Assets	(27.166)	(27.785)
Credits - Additional credit to the MRR	(0.160)	-
Debits - Capital Expenditure	44.112	24.115
BALANCE AT END OF YEAR	(10.292)	(13.962)

7.1.3.5 Capital Expenditure

Capital expenditure of £53.396m (£54.218m in 2016/17) in respect of HRA assets was financed from a range of sources in 2017/18. This is set out below:

	2016/17 £m	2017/18 £m
CAPITAL EXPENDITURE	54.218	53.396
Financed By:		
Capital Receipts Reserve	2.901	6.671
Major Repairs Reserve (MRR)	44.112	24.115
Direct Revenue Financing*	6.280	3.717
Other Capital Grants and Contributions	0.925	3.749
Borrowing	-	15.144
TOTAL FINANCING	54.218	53.396

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

7.1.3.6 Capital Receipts

Capital receipts of £19.427m (£12.516m in 2016/17) arose from the sale of land, houses and other property within the HRA in 2017/18. Of this total, £18.928m (£11.201m in 2016/17) related to the disposal of houses and flats under the right to buy scheme and there were no receipts (£0.204m in 2016/17) from the sale of vacant non-purpose built council houses.

	2016/17 £m	2017/18 £m
Land	0.994	0.131
Houses	11.405	18.928
Other Property	0.117	0.368
TOTAL	12.516	19.427

7.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2017/18 as follows:

	2016/17 £m	2017/18 £m
Dwellings	25.573	26.126
Other Operational HRA Assets:		
Other Land and Buildings	0.119	0.119
Vehicles, Plant, Furniture and Equipment	0.067	0.014
Infrastructure and Community Assets	1.405	1.523
Surplus Assets not Held for Sale	0.002	0.003
TOTAL	27.166	27.785

In addition a debit of £0.005m (£0.006m in 2016/17) for amortisation was charged in the year.

7.1.3.8 Revaluations and Impairments during the Financial Year

£51.046m in respect of revaluation gains and losses have been posted to the HRA during the year (£178.413m in 2016/17). £51.181m of this amount related to a revaluation gain on Council Dwellings. This results from increases to market values and higher valued new build properties.

There were no donated assets within the year.

A de-recognition write out of £3.663m (£10.672m in 2016/17) was made to reflect the residual value of assets replaced.

The revaluation of investment properties has resulted in a credit of £0.096m (£0.025m debit in 2016/17).

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 £4.823m at 31 March 2018 (£4.844m at 31 March 2017). A total bad debt provision of £4.460m has been established at 31 March 2018 (£4.119m at 31 March 2017).

Section 7 – Supplementary Financial Statements and Notes

7.1.3.10 Average Rent for HRA Dwellings

Year	Average Rent £
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
2016/17	76.96
2017/18	76.43

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

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.

	2016/17	2017/18		Total £m
	Total £m	Business Rates £m	Council Tax £m	
INCOME				
Council Tax Receivable	(116.963)	-	(124.456)	(124.456)
Business Rates Receivable	(130.751)	(132.831)	-	(132.831)
TOTAL INCOME	(247.714)	(132.831)	(124.456)	(257.287)
EXPENDITURE				
Precepts, Demands and Shares				
Central Government	63.043	68.866	-	68.866
Police Authority	11.171	-	11.623	11.623
Fire Authority	5.846	1.377	4.771	6.148
Nottingham City Council	155.994	67.489	100.947	168.436
Charges to Collection Fund				
Write offs of uncollectable amounts	3.565	1.586	2.380	3.966
Increase /Decrease (-) in Bad Debt Provision	2.495	0.145	1.286	1.431
Increase /Decrease (-) in Provision for Appeals	(3.236)	(5.185)	-	(5.185)
Cost of Collection	0.489	0.493	-	0.493
Interest charged on Cost of Collection	0.014	0.002	-	0.002
Apportionment of previous year's estimated Collection Fund Surplus				
Police & Crime Commissioner	0.421	-	0.442	0.442
Central Government	(2.059)	(4.293)	-	(4.293)
Nottinghamshire Fire & Rescue Service	0.132	(0.085)	0.181	0.096
Nottingham City Council	1.465	(4.208)	3.728	(0.480)
TOTAL EXPENDITURE	239.340	126.187	125.358	251.545
Movement on the Collection Fund Balance	(8.374)	(6.644)	0.902	(5.742)
(Surplus)/Deficit Brought Forward	9.314	6.127	(5.187)	0.940
(SURPLUS)/DEFICIT CARRIED FORWARD	0.940	(0.517)	(4.285)	(4.802)

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%).

	2016/17 £	2017/18 £
Rate in the pound	49.7p	47.9p
Total non-domestic rateable value per NNDR system	325,294,769	366,630,338
Gross Debit	161,671,500	175,615,932
Net debit after adjustments and reliefs	134,157,857	137,752,855

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.

	2016/17	2017/18
Council Tax Base	64,410	65,598
Council Tax (Band D) Property	£1,771.08	£1,851.74

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	86,232	50,487	6/9	33,658
B	22,597	14,662	7/9	11,404
C	16,036	11,568	8/9	10,283
D	6,760	5,228	9/9	5,228
E	2,414	2,049	11/9	2,504
F	1,038	930	13/9	1,343
G	707	625	15/9	1,042
H	112	69	18/9	137

7.2.2.3 Apportionment of Collection Fund Surplus/Deficit

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

	2016/17		2017/18	
	Total £m	Council Tax £m	NNDR £m	Total £m
Nottingham City Council	(1.460)	(3.689)	(0.253)	(3.942)
Nottinghamshire Police Authority	(0.514)	(0.427)	-	(0.427)
Nottinghamshire Fire and Rescue Authority	(0.150)	(0.169)	(0.005)	(0.174)
Central Government	3.063	-	(0.259)	(0.259)
TOTAL	0.940	(4.285)	(0.517)	(4.802)

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.

Section 8 – Group Financial Statements and Notes

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

For 2017/18 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 2017/18 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:

	2016/17		2017/18	
	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	(109.750)	(99.254)	31.241	39.815
Other CIES	155.140	191.645	(239.756)	(244.651)
Total CIES (Surplus)/Deficit	45.390	92.391	(208.515)	(204.836)
Balance Sheet:				
Long Term Assets	2,657.802	2,726.797	2,910.572	2,969.087
Current Assets	147.520	150.601	134.060	165.580
Current Liabilities	(303.291)	(325.578)	(245.917)	(277.743)
Long Term Liabilities	(1,784.004)	(1,906.485)	(1,872.173)	(2,006.144)
Nets Assets	718.027	645.335	926.542	850.780
Usable Reserves	223.020	225.807	234.566	237.550
Unusable Reserves	495.007	419.528	691.976	613.230
	718.027	645.335	926.542	850.780
Cash Flow Statement:				
Net Cash Flows from Operating Activities	57.806	51.634	103.577	104.827
Investing Activities	(160.721)	(162.453)	(166.904)	(180.718)
Financing Activities	90.971	98.099	69.474	85.917
Net Increase (Decrease) in Cash and Cash Equivalents	(11.944)	(12.720)	6.147	10.026
Cash and Cash Equivalents at the beginning of the reporting period	31.960	48.076	20.016	35.356
Cash and Cash Equivalents at 31 March	20.016	35.356	26.163	45.382

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.

