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Nottingham City Council
Audit Committee

Date: Friday, 14 February 2025

Time: 9.30 am

Place: Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG

Councillors are requested to attend the above meeting to transact the following business

Director for Legal and Governance

Governance Officer: Kate Morris **Direct Dial:** 0115 8764214

1	**Apologies**	
2	**Declarations of interest**	
3	**Minutes** To confirm the minutes of the meeting held on 29 November 2025	3 - 12
4	**Work Programme** To note.	13 - 18
5	**Recommendation tracker** To note	19 - 22
6	**External Audit - Audit Findings 2023/24** Report of the External Auditor	To Follow
7	**Statement of Accounts 2023/24** Report of the Interim Corporate Director of Finance and Resources.	23 - 238
8	**Treasury Management Strategy and Capital Strategy 2025/26** Report of the Interim Director of Finance and Resources	239 - 328
9	**Exclusion of the Public** To consider excluding the public from the meeting during consideration	

of the remaining item(s) in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information

If you need any advice on declaring an Interest in any item on the agenda, please contact the Governance Officer shown above, if possible before the day of the meeting.

Citizens are advised that this meeting may be recorded, including by members of the public. Any recording or reporting on this meeting should take place in accordance with the Council's policy on recording and reporting on public meetings, which is available at www.nottinghamcity.gov.uk. Individuals intending to record the meeting are asked to notify the Governance Officer shown above in advance.

Nottingham City Council

Audit Committee

Minutes of the meeting held at Ground Floor Committee Room - Loxley House, Station Street, Nottingham, NG2 3NG on 29 November 2024 from 9.37 am - 12.31 pm

Membership

Present	**Absent**
Councillor Adele Williams (Chair)	Councillor Patience Uloma Ifediora
Councillor Liaqat Ali	Councillor Eunice Regan
Councillor Michael Edwards	Councillor Andrew Rule
Councillor Samuel Gardiner	
Councillor Sulcan Mahmood	
Councillor Sajid Mohammed (Vice Chair)	

Colleagues, partners and others in attendance:

Councillor Linda Woodings	-	Executive Member for Finance and Resources
Parama Datta	-	Interim Head of Internal Audit
Stuart Fair	-	Interim Corporate Director of Finance
Glenn Hammons	-	Interim Assistant Director - Technical Finance
Kate Morris	-	Scrutiny and Audit Support Officer
Andrew J Smith	-	Grant Thornton – External Auditor
Damon Stanton	-	Scrutiny and Audit Support Officer
Mary Wren	-	Grant Thornton – External Auditor
Margaret Lee	-	Commissioner

50 Apologies

Councillor Andrew Rule – illness
Councillor Patience Uloma Ifediora – annual leave
Councillor Eunice Regan – personal

51 Declarations of interest

In the interests of transparency, Councillor Adele Williams highlighted that she was a former director at Blueprint and Thomas Bow. This did not preclude her from speaking on any item on the agenda.

In the interests of transparency, Councillor Linda Woodings highlighted that she was the Council's former nominated shareholder for Nottingham City Homes (NCH). This did not preclude her from speaking on any item on the agenda.

52 Minutes

The Minutes of the meeting held on 27 September 2024 were confirmed as a true record and they were signed by the Chair.

53 Recommendation Tracker

The Committee noted the Recommendation Tracker.

54 Audit Committee Work Programme for 2024-5

The Chair presented the Committee's Work Programme.

The Committee noted the Work Programme.

55 Internal Audit & Counter Fraud Update

The interim Head of Internal Audit presented a report which provided an update on the delivery status against the 2023/24 annual audit plan (including results of finalised internal audit reports), counter fraud outcomes for 2023/24, work undertaken to develop the risk based audit plan for 2024/25, and a summary of progress made against the risk and internal audit improvement plan. The following information was highlighted:

a) The 2023/2024 internal audit plan has been successfully completed.

b) Management responses from all the outstanding internal audit reports have been obtained and are complete.

c) In accordance with the Public Sector Internal Audit Standards (PSIAS), a risk-based model plan will be in place for 2024/25. The draft Plan reflects the current service development priorities and for 2024/25 these include increased continued emphasis on management accountability, organisational change and risk management. There are, however, limited resources in the team to help deliver the Plan at the pace the Council would like.

d) The Council has continued to make steady progress against the Risk and IA Improvement programme within the Council's Improvement Plan approved by Council in August 2024 and has taken a prioritised approach in delivering each activity.

The following points were raised in discussion:

e) The Committee asked if the delivery of the future Plan is in alignment with other local authorities. Assurance was given that the Council had carried out high level horizon scanning to ensure that the Plan is in-line with other Councils but that it also reflects the context and priorities of the City Council at this time. This would be done for both the 2024/2025 and 2025/2026 Plan.

f) Members sought assurance that the Council has sufficient technical skills to ensure that internal audit could function at a good standard. It was explained that a competency and skills mapping exercise had recently been done which identified some gaps in the skills required in the current team. As part of the functions review process, there has been a number of future operating models identified, and plans can be shared with the Committee at the appropriate time.

g) The Committee asked how risk, including response and planning to risk, is being embedded within the Organisation, including senior management responsibility and monitored through performance management. It was explained that the current risk register needs refreshing to have more of an impact on the Council's approach to risk, including financial sustainability and service risk. It remains a difficult area for the Council and further improvement needs to be made.

h) The Executive Member for Finance outlined her concerns in regards to resourcing and that this may pose a challenge to the Council in developing an effective internal audit function. Assurance, however, could be given that the prioritised items for auditing were correct with the limited resources available.

Resolved:

1) **That work is done to assess whether the Council has the capacity to drive the prioritised items for auditing.**

2) **To note the status of the 2023/24 audit and counter fraud delivery.**

3) **To approve the annual audit plan for 2024/25.**

4) **To note the improvement actions taken to stabilise the Risk and Internal Audit function.**

56 External Audit Updates

Andrew Smith and Mary Wren, representing the Council's External Auditors, Grant Thornton, presented a report which provided an update on the activity of the External Auditors, including the Audit Findings reports; the draft audit opinions for 2020/21, 2021/22, and 2022/23; the draft letters of representation for 2019/20, 2020/21, 2021/22 and 2022/23; and the draft Audit Plan for 2023/24. The report also included an exempt appendix outlining the IT Audit Report which would be considered after the exclusion of the public. The following information was highlighted:

a) The Committee was reminded that in October 2024 the Government legislated to effectively backstop any audits up to the year 2022/23 by 13 December 2024. The Committee is therefore being presented with audit opinions for the financial years 2019/20 to 2022/23.

b) The Committee was reminded that the 2019/20 audit will effectively be a backstopped audit as despite the substantial work done a number of issues have been identified which prevented the external auditors from completing the audit. These issues are reflected in the audit opinion. The Committee is being asked to approve the draft letter of representation so that it can be signed and returned to Grant Thornton.

c) For the remaining accounts up until 2022/23, progress has been limited due to not completing the 2019/20 accounts. Planning, value for money, and IT audit work have been completed but no substantive work done. They are therefore backstopped opinions, and the implication are that no assurance can be given on opening balances for the 2023/24 accounts and these will have to have a disclaimer opinion. Over time, assurance will be recovered on the Council's accounts and that recovery will start from the 2023/24 audits. The draft audit findings reports summarise the findings and progress made on those years, and the Committee is asked to approve the draft representation letters for those years so they can be signed and returned to Grant Thornton.

d) The 2023/24 Audit Plan is the start of the recovery period in regaining assurance with the Council's accounts. The external auditors highlighted a number of areas of focus including gathering areas of assurance around the Council's income and expenditure; significant risk areas such as valuation of land and buildings, and net pension liabilities; value for money arrangements; and the audit logistics where Grant Thornton explained they are fully resourced for the 2023/24 audit and the final visit will take place in February 2025. Work will then commence on the 2024/25 audit.

The following points were raised in discussion:

e) The Committee asked what risk analysis had been done as a result of the accounts not being complete and receiving a disclaimer opinion. It was explained that the biggest risk is that no assurance is able to be given on the opening statements for the 2023/24 accounts, and it will take several years to fully recover the position. Grant Thornton has also not received full assurance that some of the issues which prevented the 2019/20 accounts from being completed have been addressed, such as management override controls, and that this has created uncertainty with the accounts for subsequent years. It was stated that the level of uncertainty is impossible to quantify.

f) The Committee asked how long the remaining work on the accounts would have taken if the Government had not legislated for the backstop. It was explained that it would have taken a further six months at a minimum per each financial audit due to the complexities involved.

g) Members queried whether any other local authorities had been prioritised over the Council's audits. It was clarified that no council had been prioritised and that the Council's audits had been complex and taken up significant resources within Grant Thornton.

h) Although the Council had generally been timely with responding to requests for information, there had been occasions when the external auditors had experienced delays and requests rejected for further investigations by independent forensic experts such as in relation to the management override controls issue identified. Grant Thornton also accepted that there has been resourcing issues on their part. The Chair, however, agreed that this was a national issue and that the backstop allowed the Council to start to recover assurance and stabilise its position.

i) The Committee asked at what point will full assurance be recovered on the Council's accounts. It was explained that the 2024/25 audit is when real progress could be made on recovering assurance, although it is unlikely that all of the opening balance sheet issues will be resolved at this point, and it may take several years to fully recover assurance. This is also a national issue and not unique to Nottingham City Council. The Government and industry regulator are still in discussion about potential solutions to the problem to due to the impact on the sector.

j) There was a consensus that as the Council rebuilt its internal audit processes and regained assurance, this would in turn give the external auditors more confidence and assurance in the Council's accounts.

k) The Executive Member for Finance informed the Committee that the Council has an improvement plan in place based on strengthening internal governance and looks to address the management override issues identified, and that there is a financial accountability framework in place for all officers. The NCC Improvement Plan also has several areas of work which are being progressed. This should allow greater assurance on the in-year balances.

l) The Committee discussed property valuations and asked for assurance that previous issues had been resolved. It was explained that an external valuer has been appointed, and they are now responsible for the maintenance of records around valuations. The Council's external auditors are therefore assured that previous issues would not be repeated.

Resolved:

1) **To note the report and its associated documents.**

2) **To note that the report contains an exempt appendix which will be considered once the public and press have been excluded.**

The Committee adjourned at 10.37am and reconvened at 11.17am.

57 Statement of Accounts Progress Update

Glenn Hammons, Interim Finance Lead – Technical Finance, presented a report which provided an update on the progress the Council is making with its Statement of Accounts. The following information was highlighted:

a) There are three sets of accounts for the Committee to consider and approve ahead of the backstop date of 13 December 2024.

b) All years up until 2022/23 are at 100% production, and the Council is nearly there with the production of the draft 2023/24 accounts.

c) For 2019/20, the Committee approved its accounts at its meeting in September 2024, however the management responses to recommendations in Grant Thornton's Audit Findings Report were outstanding. Those responses are now attached as an appendix and further updates will be provided in future meetings. Also attached as an appendix is a Management Representation Letter for the Committee to consider and approve.

d) For the 2020/21 to 2022/23 accounts, the public inspection for those accounts have been completed and the Council did not receive any questions in relation to those accounts. The accounts are presented to the Committee for consideration and approval.

e) The accounts have been prepared by experienced local government accountants, in-line with CIPFA codes, and the required accounting practice. Key figures in the accounts have been provided by experts, including property valuations provided by qualified valuers both internal and external, and pension figures provided by the Pension Fund. The S151 Officer has considered the accounts as true and fair and in-line with the statutory requirements. Each year has a Management Representation Letter to sit alongside the accounts.

f) If the Committee is minded to approve the accounts, the S151 Officer and the Chair of the Committee will sign the accounts and provided to Grant Thornton who will do their final checks before issuing an audit opinion. All to be completed by the backstop date of 13 December 2024.

g) Significant progress has been made in the preparation of the 2023/24 accounts, and it is anticipated that they will be available for public inspection in the coming weeks.

h) Council officers have been working closely with Grant Thornton in relation to their audit work.

The following points were raised in discussion:

i) The Committee wished to place on record its gratitude to colleagues for the preparation of the accounts, and for the Council now being able to draw a line and start to regain assurance.

j) The Council's S151 Officer provided assurance that since his appointment, he was satisfied that the quality of the formulation of the accounts represent good practice which are in-line with the CIPFA code of practice and accounting standards, and represent a true and fair view of the financial position.

Resolved:

1) **That the Committee takes assurance from the current position with the progress on the Statement of Accounts for the years 2019/20 through to 2023/24.**

2) **That the Committee notes the Council's management responses to the Audit Findings Report 2019/20.**

3) **That the Committee approves the Management Representation Letter for 2019/20.**

4) **That the Committee approves the Statement of Accounts 2020/21, Annual Governance Statement 2020/21 and addendum to the Annual**

Governance Statement 2020/21, and approve the Management Representation Letter for 2020/21.

5) **That the Committee approves the Statement of Accounts for 2021/22 and Annual Governance Statement 2021/22, and approve the Management Representation Letter for 2021/22.**

6) **That the Committee approves the Statement of Accounts for 2022/23 and Annual Governance Statement 2022/23, and approves the Management Representation Letter for 2022/23.**

7) **That the Committee notes the draft Statement of Accounts for 2023/24 will be published by Officers for public consultation following consultation with the Chair of the Audit Committee.**

8) **That the Committee takes assurance from the progress, indicative timeline and associated risk for publishing the Statement of Accounts for financial years 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24 to meet the proposed national backstop dates.**

58 Treasury Management 202425 Half-Yearly Update

Glenn Hammons, Interim Finance Lead – Technical Finance, presented a report which sets out details of Treasury Management actions and performance from 01 April 2024 to 30 September 2024. The following information was highlighted:

a) The report sets out the performance and actions against the Treasury Management Strategy which Council approved in March 2024 and covers the period from April to September 2024.

b) In-line with the Capital Strategy and Voluntary Debt Reduction Policy, no new borrowing has been undertaken during the first six months of the financial year. The Council, has, however, repaid a number of external loans to the value of £33.7 million over that period.

c) The average interest rate on the debt portfolio is 3.36%. No debt rescheduling has taken place. There has been an early repayment of £15 million in market loans which has had a beneficial impact on the Council’s average interest rate and has saved the Council around £9 million.

d) The average investments over the period were achieving a return of 5.12% which is in-line with national benchmarks.

e) During the period there was compliance with all of the prudential indicators that were set by Council in March.

The following points were raised in discussion:

f) The Committee found the Treasury Management training useful and considered whether it would be beneficial to provide this to all Councillors due to its importance for the Organisation.

g) The Committee welcomed the proactive approach taken to Treasury Management at the Council and thanked officers.

h) Members asked if the area was sufficiently resourced. The S151 Officer explained that there is a legacy issue of high levels of debt, but that it is being managed well and that Treasury Management was well considered and mature at the Council. This is crucial as debt financing costs are a hit to the General Fund and Housing Revenue Account (HRA) so the Council needs to be mindful of any further investment decisions.

i) The Committee asked about risk in the economy and what advice the Council receives externally. It was explained that the Council uses Treasury Management advisors who provide industry wide and specific local government advice to Councils. The external advisors have recently revised their interest rate forecasts for an increase which should benefit the Council as it will be making a greater return on its investment which have been factored into the medium term forecasts going forward. From the Council's perspective, from both its debt and investment portfolio, it is focusing on low risk quality products in the market rather than entering into products which are high risk. The Committee encouraged officers to keep the advice it receives open to different perspectives.

j) The Committee discussed whether the merging of local government pension funds presented a risk to the Council. There would be no direct impact on the Council's Treasury Management activities, however there may be an impact on the Nottingham Pension Fund. The Council works closely with the Pension Fund who set the contributions on a three-year basis. In the new year, the Council will be seeing new valuations for the next three-year cycle. The Council has to make sure it is funding the pension scheme fully over the medium to long term and will engage with the Fund to ensure that those contributions are appropriate.

k) The Committee asked about the latitude in ensuring that the Council's investments were of good social value and benefited Nottingham residents. It was explained that there was an element within the Treasury Management Strategy that relates to environment factors and specific investments that the Council would not make, however the overriding factor was that of secure investments. There are investment funds emerging that consider social and environmental factors, but the Council needs to follow its core investment principles first and foremost.

Resolved:

1) **That as part of developing the Treasury Management Strategy for the next financial year, it includes a consideration that investments of good social and environmental value can be made.**

2) **That the Committee takes assurance that the Treasury Management controls and risk management practices in place are operating and working effectively.**

3) **To note the Treasury Management actions taken in 2024/25 in the period to 30 September 2024.**

59 Exclusion of the Public

The Committee decided to exclude the public from the meeting during consideration of the remaining agenda item(s) in accordance with Section 100A(4) of the Local Government Act 1972 on the basis that, having regard to all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, as defined in Paragraph(s) 3 of Part 1 of Schedule 12A to the Act.

60 Internal Audit - Exempt Appendix

The Interim Head of Internal Audit presented the exempt appendix to the Internal Audit report. The detail of discussion and resolutions are contained within the Exempt Minutes.

61 External Audit Update - Exempt appendix

Andrew Smith and Mary Wren, representing the Council’s external auditors, Grant Thornton, presented the exempt appendices to the External Audit Update report. The discussion and resolutions are contained within the Exempt Minutes.

62 Exempt Recommendation Tracker

The Committee noted the exempt Recommendation Tracker.

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Audit Committee Work Programme for 2024-25

The schedule of meetings set out below is proposed but the committee reserve the right to review and amend the work programme content and meeting dates throughout the year.

Key to activity

Governance risks around high-level financial strategy and reserves
Governance risks connected to asset realisation
Governance of Capital programme and projects
Value for money and Delivering Objectives
Core Functions arising from Statutory obligations and guidance
Governance of linked incorporated bodies
Assurance reports

Date	Item	Committee Objective	Director	Author
June Training	Skills evaluation for new members			
June 2024	Statements of accounts progress update	Assurance that appropriate arrangements are in place to regarding progress on the completion and audit of the Council's financial accounts including financial improvement plan.	R Brown	G Hammons
	Finance improvement plan update	Assurance that satisfactory progress is being made on the financial improvement plan.	R Brown	S Kausar
	Internal Audit – No Assurance reports.	Highlighted Internal Audit Reports where the lowest assurance rating has been given	R Brown	HoIA P Millward

Date	Item	Committee Objective	Director	Author
		Business Continuity Colleague Expenses Update - Service Response - Physical & Environmental Security Update – Appointeeship Update - HR and Payroll		 S Kausar / L Mann T Bone L Lee L Mann
	Exemption from Contract Procedure Rules annual report	Oversight of procurement dispensations and assurance on their future procurement process.	R Brown	D Cafferty
	IAB instructions: Theme 6 Workforce, Culture & Performance Outcomes	Assurance on progress, benefit realisation, controls, associated risks and management of IAB instructions under this theme.	M Barrett	L Mann
	Treasury Management Annual Report Annual Investment Strategy 2024/25 Revision	Assurance on management of Treasury Management risks in accordance with Council policy.	R Brown R Brown	P Kilgallan S Kausar
July training	Risk Management (22 July) with Zurich			
July 24	External Audit update	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith
	IAB Instructions: Asset Management	Assurance on progress, benefit realisation, controls, associated risks and their management.	S Rose	N Jenkins

Date	Item	Committee Objective	Director	Author
	Corporate Risk and Assurance Register	Assurance that appropriate arrangements are in place to manage risk.	R Brown	HoIA D Bowring
	Audit Committee Terms of Reference	To review proposed changes to the Terms of Reference for the Audit committee to bring them in line with the 2022 CIPFA guidelines.	R Brown	K Morris
Sep 2024	Statements of accounts progress update	Assurance that appropriate arrangements are in place to regarding progress on the completion and audit of the Council's financial accounts. Approval of 19/20 statement accounts	R Brown	S Kausar
	External Audit update and Audit Findings Report 19/20	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith
	Audit Committee Annual Report	Audit Committee Performance		Chair
	Health & Safety Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	B Brown	P Millward
	HR & EDI Annual Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.		L Mann
November Training	Treasury Management with Link			
Nov 2024	External Audit update and Audit Findings Report 20/21 21/22 and 22/23.	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith

Date	Item	Committee Objective	Director	Author
	Statement of Accounts Update	Assurance that appropriate arrangements are in place to regarding progress on the completion and audit of the Council's financial accounts. Approval of 20/21, 21/22 and 22/23 statement of accounts	S Fair	G Hammons
	Treasury Management Half Year Report	Assurance on management of Treasury Management risks in accordance with Council policy.	S Fair	O Oluwajayogbe
	Internal Audit Update	Consider arrangements for Internal Audit, reports on the effectiveness of internal controls supporting the Head of Audit & Risk's opinion, and seek assurance on the implementation of agreed action updated audit Charter counter fraud strategy		P Datta
February 2025	Treasury Management Strategy & Capital Strategy	Assurance on setting Council policies to best manage Treasury Management & Capital risks.	S Fair	O Oluwajayogbe
	Statement of accounts update	Assurance that appropriate arrangements are in place to regarding progress on the completion and audit of the Council's financial accounts. Approval of 23/24 statement of accounts	S Fair	G Hammons
	External Audit update and Audit Findings Report 23/24	Consider the outcome of the External Audit and assurance on management response to issues identified.		A Smith
	EMSS Annual Report *(to note)*	Assurance that the Council has in place appropriate arrangements to manage risks connected to its joint service arrangements.	L Littlefair	

Date	Item	Committee Objective	Director	Author
March 2025	External Audit Value for Money report 23/24	Consider the update from External Audit and assurance on management response to any issues identified.		A Smith
	Finance improvement plan update	Assurance that appropriate arrangements are in place and satisfactory progress on the financial improvement plan.	S Fair	C Williams T Bamidele
	Annual Information Security & Information Governance Compliance Assurance	Assurance that cross-cutting corporate arrangements are working well and any significant risk and issues are being actively managed.	B Brown	D Kidson N Matthews
	Review of Accounting Policies 2023/24	Assurance that appropriate arrangements are made to comply with statutory guidance.	S Fair	C Williams
	Corporate Risk and Assurance Register	Assurance that appropriate arrangements are in place to manage risk.	S Fair	D Bowring
	Transformation Programme	Assurance that cross-cutting corporate arrangements are in place to support the Transformation Programme	L Lee	
	Nottingham City Council Improvement Plan - Programme 10: Strengthen internal controls and assurance	To consider the work being undertaken in response to the Improvement Plan focusing on Programme 10.	S Fair	
	Internal Audit – No Assurance reports.	Highlighted Internal Audit Reports where the lowest assurance rating has been given Business Continuity Colleague Expenses	S Fair	P Datta P Millward G Hammons / L Mann

Date	Item	Committee Objective	Director	Author
		Update - Service Response - Physical & Environmental Security Update – Appointeeship Update - HR and Payroll		T Bone L Lee L Mann
	AGS Process 2024-25	Assurance on arrangements for a review of the Council’s governance.	S Fair	

Audit Committee Recommendation Tracker 2024/25

1 Purpose

This document will collate and track progress of all recommendations made by the Audit Committee to the Executive and Senior Managers throughout the year, and to log the responses to the recommendations. The explanation of terms used can be found in section 3.

2 Audit Committee Recommendations to the Executive and Senior Managers

Reference number	Title of agenda item	Recommendation	Date referred	Progress status	Response and next steps	Key contacts
230630-6-5 & 6	Financial Controls Assessment	Audit Committee to establish a financial controls sub-group / new panels.	30/06/23	Awaiting Consideration	Consideration of what resources may be available to prioritise to such groups. Name and the remit of such a sub-group needs to be established by the Committee and the lead officer for the Committee.	Audit Committee/ Clare Williams
230728-27	Audit Committee Work Programme	An item or discussion on procurements and how the Real Living Wage would filter down through suppliers.	28/07/23	Awaiting Consideration	Audit & Scrutiny Officer to support this activity.	Dawn Cafferty
240726-25-2	Update on Theme 2 Asset Management of Together for Nottingham	That as part of its policy development role, the relevant Overview and Scrutiny Committee consider the emerging Disposals Policy particularly around assets	19/09/24	Accepted	Item scheduled at November meeting of the Housing and City Development Scrutiny Committee	Chair of Housing and Scrutiny Committee

	Plan and IAB Instruction 2.8.	that have a social or economic value.				
240726-25-3	Update on Theme 2 Asset Management of Together for Nottingham Plan and IAB Instruction 2.8.	That a breakdown of the number of properties disposed of internally and externally be provided, as well as a list of the different agents used when a property has been disposed of externally	10/09/24	Complete	Information circulated 11/11/2024	Bev Gouveia
240927-42-2	Annual Report of Health and Safety in the Council 2023/24	That all Corporate Directors ensure all outstanding Accident/Violence/Audit recommendations are completed and recorded on the corporate system by 13th December 2024;	30/09/24	Awaiting Consideration		All Corporate Directors
240927-42-3	Annual Report of Health and Safety in the Council in 2023/24	That Corporate Directors ensure their directorate colleagues can demonstrate up to date training in the mandatory health and safety courses, and, where appropriate, asbestos management, by 13th December 2024	30/09/24	Awaiting Consideration		All Corporate Directors

241129-58-1	Treasury Management 202425 Half-Yearly Update	That as part of developing the Treasury Management Strategy for the next financial year, it includes a consideration that investments of good social and environmental value can be made				

3 Explanation of terms used

Recommendation reference number - each recommendation added to this tracker will be assigned a unique reference number eg 220511-3-1, where 220511 represents the date of the meeting, -3 is the minute number, and -1 is the recommendation number.

Progress status - this column indicates individual progress status for each recommendation and will present 1 of 3 options:

- Responded to/Accepted/Approved - Green
- Awaiting Consideration – Amber
- Rejected - Red

Response and next steps - this column will include details on why a specific recommendation was accepted or rejected, and where appropriate, will indicate what the next steps are for the officers or councillors.

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Audit Committee – 14 February 2025

Title of paper:	Statement of Accounts 2023/24	
Director(s)/ Corporate Director(s):	Stuart Fair, Interim Corporate Director of Finance and Resources and Section 151 Officer Clare Williams, Interim Director of Finance and Deputy S151 Officer	**Wards affected:** All
Report author(s) and contact details:	Glenn Hammons, Interim Assistant Director – Technical Finance	
Other colleagues who have provided input:	David Bennett, Interim Closedown Lead	

Does this report contain any information that is exempt from publication?
No

Brief Summary
The Audit Committee is responsible for approving the audited accounts. This report brings forward the Statement of Accounts, Annual Governance Statement and Management Representation Letter 2023/24 for consideration and approval.

Recommendation(s):

1	To consider and approve the Statement Accounts 2023/24 and Annual Governance Statement 2023/24 as set out in Appendix 1; and approve the Management Representation Letter for 2023/24 as set out in Appendix 2.
2	To note the Council's progress towards implementing recommendations identified in the Audit Findings Report 2019/20 as set out in Appendix 3.
3	To take assurance from the progress, indicative timeline and associated risks for publishing the draft Statement of Accounts for financial year 2024/25 to meet the proposed national backstop dates as set out in Sections 4 and 5.

1 Reasons for recommendations

1.1 The Audit Committee's terms of reference include to:

Financial Reporting

(a) review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council

(b) consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

(c) approve the Council's Statement of Accounts and associated governance and accounting policy documents.

1.2 As the Audit Committee is responsible for reviewing and approving the audited accounts, this report focusses on approving the Statement of Accounts 2023/24, Annual Governance Statement 2023/24 and Management Representations Letter 2023/24.

2 Background

2.1 As previously reported to the Committee the Council has experienced delays with the audit of its historic accounts. At its meeting in November 2024 the Committee approved the Accounts, Annual Governance Statements and Letters of Representation for the financial years 2019/20, 2020/21, 2021/22 and 2022/23.

2.2 The external auditors subsequently undertook the final aspects of their assurance work on these Accounts and issued their audit opinions for each year ahead of the backstop date of 13 December 2024.

2.3 The Committee will also be aware of the issues with the local audit system at a national level and the proposals to reset, stabilise and improve the whole system. The following backstop dates were agreed for the completion of each financial year's accounts and external audit opinions:

- Financial year 2023/24: 28 February 2025
- Financial year 2024/25: 27 February 2026
- Financial year 2025/26: 31 January 2027
- Financial year 2026/27: 30 November 2027
- Financial year 2027/28: 30 November 2028

2.4 This report brings forward the 2023/24 Accounts, Annual Governance Statement and Letter of Representation for consideration and approval ahead of the back stop date of 28 February 2025. In addition, there are updates on progress with implementing recommendations from Grant Thornton's Audit Findings Report for 2019/20 and progress in preparing for the 2024/25 closedown and accounts process.

3. Statement of Accounts, Annual Governance Statement and Letter of Representation 2023/24

3.1 The Council published its draft Accounts and Annual Governance Statement for 2023/24 on 20 December 2024. These drafts were also submitted to Grant Thornton for audit.

3.2 <u>Public Inspection Requirements</u>

3.2.1 Periods of public inspection are a legal requirement. The accounting records have to be open to members of the public for a period of 30 working days under the Accounts and Audit Regulations.

3.2.2 The period of public inspection for the 2023/24 accounts commenced on 23 December 2024 and ran until 5 February 2025 inclusive. It is not a requirement of the Regulations the draft accounts are presented to Audit Committee. However, in accordance with the recommendation approved at the November 2024 Audit Committee the Chair of the Audit Committee was consulted prior to the draft accounts being published for inspection. There were no questions raised during the inspection period, and the Council is not aware of any objections regarding the Accounts that were made to the external auditor.

3.3 Statement of Accounts 2023/24 and External Audit

3.3.1 The external auditors are in the process of undertaking their audit of the draft Accounts for 2023/24. The progress of their work against the Audit Plan considered by Committee in November 2024 and the findings of their work are presented in their Audit Findings Report elsewhere on the agenda.

3.4 Draft Accounts and Annual Governance Statement 2023/24

3.4.1 Following the public inspection outlined in Section 3.2 above, and ahead of the backstop date of 28 February 2025, the Council's draft Statement of Accounts 2023/24 and Annual Governance Statement 2023/24 are ready to be considered by the Committee for approval. These are set out in Appendix 1.

3.5 Draft Management Representation Letter 2023/24

3.5.1 As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation. In the letter the Corporate Director for Finance & Resources and those charged with governance on audit matters declare that the financial statements and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the financial statements, to the best of their knowledge.

3.5.2 A copy of the draft Management Representation letter is set out in Appendix 2. The Committee are required to review the letter, consider if there are any changes required and approve the letter.

4. Closedown and Draft Accounts 2024/25

4.1.1 Preparations for the closure and production of the Accounts for 2024/25 have commenced. The timeline for key dates as they currently stand are set out in the table below:

Milestone	2024/25 Accounts
Provisional Outturn Report considered by Executive Board	June 2025
Draft Accounts Published	30 June 2025
Public Inspection	July 2025 to August 2025
External Audit	July 2025 to February 2026
Audit Committee Consider Approval	February 2026
Proposed Backstop Date	27 February 2026

4.1.2 The Council have been working closely with Grant Thornton with regards to their preparation and planning work for the 2024/25 accounts audit.

4.1.3 One of the areas of the audit will assesses is the progress the Council is making towards the recommendations made by Grant Thornton's in their Audit Findings Report for 2019/20, presented to Audit Committee in September 2024. The Council provided management responses to these recommendations which were considered by the Committee at their meeting in November 2024. A progress update is contained at Appendix 3.

5. Risk Assessment

5.1.1 In recent months the Council has made significant progress towards clearing the outstanding accounts and getting back to a normal time.

5.1.2 Since the submission of the draft 2019/20 Accounts to Grant Thornton in November 2023 work has progressed significantly to resolve issues, produce draft accounts and obtain audit opinions for 2019/20, 2020/21, 2021/22 and 2022/23. The 2023/24 draft accounts have been published and an audit opinion is still awaited.

5.1.3 The Council still has further work to do to recover the level of assurance from the external audit process and to do this within the backstop date timelines.

5.1.4 However, the achievement of the assurance level and timelines is heavily dependent upon number of factors, including the:

- Staffing capacity and skills. The Council has skilled permanent and temporary staff preparing the accounts. These are staff with highly specialised skill sets and there is a shortage of these skill sets in the market. If any of these staff were to leave or be unavailable it would impact on the Council's ability to achieve the timelines.
- The organisation complying with the timelines, guidance and processes to prepare the accounts.

5 Background papers other than published works or those disclosing exempt or confidential information

5.1 None.

6 Published documents referred to in compiling this report

6.1 Statement of Accounts Update reports to Audit Committee in last 12 months:

- 28 July 2023 - WARDS AFFECTED: All (nottinghamcity.gov.uk)
- 29 September 2023 - WARDS AFFECTED: All (nottinghamcity.gov.uk)
- 24 November 2023 – WARDS AFFECTED: All (nottinghamcity.gov.uk)
- 23 February 2024 – WARDS AFFECTED: All (nottinghamcity.gov.uk)
- 22 March 2024 - WARDS AFFECTED: All (nottinghamcity.gov.uk)
- 28 June 2024 - WARDS AFFECTED: All (nottinghamcity.gov.uk)
- 26 July 2024 - WARDS AFFECTED: All (nottinghamcity.gov.uk)
- 27 September 2024 - Statement of Accounts Update.pdf
- 29 November 2024 - WARDS AFFECTED: All

6.2 Consultation on Addressing The Local Audit Backlog:

- Government (DLUHC) - Addressing the local audit backlog in England: Consultation - GOV.UK (www.gov.uk)
- National Audit Office - Code of Audit Practice Consultation - National Audit Office (NAO)
- Chartered Institute of Public Finance Accountants (CIPFA) - Consultation on short term England only measures in the Code | CIPFA

6.3 Ministerial Statement on The Local Audit Backlog (30 July 2024):

- Government Statement - Written statements - Written questions, answers and statements - UK Parliament

Nottingham City Council

A safer, cleaner, ambitious Nottingham
A city we're all proud of

Statement of Accounts 2023/24

Contents

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Section 1
Narrative Report

1.1 Overview of Nottingham City Council

Nottingham City Council is a unitary local authority in the East Midlands region of England that provides a wide range of services and facilities for the benefit of the citizens of Nottingham.

The Council provides a diverse range of service including adult social care, services for children and families, public health, housing, development and planning, environmental health and public protection, including the licensing of premises and taxis, traffic management and road safety, and highways maintenance.

In addition to the statutory duties, Nottingham City Council is committed to delivering a number of discretionary services, including, but not limited to: encouraging business investment and growth and championing the economic development potential in the city through funded programmes of investment; investing in the transport network to enhance accessibility for all; promoting Nottingham's cultural sector and organising local events; provision of leisure facilities, cultural venues and museums; maintenance of public parks and open spaces; delivering work and apprenticeship opportunities for residents through the Nottingham Jobs Hub and the management of car parks.

The most recent numbers equated to:

- 8.5 million domestic waste collections;
- 718 children in care, 690 support as children in need and 528 on a child protection plan
- 5,600 people supported by Adult Social Care
- 9,685 businesses supported – 9,600 SMEs of which 8,300 are micro businesses employing 10 or fewer employees
- Nottingham businesses support 206,000 jobs – of which 24.2% are in the public sector
- 51% cut in CO2 emissions per capita since 2005
- Highest level of bus use per head outside London
- 15 Green Flag parks

Nottingham City Council serves a diverse city, and we believe in the values of equality, fairness and inclusivity.

The Council and its citizens face several challenges in meeting their aspirations, these include -

- The population is projected to increase by 15,000 people over the next 10 years
- 11th most deprived area in UK, with 30% of our neighbourhoods in the 10% most deprived in England overall
- On average men and women in some of our poorest areas die 10 years earlier
- Average earnings are lower than the England average at £30,400 vs. £40,500
- 63% of properties are in the lowest council tax band compared to 24% nationally
- 60.6% of GCSE students gained good passes in Maths and English compared to 68.8% nationally

- 5.3% unemployment compared to the England average of 3.8%

Strategic Council Plan

The Council remains ambitious and will continue to strive to deliver for the city and people of Nottingham.

We will continue to seek every opportunity for increased funding and improve our partnerships with key organisations, including the East Midlands Combined County Authority which we have created with our partner councils, in the wider interests of the city.

The Strategic Council Plan covering 2023 to 2027 was approved at full Council in March 2023 and refreshed in March 2024. Like many local authorities, Nottingham City Council continues to feel the impact of the COVID-19 pandemic, the cost-of-living crisis and significant funding reductions from central Government. At the same time, the need for our adult social care and children's services has never been higher and our financial resilience has been reduced through correcting the mistakes we have made in the past.

Council Vision Statement

The Council continues with the vision that "Nottingham is healthy, safe, clean, green, proud and ambitious."

1.1.1 Population

Initial details from the 2021 Census show that the population of Nottingham had risen to 323,700, an increase of 5.9% from the 2011 Census. Nottingham is now the 33rd most populous local authority in England and the second most densely populated local authority in the East Midlands, with 4,338 residents per square kilometre.

Nottingham has a young population, with a high number of residents aged between 15 and 64 (71%), with only four authorities outside London having a higher proportion of their population in that age range. This is primarily due to the large number of students from the two universities in the city and affects the services the Council provides and its ability to finance them.

1.1.2 Employees

At as 31 March 2024 the Council employed 7,047 people, of which 4,581 were full time employees and 2,466 part time.

In the March 2022 pay gap report the median pay gap between female and male employees was 1.5% (2021 -0.5%) in favour of female employees, whilst the mean pay gap was 0.6% (2021 2.9%) in favour of male employees.

The median pay gap between the hourly pay rates of employees who identify as lesbian, gay, bisexual plus (LGB+) and heterosexual was 8.5% (2021 17.9%) and the mean pay gap was 7.3% (2021 6.7%), both in favour of LGB+ employees.