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	Restated 2016/17			2017/18		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adults and Health	173.392	(80.589)	92.803	174.947	(76.528)	98.419
Business, Education and Skills	144.292	(141.169)	3.123	137.769	(134.629)	3.140
Community and Customer Services	36.252	(11.526)	24.726	50.627	(22.022)	28.605
Early Intervention and Early Years	94.737	(25.133)	69.604	84.843	(25.668)	59.175
Energy and Sustainability	21.024	(6.495)	14.529	22.426	(6.270)	16.156
Leisure and Culture	54.151	(35.258)	18.893	44.057	(35.291)	8.766
Neighbourhood Services and Local Transport	79.508	(54.965)	24.543	88.883	(54.544)	34.339
Planning, Housing and Heritage Resources and Neighbourhood Regeneration	29.508	(87.886)	(58.378)	23.954	(87.400)	(63.446)
Strategic Infrastructure and Communications	45.933	(21.726)	24.207	51.284	(20.021)	31.263
Corporate Items	36.106	(19.618)	16.488	28.283	(10.916)	17.367
Exceptional revaluation gain on HRA Council Dwellings	187.501	(201.981)	(14.480)	180.243	(203.386)	(23.143)
Group Organisations	(178.476)	-	(178.476)	(51.181)	-	(51.181)
Cost of Services	870.885	(779.130)	91.755	1,033.454	(814.563)	218.891
Other operating expenditure			28.783			47.590
8.7.1.1 Financing and investment income and expenditure			72.540			56.916
Taxation and non-specific grant income			(292.533)			(282.702)
(Surplus)/Deficit on Provision of Services			(99.455)			40.695
Share of the surplus or deficit on the provision of services by associates			(0.220)			(0.328)
Tax expenses of subsidiaries			0.421			(0.552)
Group (Surplus)/Deficit			(99.254)			39.815
Revaluation of PPE/Heritage assets			(56.610)			(166.863)
Re-measurement of pension assets/liabilities			248.298			(78.180)
Other gains/losses recognised required			(0.038)			(0.058)
Share of other comprehensive income and expenditure of associates and joint ventures			(0.005)			0.450
Other Comprehensive Income and Expenditure			191.645			(244.651)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			92.391			(204.836)

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.

	2016/17			2017/18		
	Authority £m	Minority Interest £m	Total £m	Authority £m	Minority Interest £m	Total £m
Group (surplus) / Deficit	(99.200)	(0.054)	(99.254)	39.752	0.063	39.815
Other CIES	191.575	0.070	191.645	(244.701)	0.050	(244.651)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	92.375	0.016	92.391	(204.949)	0.113	(204.836)

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

	2016/17 £m	2017/18 £m
Total (surplus)/deficit on the authority's single entity CIES	45.390	(208.515)
Add (surplus)/deficit arising from group entities:		
Subsidiaries	46.170	4.530
Joint Ventures	(0.225)	0.122
Trust Funds	1.056	(0.973)
TOTAL (SURPLUS)/DEFICIT ON THE GROUP CIES	92.391	(204.836)

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 2017 £m	31 March 2018 £m
8.7.2.1	Property, Plant & Equipment	2,423.538	2,579.194
	Heritage Assets	56.815	58.469
8.7.2.2	Investment Property	174.244	264.914
	Intangible Assets	6.137	7.354
	Long Term Investments	1.263	1.286
	Long Term Debtors	56.161	48.969
	Investments in Associates and Joint Ventures	8.251	8.129
	Deferred Tax Asset	0.388	0.772
	Long Term Assets	2,726.797	2,969.087
	Short Term Investments	22.039	12.027
	Assets Held for Sale	1.120	3.800
	Inventories	5.323	5.356
8.7.2.3	Short Term Debtors	86.566	98.800
8.7.2.4	Cash and Cash Equivalents	35.356	45.382
	Current Tax Asset	0.197	0.215
	Current Assets	150.601	165.580
	Short Term Borrowing	(138.847)	(72.465)
8.7.2.5	Short Term Creditors	(167.023)	(188.359)
	Provisions	(19.241)	(16.352)
	Current Tax Liability	(0.467)	(0.567)
	Current Liabilities	(325.578)	(277.743)
	Long Term Creditors	(9.750)	(13.935)
	Provisions	(21.925)	(19.817)
	Long Term Borrowing	(657.413)	(802.137)
	Other Long Term Liabilities	(228.403)	(211.045)
	Capital Grants Receipts in Advance	(16.844)	(22.830)
	Deferred Tax Liability	(2.258)	(2.189)
	Defined Benefit Pension Scheme	(969.892)	(934.191)
	Long Term Liabilities	(1,906.485)	(2,006.144)
	NET ASSETS	645.335	850.780
8.7.2.6	Usable Reserves	225.807	237.550
8.7.2.7	Unusable Reserves	419.528	613.230
	TOTAL RESERVES	645.335	850.780

Section 8 – Group Financial Statements and Notes

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.

2017/18	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2017	8.463	157.483	4.359	26.459	10.292	15.964	223.020	495.007	718.027	(73.451)	0.759	645.335
Opening balance restatement (Note 8.7.3)	-	-	-	-	-	-	-	-	-	0.615	-	0.615
Movement in 2017/18:												
Total CIE (Table 8.4.1)	(35.350)	-	55.583	-	-	-	20.233	239.756	259.989	(55.040)	(0.113)	204.836
Adjustments between group accounts and authority accounts (Note 8.7.3)	(51.474)	-	-	-	-	-	(51.474)	-	(51.474)	51.468	-	(0.006)
Net Increase/Decrease before transfers	(86.824)	-	55.583	-	-	-	(31.241)	239.756	208.515	(3.572)	(0.113)	204.830
Funding basis adjustments	80.927	-	(55.540)	10.702	3.670	3.028	42.787	(42.787)	-	-	-	-
Net increase/decrease before transfers to earmarked reserves	(5.897)	-	0.043	10.702	3.670	3.028	11.546	196.969	208.515	(3.572)	(0.113)	204.830
Transfers to/from earmarked reserves	2.899	(2.899)	-	-	-	-	-	-	-	-	-	-
Movement in Year	(2.998)	(2.899)	0.043	10.702	3.670	3.028	11.546	196.969	208.515	(3.572)	(0.113)	204.830
BALANCE AT 31 MARCH 2018	5.465	154.584	4.402	37.161	13.962	18.992	234.566	691.976	926.542	(76.408)	0.646	850.780