The Council reported that the median pay gap between those who identify as White British and those who identify as Black and Minority Ethnic (BAME) was 12.6% (2021 9.4%) and the mean pay gap was 5.1% (2021 5.6%), both in favour of those who identify as White British.

The Council reported that the median pay gap between disabled and non-disabled employees was 1.0% (2021 10.4%) in favour of disabled employees and the mean pay gap was 0% (2021 -1.1%) so there was no favour either way.

1.1.3 Political and Management Framework

The City of Nottingham comprises 20 electoral wards from which 55 councillors are elected once every 4 years to represent citizens. The last election took place in May 2023 with the resulting composition of the Council as below.

Labour Party	51
Nottingham Independents	3
Independent	1

The Council is controlled by the party with the largest number of councillors, currently the Labour group and Councillor Mellen was elected as Leader of the Council, with deputy and eight Portfolio Holders.

In October 2023, one Councillor resigned the Labour whip leaving a new composition:

Labour Party	50
Nottingham Independents	3
Independent	2

The Council remained in controlled by the Labour Party.

Decisions within the Council are taken at several levels depending on the nature of the decision.

The City Council comprises all 55 elected Councillors and is responsible for agreeing the Policy Framework that governs how services are delivered and providing direction for the city. It is also legally required to approve the Council budget and set Council Tax; this is done annually in March.

The Leader of the Council is elected by the ruling party; Councillor David Mellen, has been the leader of the Council since May 2019.

The Executive Board of the Council consists of ten Councillors, including the leader, each with specific areas of responsibility and is responsible for major decisions on service delivery. The Executive Councillors are also able to take decisions on service delivery within their areas of responsibility in accordance with the Council's constitution.

There are some decisions, known as non-executive decisions, that are taken by committees of Councillors as the law does not permit the Executive Councillors to make them. These include decisions on licensing and planning matters.

The Council has Overview and Scrutiny Committees made up of non-executive Councillors able review the decisions made by the Executive Councillors collectively or individually and hold them to account for them.

The Audit Committee is made up of nine non-executive councillors and is responsible for overseeing the financial reporting of the Council, including the production of the Financial Statements and ensuring that the Council has adequate control and risk management processes in place.

The agendas and minutes of these and other Council committees are published on the Council website, as are decisions made by Executive Councillors.

The most senior officer of the Council is the Chief Executive. They lead the Senior Management Team which includes four Corporate Directors each of whom has management responsibility for a range of services. Management responsibility within the Council is delegated to officers in accordance with the Council's constitution to ensure that decisions can be made in a timely and effective manner whilst ensuring that the Council fulfils its legal duties and ensures that public funds are properly managed.

In February 2024, the Minister for Local Government, Simon Hoare MP, announced that the Secretary of State, after due consideration of representations received, was using his powers under the Local Government Act 1999 to issue new Directions to Nottingham City Council and appointed Tony McArdle OBE as Lead Commissioner and Margaret Lee as Commissioner for two years until 22 February 2026. In April 2024, the Secretary of State appointed Sharon Kemp as Commissioner for transformation.

1.1.4 Financial Objectives and Framework

The Like many local authorities, Nottingham City Council has experienced unpreceded pressures in terms of increased demand for services, particularly in relation to social care and homelessness, and increased costs through inflation. These pressures resulted in significant pressure on our budgets.

The Council has signed up to the principles of the CIPFA Financial Management Code. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

The Council is legally required to set a balanced budget every year, this is developed by the Senior Management Team and Executive Councillors and approved by the City Council in March.

The Medium-Term Financial Strategy (MTFS) sets the financial framework to deliver the aims and objectives of the Council. The MTFS is set on a rolling 4-year basis and is key to ensuring the ongoing financial stability of the Council.

The key objectives of the MTFS are:

- A balanced budget and sustainable Medium-Term Financial Plan on a rolling 4-year basis
- To reduce the Council's exposure to commercial risk
- To ensure that core services are affordable for the long term, and
- To ensure that Councillors and officers have oversight and accountability for the financial performance of the Council.

In addition to the MTFS the Council has strategies covering the Capital Programme, and Treasury Management which guide how these activities are managed.

In November 2023 a Section 114 (part 3) report was issued to Councillors due to the financial sustainability of the Council in line with the Local Government Finance Act 1988. The report was for the Section 151 Officer to formally notify the Council that, in his professional opinion, the Council was unable to meet its statutory requirement to deliver a balanced budget for 2023/24, as the expenditure of the Council incurred (including expenditure it proposed to incur) in the 2023/24 financial year was likely to exceed resources (including sums borrowed) available to it to meet that expenditure.

As a result, a legal prohibition period came into force from 29 November 2023 and was in place until day after the City Council meeting on 18 December 2023, when a Spend Control Policy and Board was approved to remain in place until 31 March 2025.

In January 2024, to be able to present a balanced budget, the Council made a request to the Department for Levelling Up, Housing & Communities to be allowed to use receipts from the sale of capital assets for revenue spending in the 2023-24 and 2024-25 financial years.

In February 2024, the Minister for Local Government, Simon Hoare replied to the Council's request for this exceptional financial support by writing that the Secretary of State was minded to approve a capitalisation direction of a total not exceeding £66.143 million (£25 million for the financial year 2023-24 and £41.143 million for 2024-25) if the appointed Commissioners where able to report good progress against the Improvement and Recovery Plan.

Further Government intervention is outlined in Section 1.4 Post Balance Sheet Update.

1.1.5 Matters arising in 2023/24

The Council continues to be ambitious for Nottingham, setting out a revised Strategy Plan that speaks to all who live, work, study, invest and visit here. Nottingham is a diverse city committed to the values of equality, fairness and inclusivity. The Council's ambition for Nottingham and local people is undimmed and they will continue to place people at the centre of what they do.

2023/24 was a challenging year for the Council as it continued to deal with the impact of Section 114 notice in December 2021 following the discovery that Housing Revenue Account funds had been allocated unlawfully.

The Council has made some significant improvements in the last three years (supported by our Improvement and Assurance Board), nevertheless, because of exceptional financial challenges, a Section 114 notice was issued in November 2023, indicating that the Council could not deliver a balanced budget for the financial year 2023/24.

The Council faced some very difficult decisions to get the finances onto a stable and sustainable footing. The Council will change how it works; reshaping or reducing the services provided so that the Council is financially sustainable in the long-term.

Over the next few years, these decisions will create a very different Council and there will be further review and change to reflect the significant anticipated budget gaps which will require additional savings to be found. The Council's priority actions remain aligned with the resources available.

The Council is on a journey of transformation and continuous improvement; since the adoption of a new constitution in 2021. Fiscal sustainability has been supported by a new Budget Review and Oversight Group made up of senior councillors, the Chief Financial Officer and Corporate Directors, with additional advice and guidance from the Improvement and Assurance Board and latterly the appointed Commissioners.

1.1.6 Achievements in 2023/24

Despite the challenges identified above the Council still managed several significant achievements in 2023/24.

Nottingham Castle re-opened with a revised pricing structure which is more affordable for families and represents a commitment to maintain Nottingham as a prime visitor destination.

The brand-new Central Library as part of the Broad Marsh Car Park and Bus Station complex, puts children, young people and learning at the heart of its design. This valuable facility for supporting local people provides easy access to books as well as IT facilities.

The City's Highways team constructed the brand-new Bulwell Bus Station; funded by Transforming Cities funding, the new bus station is a modern, environmentally friendly new transport hub which is more enjoyable and pleasant to use for passengers and more efficient for buses.

The summer of 2023 launched a whole range of post-Covid 19 events with the programme designed to appeal to the whole family: Nottingham Beach in the Old Market Square; Splendour Festival - the signature music festival at Wollaton Park; Nottinghamshire Pride in the City Centre; The Hundred sporting action at Trent Bridge Cricket Ground; open-air theatre at Newstead Abbey, Wollaton Park and Nottingham Castle and the carnival, festivals and concerts across the City.

Nottingham marked 75 years since the Windrush arrived in the UK with a series of events, including a civic service, a commemorative gospel service and a special Windrush lecture, acknowledging that special day and celebrating the significant contribution of the Windrush generation to the City.

The Council continues to strive towards achieving as many of our carbon neutral ambitions as possible building on our work on zero emission buses, promoting public transport and active travel, such as cycle lanes, energy efficient homes and creating and maintaining green spaces around the city.

1.2 Financial Strategy and Performance

1.2.1 Economic and Funding Overview

As seen across many other local authorities, the Council is experiencing significant overspends relating to social care and temporary accommodation.

The overall overspend is mainly dealing with the impact of rising costs due to continued high level of inflation, increase in demand and complexity of need and costs of social care, SEND transport and temporary accommodation and the impact of cost-of-living crisis which also affects important income streams of the Council.

Significant overspends continue to be forecasted across all services, a large proportion of the overspend in 2023/24 is recurring which has been factored into the 2024/25 Budget and Medium-Term Financial Plan growth process.

1.2.2 Revenue Outturn

The General Fund revenue outturn position for 2023-24 is a net overspend of £17.568m, 6.71% of the net General Fund budget before the application of reserves to off-set the in-year overspend. This is summarised in the table below:

Revenue Outturn 2023/24	Budget £m	Outturn £m	Variance £m
Services	251.831	275.247	23.416
Corporate Items	10.035	4.504	(5.532)
Companies	(0.034)	(0.350)	(0.316)
Total	**261.832**	**279.401**	**17.568**

As seen across many other local authorities, the Council is also experiencing significant overspends relating to social care and temporary accommodation. The overall overspend is mainly dealing with the impact of rising costs due to continued high level of inflation, increase in demand and complexity of need and costs of social care, SEND transport and temporary accommodation and the impact of cost of living crisis which also affects important income streams of the Council.

At the end of the financial year, the Council has a net General Fund overspend of £17.568m to be funded from Exceptional Financial Support (EFS), this was financed through capital receipts from the disposal of assets; no borrowing was undertaking.

Further information on the Council's Revenue Financial Outturn for 2023/24 can be found in the report presented to Executive Board in June 2024.

1.2.3 Capital Position

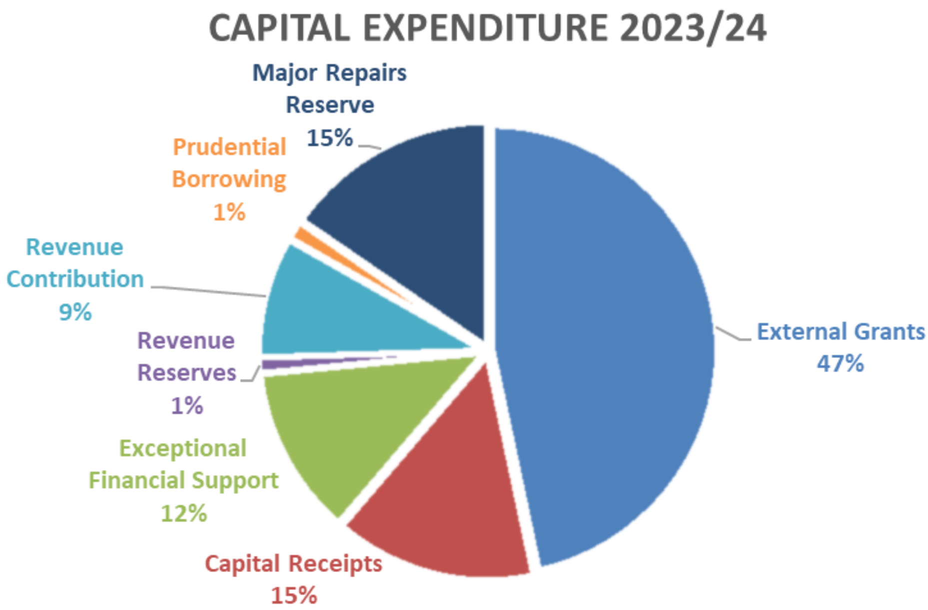
The Capital outturn for both the General Fund and HRA shows an underspend of £16.923m within the General Fund Capital Programme and £2.925m within the HRA Capital Programme. A summary of this expenditure by scheme category is shown in the table below:

Capital Outturn 2023/24	Budget £m	Outturn £m	Variance £m
People	5.788	6.079	0.291
Finance & Resources	2.150	2.425	0.275
Growth & City Development	54.229	50.591	(3.638)
CERS	19.314	13.629	(5.685)
Transformation	7.054	6.320	(0.734)
Exceptional Financial Support	25.000	17.568	(7.432)
TOTAL GENERAL FUND	**113.535**	**96.612**	**(16.923)**
Housing Revenue Account	50.085	47.160	(2.925)
TOTAL NCC PROGRAMME	**163.620**	**143.772**	**(19.848)**

Much of the variance is due to slippage in expenditure on approved schemes, this expenditure is still required and will be incurred in future years.

The main source of funding of capital expenditure in 2023/24 was from grants and contributions which funded 47% of total expenditure, with a further 15% funded by the HRA's Major Repairs Reserve. This reflects the shift away from prudential borrowing as Council looks to reduce its level of indebtedness in line with the requirements of the Recovery & Improvement Plan.

This is illustrated in the following charts showing the funding of 2023/24 capital expenditure and the 2023/24 - 2026/27 programme.



The Council has acknowledged that a sustainable capital programme, and the strategy and controls to shape and manage it, is a critical contributor to the future financial stability of the Council. The Council has reviewed the capital programme to reduce the level of borrowing and unsecured capital receipts required to fund it.

In addition to the Council's element of the capital programme, the Council was the accountable body for capital projects with a £97.54m budget. The 2023/24 expenditure against this budget was £61.772m. The £35.818m underspend was mainly due to slippage which will be carried forward in the next financial year.

The revised capital programme was approved at City Council in March 2023. The programme sets out investment of £602.8m, from 2023/24 to 2026/27, which will help enable substantial regeneration in and around the city and allow the Council to deliver the capital requirements that have arisen from service needs.

The programme will be funded by £454.5m of grants and contributions, £150.0m from the Public Sector Housing Major Repairs Reserve, £24.7m of borrowing approved or committed prior to the non-statutory review, as well as £58.5m of capital receipts.

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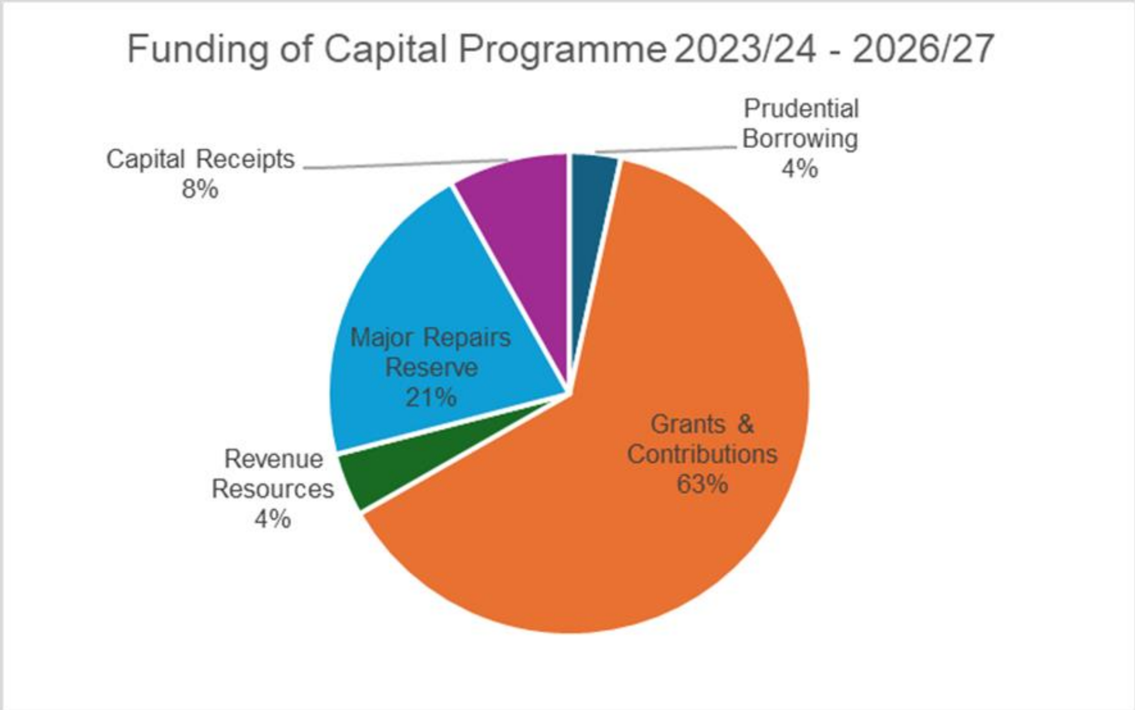

Over the life of the programme the Council will be reducing the use of Prudential Borrowing to ensure that the programme is sustainable and affordable in line with the Council's Voluntary Debt Reduction Policy.

1.2.4 Addressing Risk and Future Challenges

The Council is committed to making the changes needed to secure long term financial stability whilst maintaining services to residents.

Despite a significant amount of savings proposed as part of the 2024/25 budget and four-year medium term financial plan (MTFP), there is a projected budget gap of £41m in 2024/25.

To bridge the gap for 2024/25 and set a legally balanced budget it has been necessary to seek exceptional financial support from Government that will allow the Council to use capital receipts from the sale of its assets to fund its revenue commitments. This is not a grant or new money but rather a short-term solution that will require further sustainable savings proposals to enable the Council to achieve financial sustainability. Additional savings will need to be developed, and the Strategic Plan will be reviewed to ensure that the priority actions remain aligned to the available resources.

The Council has been granted Exceptional Financial Support by the Government of up to £66.143m (£25m in 2023/24 & £41.143m in 2024/25); this is not additional funding but an allowance to use capital resources from the sale of assets to fund service delivery costs.

Asset rationalisation is a significant part of the Improvement Plan and Budget Strategy; all assets have been reviewed and some endorsed as being suitable for disposal.

MTFP approved by City Council in March 2024 included a funding gap of £68m in 2025/26, rising to £170m over the four-year MTFP period.

1.3 Explanation of Accounting Statements for 2023/24

The Statement of Accounts sets out the Council's financial performance for 2023/24. 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 CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and International Financial Reporting Standards defines the format of the Statement of Accounts.

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

The Statement of Accounts Core Statements are:

1.3.1 Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement shows the Council's income and expenditure for the financial year. The top half of the statement analyses income and expenditure by portfolio. The bottom half of the statement gives a breakdown of corporate transactions and funding. Expenditure is made up of:

- The statutory services and activities that the Council is required to deliver, for example street cleaning and refuse collection and
- Discretionary expenditure for local priorities and needs.

1.3.2 Movement in Reserves Statement (MIRS)

The Movement in Reserves Statement (MIRS) summarises the changes within the Council's reserves over the financial year. These reserves are either:

- Useable (those that can be applied to fund expenditure or reduce local taxation), or
- Unusable (not available to support services and are set aside for specific purposes).

Surpluses and deficits from previous financial years are reflected in the reserve figures brought forward in the Movement in Reserves Statement - see section 3.3 Core Financial Statements in the Statement of Accounts.

The movements in reserves in 2023/24 are summarised below:

	31 March 2023 £m	Movement 2023/24 £m	31 March 2024 £m
General Fund	8.877	13.842	22.719
Earmarked General Fund Reserves	195.435	1.850	197.285
Other Usable Reserves	149.124	(1.137)	147.987
Unusable Reserves	2,177.465	95.884	2,273.349
TOTAL AUTHORITY RESERVES	**2,530.901**	**110.439**	**2,641.340**

1.3.3 Balance Sheet

The Balance Sheet is a snapshot of the Council's assets, liabilities, cash balances and reserves as at 31 March 2024.

The Balance Sheet is summarised below:

	31 March 2023 £m	31 March 2024 £m
Long Term Assets	3,579.406	3,556.359
Net Current Liabilities	205.286	249.415
Long Term Liabilities	(1,253.791)	(1,164.434)
NET ASSETS	**2,530.901**	**2,641.340**
Usable Reserves	353.436	367.991
Unusable Reserves	2,177.465	2,273.349
TOTAL RESERVES	**2,530.901**	**2,641.340**

The movement in Long Term Assets from 2022/23 to 2023/24 is mainly due to:

- A net increase in Property Plant & Equipment of £16.537m. Further details regarding movements in Property Plant and Equipment can be found in note 4.4.1.
- A net increase in Heritage Assets of £2.994m. Further details can be found in the Heritage Assets note 4.4.2.
- A net decrease in Investment properties of £21.594m. Further details regarding Investment Properties can be found in note 4.4.3.
- A decrease in Long Term Investments of £9.507m. Further details can be found in the Financial Instruments note 4.4.14.
- A decrease in Long Term Debtors of £10.793m. Further details can be found in the Financial Instruments note 4.4.14.

The Council had two material provisions (greater than £5m) carried within the balance sheet as at 31 March 2024, a provision for Insurance Compensation Claims and a provision for NNDR Appeals (Long Term Provisions). The carrying value as at 31 March 2024 of the Insurance Compensation Claims provision (£17.158m) 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. The carrying value as at 31 March 2024 of the NNDR Appeals provision (£8.461m) is to cover the risk of non-collection of NNDR following appeals.

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

Pension Liability

The Council is a member of the Nottinghamshire County Council pension fund. An independent actuary evaluates the assets and liabilities of the fund attributed to the Council on an annual basis. The actuary has estimated that, as at 31 March 2024, the Council's fund was in deficit by £88.600m (£84.785m deficit as at 31 March 2023). Actuarial valuations are undertaken every three years and a deficit recovery plan is in place to reduce the liability to zero within 17 years.

For further information, please refer to note 4.4.13 and Section 7.

1.3.4 Cash Flow Statement

The Cash Flow Statement explains 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.

1.3.5 Supplementary Financial Statements

The Supplementary Financial Statements are:

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

  Statement of Accounts and Reports - Nottingham City Council

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

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

1.4 Post Balance Sheet Update as at December 2024

1.4.1 Significant Event Updates, including continued Government Intervention

The information in this Narrative Report sets out the position for the 2023/24 financial year. The following bullet points provide an update on significant events for the Council since 31 March 2024 up until the time of writing:

- On 11 April 2024, the Secretary of State appointed Sharon Kemp as Commissioner for transformation.
- On 16 May 2024 the final report from the Improvement and Assurance Board was published and Councillor Neghat Khan was selected as Leader of the Council.
- Also in May 2024, the East Midlands Combined County Authority (EMCCA) was established with Nottingham City, Nottinghamshire, Derby City and Derbyshire. Nottingham City Council has developed strong relationships with these local authorities and will continue to do so to progress our wider goals and objectives. The East Midlands has historically seen significant under investment in comparison to the rest of England, and the EMCCA presents a once-in-a-generation opportunity to redress this balance and to bring more and better

opportunities to Nottingham. Residents stand to benefit from the city's share of at least £38 million investment funding per year over 30 years, as well as a brand-new City Region Sustainable Transport Settlement of over £1.5 billion.

- In August 2024 the Full Council approved the appointment of Sajeeda Rose as the Chief Executive/Head of Paid Service.
- In August 2024 the Full Council also approved The Improvement Plan as was developed and agreed with Commissioners and the Executive Board.
- In November 2024 the Section 151 Officer signed off the statutory accounts, and the external auditor provided an audit opinion, for the financial years ending 31 March 2020, 31 March 2021, 31 March 2022 and 31 March 2023, this cleared the backlog of unaudited accounts within the Government backstop date of 13 December 2024.

Section 2
Statement of Responsibilities

2.1 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that responsibility rests with the Corporate Director, Finance and Resources.
- 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 (to be confirmed)

Signed: Date:

Councillor Adele Williams
Chair of the Audit Committee

The Corporate Director, Finance and Resources 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).

I became the Section 151 Officer on 08 November 2024. The auditors had previously raised concerns about the preparation of and evidence to support the Statement of Accounts for 2019/20, particularly in relation to specialist Property Plant & Equipment valuations. The Narrative Report and Annual Governance Statement included with these Accounts provide more detail on the Council's historic issues. In addition, a previous Section 151 Officer had issued a Section 114 Part 2 Report following concerns regarding the misappropriation of resources between the General Fund and Housing Revenue Account, an independent external review confirmed the misappropriations.

In response to these findings a previous Section 151 Officer commissioned an independent external review by EY which identified significant weaknesses in financial management, financial processes and systems of internal control.

Based on the detailed work undertaken since my appointment, the statement of accounts for 2023/24 have been updated with material transactions and balances either confirmed or restated as necessary. Whilst I cannot comment on the quality of the financial processes in operation prior to my appointment, I am satisfied that sufficient evidence has been obtained to support the overall Balance Sheet and the overall year-end position on General Fund balances and reserves.

In preparing this Statement of Accounts, and within the context set out above, 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.

Subject to my comments above, I certify that these financial statements give a true and fair view of the financial position of the Authority at 31 March 2024 and of its income and expenditure for the year then ended.

Signed: Date:

Stuart Fair
Interim Corporate Director, Finance and Resources
Loxley House
Station Road
Nottingham
NG2 3NG

Section 3
Core Financial Statements

3.1 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

As outlined in note 4.3.1 Prior Year Reclassifications, the 2022/23 CIES has been restated to align with the 2023/24 directorate position of the Council. This restatement only alters the classification of the portfolios / directorates and overall the total value is unchanged.

		Restated 2022/23			2023/24		
Notes		Gross Expenditure £m	Gross Income £m	Net £m	Gross Expenditure £m	Gross Income £m	Net £m
	Adults	180.918	(84.261)	96.657	199.499	(104.625)	94.874
	Chief Executive	15.367	(1.530)	13.837	11.947	(0.556)	11.391
	Childrens	108.420	(37.121)	71.299	122.505	(39.421)	83.084
	Commissioning and Partnerships	1.938	(0.360)	1.578	3.208	(1.321)	1.887
	Communities, Environment and Resident Services	196.735	(107.590)	89.145	169.691	(96.766)	72.925
	Education	41.898	(36.258)	5.640	48.565	(44.900)	3.665
	Finance and Resources	55.207	(18.022)	37.185	61.626	(17.465)	44.161
	Growth and City Development	90.957	(92.860)	(1.903)	109.853	(90.006)	19.847
	Public Health	29.137	(32.306)	(3.169)	31.814	(35.490)	(3.676)
	Schools	113.202	(121.291)	(8.089)	124.834	(124.616)	0.218
	Corporate Items	177.539	(170.913)	6.626	167.300	(171.906)	(4.606)
	Housing Revenue Account (HRA)	82.694	(142.766)	(60.072)	107.151	(142.215)	(35.064)
	HRA - Revaluation (gain) / loss on Council Dwellings	(27.311)	-	(27.311)	23.522	-	23.522
4.3.1 & 4.3.2	**Cost of Services**	**1,066.701**	**(845.278)**	**221.423**	**1,181.515**	**(869.287)**	**312.228**
4.3.3	Other operating expenditure			23.933			14.045
4.3.4	Financing and investment income and expenditure			44.304			29.073
4.3.5	Taxation and non-specific grant income			(318.704)			(351.176)
4.3.6	**(Surplus)/Deficit on Provision of Services**			**(29.044)**			**4.170**
4.3.8	Revaluation of PPE/Heritage assets			(259.042)			(106.575)
4.3.9	Re-measurement of pension assets/liabilities			(665.747)			(8.034)
	Other Comprehensive (Income) and Expenditure			**(924.789)**			**(114.609)**
	TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE			**(953.833)**			**(110.439)**

3.2 Balance Sheet

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

- Usable reserves - those reserves that may be used to help provide services or reduce taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable reserves – those reserves that cannot be used to fund Council Services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Notes		31 March 2023 £m	31 March 2024 £m
4.4.1	Property, Plant & Equipment	3,157.152	3,173.689
4.4.2	Heritage Assets	73.058	76.052
4.4.3	Investment Property	222.148	200.554
	Intangible Assets	4.703	4.019
4.4.14	Long Term Investments	24.362	14.855
4.4.14	Long Term Debtors	97.983	87.190
	Long Term assets	**3,579.406**	**3,556.359**
4.4.15	Assets Held for Sale (current)	15.182	46.496
	Intangible Assets	0.063	0.020
4.4.14	Short Term Investments	188.255	260.852
4.4.4	Inventories	1.398	1.207
4.4.5	Short Term Debtors	134.161	119.035
4.4.7	Cash and Cash Equivalents	141.192	99.732
	Current Assets	**480.251**	**527.342**
4.4.14	Short Term Borrowing	(43.057)	(44.095)
4.4.8	Short Term Creditors	(187.558)	(190.455)
4.4.12	Revenue Grants Received in Advance	(32.542)	(32.955)
4.3.7	Contract Liabilities	(9.868)	(9.081)
4.4.9	Provisions (current provisions)	(1.940)	(1.341)
	Current Liabilities	**(274.965)**	**(277.927)**
4.4.14	Long Term Borrowing	(843.157)	(767.693)
4.3.7	Long Term Contract Liabilities	(0.636)	(2.440)
4.4.14	Other Long Term Liabilities	(149.924)	(136.510)
4.4.9	Provisions (non-current)	(22.929)	(30.063)
4.4.12	Capital Grants Receipts in Advance	(152.255)	(138.987)
4.4.12	Revenue Grants Received in Advance	(0.105)	(0.141)
4.4.13	Defined Benefit Pension Scheme	(84.785)	(88.600)
	Long Term Liabilities	**(1,253.791)**	**(1,164.434)**
	NET ASSETS	**2,530.901**	**2,641.340**
4.4.10	Usable Reserves	353.436	367.991
4.4.11	Unusable Reserves	2,177.465	2,273.349
	TOTAL RESERVES	**2,530.901**	**2,641.340**

3.3 Movement in Reserves Statement (MIRS)

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

2023/24	General Fund	Earmarked General Fund	General Fund Total	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2023	**8.877**	**195.435**	**204.312**	**56.763**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**
Outstanding Statutory (Item 9) Adjustments:											
2nd Item 9 Credit Application	-	(4.618)	(4.618)	4.618	-	-	-	-	-	-	**-**
Corrected Balance at 31 March 2023	**8.877**	**190.817**	**199.694**	**61.381**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**
Movement in 2023/24:											
Total CIE* (Table 3.1)	(8.650)	-	(8.650)	4.480	-	-	-	-	**(4.170)**	114.609	**110.439**
Funding basis adjustments (Note 4.5.1)	24.342	-	24.342	(0.982)	-	(15.749)	11.248	(0.134)	18.725	(18.725)	**-**
Net increase/decrease before transfers to earmarked reserves	**15.692**	**-**	**15.692**	**3.498**	**-**	**(15.749)**	**11.248**	**(0.134)**	**14.555**	**95.884**	**110.439**
Transfers to/from earmarked reserves	(1.850)	1.850	-	(0.137)	0.137	-	-	-	-	-	**-**
Movement in Year	**13.842**	**1.850**	**15.692**	**3.361**	**0.137**	**(15.749)**	**11.248**	**(0.134)**	**14.555**	**95.884**	**110.439**
BALANCE AT 31 MARCH 2024	**22.719**	**192.667**	**215.386**	**64.742**	**0.626**	**36.061**	**49.907**	**1.269**	**367.991**	**2,273.349**	**2,641.340**
OutstandingStatutory (Item 9) Adjustments:											
2nd Item 9 Credit Application	-	4.618	4.618	(4.618)	-	-	-	-	-	-	**-**
ACTUAL LEDGER BALANCE AT 31 MARCH 2024	**22.719**	**197.285**	**220.004**	**60.124**	**0.626**	**36.061**	**49.907**	**1.269**	**367.991**	**2,273.349**	**2,641.340**

* CIE - Comprehensive Income and Expenditure

2022/23	General Fund £m	Earmarked General Fund £m	General Fund Total £m	Housing Revenue Account (HRA) £m	Earmarked HRA Reserves £m	Capital Receipts £m	Major Repairs £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance at 31 March 2022	**14.959**	**218.896**	**233.855**	**17.797**	**0.598**	**42.191**	**38.773**	**2.810**	**336.024**	**1,241.044**	**1,577.068**
Outstanding Statutory (Item 9) Adjustments:											
1st Item 9 Credit Direction	-	(27.703)	(27.703)	27.703	-	-	-	-	-	-	-
2nd Item 9 Credit Application	-	(4.618)	(4.618)	4.618	-	-	-	-	-	-	-
Corrected Balance at 31 March 2022	**14.959**	**186.575**	**201.534**	**50.118**	**0.598**	**42.191**	**38.773**	**2.810**	**336.024**	**1,241.044**	**1,577.068**
Movement in 2022/23:											
Total CIE* (Table 3.1)	(48.010)	-	(48.010)	77.054	-	-	-	-	**29.044**	924.789	**953.833**
Funding basis adjustments (Note 4.5.1)	18.467	-	18.467	(38.197)	-	9.619	(0.114)	(1.407)	(11.632)	11.632	-
Net increase/decrease before transfers to earmarked reserves	**(29.543)**	**-**	**(29.543)**	**38.857**	**-**	**9.619**	**(0.114)**	**(1.407)**	**17.412**	**936.421**	**953.833**
Transfers to/from earmarked reserves	23.461	4.242	27.703	(27.594)	(0.109)	-	-	-	-	-	-
Movement in Year	**(6.082)**	**4.242**	**(1.840)**	**11.263**	**(0.109)**	**9.619**	**(0.114)**	**(1.407)**	**17.412**	**936.421**	**953.833**
BALANCE AT 31 MARCH 2023	**8.877**	**190.817**	**199.694**	**61.381**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**
OutstandingStatutory (Item 9) Adjustments:											
2nd Item 9 Credit Application	-	4.618	4.618	(4.618)	-	-	-	-	-	-	-
ACTUAL LEDGER BALANCE AT 31 MARCH 2023	**8.877**	**195.435**	**204.312**	**56.763**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**

* 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		2022/23 £m	2023/24 £m
	Net Surplus/(Deficit) on the provision of Services	**29.044**	**(4.170)**
4.6.1	Adjustments to net surplus or deficit on the provision of services for non-cash movements	117.448	219.431
4.6.2	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(67.444)	(173.577)
4.6.3	**Net Cash Flows from Operating Activities**	**79.048**	**41.684**
	Investing activities:		
6.5.1	Losing control of a subsidiary	1.484	-
4.6.4	Other Investing activities	29.552	(1.909)
4.6.5	Financing activities	(24.438)	(81.235)
	Net Increase or (Decrease) in Cash and Cash Equivalents	**85.646**	**(41.460)**
	Cash and cash equivalents at the beginning of the reporting period	55.546	141.192
	CASH AND CASH EQUIVALENTS AT 31 MARCH	**141.192**	**99.732**

Section 4
Notes to the Financial Statements

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

4.1 Accounting Policies

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

4.1.1 General Principles

4.1.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003. The Statement of Accounts is prepared on a going concern basis.

4.1.1.2 Accounting Convention

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

4.1.1.3 Accounting Developments and Changes

The following accounting standard amendments have been introduced by the Code for 2023/24:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020

The application date and initial adoption date of the above standards is 1 April 2023.

The amendments to the above standards are either not applicable or do not have a material effect on the Statement of Accounts and accounting policies.

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

A prior period adjustment will be made to the accounts as a result of a change in accounting policies and the effect is material. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

4.1.1.5 Events after the Balance Sheet Date

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

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

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

4.1.1.6 Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure in the period during which they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year’s accounts.
- Expenses for goods or services are recorded as expenditure when the goods or services are received by the Council rather than when payments are made.
- Where income and expenditure has been recognised but cash has not been received or paid, an appropriate class of asset or liability for the relevant amount

is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance or contract liability) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made against the loss allowance or to revenue in Financing and Investment Income and Expenditure (where there is no specific loss allowance). Loss allowances are set up for expected future credit losses and are offset against the debtor balance on the Balance Sheet. The level of loss allowance is periodically reviewed with any movements being debited or credited to the CIES.

- Works are charged as expenditure once complete, prior to completion (work in progress) they are carried as inventories on the Balance Sheet.
- For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecast cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service in the CIES. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.
- Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. In the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in the relevant service. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.
- Accruals are made for all material sums.

4.1.1.7 Schools

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

4.1.1.8 Choices permitted under IFRS

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

De Minimis Capital Expenditure

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

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

Componentisation

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

Depreciation (including amortisation of intangible assets)

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

- Buildings, dwellings, vehicles, plant, furniture and equipment.
- Infrastructure and Community.
- Intangible assets.

4.1.2 Policies primarily affecting the CIES

4.1.2.1 Government Grants and Contributions

Government grants and other contributions are recognised as being due to the Council when the conditions attached to them 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 directorate line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

4.1.2.2 Business Improvement Districts (BID)

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

4.1.2.3 Operating Leases

Receivable (Council as lessor)

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

Payable (Council as lessee)

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

4.1.2.4 Employee Benefits

Benefits Payable During Employment

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

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept voluntary redundancy. They are charged on an accruals basis to the Corporate Items line or the relevant directorate 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 the relevant directorate line in the CIES.

Teachers’ Pension Scheme

Pension costs relating to Teachers' Pension Scheme have been accounted for as defined contribution schemes and the costs are charged to the relevant directorate line in the CIES. The arrangements for the teachers’ pension scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

Defined Benefit Schemes (Local Government Pension Scheme)

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

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

Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority (the change during the period in the net defined benefit liability (asset) that arises from the passage of time) is charged to the Financing and Investment Income and Expenditure line of the CIES – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

The CIES shows the re-measurements comprising:

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

Discretionary Benefits

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

4.1.2.5 Charges to Service Revenue Accounts for Non-Current Assets

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

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

4.1.2.6 Financing and Investment

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

- Income, expenditure and changes in the fair value of investment properties – comprising of upward and downward movements in the value of properties, together with any gains and losses arising on disposal and rentals receivable and expenses incurred in relation to properties.
- Gains and losses of financial instruments including:
    - Interest revenue calculated using the effective interest method.