* CIE - Comprehensive Income and Expenditure

Section 8 – Group Financial Statements and Notes

2016/17	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2016	11.231	174.931	4.000	23.032	27.078	12.218	252.490	510.927	763.417	(26.438)	0.775	737.754
Movement in 2016/17:												
Total CIE (Table 8.4.1)	(21.571)	-	179.014	-	-	-	157.443	(155.140)	2.303	(94.678)	(0.016)	(92.391)
Adjustments between group accounts and authority accounts (Note 8.7.3)	(47.693)	-	-	-	-	-	(47.693)	-	(47.693)	47.665	-	(0.028)
Net Increase/Decrease before transfers	(69.264)	-	179.014	-	-	-	109.750	(155.140)	(45.390)	(47.013)	(0.016)	(92.419)
Funding basis adjustments	49.048	-	(178.655)	3.427	(16.786)	3.746	(139.220)	139.220	-	-	-	-
Net increase/decrease before transfers to earmarked reserves	(20.216)	-	0.359	3.427	(16.786)	3.746	(29.470)	(15.920)	(45.390)	(47.013)	(0.016)	(92.419)
Transfers to/from earmarked reserves	17.448	(17.448)	-	-	-	-	-	-	-	-	-	-
Movement in Year	(2.768)	(17.448)	0.359	3.427	(16.786)	3.746	(29.470)	(15.920)	(45.390)	(47.013)	(0.016)	(92.419)
BALANCE AT 31 MARCH 2017	8.463	157.483	4.359	26.459	10.292	15.964	223.020	495.007	718.027	(73.451)	0.759	645.335

* CIE - Comprehensive Income and Expenditure

Section 8 – Group Financial Statements and Notes

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	2016/17 £m	2017/18 £m
Net (Surplus)/Deficit on the provision of Services	99.455	(40.695)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	6.060	204.249
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(53.881)	(58.727)
8.7.4.1 Net Cash Flows from Operating Activities	51.634	104.827
8.7.4.2 Investing activities	(162.453)	(180.718)
8.7.4.3 Financing activities	98.099	85.917
Net Increase or Decrease in Cash and Cash Equivalents	(12.720)	10.026
Cash and cash equivalents at the beginning of the reporting period	48.076	35.356
CASH AND CASH EQUIVALENTS AT 31 MARCH	35.356	45.382

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 2017/18 group accounts are audited
- 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 2018 is £11.682m (31 March 2017 £11.682m)

Nottingham City Homes Limited (Registered Company Number: 05292636)

Nature of the business

The principal activities of the Group are to act as the managing agent of the Council's housing stock and to provide a repairs and maintenance service to the landlord in respect of these properties, as well as owning housing stock of its own for social and market rent.

The Group comprises Nottingham City Homes Ltd (NCH), NCH Registered Provider Ltd and NCH Enterprises Ltd, although the latter was dormant during 2017/18.

Relationship with the Council

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

Risk to the Council

The Council has a management agreement with NCH until 31 March 2020. The annual management fee paid to NCH was £22.842m (2016/17 £22.516m).

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

The Council has a NCH debtor balance of £30.291m at 31 March 2018 (£21.710m at 31 March 2017), this is made up of a loan and a short term debtor balance.

Section 8 – Group Financial Statements and Notes

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 (NCT) of 5% which comprises of 238,526 B Ordinary shares at £1 each.

The company has the following shares in issue:

- 4,532,000 “A” Ordinary shares at £1 each, which are owned by the Council.
- 238,526 “B” Ordinary shares at £1 each, which are owned by Transdev Plc.
- 2,882,750 £1 cumulative, convertible, redeemable preference shares owned by Transdev Plc. These shares carry a 10% coupon rate and are convertible at the rate of 3.64 preference shares to 1 “B” Ordinary share at any time. The shares are redeemable by the shareholder at any time after 1 January 2005, and by the company at any time after 1 January 2010.

The “A” and “B” shares rank equally in all material respects.

The group takes into account 100% of the results of the company with the 5% minority interest being disclosed where appropriate.

Period of Accounts

The financial statements used in the preparation of the group accounts are for the 53 week period ending 31 March 2018 (as this is the last week ending date for NCT’s internal group reporting purposes).

Summarised Financial Information of Nottingham City Transport showing Minority Interest

	2016/17		2017/18	
	NCT £m	5% Minority Interest £m	NCT £m	5% Minority Interest £m
Profit for the period attributable to equity shareholders	(2.635)	(0.132)	(1.374)	(0.069)
Ordinary Dividends Paid	1.579	0.078	2.632	0.132
Other Comprehensive Income and Expenditure	1.390	0.070	1.011	0.050
TOTAL COMPREHENSIVE INCOME	0.334	0.016	2.269	0.113
Non-current Assets	33.847	1.692	41.587	2.079
Current Assets	12.099	0.605	12.955	0.648
Current Liabilities	(15.098)	(0.755)	(17.002)	(0.850)
Non-current Liabilities	(15.663)	(0.783)	(24.624)	(1.231)
NET ASSETS	15.185	0.759	12.916	0.646

Nottingham Ice Centre (Registered Company Number: 3563341)

Nature of the business

The principal activity of the company is to manage the trading aspects of the National Ice Centre.

Relationship with the Council

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

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

Nature of the business

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

Relationship with the Council

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. The company started trading in a controlled manner (Controlled Market Entry) in July 2015 and started trading nationally in September 2015.

Relationship with the Council

The Council is the ultimate controlling party of Robin Hood Energy Ltd (RHE), owning 100% of the issued share capital. The company has the following shares in issue:

- 7,500,000 ordinary shares at £1 each, which are owned by the Council.

Risk

The Council has a RHE debtor balance of £12.446m at 31 March 2018 (£11.579m at 31 March 2017), 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.

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On 3 May 2018 Places for People bought out the Igloo Regeneration Partnership share.

Summarised Financial Information of Blueprint

	2016/17 £m	2017/18 £m
Turnover	(5.881)	(6.098)
Cost of Sales	5.375	5.275
Gross Profit	(0.506)	(0.823)
Other Operating Income	(0.425)	(0.210)
Administrative Expenses	0.503	0.478
Operating Profit	(0.428)	(0.555)
Interest Receivable	(0.012)	(0.016)
Profit for the Year	(0.440)	(0.571)
Other Comprehensive Income and Expenditure	(0.010)	(0.085)
TOTAL COMPREHENSIVE LOSS/(PROFIT) FOR THE YEAR	(0.450)	(0.656)
Current Assets	17.531	17.150
Current Liabilities	(0.804)	(0.779)
Non-current Liabilities	(0.224)	(0.112)
NET ASSETS AS AT 31 MARCH	16.503	16.259
INVESTMENT IN JOINT VENTURE INCLUDED IN THE COUNCIL'S GROUP ACCOUNTS (50% OF NET ASSETS)	8.251	8.129
Amounts included in the above figures:		
Cash at Bank and In Hand (included in current assets)	3.563	5.369
Accruals and Deferred Income (included in Current Liabilities)	(0.729)	(0.269)

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

Nature of the business

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

Relationship with the Council

The company is jointly owned 50/50 by the Council and Nottinghamshire County Council. The Council's share of Futures accumulated net liability and profit / loss in year as at 31 March 2018, equating to £7.348m (2016/17 £8.334m) and £0.986m profit (2016/17 £1.764m 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 £1.165m in 2018/19, being grant funding for the delivery of careers advice.