- Gains and losses arising from de-recognition of financial assets measured at amortised cost.
- Impairment losses (including reversals of impairment losses or impairment gains).

- Net interest on Defined Benefit Pension Schemes.

4.1.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

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

4.1.2.8 Overheads and Support Services

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

4.1.2.9 Council Tax and National Non Domestic Rates (NNDR)

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

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

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

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

4.1.2.10 Jointly Controlled Operations

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

4.1.2.11 Acquired Operations

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

4.1.2.12 Exceptional Items

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

4.1.2.13 Value Added Tax

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

4.1.3 Policies primarily affecting the Balance Sheet

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

PPE - Recognition

General

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

Surplus Assets

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

Private Finance Initiative (PFI) and Similar Contracts

In accordance with the code, the Council accounts for its PFI contracts in accordance with 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 fair value with a corresponding liability for the amounts due to the scheme operator.

The amounts payable to the PFI operators are comprised of 5 elements. The Current Value of Services received during the year, Finance Cost, Contingent Rent, and Lifecycle replacement costs are all posted to the CIES. The repayment of the outstanding liability and recognition of assets from lifecycle replacement are posted to 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

Property, Plant and Equipment (PP&E) held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of minimum lease payments, if lower). 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.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

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 to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal and a long term debtor raised in the Balance Sheet.

Lease rentals receivable are apportioned between the principal repayment which reduces the debtor balance (together with any premiums received) 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.

Depreciation or amortisation is not required on assets with indefinite useful lives.

Intangible Assets

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

Measurement

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

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

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

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

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

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

Impairment

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

- 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 directorate line of the CIES.

- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant directorate line of the CIES only.

Depreciation and Amortisation

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

Depreciation is calculated on the following bases:

- Buildings and Dwellings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life.
- Infrastructure and Community – straight-line allocation over the useful life.
- 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.

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

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

Componentisation

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

Fair Value Measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs

Disposal

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

4.1.3.2 Investment Property

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

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

4.1.3.3 Interests in Companies and Other Entities

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

4.1.3.4 PPE Assets Held for Sale

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

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

4.1.3.5 Inventories

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

4.1.3.6 Financial Assets

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

- amortised cost,

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

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

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

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

Financial Assets Measured at Fair Value through other comprehensive income

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Fair value measurements of financial assets

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

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

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

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

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

4.1.3.7 Financial Liabilities

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

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

Financial guarantees are recognised as a provision held at fair value based on the expected probability of the guarantee being called as at the balance sheet date.

Where premiums and discounts have been charged to the CIES as part of restructuring the debt portfolio, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

4.1.3.8 Provisions

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

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

4.1.3.9 Contingent Liabilities

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

4.1.3.10 Defined Benefit Schemes (Local Government Pension Scheme)

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

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

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the Single Equivalent Discount Rate which uses the annualised Merrill Lynch AA rated corporate bond yield curve and assumes the curve is flat beyond the 30 year point. The estimate of the Council's past service liability duration is 17 years.

4.1.3.11 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. Transfers to and from reserves are shown in the MIRS and not within services. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on Provision of Services in the CIES. The reserve is then transferred back into the general fund balance so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and are not usable resources for the Council.

4.1.4 Policies affecting the Cash Flow Statement

4.1.4.1 Cash and Cash Equivalents

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

4.1.5 Policies used to account on a Funding Basis

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

4.1.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

Instead of these charges the Council is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (in line with the Council's published Minimum Revenue Provision policy). The difference between the two transactions is adjusted within the Capital Adjustment Account.

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

4.1.5.2 Gains and Losses on Sale of Assets

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

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

4.1.5.3 Capital grants

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

4.1.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

4.1.5.5 Employee Benefits

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the MIRS, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

4.1.5.6 Termination Benefits - Pension Enhancements

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

4.1.5.7 Financial Liabilities

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

4.1.5.8 Financial Assets

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

4.1.5.9 Use of Reserves

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

4.1.6 Accounting Policies not relevant or not material

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

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

4.2 Expenditure and Funding Analysis (EFA) and Notes

4.2.1 Expenditure and Funding Analysis

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

As outlined in note 4.3.1 Prior Year Reclassifications, the 2022/23 EFA and associated notes have been restated to align with the 2023/24 directorate position of the Council. This restatement only alters the classification of the portfolios / directorates and overall the total value is unchanged.

	2023/24				
	General Fund Revenue Outturn Reported to Members £m	Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances £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	97.886	(1.721)	96.165	(1.291)	94.874
Chief Executive	3.950	1.344	5.294	6.097	11.391
Childrens	82.795	1.703	84.498	(1.414)	83.084
Commissioning and Partnerships	1.993	-	1.993	(0.106)	1.887
Communities, Environment and Resident Services	51.067	(5.242)	45.825	27.100	72.925
Education	4.089	(0.433)	3.656	0.009	3.665
Finance and Resources	42.271	2.713	44.984	(0.823)	44.161
Growth and City Development	(8.821)	9.604	0.783	19.064	19.847
Public Health	-	(3.561)	(3.561)	(0.115)	(3.676)
Schools	0.017	0.201	0.218	-	0.218
Corporate Items	4.154	(39.954)	(35.800)	31.194	(4.606)
Housing Revenue Account (HRA)	-	(60.175)	(60.175)	25.111	(35.064)
HRA - Revaluation (gain) / loss on Council Dwellings	-	-	-	23.522	23.522
Net Cost of Services	**279.401**	**(95.521)**	**183.880**	**128.348**	**312.228**
Other income and expenditure	-	(203.070)	(203.070)	(104.988)	(308.058)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	**279.401**	**(298.591)**	**(19.190)**	**23.360**	**4.170**
		Note 4.2.4	Note 4.2.3	Note 4.2.2	
Opening General Fund, Earmarked General Fund Reserves and HRA Balance at 1 April			(261.564)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(19.190)		
Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*			**(280.754)**		

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

	Restated 2022/23				
	General Fund Revenue Outturn Reported to Members £m	Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances £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	94.034	(0.724)	93.310	3.347	96.657
Chief Executive	5.285	0.455	5.740	8.097	13.837
Childrens	65.816	0.011	65.827	5.472	71.299
Commissioning and Partnerships	1.435	-	1.435	0.143	1.578
Communities, Environment and Resident Services	46.664	0.983	47.647	41.498	89.145
Education	3.414	0.167	3.581	2.059	5.640
Finance and Resources	31.347	(0.573)	30.774	6.411	37.185
Growth and City Development	(22.012)	17.965	(4.047)	2.144	(1.903)
Public Health	(3.318)	0.001	(3.317)	0.148	(3.169)
Schools	(6.905)	(1.184)	(8.089)	-	(8.089)
Corporate Items	21.655	(24.920)	(3.265)	9.891	6.626
Housing Revenue Account (HRA)	-	(84.748)	(84.748)	24.676	(60.072)
HRA - Revaluation (gain) / loss on Council Dwellings	-	-	-	(27.311)	(27.311)
Net Cost of Services	**237.415**	**(92.567)**	**144.848**	**76.575**	**221.423**
Other income and expenditure	-	(154.162)	(154.162)	(96.305)	(250.467)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	**237.415**	**(246.729)**	**(9.314)**	**(19.730)**	**(29.044)**
		Note 4.2.4	Note 4.2.3	Note 4.2.2	
Opening General Fund, Earmarked General Fund Reserves and HRA Balance at 1 April			(252.250)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(9.314)		
Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*			**(261.564)**		

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

4.2.2 EFA Note - Adjustments between Funding and Accounting Basis

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

	Restated 2022/23				2023/24			
	Adjustments for Capital Purposes £m	Net Change for the Pension Adjustments £m	Other Differences £m	Total Adjustments £m	Adjustments for Capital Purposes £m	Net Change for the Pension Adjustments £m	Other Differences £m	Total Adjustments £m
Adults	0.419	2.928	-	**3.347**	0.278	(1.569)	-	**(1.291)**
Chief Executive	7.689	0.408	-	**8.097**	6.320	(0.223)	-	**6.097**
Childrens	1.336	4.136	-	**5.472**	3.913	(5.327)	-	**(1.414)**
Commissioning and Partnerships	-	0.143	-	**0.143**	-	(0.106)	-	**(0.106)**
Communities, Environment and Resident Services	35.665	5.833	-	**41.498**	30.166	(3.066)	-	**27.100**
Education	0.563	1.496	-	**2.059**	0.792	(0.783)	-	**0.009**
Finance and Resources	3.213	3.198	-	**6.411**	3.103	(3.926)	-	**(0.823)**
Growth and City Development	(0.057)	2.201	-	**2.144**	20.330	(1.266)	-	**19.064**
Public Health	-	0.148	-	**0.148**	-	(0.115)	-	**(0.115)**
Corporate Items	9.497	1.098	(0.704)	**9.891**	14.517	16.677	-	**31.194**
Housing Revenue Account (HRA)	24.676	-	-	**24.676**	25.111	-	-	**25.111**
HRA - Revaluation (gain) / loss on Council Dwellings	(27.311)	-	-	**(27.311)**	23.522	-	-	**23.522**
Net Cost of Services	**55.690**	**21.589**	**(0.704)**	**76.575**	**128.052**	**0.296**	**-**	**128.348**
Other Income and Expenditure from the Expenditure and Funding Analysis	(90.335)	14.226	(20.196)	**(96.305)**	(96.797)	11.553	(19.744)	**(104.988)**
DIFFERENCE BETWEEN GENERAL FUND SURPLUS OR DEFICIT AND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**(34.645)**	**35.815**	**(20.900)**	**(19.730)**	**31.255**	**11.849**	**(19.744)**	**23.360**

Adjustments for Capital Purposes

Included within Net Cost of Services:

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

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

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

Net Change for the Pensions Adjustments

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

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Other Differences

For services this includes employee benefit accruals, and for:

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

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

This note shows the income and expenditure by portfolio.

2023/24	Adults	Chief Executive	Childrens	Commissioning and Partnerships	Communities, Environment and Resident Services	Education	Finance and Resources	Growth and City Development	Public Health	Schools	Corporate Items	Housing Revenue Account (HRA)	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	£m
Income																		
Council Tax and NNDR	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-	-	(231.968)	**(231.968)**	**(231.968)**
Fees, charges, other income	(20.230)	(0.393)	(0.185)	-	(70.060)	(9.992)	(9.100)	(54.480)	(0.194)	(3.204)	(2.727)	(141.563)	**(312.128)**	-	(37.175)	-	**(37.175)**	**(349.303)**
Government Grants and Contributions	(84.395)	(0.163)	(39.236)	(1.321)	(26.674)	(34.908)	(8.365)	(33.981)	(35.295)	(121.409)	(168.136)	(0.652)	**(554.535)**	-	-	(62.205)	**(62.205)**	**(616.740)**
Interest and investment income	-	-	-	-	(0.032)	-	-	(1.489)	-	(0.003)	(1.044)	-	**(2.568)**	-	(18.990)	-	**(18.990)**	**(21.558)**
Exceptional Financial Support	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(17.568)	-	-	**(17.568)**	**(17.568)**
Total Income	**(104.625)**	**(0.556)**	**(39.421)**	**(1.321)**	**(96.766)**	**(44.900)**	**(17.465)**	**(89.950)**	**(35.489)**	**(124.616)**	**(171.907)**	**(142.215)**	**(869.231)**	**(17.568)**	**(56.165)**	**(294.173)**	**(367.906)**	**(1,237.137)**
Expenditure																		
Employee expenses	32.818	5.179	42.282	2.843	64.773	18.479	47.839	26.194	2.885	73.354	8.304	42.196	**367.146**	-	0.641	-	**0.641**	**367.787**
Interest payments	-	-	-	-	-	-	0.002	-	-	-	-	-	**0.002**	-	54.380	-	**54.380**	**54.382**
Levies	-	-	-	-	-	-	-	-	-	-	-	-	**-**	0.081	-	-	**0.081**	**0.081**
Other service expenses	167.972	0.671	81.637	0.471	77.818	30.077	14.608	64.539	29.043	51.480	127.803	39.844	**685.963**	-	4.702	-	**4.702**	**690.665**
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-	89.313	-	**89.313**	**89.313**
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-	15.719	-	**15.719**	**15.719**
Total Expenditure	**200.790**	**5.850**	**123.919**	**3.314**	**142.591**	**48.556**	**62.449**	**90.733**	**31.928**	**124.834**	**136.107**	**82.040**	**1,053.111**	**0.081**	**164.755**	**-**	**164.836**	**1,217.947**
TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES	**96.165**	**5.294**	**84.498**	**1.993**	**45.825**	**3.656**	**44.984**	**0.783**	**(3.561)**	**0.218**	**(35.800)**	**(60.175)**	**183.880**	**(17.487)**	**108.590**	**(294.173)**	**(203.070)**	**(19.190)**

Restated 2022/23	Adults	Chief Executive	Childrens	Commissioning and Partnerships	Communities, Environment and Resident Services	Education	Finance and Resources	Growth and City Development	Public Health	Schools	Corporate Items	Housing Revenue Account (HRA)	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	£m
Income																		
Council Tax and NNDR	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-	-	(200.972)	**(200.972)**	**(200.972)**
Fees, charges, other income	(17.554)	(0.436)	(0.112)	(0.020)	(68.304)	(12.127)	(7.996)	(48.105)	(0.100)	(2.975)	(2.050)	(142.398)	**(302.177)**	-	(20.923)	-	**(20.923)**	**(323.100)**
Government Grants and Contributions	(66.707)	(1.094)	(37.009)	(0.340)	(39.252)	(24.131)	(10.027)	(44.144)	(32.206)	(118.314)	(168.525)	(0.368)	**(542.117)**	-	-	(62.604)	**(62.604)**	**(604.721)**
Interest and investment income	-	-	-	-	(0.034)	-	-	(0.611)	-	(0.002)	(0.338)	-	**(0.985)**	-	(12.123)	-	**(12.123)**	**(13.108)**
Total Income	**(84.261)**	**(1.530)**	**(37.121)**	**(0.360)**	**(107.590)**	**(36.258)**	**(18.023)**	**(92.860)**	**(32.306)**	**(121.291)**	**(170.913)**	**(142.766)**	**(845.279)**	**-**	**(33.046)**	**(263.576)**	**(296.622)**	**(1,141.901)**
Expenditure																		
Employee expenses	31.305	5.109	40.622	1.655	58.876	16.989	31.425	21.679	2.439	69.038	10.428	1.077	**290.642**	-	0.708	-	**0.708**	**291.350**
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-	**-**		55.271	-	**55.271**	**55.271**
Levies	-	-	-	-	-	-	-	-	-	-	-	-	**-**	0.080	-	-	**0.080**	**0.080**
Other service expenses	146.266	2.161	62.326	0.140	96.361	22.850	17.372	67.134	26.550	44.164	157.220	56.941	**699.485**	0.064	7.266	0.821	**8.151**	**707.636**
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(0.063)	77.944	-	**77.881**	**77.881**
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	**-**	-	0.369	-	**0.369**	**0.369**
Total Expenditure	**177.571**	**7.270**	**102.948**	**1.795**	**155.237**	**39.839**	**48.797**	**88.813**	**28.989**	**113.202**	**167.648**	**58.018**	**990.127**	**0.081**	**141.558**	**0.821**	**142.460**	**1,132.587**
TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES	**93.310**	**5.740**	**65.827**	**1.435**	**47.647**	**3.581**	**30.774**	**(4.047)**	**(3.317)**	**(8.089)**	**(3.265)**	**(84.748)**	**144.848**	**0.081**	**108.512**	**(262.755)**	**(154.162)**	**(9.314)**

4.2.4 EFA Note - Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances

2023/24	Items not included in Revenue Outturn but are included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'					Earmarked General Fund Reserves movements & Other Items included in Revenue Outturn but are not included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'	Movement of items that do not report into Net Cost of Service Directorates in the CIES/EFA	Other movements in the SoA post Outturn Report	Total Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA
	HRA	Collection Fund (Council Tax and NNDR)	Revenue Support Grant	Exceptional Financial Support	Other				
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adults	-	-	-	-	-	-	-	(1.721)	(1.721)
Chief Executive	-	-	-	-	-	-	-	1.344	1.344
Childrens	-	-	-	-	-	-	-	1.703	1.703
Commissioning and Partnerships	-	-	-	-	-	-	-	-	-
Communities, Environment and Resident Services	-	-	-	-	-	-	0.113	(5.355)	(5.242)
Education	-	-	-	-	-	-	-	(0.433)	(0.433)
Finance and Resources	-	-	-	-	-	-	-	2.713	2.713
Growth and City Development	-	-	-	-	0.056	-	16.306	(6.758)	9.604
Public Health	-	-	-	-	-	-	-	(3.561)	(3.561)
Schools	-	-	-	-	-	-	-	0.201	0.201
Corporate Items	-	-	-	-	-	-	(36.975)	(2.979)	(39.954)
Housing Revenue Account (HRA)	(60.175)	-	-	-	-	-	-	-	(60.175)
HRA - Revaluation (gain) / loss on Council Dwellings	-	-	-	-	-	-	-	-	-
Net Cost of Services	**(60.175)**	**-**	**-**	**-**	**0.056**	**-**	**(20.556)**	**(14.846)**	**(95.521)**
Other income and expenditure	56.678	(231.968)	(29.948)	(17.568)	15.655	(14.329)	20.556	(2.146)	(203.070)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	**(3.497)**	**(231.968)**	**(29.948)**	**(17.568)**	**15.711**	**(14.329)**	**-**	**(16.992)**	**(298.591)**

	Restated 2022/23							
	Items not included in Revenue Outturn but are included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'							
	HRA	Collection Fund (Council Tax and NNDR)	Revenue Support Grant	Other	Earmarked General Fund Reserves movements & Other Items included in Revenue Outturn but are not included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'	Movement of items that do not report into Net Cost of Service Directorates in the CIES/EFA	Other movements in the SoA post Outturn Report	Total Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA
	£m	£m	£m	£m	£m	£m	£m	£m
Adults	-	-	-	-	-	-	(0.724)	(0.724)
Chief Executive	-	-	-	-	-	-	0.455	0.455
Childrens	-	-	-	-	-	-	0.011	0.011
Commissioning and Partnerships	-	-	-	-	-	-	-	-
Communities, Environment and Resident Services	-	-	-	-	-	0.214	0.769	0.983
Education	-	-	-	-	-	-	0.167	0.167
Finance and Resources	-	-	-	-	-	-	(0.573)	(0.573)
Growth and City Development	-	-	-	0.056	-	16.523	1.386	17.965
Public Health	-	-	-	-	-	-	0.001	0.001
Schools	-	-	-	-	-	-	(1.184)	(1.184)
Corporate Items	-	-	-	0.393	-	(10.638)	(14.675)	(24.920)
Housing Revenue Account (HRA)	(84.748)	-	-	-	-	-	-	(84.748)
HRA - Revaluation (gain) / loss on Council Dwellings	-	-	-	-	-	-	-	-
Net Cost of Services	**(84.748)**	**-**	**-**	**0.449**	**-**	**6.099**	**(14.367)**	**(92.567)**
Other income and expenditure	45.890	(200.974)	(26.685)	0.011	(5.168)	(6.099)	38.863	(154.162)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	**(38.858)**	**(200.974)**	**(26.685)**	**0.460**	**(5.168)**	**-**	**24.496**	**(246.729)**

HRA

The General Fund Revenue Outturn does not include the HRA. The HRA Outturn is reported separately. The HRA adjustment therefore reflects the adjustment required to reconcile to the 'Net Expenditure Chargeable to the General Fund and HRA Balances'.

Movement of items that do not report into Net Cost of Service Portfolios in the CIES/EFA

These adjustments are in relation to those items that are not reported in the portfolios of the Net Cost of Service within the CIES and EFA. These items report into 'Financing and investment income and expenditure' or 'Taxation and non-specific grant income' lines of the CIES (Other income and expenditure line of the EFA). These include for example, items such as the Treasury Management function and some government grants - these are reported as Corporate Items in the Outturn figures.

Other

In 2023/24 this includes the reversal out of General Fund to the Financial Instruments Adjustment Account £15.273m in relation to a discount given on the early repayment of debt.

4.3 Comprehensive Income and Expenditure Statement Notes

4.3.1 Prior Year Reclassifications

In line with the CIPFA reporting requirements the service part of the CIES is based on the organisational structure of the Council i.e. directorates. The 2022/23 CIES and associated notes have been restated where required to align with the 2023/24 directorate position of the Council. This restatement only alters the classification of the portfolios / directorates and overall the total value is unchanged.

The following table analyses the reclassification of directorates within the CIES Cost of Services with regards to 2022/23 and the restated figures:

Directorates as shown in the 2022/23 Statement of Accounts	£m	Reclassification movements of 2022/23 to align with the 2023/24 Directorates	£m	Restated 2022/23 with the 2023/24 Directorates	£m
Adults	96.410	Adults	96.657	Adults	96.657
		Finance and Resources	(0.246)	Chief Executive	13.837
			96.411	Childrens	71.299
				Commissioning and Partnerships	1.578
Chief Executive	13.100	Chief Executive	13.046	Communities, Environment and Resident Services	89.145
		Finance and Resources	0.054	Education	5.640
			13.100	Finance and Resources	37.185
				Growth and City Development	(1.903)
Childrens	71.763	Childrens	71.299	Public Health	(3.169)
		Commissiong and Partnership	0.463	Schools	(8.089)
			71.762	Corporate Items	6.626
				Housing Revenue Account (HRA)	(60.072)
Commissiong and Partnerships	1.115	Commissiong and Partnerships	1.115	Revaluation gain on HRA Council Dwellings	(27.311)
Communities,Environment and Resident Services	89.145	Communities,Environment and Resident Services	89.145		
Education	5.811	Education	5.811		
Finance and Resources	37.453	Finance and Resources	37.453		
Growth and City Development	(1.359)	Growth and City Development	(1.903)		
		Chief Executive	0.791		
		Education	(0.171)		
		Finance and Resources	(0.076)		
			(1.359)		
Public Health	(3.169)	Public Health	(3.169)		
Schools	(8.089)	Schools	(8.089)		
Corporate Items	6.626	Corporate Items	6.626		
Housing Revenue Account (HRA)	(60.072)	Housing Revenue Account (HRA)	(60.072)		
Revaluation gain on HRA Council Dwellings	(27.311)	Revaluation gain on HRA Council Dwellings	(27.311)		
COST OF SERVICES	221.423	**COST OF SERVICES**	221.423	**COST OF SERVICES**	221.423

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

4.3.2 Specific Grants Credited to Services

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

	2022/23 £m	2023/24 £m
Revenue Grants		
Department for Education		
Dedicated School Grant	(128.642)	(132.575)
Universal Free School Meals	(1.247)	(1.400)
Pupil Premium Grant	(6.970)	(7.261)
PFI Grant	(5.620)	(5.620)
Department for Work & Pensions		
Mandatory Rent Allowances: Subsidy	(65.413)	(69.186)
Rent Rebates Granted to HRA Tenants	(39.967)	(40.959)
Housing Benefit Administration	(1.284)	(1.212)
Household Support Fund		(7.114)
Department of Health & Social Care		
Public Health	(35.459)	(39.712)
Market Sustainability & Fair Cost of Care Fund	(1.046)	(3.630)
ASC Discharge Fund		(2.328)
Ministry of Housing, Communities and Local Government		
Improved Better Care Fund	(16.603)	(16.603)
Social Care Grant	(17.328)	(27.521)
Homelessness Prevention Grant	(1.337)	(1.389)
PFI Grant	(2.898)	(6.359)
Rough Sleeping Initiative		(3.102)
Department for Business, Energy & Industrial Strategy		
Green Homes Grant Local Authority Delivery	(17.580)	-
Department for Transport		
Light Rail Recovery Grant	(3.164)	-
PFI Grant	(61.491)	(58.030)
Covid 19 Grants	-	
Other Revenue Grants	(71.995)	(69.101)
Contributions	(64.073)	(61.434)
TOTAL	**(542.117)**	**(554.535)**

4.3.3 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2022/23 £m	2023/24 £m
Removal of Schools converting to Academies	-	3.023
Write out of asset values due to replacement and demolition	7.215	4.324
Payments to the Government Housing Capital Receipts Pool	-	10.586
Levies	0.080	0.081
Net Gain/Loss on the disposal of non-current assets	16.638	(3.969)
TOTAL	**23.933**	**14.045**

4.3.4 Financing and Investment Income and Expenditure

	2022/23			2023/24		
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m
Net Interest on Pension Fund	14.199	-	14.199	11.567	-	11.567
Interest and similar charges and income	24.943	(0.134)	24.809	22.974	(0.125)	22.849
Interest revenue/costs calculated using the effective interest rate method	30.376	(10.147)	20.229	30.730	(35.459)	(4.729)
Impairment Losses	4.045	-	4.045	2.164	-	2.164
Impairment of Equity Holding	-	-	-	0.589	-	0.589
Trading Operations	1.736	(2.316)	(0.580)	1.336	(1.219)	0.117
Income and expenditure in relation to investment properties and changes in their fair value	28.637	(46.290)	(17.653)	34.333	(37.439)	(3.106)
Other Finance and Investment items	0.818	(1.563)	(0.745)	(0.001)	(0.377)	(0.378)
TOTAL	**104.754**	**(60.450)**	**44.304**	**103.692**	**(74.619)**	**29.073**

4.3.5 Taxation and Non-Specific Grant Income

	2022/23 £m	2023/24 £m
Revenue:		
Council Tax income		
Demand on the Collection Fund	(133.763)	(140.424)
Apportionment of Collection Fund Surplus/Deficit	0.557	(6.611)
National Non Domestic Rates (NNDR)		
Demand on the Collection Fund	(56.112)	(56.812)
Apportionment of Collection Fund Surplus/Deficit	(2.429)	4.202
Top Up Grant	(28.584)	(35.892)
NNDR Section 31 Grant	(23.794)	(27.103)
Non-ringfenced government grants		
Revenue Support Grant	(26.685)	(29.948)
New Homes Bonus	(3.911)	(1.247)
Lower Tier Services Grant	(0.734)	-
Services Grant	(6.658)	(3.906)
Other	(0.469)	(0.456)
Capital:		
Government Departments	(34.054)	(48.589)
Other	(2.068)	(4.390)
TOTAL	**(318.704)**	**(351.176)**

4.3.6 Expenditure and Income analysed by Nature

	2022/23 £m	2023/24 £m
Income		
Council Tax and NNDR	(220.799)	(235.993)
Fees, charges, other income	(323.100)	(349.303)
Government grants and contributions	(640.843)	(669.719)
Interest and investment income	(13.108)	(21.558)
Exceptional Financial Support	-	(17.568)
Total Income	(1,197.850)	(1,294.141)
Expenditure		
Employee expenses	312.262	368.069
Interest payments	69.470	65.950
Levies	0.080	0.081
Other service expenses	715.748	715.213
Capital charges including depreciation, amortisation, impairment, revaluations	59.327	135.030
Payments to Housing Capital Receipts Pool	-	10.586
Disposal of assets - (gain) / loss	11.919	3.382
Total Expenditure	1,168.806	1,298.311
(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES	**(29.044)**	**4.170**

4.3.7 Revenue from Contracts with Service Recipients

Revenue included in the CIES for contracts with service recipients:

	Restated 2022/23				2023/24			
	Fees and charges under statutory requirements £m	Sale of goods £m	Charges for services £m	Total £m	Fees and charges under statutory requirements £m	Sale of goods £m	Charges for services £m	Total £m
Adults	0.000	(0.012)	(17.542)	(17.554)	-	(0.019)	(20.211)	(20.230)
Chief Executive	-	-	(0.436)	(0.436)	-	-	(0.393)	(0.393)
Childrens	-	-	(0.112)	(0.112)	-	-	(0.185)	(0.185)
Commissioning and Partnerships	-	-	(0.020)	(0.020)	-	-	-	-
Communities, Environment and Resident Services	(5.476)	(2.161)	(60.617)	(68.253)	(5.956)	(2.866)	(61.155)	(69.977)
Education	-	(4.933)	(7.071)	(12.004)	-	(2.720)	(7.122)	(9.843)
Finance and Resources	-	-	(6.460)	(6.460)	-	-	(7.602)	(7.602)
Growth and City Development	(4.090)	(0.022)	(38.418)	(42.531)	(3.232)	(0.063)	(47.445)	(50.739)
Public Health	-	-	(0.100)	(0.100)	-	-	(0.194)	(0.194)
Schools	-	(0.029)	(2.842)	(2.870)	-	(0.028)	(3.048)	(3.076)
Corporate Items	-	(0.006)	(2.044)	(2.050)	-	(0.006)	(2.721)	(2.727)
Housing Revenue Account (HRA)	(101.676)	-	(12.894)	(114.570)	(110.562)	(0.005)	(17.010)	(127.578)
Financing and Investment Income and Expenditure	-	-	(21.769)	(21.769)	-	-	(36.388)	(36.388)
Revenue from contracts with service recipients	**(111.241)**	**(7.162)**	**(170.326)**	**(288.730)**	**(119.750)**	**(5.707)**	**(203.475)**	**(328.932)**
Impairment of receivables				(0.436)				(0.479)
TOTAL INCLUDED IN THE CIES				**(289.166)**				**(329.411)**

As outlined in note 4.3.1 Prior Year Reclassifications, 2022/23 has been restated to align with the 2023/24 directorate position of the Council. This restatement only alters the classification of the directorates and overall the total value is unchanged.

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

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

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

Timing of revenue recognition	2022/23 Over time £m	2022/23 At a point in time £m	2023/24 Over time £m	2023/24 At a point in time £m
Fees and charges under statutory requirements	(110.002)	(1.239)	(118.572)	(1.178)
Sale of goods	-	(7.162)	-	(5.707)
Charges for services	(124.721)	(45.605)	(157.756)	(45.718)
TOTAL	**(234.723)**	**(54.006)**	**(276.328)**	**(52.604)**

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

	31 March 2023 £m	31 March 2024 £m
Receivables included in debtors	57.872	60.128
Contract liabilities	(10.504)	(11.521)
TOTAL	**47.368**	**48.607**

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

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

For Planning and Building Control Fees income is recognised in the CIES when the application is approved or the inspection regime is completed. For advance ticket sales, income is recognised when the show has been performed and for Licensing income is recognised as licences are issued and enforcement activity is carried out. The contract liabilities balance is reduced as income is recognised in the CIES.

Where the right of the Council to income is conditional on the provision of further goods or services to the customer, such income is recorded as a contract asset. This is applicable to income relating to service charges for commercial property owned by the

Council. Costs are recognised as services are provided to customers. At year end where services are not complete, the cost is de-recognised in the CIES and recognised as a contract asset on the balance sheet.

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

	2022/23		2023/24	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
Balances at 1 April	**-**	**(14.971)**	**-**	**(10.504)**
Reversal for amounts recognised in the CIES in year	-	14.971	-	10.504
Increases (decreases) due to cash received (paid)	-	(10.504)	-	(11.521)
BALANCE AT 31 MARCH	**-**	**(10.504)**	**-**	**(11.521)**

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

	31 March 2023 £m	31 March 2024 £m
Not later than one year	(9.868)	(9.081)
Later than one year	(0.636)	(2.440)
TOTAL	**(10.504)**	**(11.521)**

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

During 2023/24 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £103.587m for PPE assets (see note 4.4.1) and £2.988m for Heritage Assets (see note 4.4.2). There are no charges within Other Operating Expenditure relating to physical damage and demolition of assets in 2023/24.

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

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

	Local Government Pension Scheme		Teachers Benefits	
	2022/23 £m	2023/24 £m	2022/23 £m	2023/24 £m
Cost of Services:				
Service cost	62.845	49.662	-	-
Administration expenses	0.566	0.667	-	-
Financing and Investment Income and Expenditure:				
Net interest on the defined liability (asset)	13.426	10.426	0.773	1.141
Total Charged to (Surplus)/Deficit on Provision of Services	**76.837**	**60.755**	**0.773**	**1.141**
Other Comprehensive Income and Expenditure (OCIE):				
Re-measurements of the net defined benefit liability (asset):				
Return on Fund assets in excess of interest	70.341	(53.066)	-	-
Other actuarial (gains)/losses on assets	(0.691)	-	-	-
Change in financial assumptions	(886.218)	(38.063)	(7.008)	0.154
Change in demographic assumptions	-	(23.058)	-	(0.390)
Experience (gain)/loss on defined benefit obligation	155.441	13.454	2.388	0.154
Changes in effect of asset ceiling	-	92.781	-	-
Total Charged to OCIE	**(661.127)**	**(7.952)**	**(4.620)**	**(0.082)**
TOTAL CHARGED TO THE CIES	**(584.290)**	**52.803**	**(3.847)**	**1.059**

These transactions are summarised in the following table:

	2022/23 £m	2023/24 £m
Comprehensive Income and Expenditure Statement:		
Cost of services	63.411	50.329
Financing and Investment income and expenditure	14.199	11.567
Other Comprehensive Income and Expenditure	(665.747)	(8.034)
TOTAL	**(588.137)**	**53.862**

4.4 Balance Sheet Notes

4.4.1 Property Plant and Equipment

2023/24	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	
Gross Book Value b/f	1,355.826	1,098.636	108.108		12.938	46.422	44.888	**2,666.818**	**
Accumulated Depreciation b/f	-	(1.466)	(57.746)		(5.931)	(0.043)	-	**(65.186)**	**
Accumulated Impairment b/f	-	-	-		-	-	-	**-**	**
Net Book Value at 1 April 2023	**1,355.826**	**1,097.170**	**50.362**	**555.520**	**7.007**	**46.379**	**44.888**	**3,157.152**	
Additions - Capital Expenditure	27.328	4.877	8.480	43.277	0.206	0.040	21.838	**106.046**	
Additions - PFI	-	0.221	-	1.124	-	-	-	**1.345**	
Depreciation Charge	(22.677)	(29.482)	(10.776)	(28.834)	5.931	(0.484)	-	**(86.322)**	
Revaluations - Recognised in Revaluation Reserve	5.171	101.166	-	-	-	(2.750)	-	**103.587**	
Revaluations - Recognised in the CIES	(23.558)	0.898	-	-	-	(2.106)	-	**(24.766)**	
Derecognition - Disposals	(15.911)	(9.836)	(0.287)	-	-	(0.249)	-	**(26.283)**	
Derecognition - Other	(5.275)	(2.033)	-	-	-	(0.040)	-	**(7.348)**	
Other Movements - Transfers to Assets Held for Sale	2.400	-	-	-	-	(36.462)	-	**(34.062)**	
Other Movements - Other	17.452	(16.953)	-	-	-	1.293	(17.452)	**(15.660)**	
Net Book Value at 31 March 2024	**1,340.756**	**1,146.028**	**47.779**	**571.087**	**13.144**	**5.621**	**49.274**	**3,173.689**	
Gross Book Value c/f	1,340.756	1,147.654	107.068		13.144	5.621	49.274	**2,663.517**	**
Accumulated Depreciation c/f	-	(1.626)	(59.289)		-	-	-	**(60.915)**	**
Accumulated Impairment c/f	-	-	-		-	-	-	**-**	**
NET BOOK VALUE AT 31 MARCH 2024	**1,340.756**	**1,146.028**	**47.779**	**571.087**	**13.144**	**5.621**	**49.274**	**3,173.689**	

** The Gross Book Value, Accumulated Depreciation and Accumulated Impairment do not total to the Net Book Value shown in the table as these figures are not provided for Infrastructure Assets. The Net Book Value total does include Infrastructure Assets.

Highways Infrastructure Assets - Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets [Local Government Circular 09/2022] this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

PFI Assets included in PPE

2023/24 PFI Asset Value	Other Land and Buildings £m	Infrastructure Assets £m
Gross Book Value b/f	31.591	
Accumulated Depreciation b/f	-	
Accumulated Impairment b/f	-	
Net Book Value at 1st April 2023	**31.591**	**220.549**
Additions - PFI	0.221	1.124
Depreciation Charge	(0.955)	(7.091)
Revaluations - Recognised in Revaluation Reserve	0.648	-
Revaluations - Recognised in the CIES	(0.360)	-
Net Book Value at 31st March 2024	**31.145**	**214.582**
Gross Book Value c/f	31.145	
Accumulated Depreciation c/f	-	
Accumulated Impairment c/f	-	
Net Book Value at 31 March 2024	**31.145**	**214.582**

2022/23	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	
Gross Book Value b/f	1,247.096	955.936	95.378		24.232	78.875	28.776	**2,430.293**	**
Accumulated Depreciation b/f	-	(2.232)	(52.697)		(11.463)	-	-	**(66.392)**	**
Accumulated Impairment b/f	-	-	-		(0.200)	-	-	**(0.200)**	**
Net Book Value at 1 April 2022	**1,247.096**	**953.704**	**42.681**	**550.090**	**12.569**	**78.875**	**28.776**	**2,913.791**	
Additions - Capital Expenditure	33.183	5.910	11.978	32.038	1.187	0.129	18.984	**103.409**	
Additions - Donations	-	-	-	-	-	-	-	**-**	
Additions - PFI	-	0.214	-	0.809	-	-	-	**1.023**	
Depreciation Charge	(22.725)	(27.691)	(10.564)	(27.521)	(0.417)	(0.216)	-	**(89.134)**	
Revaluations - Recognised in Revaluation Reserve	91.517	180.249	-	-	-	(19.572)	-	**252.194**	
Revaluations - Recognised in the CIES	27.312	15.180	-	-	-	0.151	-	**42.643**	
Derecognition - Disposals	(19.662)	(22.022)	(0.238)	-	-	(2.655)	-	**(44.577)**	
Derecognition - Other	(3.590)	(3.623)	(0.002)	-	-	-	-	**(7.215)**	
Impairments - Recognised in Revaluation Reserve		-	-	-	-	-	-	**-**	
Impairments - Recognised in the CIES	-	-	-	-	0.200	-	-	**0.200**	
Other Movements - Transfers to Assets Held for Sale	-	-	-	-	-	(15.182)	-	**(15.182)**	
Other Movements - Other	2.695	(4.751)	6.507	0.104	(6.532)	4.849	(2.872)	**-**	
Net Book Value at 31 March 2023	**1,355.826**	**1,097.170**	**50.362**	**555.520**	**7.007**	**46.379**	**44.888**	**3,157.152**	
Gross Book Value c/f	1,355.826	1,098.636	108.108		12.938	46.422	44.888	**2,666.818**	**
Accumulated Depreciation c/f	-	(1.466)	(57.746)		(5.931)	(0.043)	-	**(65.186)**	**
Accumulated Impairment c/f	-	-	-	-	-	-	-	**-**	**
NET BOOK VALUE AT 31 MARCH 2023	**1,355.826**	**1,097.170**	**50.362**	**555.520**	**7.007**	**46.379**	**44.888**	**3,157.152**	

** The Gross Book Value, Accumulated Depreciation and Accumulated Impairment do not total to the Net Book Value shown in the table as these figures are not provided for Infrastructure Assets. The Net Book Value total does include Infrastructure Assets.