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Summarised Financial Information of Futures group

	2016/17 £m	2017/18 £m
Revenue	(17.704)	(18.027)
Operating Charges	16.510	17.062
Operating Loss	(1.194)	(0.965)
Finance Costs	0.587	0.575
Investment Income	(0.010)	(0.013)
Loss before Tax	(0.617)	(0.403)
Income Tax Expense	0.272	0.355
Loss for the Year	(0.345)	(0.048)
Other Comprehensive Income and Expenditure	3.873	(1.923)
TOTAL COMPREHENSIVE LOSS/(PROFIT) FOR THE YEAR	3.528	(1.971)
Non-current Assets	0.032	0.074
Current Assets	6.702	7.782
Current Liabilities	(2.328)	(1.925)
Non-current Liabilities	(21.073)	(20.627)
NET LIABILITIES AS AT 31 MARCH	(16.667)	(14.696)
COUNCIL'S SHARE (50%) OF NET LIABILITY NOT RECOGNISED IN THE GROUP ACCOUNTS UNDER IAS 28	(8.334)	(7.348)
Amounts included in the above figures:		
Depreciation (in Operating Charges)	0.088	0.011
Interest on Bank Overdrafts and Loans (in Finance Costs)	0.005	-
Defined Benefit Pension Finance Costs (in Finance Costs)	0.582	0.575
Interest Earned on Loans and Deposits (in Investment Income)	(0.010)	(0.013)
Cash and Cash Equivalents (in Current Assets)	4.326	5.536
Accruals (in Current Liabilities)	(1.575)	(1.127)
Retirement Benefit Obligation (in Non-current Liabilities)	(20.885)	(20.466)

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.

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- In effect, to set up a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.
- The residue of such income is to be applied as the Trustee thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

Relationship with the Council

Bridge Estate is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Bridge Estate are subject to the same financial regulations and procedures as those relating to the Council.

Accounts

Copies of the accounts of Bridge Estate can be obtained from Technical Accounting, Strategy and Resources, Loxley House, Station Street, Nottingham, NG2 3NG.

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.

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.

On 3 May 2018 Places for People bought out the Igloo Regeneration Partnership share.

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.

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Highfields Leisure Park Trust (Registered Charity Number: 1006603)

Nature of the Trust Fund

The Highfields Leisure Park Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. The objective of the Trust is to provide public recreation and pleasure grounds for the people of the City of Nottingham forever.

Relationship with the Council

Highfields Leisure Park Trust is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

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

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

	Restated 2016/17			2017/18		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	23.975	-	23.975	25.192	-	25.192
Interest and similar charges and income	57.901	(7.566)	50.335	51.410	(2.566)	48.844
Trading Operations	1.647	(1.758)	(0.111)	0.879	(1.434)	(0.555)
Income and expenditure in relation to investment properties and changes in their fair value	5.317	(2.017)	3.300	2.301	(15.482)	(13.181)
Other Finance and Investment items	5.377	(10.336)	(4.959)	0.279	(3.663)	(3.384)
TOTAL	94.217	(21.677)	72.540	80.061	(23.145)	56.916

8.7.2 Group Balance Sheet Notes

8.7.2.1 Property, Plant and Equipment

2017/18	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	835.958	875.092	299.751	678.567	32.268	35.018	58.443	2,815.097	290.321
Accumulated Depreciation b/f	-	(61.996)	(136.529)	(183.601)	(9.280)	-	0.062	(391.344)	(16.536)
Accumulated Impairment b/f	-	(0.015)	-	-	(0.200)	-	-	(0.215)	-
Net Book Value at 1 April 2017	835.958	813.081	163.222	494.966	22.788	35.018	58.505	2,423.538	273.785
Additions - Capital Expenditure	29.239	20.339	18.956	22.513	0.958	1.243	31.493	124.741	-
Depreciation Charge	(26.126)	(26.856)	(22.024)	(27.242)	(1.068)	(0.572)	-	(103.888)	(12.776)
Revaluations - Recognised in Revaluation Reserve	23.112	141.469	-	-	-	0.627	-	165.208	9.117
Revaluations - Recognised in the CIES	51.181	(1.041)	-	-	-	(6.579)	-	43.561	2.237
Derecognition - Disposals	(14.549)	(0.410)	(0.539)	-	-	(5.247)	-	(20.745)	-
Derecognition - Other	(3.663)	(45.274)	(0.038)	-	-	(1.270)	-	(50.245)	-
Impairments - Recognised in the CIES	-	0.015	0.016	-	-	-	-	0.031	-
Other - Transfers to Held for Sale	-	-	-	-	-	(2.680)	-	(2.680)	-
Other Transfers	26.027	28.470	2.486	(0.325)	(0.133)	4.456	(61.308)	(0.327)	0.734
Net Book Value at 31 March 2018	921.179	929.793	162.079	489.912	22.545	24.996	28.690	2,579.194	273.097
Gross Book Value c/f	921.179	938.524	308.457	700.755	33.050	24.996	28.690	2,955.651	301.277
Accumulated Depreciation c/f	-	(8.731)	(146.378)	(210.843)	(10.305)	-	-	(376.257)	(28.180)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	(0.200)	-
NET BOOK VALUE AT 31 MARCH 2018	921.179	929.793	162.079	489.912	22.545	24.996	28.690	2,579.194	273.097

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2016/17	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	635.302	861.235	290.427	654.246	31.005	36.301	44.524	2,553.040	296.444
Accumulated Depreciation b/f	-	(55.592)	(118.481)	(157.213)	(8.251)	-	-	(339.537)	(7.611)
Accumulated Impairment b/f	-	(0.069)	(0.671)	-	-	-	-	(0.740)	-
Net Book Value at 1 April 2016	635.302	805.574	171.275	497.033	22.754	36.301	44.524	2,212.763	288.833
Additions - Capital Expenditure	30.377	16.804	17.975	21.143	1.263	8.638	50.365	146.565	-
Depreciation Charge	(25.572)	(24.182)	(20.339)	(26.388)	(1.029)	(0.022)	-	(97.532)	(12.433)
Revaluations - Recognised in Revaluation Reserve	19.102	35.552	-	-	-	0.600	-	55.254	(0.343)
Revaluations - Recognised in the CIES	178.476	(28.847)	-	-	-	(0.640)	-	148.989	(2.272)
Derecognition - Disposals	(7.054)	(0.247)	(0.296)	-	-	(2.661)	(0.001)	(10.259)	-
Derecognition - Other	(4.660)	(18.394)	-	-	-	(7.756)	-	(30.810)	-
Impairments - Recognised in Revaluation Reserve	-	0.055	-	-	-	-	-	0.055	-
Impairments - Recognised in the CIES	-	-	0.017	-	(0.200)	-	-	(0.183)	-
Other - Transfers to Held for Sale	-	-	-	-	-	(1.120)	0.160	(0.960)	-
Other Transfers	9.987	26.766	(5.410)	3.178	-	1.678	(36.543)	(0.344)	-
Net Book Value at 31 March 2017	835.958	813.081	163.222	494.966	22.788	35.018	58.505	2,423.538	273.785
Gross Book Value c/f	835.958	875.092	299.751	678.567	32.268	35.018	58.443	2,815.097	290.321
Accumulated Depreciation c/f	-	(61.996)	(136.529)	(183.601)	(9.280)	-	0.062	(391.344)	(16.536)
Accumulated Impairment c/f	-	(0.015)	-	-	(0.200)	-	-	(0.215)	-
NET BOOK VALUE AT 31 MARCH 2017	835.958	813.081	163.222	494.966	22.788	35.018	58.505	2,423.538	273.785

8.7.2.2 Investment Properties

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

	2016/17 £m	2017/18 £m
Opening Balance At 1 April	87.752	174.244
Additions	87.859	94.924
Disposals	(0.655)	(3.607)
Net gains/losses from fair value adjustments	(1.056)	(0.648)
Transfers to / from Property Plant and Equipment	0.344	0.001
CLOSING BALANCE AT 31 MARCH	174.244	264.914

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 2017 £m	31 March 2018 £m
Central government bodies	15.257	21.678
Other local authorities	4.192	3.338
NHS bodies	3.428	6.985
Public corporations and trading funds	1.731	-
Other entities and individuals	61.958	66.799
TOTAL	86.566	98.800

8.7.2.4 Cash and Cash Equivalents

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

	31 March 2017 £m	31 March 2018 £m
Cash held by the Authority / Group Organisation	0.402	0.208
Bank current accounts	22.954	16.142
Short-term deposits with banks and building societies	12.000	29.032
TOTAL CASH AND CASH EQUIVALENTS	35.356	45.382

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8.7.2.5 Short Term Creditors

	31 March 2017 £m	31 March 2018 £m
Central government bodies	(20.341)	(29.236)
Other local authorities	(3.434)	(4.731)
NHS bodies	(2.975)	(4.102)
Other entities and individuals	(140.273)	(150.290)
TOTAL	(167.023)	(188.359)

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 2017 £m	31 March 2018 £m
Revaluation Reserve	401.418	538.372
Capital Adjustment Account	986.821	1,002.887
Financial Instruments Adjustment Account	(6.400)	(6.146)
Pensions Reserve	(860.824)	(820.201)
Deferred Capital Receipts Reserve	1.235	2.146
Collection Fund Adjustment Account	1.460	3.937
Accumulated Absences Account	(4.476)	(4.022)
Profit and Loss and Other Reserves of Group Entities	(101.166)	(104.968)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	0.701	0.579
Minority Interest - Equity	0.759	0.646
TOTAL	419.528	613.230

Revaluation Reserve

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

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

The reserve contains only revaluation gains accumulated since 1 April 2007, when the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2016/17 £m	2017/18 £m
Opening Balance at 1 April	361.348	401.418
Upward revaluation of assets	73.676	217.395
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(18.092)	(49.786)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	55.584	167.609
Difference between fair value depreciation and historical cost depreciation	(10.671)	(12.853)
Accumulated gains on assets sold or scrapped	(4.843)	(17.802)
Amount written off to the Capital Adjustment Account	(15.514)	(30.655)
CLOSING BALANCE AT 31 MARCH	401.418	538.372

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Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation. Impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Group. The account also contains revaluation gains accumulated on PPE before 1 April 2007 when the Revaluation Reserve was created.

	2016/17 £m	2017/18 £m
Opening Balance at 1 April	810.198	986.821
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(1.156)	(1.561)
Charges for depreciation of non-current assets	(91.088)	(96.700)
Charges for impairment of non-current assets	(0.145)	0.015
Revaluation losses on Property, Plant and Equipment	148.989	43.560
Donated Assets		
Movements in the market value of Investment Properties	0.387	(1.394)
Revenue expenditure funded from capital under statute (REFCUS)	(2.929)	(5.216)
REFCUS expenditure funded by grants	1.915	3.777
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(41.523)	(74.113)
Adjusting amounts written out of the Revaluation Reserve	15.537	30.677
	<u>29.987</u>	<u>(100.955)</u>
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	9.427	15.463
Use of the Major Repairs Reserve to finance new capital expenditure	44.112	24.115
Application of grants to fund capital expenditure	35.992	33.501
Statutory provision for the financing of capital investment charged against the General Fund	4.101	26.761
Voluntary Revenue Provision for Capital Financing	24.726	0.728
Adjustment to MRP as a result of PFI Projects	7.460	6.932
Capital expenditure charged against the General Fund and HRA balances	20.825	10.258
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(0.007)	(0.737)
	<u>146.636</u>	<u>117.021</u>
CLOSING BALANCE AT 31 MARCH	986.821	1,002.887

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8.7.3 Group Movement in Reserves Statement Notes

The 2016/17 financial statements of RHE have been restated. An opening balance adjustment of £0.615m has been included in the Group MIRS.

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

2017/18	General Fund Balance	Total Usable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(79.508)	(79.508)	(79.508)	79.508	-
Receipts in relation to goods and services provided to subsidiaries	23.056	23.056	23.056	(23.056)	-
Interest and investment income from/to subsidiaries	3.433	3.433	3.433	(3.433)	-
Contributions from subsidiaries	1.545	1.545	1.545	(1.545)	-
Other movements	-	-	-	(0.006)	(0.006)
TOTAL ADJUSTMENTS	(51.474)	(51.474)	(51.474)	51.468	(0.006)

2016/17	General Fund Balance	Total Usable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(75.853)	(75.853)	(75.853)	75.853	-
Receipts in relation to goods and services provided to subsidiaries	25.029	25.029	25.029	(25.029)	-
Interest and investment income from/to subsidiaries	1.586	1.586	1.586	(1.586)	-
Contributions from subsidiaries	1.545	1.545	1.545	(1.545)	-
Other movements	-	-	-	(0.028)	(0.028)
TOTAL ADJUSTMENTS	(47.693)	(47.693)	(47.693)	47.665	(0.028)

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8.7.4 Group Cash Flow Notes

8.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2016/17 £m	2017/18 £m
Interest received	2.496	4.071
Interest paid	(39.147)	(34.202)
Dividends received	2.070	2.514
Dividends paid	(1.867)	(2.920)

8.7.4.2 Investing Activities

	2016/17 £m	2017/18 £m
Purchase of property, plant and equipment, investment property and intangible assets	(250.220)	(240.343)
Purchase of short-term and long-term investments	(0.019)	(7.500)
Other payments for investing activities	(14.063)	(23.903)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	14.998	9.052
Proceeds from short-term and long-term investments	29.994	29.426
Other receipts from investing activities	56.857	52.550
NET CASH FLOWS FROM INVESTING ACTIVITIES	(162.453)	(180.718)

8.7.4.3 Financing Activities

	2016/17 £m	2017/18 £m
Cash receipts of short and long-term borrowing	148.700	223.196
Other receipts from financing activities	-	3.946
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(11.881)	(13.374)
Repayments of short and long-term borrowing	(38.720)	(132.303)
Other payments for financing activities	-	(3.048)
Issue of share capital	-	7.500
NET CASH FLOWS FROM FINANCING ACTIVITIES	98.099	85.917

Section 9 (Appendix A)

Accounting Policies

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

9.1 General Principles

9.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 (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 2017/18. 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.

9.1.2 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.

9.1.3 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.