PFI Assets included in PPE

2022/23 PFI Asset Value	Other Land and Buildings £m	Infrastructure Assets £m
Gross Book Value b/f	25.093	
Accumulated Depreciation b/f	(0.121)	
Accumulated Impairment b/f	-	
Net Book Value at 1st April 2022	**24.972**	**226.810**
Additions - PFI	0.214	0.809
Depreciation Charge	(0.730)	(7.070)
Revaluations - Recognised in Revaluation Reserve	4.332	-
Revaluations - Recognised in the CIES	2.803	-
Net Book Value at 31st March 2023	**31.591**	**220.549**
Gross Book Value c/f	31.591	
Accumulated Depreciation c/f	-	
Accumulated Impairment c/f		
Net Book Value at 31 March 2023	**31.591**	**220.549**

Depreciation

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

	Overall Range
Council Dwellings – Existing Use Value - Social Housing	Up to 65 years
Other Land and Buildings	Up to 65 years
Furniture & Equipment	Up to 20 years
Vehicles	Up to 10 years
Infrastructure Assets	Up to 100 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 2023/24, asset valuations for operational properties were completed in compliance with the 5-year requirement. In addition, a number of valuations outside the Council's 5-year programme, for properties undergoing significant changes because of capital investment, material impairment or reclassification were completed.

A desktop beacon valuation of Council Dwelling beacon properties by the Council's internal valuers with support from external valuers HEB was also completed in 2023/24.

Valuers' Assumptions - Cyclical and Non-Cyclical Valuations

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

Material Revaluation Gains, Losses and Impairments

Revaluation movements included an overall reduction of £18.351m for Council Dwellings. This included £23.522m loss posted to the Housing Revenue Account.

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 2023/24.

Valuation at 31 March 2024

The Council's rolling revaluation programme is summarised below:

DESCRIPTION	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total £m
Carried at depreciated historical cost			47.779	571.087	13.144			632.010
Valued at depreciated current value as at:								
2019/20		0.657						0.657
2020/21		0.115						0.115
2021/22		4.291						4.291
2022/23		83.717						83.717
2023/24	1,340.756	1,057.248				5.621	49.274	2,452.899
NET BOOK VALUE AT 31 MARCH 2024	**1,340.756**	**1,146.028**	**47.779**	**571.087**	**13.144**	**5.621**	**49.274**	**3,173.689**

Surplus Assets

	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 2024 £m
Land	-	0.677	-	0.677
Leisure / Other	-	0.565	-	0.565
Offices	-	4.379	-	4.379
Retail	-	0.000	-	-
Services	-	0.000	-	-
Total	**-**	**5.621**	**-**	**5.621**

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

Capital Commitments

At 31 March 2024, the Council had entered into a number of contracts for the construction or enhancement of PPE with future costs estimated as £57.849m. The equivalent figure as at 31 March 2023 was £64.682m. The major commitments are summarised below:

Capital Programme Element	Major Schemes	31 March 2024 £m
Transport	Transforming Cities	8.212
Transport	Other Transport Schemes (Under £1.0m)	8.768
General Fund	Fleet Replacement Programme	5.661
General Fund	HUG2 Private Homes	2.478
General Fund	Sustainable Warmth (LAD3)	1.820
General Fund	Other General Fund Schemes (Under £1.0m)	6.189
HRA	Eastglade New Build	6.964
HRA	Padstow Ridgeway New Build	3.142
HRA	Beckhampton New Build	2.290
HRA	Nottingham Secure Windows & Doors Outsourced	2.195
HRA	Modern Living	1.163
HRA	Other HRA Schemes (Under £1.0m)	8.967
TOTAL		**57.849**

4.4.2 Heritage Assets

The Council's register of Heritage Assets includes over 90,000 items (excluding the natural history collection). The natural history collection is a collection of animals, plants and other living things which hold no monetary value and are held by the Council solely for their scientific value. The Council holds its Heritage Assets as a contribution to the knowledge and cultural development of both citizens and visitors. The Heritage Assets items are either held on display at one of the Council's museums or held in storage, where access is encouraged.

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

Collections:	Byron	Costume	Decorative Art	Fine Art	Human & Social History	Industrial History	Civic Regalia & Silver	Wollaton Non-Operational Buildings	Non-Building Structures	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Restated 1 April 2022	16.707	0.667	4.653	40.605	0.777	0.015	1.583	0.372	0.507	**65.886**
Additions	-	-	-	0.098	-	-	-	-	0.225	**0.323**
Revaluations	1.865	0.068	0.556	4.094	0.097	-	0.169	-	-	**6.849**
Restated 31 March 2023	**18.572**	**0.735**	**5.209**	**44.797**	**0.874**	**0.015**	**1.752**	**0.372**	**0.732**	**73.058**
Additions	-	-	-	-	-	-	-	-	0.006	**0.006**
Revaluations	0.705	0.028	0.197	1.943	0.052	-	0.063	-	-	**2.988**
31 MARCH 2024	**19.277**	**0.763**	**5.406**	**46.740**	**0.926**	**0.015**	**1.815**	**0.372**	**0.738**	**76.052**

Preservation and Management

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

4.4.3 Investment Property

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

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

	2022/23 £m	2023/24 £m
Balance at 1 April	246.106	222.148
Additions	-	0.012
Disposals	(12.476)	(17.557)
Net gains/(losses) from fair value adjustments	(11.482)	(19.709)
Transfers to / from Property Plant and Equipment	-	15.660
BALANCE AT 31 MARCH	**222.148**	**200.554**

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

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2024 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 2024 £m
Industrial	-	34.252	-	34.252
Land	-	32.007	-	32.007
Leisure / Other	-	17.682	-	17.682
Office	-	49.227	-	49.227
Retail	-	58.502	-	58.502
Services	-	8.885	-	8.885
Total	**-**	**200.554**	**-**	**200.554**

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

IFRS13 Fair Value accounting has been used during financial year 2023/24 for investment properties.

Valuation Process for Investment Properties

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

4.4.4 Inventories

	Consumable Stores £m	Maintenance Materials £m	Client services work in progress £m	Total £m	Consumable Stores £m	Maintenance Materials £m	Client services work in progress £m	Total £m
Balance at 1 April	**0.568**	**0.018**	**0.549**	**1.135**	**1.107**	**0.034**	**0.257**	**1.398**
Purchases	6.936	0.027	13.340	20.303	6.933	0.023	-	6.956
Recognised as an expense in the year	(6.397)	(0.011)	(13.633)	(20.041)	(6.808)	(0.046)	(0.257)	(7.111)
Written off balances	-	-	0.001	0.001	(0.036)	-	-	(0.036)
BALANCE AT 31 MARCH	**1.107**	**0.034**	**0.257**	**1.398**	**1.196**	**0.011**	**-**	**1.207**

4.4.5 Short Term Debtors

	31 March 2023 £m	31 March 2024 £m
Prepayments	8.661	10.902
Local Taxation	14.625	22.721
Trade	57.872	60.128
Other receivable amounts	53.003	25.284
TOTAL	**134.161**	**119.035**

4.4.6 Debtors for Local Taxation

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

	2022/23			2023/24		
	Council Tax £m	NNDR £m	Total £m	Council Tax £m	NNDR £m	Total £m
Up to 1 year	12.627	9.515	22.142	12.740	6.179	18.919
1 to 3 years	11.179	6.232	17.411	13.843	6.756	20.599
Over 3 years	11.091	5.338	16.429	13.511	4.795	18.306
TOTAL	**34.897**	**21.085**	**55.982**	**40.094**	**17.730**	**57.824**

4.4.7 Cash and Cash Equivalents

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

	31 March 2023 £m	31 March 2024 £m
Cash held by the Authority	0.096	0.145
Bank current accounts	28.896	22.987
Short-term deposits	112.200	76.600
TOTAL	**141.192**	**99.732**

The Council has an overdraft of £4.162m (£2.836m in 2022/23) offset against credit balances held within its bank current accounts.

4.4.8 Short Term Creditors

	31 March 2023 £m	31 March 2024 £m
Receipts in Advance	(26.673)	(28.025)
Trade	(77.961)	(99.633)
Other payables	(82.924)	(62.797)
TOTAL	**(187.558)**	**(190.455)**

4.4.9 Provisions

Current Provisions

These are amounts set aside to meet specific expenditure in 2023/24.

The NET2 provision is for compulsory purchases where the purchase price has yet to be agreed.

	Compulsory Purchases for NET2 £m	Other £m	Total £m
Balance at 1 April 2023	**(0.905)**	**(1.035)**	**(1.940)**
Additional provisions made	-	(0.047)	(0.047)
Amounts used	0.021	0.266	0.287
Unused amounts reversed	0.325	0.034	0.359
BALANCE AT 31 MARCH 2024	**(0.559)**	**(0.782)**	**(1.341)**

Non-Current Provisions

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

	Injury and Damage Compensation Claims £m	NNDR Appeals £m	Employment	Total £m
Balance at 1 April 2023	**(16.338)**	**(1.753)**	**(4.838)**	**(22.929)**
Additional provisions made	(4.380)	(8.461)	-	(12.841)
Amounts used	3.560	1.753	0.394	5.707
BALANCE AT 31 MARCH 2024	**(17.158)**	**(8.461)**	**(4.444)**	**(30.063)**

Insurance Compensation Claims

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

The majority of costs met from the provision arise from property damage, liability claims made against the Council and motor accidents involving Council motor vehicles. In order to limit the Council's exposure to these risks the policies for external fire, motor and liability claims have been arranged with excesses of £0.250m, £0.100m and £0.373m 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 2023/24 policy year were £5.1m for liability claims, £1.072m for motor claims and £2m for general property (operational, housing and education) and £15m for commercial properties. Other costs falling on the provision include self-insured risks and the payment of insurance premium for policies where the risk has been transferred to the market.

Contributions to the insurance provision arise from annual charges to service areas. These maintain the insurance provision at a sufficient level to meet current claim liabilities, which includes an element of incurred but not reported claims. In addition to the known and estimated liabilities there are also potential liabilities on the fund that have not been included in the fund balance and are included in the reserve. The insurance fund has an external actuarial review every two years to ensure the Council maintains sufficient funds to meet the Council's future liabilities.

National Non-Domestic Rates (NNDR)

This represents the Council's share of NNDR appeals provision. The Council bears a risk of non-collection of NNDR following appeals. £3.577m is the value of successful appeals charged against the provision in 2023/24. An increase of £17.268m in the provision has been made as a result of the assessment of outstanding appeals at 31st March 2024.

Employment

A provision of £4.444m has been set aside to meet the potential cost of settlements arising from an ongoing employment tribunal case.

4.4.10 Usable Reserves

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

Details of the Earmarked General Fund reserves are shown below:

	2022/2023			2023/24	
	Balance at 1 April 2022 £m	Net Movements £m	Balance at 31 March 2023 £m	Net Movements £m	Balance at 31 March 2024 £m
Restricted Reserves:					
Capital	5.757	(1.897)	3.860	1.230	5.090
Schools	23.714	6.485	30.199	(3.759)	26.440
Other Reserves:					
Asset Maintenance	3.088	0.069	3.157	0.708	3.865
Contingency and Risk	36.936	(6.987)	29.949	(0.033)	29.916
Information Technology	8.848	(1.261)	7.587	(2.401)	5.186
Local Economy	3.227	(0.540)	2.687	(0.496)	2.191
Private Finance Initiatives	49.502	3.251	52.753	(4.650)	48.103
Services	14.457	15.654	30.111	8.357	38.468
Transformation	7.632	7.185	14.817	3.138	17.955
Treasury Management	25.639	(12.146)	13.493	-	13.493
Workforce	7.775	(5.571)	2.204	(0.244)	1.960
TOTAL	**186.575**	**4.242**	**190.817**	**1.850**	**192.667**

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

The detailed categories are explained below:

Capital

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

Schools

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

Asset Maintenance

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

Contingency & Risk

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

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

Information Technology

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

Local Economy

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

Private Finance Initiatives

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

Services

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

Transformation

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

Treasury Management

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

Workforce

This reserve is primarily available to fund pension costs.

4.4.11 Unusable Reserves

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

	2022/23 £m	2023/24 £m
Revaluation Reserve	1,026.146	1,095.701
Capital Adjustment Account	1,240.832	1,256.921
Financial Instruments Adjustment Account	(4.865)	10.854
Pensions Reserve	(84.785)	(88.600)
Deferred Capital Receipts Reserve	6.729	1.041
Collection Fund Adjustment Account	(1.039)	2.985
Accumulated Absences Account	(5.553)	(5.553)
TOTAL UNUSABLE RESERVES	**2,177.465**	**2,273.349**

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.

	2022/23 £m	2023/24 £m
Balance at 1 April	**808.185**	**1,026.146**
Upward revaluation of assets	299.203	140.365
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(40.161)	(33.790)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	259.042	106.575
Difference between fair value depreciation and historical cost depreciation	(16.997)	(29.396)
Accumulated gains on assets sold or scrapped	(24.084)	(7.624)
Amount written off to the Capital Adjustment Account	(41.081)	(37.020)
BALANCE AT 31 MARCH	**1,026.146**	**1,095.701**

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.

	2022/23 £m	2023/24 £m
Balance at 1 April	**1,178.892**	**1,240.832**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(1.380)	(1.235)
Charges for depreciation of non-current assets	(89.134)	(86.322)
Charges for impairment of non-current assets	0.200	-
Revaluation losses on Property, Plant and Equipment	42.643	(27.173)
Movements in the market value of Investment Properties	(11.482)	(19.709)
Revenue expenditure funded from capital under statute (REFCUS)	(103.090)	(99.492)
REFCUS expenditure funded by grants	94.916	74.943
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(78.986)	(51.528)
Charges for impairment of investment in subsidairy	(0.112)	(0.589)
Adjusting amounts written out of the Revaluation Reserve	41.081	37.020
	(105.344)	(174.085)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	33.653	22.907
Use of Capital Receipts Reserve to finance exceptional financial support	-	17.568
Use of Capital Receipts Reserve to repay debt	23.015	27.587
Use of the Major Repairs Reserve to finance new capital expenditure	32.083	23.753
Application of grants to fund capital expenditure	37.529	53.112
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	31.843	27.808
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	2.197	2.397
Leasing Adjustments Minimum Revenue Provision	0.002	0.002
Adjustment to MRP as a result of PFI Projects	11.060	11.669
Capital expenditure charged against the General Fund and HRA balances	0.874	12.436
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(4.972)	(9.065)
	167.284	190.174
BALANCE AT 31 MARCH	**1,240.832**	**1,256.921**

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).

	2022/23 £m	2023/24 £m
Balance at 1 April	**(5.234)**	**(4.865)**
Premiums incurred in the year	0.363	0.363
Discounts incurred in the year	-	15.273
Lenders Option Borrowers Option Loans	0.006	0.083
BALANCE AT 31 MARCH	**(4.865)**	**10.854**

Pensions Reserve

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

	2022/23 £m	2023/24 £m
Balance at 1 April	**(714.716)**	**(84.785)**
Remeasurements of the net defined benefit liability/asset	665.747	8.034
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(77.610)	(61.896)
Employer's pensions contributions and direct payments to the pensioners payable in the year	41.794	50.047
BALANCE AT 31 MARCH	**(84.785)**	**(88.600)**

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.

	2022/23 £m	2023/24 £m
Balance at 1 April	**1.042**	**6.729**
Transfer to the Capital Receipts Reserve upon receipt of cash	-	(5.688)
Created in year	5.687	-
BALANCE AT 31 MARCH	**6.729**	**1.041**

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.

	2022/23 £m	2023/24 £m
Balance at 1 April	**(20.866)**	**(1.039)**
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	19.827	4.024
BALANCE AT 31 MARCH	**(1.039)**	**2.985**

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.

	2022/23 £m	2023/24 £m
Balance at 1 April	**(6.259)**	**(5.553)**
Settlement or cancellation of accrual made at the end of the preceding year	6.259	5.553
Amounts accrued at the end of the current year	(5.553)	(5.553)
Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis	**0.706**	**-**
BALANCE AT 31 MARCH	**(5.553)**	**(5.553)**

4.4.12 Grants Received in Advance

Revenue Grants Received in Advance

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

The balances at the year-end are as follows:

	31 March 2023 £m	31 March 2024 £m
Department for Education	(2.707)	(2.706)
Department of Health and Social Care	(9.315)	(3.674)
Department for Environment, Food and Rural Affairs	(0.018)	(0.146)
Department for Levelling Up, Housing & Communities	(4.127)	(2.994)
Department for Business, Energy and Industrial Strategy	(12.736)	(14.666)
Department for Transport	(0.876)	(0.643)
Department for Work and Pensions	-	(1.299)
Home Office	(2.156)	(3.313)
Arts Council England	(0.012)	(0.067)
Other Government Grants	(0.281)	(3.328)
Other Non Government Grants and Contributions	(0.314)	(0.119)
TOTAL	**(32.542)**	**(32.955)**

There is also £0.141m (£0.105m as at 31 March 2023) of Revenue grant re S106 Contributions – Transport / Public Realm / Training, which is classed as a long term receipt in advance on the balance sheet.