9.1.4 Events after the Balance Sheet Date

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

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

Section 9 - Accounting Policies

9.1.5 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accruals 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 forecast cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service 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.

9.2 Policies primarily affecting the CIES

9.2.1 Government Grants and Contributions

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

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.

9.2.2 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.

9.2.3 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.

9.2.4 Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

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

NHS Pension Scheme

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

Teachers' Pension Scheme

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

Defined Benefit Schemes (Local Government Pension Scheme)

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

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

9.2.5 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.

9.2.6 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 following the appropriate accounting treatment as per the Code.
- Interest costs and expected return on Defined Benefit Pension Schemes.

9.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

- The proportion of receipts relating to HRA disposals payable to the Government

- Gains or losses on sale and de-recognition of non-current assets (excluding investment properties)
- Actuarial gains or losses and return on plan assets of Defined Benefit Pension Schemes, which are charged to the Pension Reserve

9.2.8 Overheads and Support Services

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

9.2.9 Carbon Reduction Commitment Scheme

As energy is used and carbon dioxide is emitted, an expense is charged to services based on the current market price of allowances, and a corresponding liability is 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.

9.2.10 Council Tax and National Non Domestic Rates (NNDR)

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

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

9.2.11 Jointly Controlled Operations

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

9.2.12 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.

9.2.13 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.

9.3 Policies primarily affecting the Balance Sheet

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

PPE - Recognition

General

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be reliably measured. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

Surplus Assets

Assets that are surplus to service needs but that do not meet the classification of Investment Property or Assets Held for Sale are classified as PPE 'Surplus', 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). The Council carries the assets used under the contracts, on its Balance Sheet as PPE and they are accounted for in the same way as the other assets. The original recognition of assets is at current value with a corresponding liability for the amounts due to the scheme operator.

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

Finance Leases - General

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

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

Finance Leases – where the Council is Lessee

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

Lease payments are apportioned between:

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

Finance Leases – the Council as Lessor

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

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

Heritage Assets

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

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

Intangible Assets

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

- Community and Infrastructure assets for example parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.
- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2016 based on a desktop valuation of beacon properties by Chartered Surveyors 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 2014. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are adjusted annually by the Council to provide an internal valuation which is used until the collection is periodically externally revalued. Acquisitions are held at their purchase price, adjusted annually each year (except in year of purchase), until the next valuation.

Section 9 - Accounting Policies

- All other assets are valued at current value.

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

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

Any revaluation losses are firstly written down against any previous revaluation gains held in the Revaluation Reserve. Where there are no previous revaluation gains, the losses are charged to the relevant 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
Heritage Assets	0.005

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

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

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

Componentisation

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

Fair Value Measurement

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

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

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

When measuring the fair value of a non-financial asset, the 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.

Section 9 - Accounting Policies

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

Level 3 – unobservable inputs

9.3.2 Investment Property

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

Investment properties are measured initially at cost. They are not depreciated but are revalued annually according to market conditions.

9.3.3 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.

9.3.4 PPE Assets Held for Sale

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

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

9.3.5 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.

9.3.6 Financial Liabilities

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

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

9.3.7 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.

9.3.8 Provisions

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

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

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.

9.3.9 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.

9.3.10 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.

9.3.11 Defined Benefit Schemes (Local Government Pension Scheme)

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

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

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond yield curve.

9.3.12 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.

9.4 Policies Affecting the Cash Flow Statement

9.4.1 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.

9.5 Policies used to account on a Funding Basis

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

9.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

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

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

9.5.2 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.

9.5.3 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.

9.5.4 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.

9.5.5 Employee Benefits

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

9.5.6 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.

9.5.7 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.

9.5.8 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 within the Financial Instruments Adjustment Account.

9.5.9 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.

9.6 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

Section 9 - Accounting Policies

- Subsequent revaluation of assets held for sale
- Jointly controlled assets
- Provision for back pay arising from unequal pay claims
- Treatment of foreign currency translations
- Acquired operations
- Discontinued operations

Section 10 (Appendix B)

PENSION SCHEMES

10.1 Defined Benefit Pension Schemes accounted for as Defined Contribution Schemes

10.1.1 Teachers' Pension Scheme

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

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

The scheme has more than of 8,000 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 2017/18, the Council paid £3.399m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2016/17 were £3.741m and 16.48%. The employer contribution rate for 2018/19 stay at 16.48% (which includes a levy of 0.08% for administration).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Scheme. These costs are accounted for on a defined benefit basis and shown under past service costs/gains in section 10.2.1 below. The teacher's benefits arrangements have no assets to cover its liabilities.

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

10.1.2 NHS Pension Scheme

Public Health employees who transferred into the Council from Nottingham City PCT on 01 April 2013 are members of the NHS Pension Scheme. The NHS Pension Scheme is administered by NHS Business Services Authority.

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

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

Section 10 – Pension Schemes

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

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

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2012 the valuation report recommended that employer contributions should be at a rate of 14.3% of pensionable pay for both the 1995/2008 Scheme and the 2015 Scheme. However, in March 2017 a levy on the employers of 0.08% was introduced to pay for the administration of the NHS Pension Scheme. The 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 2017/18 the Council's contribution to the Scheme was £0.086m, representing 14.38% of pensionable pay (£0.596m). The Councils expected contributions to the Scheme for 2018/19 are 14.38% (which includes the levy of 0.08% for administration) of member's pensionable pay.

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

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

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.

10.2 Defined Benefit Pension Scheme

10.2.1 Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, and currently provides benefits based on career average revalued earnings.

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

As administering authority to the Fund, Nottinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These are amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the

contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer’s withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013. This will determine the termination contribution due by the Employer, based on assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

Investment risk: The Fund holds investment in asset classes, such as equities, which have volatile market values whilst these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

Interest rate risk: The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

Inflation risk: All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

Longevity risk: In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund with insufficient assets to cover their pension obligations so the difference may fall on the remaining employers.

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

Assets and Liabilities in Relation to Post-employment Benefits

The projected pension expenses for the year to 31 March 2019 are as follows:

	LGPS 31 March 2019 £m	Teachers Benefits £m
Service cost	48.554	-
Net interest on the defined liability (asset)	19.547	0.901
Administration expenses	0.418	-
TOTAL	68.519	0.901
Employer Contributions	30.738	-

Note that these figures exclude the capitalised cost of any early retirement or augmentations which may occur after 31 March 2018.

Actuarial Methods and Assumptions

Both the Local Government Pension Scheme and Teachers Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with

Section 10 – Pension Schemes

estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2016 and using financial assumptions that comply with IAS19.

Valuation Data - Data Sources

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

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2017 IAS19 report which was carried out for accounting purposes.
- Estimated whole fund income and expenditure items for the period to 31 March 2018.
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2017 and 31 December 2017, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2018.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2018.
- Details of any new early retirements for the period to 31 March 2018 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of the data items have been estimated, they are not likely to have a material effect on the results. The actuary is not aware of any material changes or events since they received the data. The actuary checks the data for reasonableness to ensure it is sufficient for them to be able to provide advice.

Employer Membership Statistics

The table below summarises the membership data, used for the formal valuation as at 31 March 2016 for members receiving funded benefits. A number of estimates were made for missing payroll information at the actuarial valuation. The unfunded benefits data is at 31 March 2016.

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Actives	8,247	160.454	45
Deferred Pensioners	12,258	15.094	46
Pensioners	6,545	29.722	70
Unfunded Pensioners	851	0.702	79

The Council also has a share of the responsibility for some of the historic Nottinghamshire County Council liabilities accrued prior to the reorganisation of local government 1 April 1998, and a responsibility for the liabilities of Nottingham City Transport accrued prior to 26 October 1986. The data underlying the pre-1998 Nottinghamshire County Council and Nottingham City Transport LGPS liabilities is as follows as at 31 March 2016:

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Pre-1998 Nottinghamshire County Council:			
Deferred pensioners	3,628	2.171	54
Pensioners	5,683	19.545	77
Unfunded Pensioners	1,453	1.499	82
Nottingham City Transport:			
Actives	68	1.654	59
Deferred pensioners	48	0.177	57
Pensioners	815	5.045	72

The service cost for the year ending 31 March 2018 is calculated using an estimate of the total pensionable payroll during the year of £134.638m. The projected service cost for the year ending 31 March 2019 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 2018. The total annual pension that came into payment was £0.126m.

Scheduled Contributions

The table below summarises the minimum employer contributions due from the Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 13.7% of payroll p.a. The monetary amounts are due to be paid in monthly instalments.

	Minimum employer contributions due for the period beginning		
	1 Apr 2017	1 Apr 2018	1 Apr 2019
	£m		
Percent of Payroll	13.7%	13.7%	13.7%
plus monetary amounts	12.009	12.296	12.590

However, the Council have agreed with the administering authority that they will prepay their monetary contributions for the three years to 31 March 2020 by making lump sum payments of £11.695m, £11.975m and £12.262m by 30 April 2017, 30 April 2018 and 30 April 2019 respectively. These lump sum payments have received an actuarially equivalent discount to the monetary rates above and the Council has been notified separately of these amounts. If the Council does not make these lump sum payments by 30 April each year, the contribution rates set out above will apply as normal.

The Council may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by the actuary.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 3%. The actual return on Fund assets over the year may be different.

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The LGPS estimated asset allocation for the Council as at 31 March 2018 is as follows:

	Local Government Pension Scheme			
	31 March 2017		31 March 2018	
	£m	%	£m	%
Equities	743.505	70%	708.636	66%
Gilts	32.498	3%	24.688	2%
Other Bonds	64.136	6%	125.892	12%
Property	118.195	11%	135.382	13%
Cash	53.482	5%	21.293	2%
Inflation-linked pooled fund	26.538	2%	26.663	2%
Infrastructure	24.703	2%	35.162	3%
TOTAL	1,063.057	100%	1,077.716	100%

The bid values have been estimated where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2018 is likely to be different from that shown due to estimation techniques.

Based on the above, the Council's share of the assets of the Fund is approximately 21%.

The following information has been provided by the administering authority regarding the detail of the assets as at 31 December 2017. It represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset Breakdown	31 Dec 2017	
	% Quoted	% Unquoted
Fixed Interest Government Securities:		
UK	2.3%	-
Corporate Bonds:		
UK	11.2%	-
Overseas	0.5%	-
Equities:		
UK	24.7%	0.1%
Overseas	39.4%	-
Property:		
All	-	12.6%
Others:		
Private Equity	-	1.6%
Infrastructure	-	3.3%
Inflation Linked	-	2.5%
Cash/Temporary Investments	-	2.0%
TOTAL	78.0%	22.0%

Please note that as above, no adjustments for presentational purposes have been made to the percentages shown.

Valuation Approach

To assess the value of the Council’s liabilities at 31 March 2018, the value of the Council’s liabilities calculated for the funding valuation as at 31 March 2016 have been rolled forward, using financial assumptions compliant with IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member’s death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2018 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2018 should not introduce any material distortions in the results, provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. The actuary has confirmed that there appears to be no evidence that this approach is inappropriate.

The asset share has been calculated by rolling forward the assets allocated to the Council at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from the fund by and in respect of the Council and its employees.

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	
	2016/17	2017/18	2016/17	2017/18
Mortality Assumptions (Years):				
Longevity at 65 retiring today:				
Males	22.5	22.6	22.5	22.6
Females	25.5	25.6	25.5	25.6
Longevity at 65 retiring in 20 years:				
Males	24.7	24.8	24.7	n/a
Females	27.8	27.9	27.8	n/a
Financial Assumptions:				
RPI increase	3.60%	SEIR approach	3.20%	SEIR approach
CPI increase	2.70%	2.30%	2.30%	2.35%
Rate of increase in salaries	4.20%	3.80%	n/a	n/a
Rate of increase in pensions	2.70%	2.30%	2.30%	2.35%
Rate for discounting scheme liabilities	2.70%	2.55%	2.10%	2.45%
Estimate in years of duration of liabilities	19	19	11	11

The financial assumptions are set with reference to market conditions at 31 March 2018.

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An estimate of the Council's future cash flows is made using notional cash flows based on the estimated duration of liabilities. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

Similarly to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield spot curve, as applying the Bank of England (BoE) implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. The approach has changed from the "spot rate" approach adopted at the previous accounting date to reflect national auditor preferences.

As future pension increases are expected to be based on the Consumer Price Index (CPI) rather than RPI, a further assumption about CPI is that it will be 1.0% p.a. below RPI i.e. 2.3%. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where CPI was assumed to be 0.9% lower than RPI.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale in the long term. However, a short-term overlay for salaries to rise at 2.707% for the year to 31 March 2019 and by 2.802% for the year to 31 March 2020 has been allowed for. This differs from the previous year where salaries were assumed to increase by 1.0% p.a. to 31 March 2020.

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Past Service Costs/Gains

Past service costs or gains arise as a result of introduction or withdrawal of or changes to member benefits. For example, an award of additional discretionary benefits to a member such as added years would be considered a past service cost. No additional benefits were granted over the year ending 31 March 2018.

Curtailments

The cost of curtailments is calculated as a result of the payment of unreduced pensions on early retirement. The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, 27 former Council employees became entitled to unreduced early retirement benefits under the LGPS. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £0.983m. This has been included within the service cost.

Settlements

As a result of some members transferring into / out of the Council over the year liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £10.034m.

A summary of the transfers into/out of the Council over the last year is set out below. This includes the value of the assets transferred to/from the Council in respect of any transfers and the value of the transferred defined benefit obligation (as calculated on a basis consistent with the start of the year). Where applicable, the date of the report provided to the Administering Authority in relation to the transfer which includes a summary of the membership data used to calculate the value of the assets and liabilities transferred has been provided.

Some of the transfers occurred in the previous accounting period but the actuary was not notified of completion until after the production of last year's IAS19 report. These transfers have been included as settlements in this accounting period.

Settlements In	Transfer Date	Assets	Liabilities	Report Date
		Transferred £m	Transferred £m	
Council transferred from:				
Nottingham City Homes	1 June 2017	0.174	0.392	n/a
TOTAL		0.174	0.392	
Council transferred to:				
Aspens Catering Services (St Patricks Catholic Primary)	1 January 2017	0.046	0.073	5 January 2017
Scotholme Primary School	1 February 2017	0.513	1.858	31 May 2017
Unity Learning Centre	1 April 2017	0.119	0.432	18 August 2017
Denewood Learning Centre	1 April 2017	0.046	0.213	18 August 2017
Robert Shaw Primary and Nursery School	1 June 2017	0.428	1.300	6 September 2017
William Booth Primary School	1 June 2017	0.481	1.552	15 September 2017
Whitegate Primary School	1 July 2017	0.599	1.793	27 September 2017
Mapplewells Primary School	1 July 2017	0.270	0.895	28 September 2017
Springfield Primary School	1 June 2017	0.515	1.621	20 October 2017
Woodlands School	1 April 2017	0.627	2.056	30 October 2017
Westbury School	1 April 2017	0.607	2.035	27 October 2017
Stanstead Nursery and Infants School	1 September 2017	0.244	0.722	28 September 2017
Oakwood Academy	30 August 2017	0.161	0.360	n/a
TOTAL		4.656	14.910	

Demographics

The demographics used by the actuary are consistent with those used for the most recent Fund valuation, carried out at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Section 10 – Pension Schemes

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.

	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	1,825.715	1,860.099	1,895.165	37.403	37.818	38.239
Projected service cost	47.366	48.554	49.773	-	-	-
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%	-	-	-
Present value of total obligation	1,863.179	1,860.099	1,857.039	-	-	-
Projected service cost	48.554	48.554	48.554	-	-	-
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,892.137	1,860.099	1,828.659	38.239	37.818	37.402
Projected service cost	49.775	48.554	47.362	-	-	-
Adjustment to life expectancy assumptions:	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,930.397	1,860.099	1,792.442	39.559	37.818	36.155
Projected service cost	50.103	48.554	47.053	-	-	-

Section 11

ABBREVIATIONS/GLOSSARY

11.1 Abbreviations

BID	-	Business Improvement District
BSF	-	Building Schools for the Future
CIES	-	Comprehensive Income and Expenditure Statement
CFR	-	Capital Financing Requirement
CRC	-	Carbon Reduction Credits
DSG	-	Dedicated Schools Grant
EFA	-	Expenditure and Funding Analysis
EMSS	-	East Midlands Shared Services
HRA	-	Housing Revenue Account
IBNR	-	Incurred but not yet Reported
IAS	-	International Accounting Standard
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

11.2 Glossary of Financial Terms

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

Accounting Period

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

Accounting Policies

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

Accrual

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

Actuarial gains and losses

This reflects the extent to which the movements of the pension assets and liabilities over the accounting year have not been exactly as assumed at the previous accounting date, and also the effect on the pension liabilities of changes to the assumptions used to value them.

Agency Services

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

Amortisation

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

Assets

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

Audit Commission

Was an independent public corporation that existed between 1 April 1983 until 31 March 2015 which had the responsibility of appointing **external auditors** to local authorities. This responsibility has now been passed to **PSAA Ltd**.

Bad (and doubtful) Debts

Debts which may be uneconomical to collect or unrecoverable.

Balance Sheet

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

Business Rates – see National Non-Domestic Rates

Capital Adjustment Account

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

Capital Expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

Capital Financing Requirement

An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account and **Revaluation Reserve**. This represents the Council's "underlying" need to borrow. The Council is required to make an annual provision from revenue resources to meet its debt repayment obligations. This is known as the **Minimum Revenue Provision**.

Capital Receipt

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

Cash and Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice on Local Authority Accounting (UK)

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

Collection Fund

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

Community Assets

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

Consolidated

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

Contingency

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

Contingent Liabilities

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

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).

Council Tax

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

Council Tax Benefit

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

Council Tax Discounts and Exemptions

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

Creditors

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

Current Service Cost

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

Current Value

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

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

Debtors

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

Dedicated Schools Grant

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

Defined Benefit Pension Scheme

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

Depreciation

A charge to the revenue account to reflect the reduction in an asset's value as a result of its use in the delivery of services.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

External Audit

The auditor is appointed by **PSAA Ltd** and is required to verify that all statutory and regulatory requirements have been met during the production of the Council's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

Fair Value

The fair value of an **asset** is the price at which assets or liability could be exchanged between market participants at the measurement date under current market conditions.

Finance Lease

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

Financial Instrument

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

Fixed Assets

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

Funding Basis

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

General Fund

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

Group Financial Statements

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

Heritage Assets

Assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture.

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.

Section 11 – Abbreviations/Glossary

Housing Revenue Account (HRA)

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

Impairment

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

Infrastructure Assets

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

Intangible Assets

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

International Financial Reporting Standards

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

Investment Properties

An interest in land and buildings that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services as well as for investment purposes does not meet the definition of an investment property.

Joint Ventures

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

Liability

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

Medium Term Financial Plan (MTFP)

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

Minimum Revenue Provision

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

National Non-Domestic Rates (NNDR)

The means by which local businesses contribute to the cost of providing the Council's services. NNDR cover all property consisting of land or buildings not classed as domestic property or exempt from rating. The Valuation Office Agency gives a rateable value to each non-domestic property and this is used by local councils to calculate a property's business rates.

Net Revenue Expenditure

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

Non-Cancellable Lease

A lease that is cancellable only:

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

Non-operational Assets

Assets held by the Council but not actually used in the direct delivery of services, including surplus assets and **investment properties**. See **Operational Assets**.

Operating Leases

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

Operational Assets

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

Outturn

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

Past Service Cost

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

PFI Credits

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

Post Balance Sheet Events

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

Precept

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

Prior Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the 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.

Section 11 – Abbreviations/Glossary

Provision

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

Prudential Code

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

Public Sector Audit Appointments (PSAA) Ltd

PSAA was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government has delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. Under these transitional arrangements, PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. Before 1 April 2015, these responsibilities were discharged by the Audit Commission. The Secretary of State has specified PSAA as an appointing person under provisions of the Local Audit and Accountability Act 2014. For audits of the accounts from 2018/19, PSAA will appoint an auditor to relevant principal local government bodies that opt into its national scheme.

Public Works Loans Board (PWLB)

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

Reserves

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

Residual Value

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

Revaluation Reserve

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

Revenue Expenditure

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

Revenue Expenditure Funded From Capital under Statute (REFCUS)

This is expenditure that legislation allows to be funded from capital resources that does not result in an **asset** to the Council (e.g. Housing improvement grants). This expenditure is written off to the Income and Expenditure Account in the year it is incurred.

Revenue Support Grant (RSG)

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

Section 106 contributions

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

Service Reporting Code of Practice

Published by **CIPFA** the Service Reporting Code of Practice establishes “proper practice” with regard to consistent financial reporting to enhance the comparability of local authority financial information and was given statutory force in England by regulations under the Local Government Act 2003.

Single Entity Financial Statements

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

Specific Grant

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

Stocks

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

Subsidiary and Associated Companies

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

Trading Accounts

Services run commercially to provide services that are mainly funded from fees and charges levied on customers.

Trust Funds

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

Work in Progress

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