Capital Grants Received in Advance

The Council has received a number of Capital 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:

	31 March 2023 £m	31 March 2024 £m
Department for Education	(20.989)	(28.391)
Department for Transport	(61.693)	(80.019)
Ministry of Housing, Communities and Local Government	(2.202)	(1.428)
Department for Business, Energy & Industrial Strategy	(44.531)	(4.625)
Office for Low Emission Vehicles	(0.002)	-
S106 Contributions - Affordable Housing	(2.403)	(2.849)
S106 Contributions - Open Space	(2.902)	(3.268)
S106 Contributions - Education	(5.849)	(5.264)
S106 Contributions - Transport / Public Realm / Flood Prevention	(3.828)	(4.949)
Other Grants and Contributions	(7.856)	(8.194)
TOTAL	**(152.255)**	**(138.987)**

4.4.13 Defined Benefit Pension Schemes

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

The Council participates in three post-employment schemes:

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

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

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

Assets and Liabilities in Relation to Post-Employment Benefits

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

	Local Government Pension Scheme		Teachers Benefits	
	2022/23 £m	2023/24 £m	2022/23 £m	2023/24 £m
Opening balance at 1 April	**(2,077.096)**	**(1,421.635)**	**(30.746)**	**(24.846)**
Current service cost	(62.312)	(33.652)	-	-
Interest cost	(54.694)	(93.033)	(0.773)	(1.141)
Change in financial assumptions	886.218	38.063	7.008	(0.154)
Change in demographic assumptions	-	23.058	-	0.390
Experience (loss)/gain on defined benefit obligation	(155.441)	(13.454)	(2.388)	(0.154)
Liabilities assumed/extinguished on settlements	1.182	(258.871)	-	-
Estimated benefits paid net of transfers in	51.326	62.399	-	-
Past Service costs including curtailments	(1.019)	(0.618)	-	-
Contributions by scheme participants and other employers	(10.621)	(13.714)	-	-
Unfunded pension payments	0.822	0.848	2.053	2.181
CLOSING BALANCE AT 31 MARCH	**(1,421.635)**	**(1,710.609)**	**(24.846)**	**(23.724)**

The experience (loss)/gain on the defined benefit obligation includes £13.454m in respect of the allowance for actual pension increases and CPI inflation over the accounting period.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme 2022/23 £m	Local Government Pension Scheme 2023/24 £m
Opening balance at 1 April	**1,393.126**	**1,361.696**
Interest on assets	41.268	82.607
Return on assets less interest	(70.341)	53.066
Other actuarial gains/(losses)	0.691	-
Administration expenses	(0.566)	(0.667)
Contributions by the employer including unfunded	39.741	47.866
Contributions by scheme participants and other employers	10.621	13.714
Estimated benefits paid plus unfunded net of transfers in	(52.148)	(63.247)
Settlement prices received/paid	(0.696)	243.479
CLOSING BALANCE AT 31 MARCH	**1,361.696**	**1,738.514**

Investment expenses are included in actual return on assets in excess of interest.

Reconciliation of asset ceiling:

	Local Government Pension Scheme 2022/23 £m	Local Government Pension Scheme 2023/24 £m
Opening impact of asset ceiling at 1 April		
Actuarial gains/(losses)	-	(92.781)
CLOSING IMPACT OF ASSET CEILING AT 31 MARCH	**-**	**(92.781)**

The asset ceiling is the present value of any economic benefit available to the Council in the form of refunds or reduced future employer contributions. The calculation of the asset ceiling has followed the Actuary's interpretation of IFRIC 14.

The Actuary's calculations assume that:

- There is no prospect of the Council having an unconditional right to a refund of surplus on the basis that such a payment would be at the discretion of the Fund.
- The Council is a scheduled body and assumed to participate indefinitely.
- Primary contributions are considered to be a minimum funding requirement (MFR).
- The MFR exceeds the current cost of accrual and so the potential economic benefit from future contribution reductions is nil.
- An additional liability of £57,158k is recognisable in respect of the Council's obligation to pay future deficit contributions, thereby increasing or generating an irrecoverable surplus.
- The value of the asset ceiling is therefore -£57,178k. The impact of the asset ceiling is shown above.

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

	Local Government Pension Scheme 31 March 2023 £m	Local Government Pension Scheme 31 March 2024 £m	Teachers Benefits 31 March 2023 £m	Teachers Benefits 31 March 2024 £m
Present value of the defined benefit obligation	(1,413.313)	(1,702.911)	-	-
Fair value of Fund assets (bid value)	1,361.696	1,738.514	-	-
Net Liability	**(51.617)**	**35.603**	**-**	**-**
Present value of unfunded obligation	(8.322)	(7.698)	(24.846)	(23.724)
Impact of asset ceiling	-	(92.781)	-	-
NET DEFINED BENEFIT LIABILITY IN BALANCE SHEET	**(59.939)**	**(64.876)**	**(24.846)**	**(23.724)**

4.4.14 Financial Instruments

The operation of the Council's Treasury Management function is regulated through the Local Government Act 2003 and supplementary guidance issued by DLUHC (formally MHCLG), 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 2023/24 requires disclosure of information pertaining to the scope, significance and risk associated with the Council's financial instruments.

Categories of Financial Instruments

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

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

Financial Assets

	Long-term Investments 31 March 2023 £m	Long-term Investments 31 March 2024 £m	Long-term Debtors 31 March 2023 £m	Long-term Debtors 31 March 2024 £m	Current Investments 31 March 2023 £m	Current Investments 31 March 2024 £m	Current Debtors 31 March 2023 £m	Current Debtors 31 March 2024 £m
Amortised Cost								
Principal	11.743	0.835	97.983	87.190	185.882	258.277	55.317	57.918
Cash & Cash Equivalents	-	-	-	-	141.192	99.732		-
Investment accrued Interest	-	-	-	-	2.373	2.575	-	-
Amortised Cost Total	**11.743**	**0.835**	**97.983**	**87.190**	**329.447**	**360.584**	**55.317**	**57.918**
Fair value through other comprehensive income - other	-	0.775	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**11.743**	**1.610**	**97.983**	**87.190**	**329.447**	**360.584**	**55.317**	**57.918**
Non-financial Instrument	12.619	13.245	-	-	-	-	78.844	61.117
TOTAL	**24.362**	**14.855**	**97.983**	**87.190**	**329.447**	**360.584**	**134.161**	**119.035**

The long term debtor balances in controlled entities have been moved into Financial Assets at amortised cost. The equity investment in controlled entities remains in Non-Financial Instruments as they are accounted for in the group accounts.

Long Term Debtors

Long Term Debtors by type	31 March 2023 £m	New Loans Issued £m	Loan Repayments £m	Expected Loss Allowance Movements £m	Other Movements £m	31 March 2024 £m
Loans to Council Group Company	46.063	-	(6.765)	(7.384)	7.393	39.307
Loans to 3rd Party Organisations	25.632	0.227	(1.720)	-	(0.048)	24.091
PFI Related Debtor	23.490	2.349	(4.698)	-	-	21.141
Housing Debtors	0.738	-	-	-	(0.066)	0.672
Other Debtors	2.060	0.055	(0.058)	-	(0.078)	1.979
TOTAL	**97.983**	**2.631**	**(13.241)**	**(7.384)**	**7.201**	**87.190**

The PFI debtor relates to the NET 2 operators right to use NET Line 1 infrastructure over the term of the PFI agreement.

Other movements are year end technical accounting adjustments including the soft loan accounting and transfering repayments due in the next 12 months to short term debtors

Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2023 £m	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m
Amortised Cost								
Principal	(842.261)	(766.877)	-	-	(35.741)	(37.428)	(77.961)	(99.633)
Loans Accrued Interest	-	-	-	-	(7.316)	(6.667)	-	-
Market Loan Effective Interest Rate Adjustment	(0.896)	(0.816)	-	-	-	-	-	-
PFI and finance lease liabilities	(146.494)	(133.415)	-	-	(12.128)	(12.816)	-	-
Other	-	-	(3.430)	(3.095)	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**(989.651)**	**(901.108)**	**(3.430)**	**(3.095)**	**(55.185)**	**(56.911)**	**(77.961)**	**(99.633)**
Non-financial Instrument	-	-	-	-	-	-	(97.469)	(78.006)
TOTAL	**(989.651)**	**(901.108)**	**(3.430)**	**(3.095)**	**(55.185)**	**(56.911)**	**(175.430)**	**(177.639)**

Notes:

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

Borrowings	Long-term		Current	
	31 March 2023 £m	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m
PWLB	(793.248)	(725.867)	(38.205)	(39.288)
Market Loans	(49.896)	(41.813)	(0.493)	(0.492)
Temporary Debt & Other	(0.013)	(0.013)	(4.359)	(4.315)
Total Borrowings	**(843.157)**	**(767.693)**	**(43.057)**	**(44.095)**

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

Market Loans are long term loans all of which are at a fixed interest rate taken from Banks, £26m of these loans are known as LOBO loans where, at specific points, the lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty.

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

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

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

	2022/23 £m	2023/24 £m
Net gains/losses on:		
- financial assets measured at amortised cost	3.212	1.452
Total net (gains)/losses in (Surplus)/Deficit on Provision of Services	**3.212**	**1.452**
Interest expense	42.252	41.222
Total Expense in (Surplus)/Deficit on Provision of Services	**42.252**	**41.222**
Interest income on financial assets measured at amortised cost	(7.360)	(12.699)
Other income	(0.630)	(0.028)
Dividend Income	(0.393)	(0.377)
Total Income in (Surplus)/Deficit on Provision of Services	**(8.383)**	**(13.104)**
NET GAIN/(LOSS) FOR THE YEAR	**37.081**	**29.570**

The interest expense figures above include £12.390m in 2023/24 and £12.848m in 2022/23 that relate to the HRA which gets recharged accordingly.

Financial Instruments – Fair Values

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

All of the council's financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2024, using the following methods and assumptions:

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

- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- Where appropriate the fair value for long term debtors has been estimated using a PWLB equivalent discount rate for new fixed rate loans with the most appropriate maturity and repayment profile as at 31st March 2024. The fair value on the remaining long term debtors is deemed to be the balance outstanding at 31st March 2024.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.

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

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

The fair values calculated are as follows:

		31 March 2023		31 March 2024	
	Fair value level	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
PWLB debt	2	(824.674)	(763.198)	(743.248)	(573.889)
Market loans	2	(49.896)	(58.894)	(41.405)	(35.372)
PFI and finance leases	2	(158.622)	(223.599)	(146.229)	(247.463)
Other debt	*	(15.796)	(15.796)	(16.389)	(16.389)
Trade creditors	*	(77.961)	(77.961)	(99.633)	(99.633)
TOTAL FINANCIAL LIABILITIES		**(1,126.949)**	**(1,139.448)**	**(1,046.904)**	**(972.745)**
Cash & Cash Equivalents	*	141.192	141.192	99.732	99.732
Other Investments (< 1 year)	*	188.255	188.255	260.852	260.852
Investments (> 1 year)	2	19.784	19.784	14.855	14.855
Trade Debtors	*	55.317	55.317	60.128	60.128
Long-term debtors	***2	97.983	103.778	87.190	87.190
TOTAL FINANCIAL ASSETS		**502.531**	**508.326**	**522.757**	**522.757**

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

*** The carrying value is net of expected credit loss allowances and excludes repayments due within 12 months.

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 2024) 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 £743.25m would be valued at £573.89m which includes the premium or discount arising on the early repayment.

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

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.

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, £0.090m issued in 2018, £0.345m issued in 2019/20 and £0.700 issued in 2020/21 and a further £200k in 2021/22 to Nottingham Castle Trust. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loan information is as follows:

	2022/23 £m	2023/24 £m
Opening balance	**1.219**	**1.219**
Nominal value of new loans granted in year	-	-
Fair Value adjustment on initial recognition	-	-
Loans repaid	-	-
Other changes	-	-
Closing balance at end of year	**1.219**	**1.219**
Nominal value	**1.859**	**1.859**

4.4.15 Assets Held for Sale

	2022/23 £m	2023/24 £m
Balance outstanding at start of year	**6.585**	**15.182**
PPE newly classified as held for sale	15.182	34.062
Revaluation losses	-	(2.407)
Assets sold	(6.585)	(0.341)
BALANCE AT 31 MARCH	**15.182**	**46.496**

4.5 Movement in Reserves Statement Notes

4.5.1 Adjustments between Accounting Basis and Funding Basis under Regulations

2023/24	Usable Reserves General Fund £m	Usable Reserves Housing Revenue Account £m	Usable Reserves Capital Receipts Reserve £m	Usable Reserves Major Repairs Reserve £m	Usable Reserves Capital Grants Unapplied £m	Unusable Reserves £m
Non Current Assets						
● Amortisation of Intangible Fixed Assets	1.236	-	-	-	-	(1.236)
● Depreciation	61.192	25.130	-	-	-	(86.322)
● Revaluation Losses	1.262	23.504	-	-	-	(24.766)
● Investment Property Movement	19.626	0.083	-	-	-	(19.709)
● Assets Held for Sale Movement	2.407	-	-	-	-	(2.407)
● Derecognition of Fixed Assets	2.072	5.275	-	-	-	(7.347)
● (Loss)/Gain on Sale of Fixed Assets	(1.583)	(2.382)	53.834	-	-	(49.869)
● Charges for Investment Impairment	0.589	-	-	-	-	(0.589)
	86.801	51.610	53.834	-	-	(192.245)
Capital Financing						
● Revenue Expenditure Funded From Capital Under Statute (REFCUS)	6.981	-	-	-	-	(6.981)
● REFCUS relating to Exceptional Financial Support	17.568	-	-	-	-	(17.568)
● Statutory Minimum Revenue Provision for Capital Financing	(27.808)	-	-	-	-	27.808
● Voluntary Revenue Provision for Capital Financing	-	(2.397)	-	-	-	2.397
● Leasing Adjustments Minimum Revenue Provision	(0.002)	-	-	-	-	0.002
● PFI Minimum Revenue Provision	(11.669)	-	-	-	-	11.669
● Capital Expenditure charged in year to General Fund Balance	(0.586)	(11.850)	-	-	-	12.436
● Transfer to/from Major Repairs Reserve	-	(35.001)	-	11.248	-	23.753
● Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	10.586	-	(10.586)	-	-	-
● Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(40.475)	-	-	40.475
● Use of Capital Receipts Reserve to repay debt	-	-	(27.587)	-	-	27.587
● Capital grants applied in year	(49.686)	(3.292)	-	-	(0.134)	53.112
● Other Items (long term debtors)	-	-	9.065	-	-	(9.065)
	(54.616)	(52.540)	(69.583)	11.248	(0.134)	165.625

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2023/24	**Usable Reserves**					
	General Fund £m	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Major Repairs Reserve £m**	**Capital Grants Unapplied £m**	**Unusable Reserves £m**
Other Movements						
● Pension Fund:						
- Net charges made for Retirement Benefits in accordance with IAS19	61.896	-	-	-	-	(61.896)
- Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners	(50.047)	-	-	-	-	50.047
● Financial Instrument Adjustment Account	(15.667)	(0.052)	-	-	-	15.719
● Transfer to/(from) Collection Fund Adjustment Account	(4.025)	-	-	-	-	4.025
	(7.843)	(0.052)	-	-	-	7.895
TOTAL ADJUSTMENTS	**24.342**	**(0.982)**	**(15.749)**	**11.248**	**(0.134)**	**(18.725)**

The figures in the above table may not tie back exactly to other notes in the Statement of Accounts due to minor rounding differences in the region of £0.001m.

2022/23	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	£m
Non Current Assets						
● Amortisation of Intangible Fixed Assets	1.380	-	-	-	-	(1.380)
● Depreciation	63.968	25.166	-	-	-	(89.134)
● Impairment	(0.200)	-	-	-	-	0.200
● Revaluation Losses	(14.841)	(27.802)	-	-	-	42.643
● Donated Assets	-	-	-	-	-	-
● Investment Property Movement	12.292	(0.810)	-	-	-	(11.482)
● Derecognition of Fixed Assets	3.625	3.590	-	-	-	(7.215)
● (Loss)/Gain on Sale of Fixed Assets	8.069	(3.301)	61.315	-	-	(66.083)
● Charges for Investment Impairment	0.113	-	-	-	-	(0.113)
	74.406	(3.157)	61.315	-	-	(132.564)
Capital Financing						
● Revenue Expenditure Funded From Capital Under Statute (REFCUS)	8.174	-	-	-	-	(8.174)
● Statutory Minimum Revenue Provision for Capital Financing	(31.843)	-	-	-	-	31.843
● Voluntary Revenue Provision for Capital Financing	-	(2.197)	-	-	-	2.197
● Leasing Adjustments Minimum Revenue Provision	(0.002)	-	-	-	-	0.002
● PFI Minimum Revenue Provision	(11.060)	-	-	-	-	11.060
● Capital Expenditure charged in year to General Fund Balance	(0.004)	(0.870)	-	-	-	0.874
● Transfer to/from Major Repairs Reserve	-	(31.969)	-	(0.114)	-	32.083
● Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(33.653)	-	-	33.653
● Use of Capital Receipts Reserve to repay debt	-	-	(21.974)	-	-	21.974
● Capital grants & contributions to be applied in future years	1.390	-	-	-	(1.390)	-
● Capital grants applied in year	(37.512)	-	-	-	(0.017)	37.529
● Other Items (long term debtors)	-	-	3.931	-	-	(3.931)
	(70.857)	(35.036)	(51.696)	(0.114)	(1.407)	159.110

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2022/23	Usable Reserves					
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Other Movements						
● Pension Fund:						
- Net charges made for Retirement Benefits in accordance with IAS19	77.610	-	-	-	-	(77.610)
- Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners	(41.794)	-	-	-	-	41.794
● Financial Instrument Adjustment Account	(0.365)	(0.004)	-	-	-	0.369
● Transfer to/(from) Collection Fund Adjustment Account	(19.827)	-	-	-	-	19.827
● Employee Benefits	(0.706)	-	-	-	-	0.706
	14.918	(0.004)	-	-	-	(14.914)
TOTAL ADJUSTMENTS	**18.467**	**(38.197)**	**9.619**	**(0.114)**	**(1.407)**	**11.632**

4.5.2 Post-employment Benefits Transactions

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

	Local Government Pension Scheme		Teachers Benefits	
	2022/23 £m	2023/24 £m	2022/23 £m	2023/24 £m
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(76.837)	(60.755)	(0.773)	(1.141)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	39.741	47.866	-	-
Retirement benefits payable to pensioners	-	-	2.053	2.181

These transactions can be summarised as follows:

	2022/23 £m	2023/24 £m
Movement in Reserves Statement:		
Reversal of Charges made in accordance with the Code	(77.610)	(61.896)
Charges to General Fund made on a funding basis	41.794	50.047
TOTAL	**(35.816)**	**(11.849)**

4.6 Cash Flow Statement Notes

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

	2022/23 £m	2023/24 £m
Depreciation	89.047	86.911
Impairment and movement in asset valuations	(42.643)	27.173
Amortisation	1.380	1.235
Increase/decrease in expected loss allowance impairments/doubtful debts re: Loans & Advances	2.831	-
Increase/Decrease in Creditors	(67.234)	5.006
Increase/Decrease in Debtors	17.153	8.277
Increase/Decrease in Contract Assets	(4.467)	1.017
Increase/Decrease in Inventories	(0.263)	0.191
Movement in Pension Liability	35.815	11.849
Other non cash adjustment	6.843	26.244
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	78.986	51.528
TOTAL	**117.448**	**219.431**

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

	2022/23 £m	2023/24 £m
Net adjustment from the sale of short and long term investments	130.596	2.490
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(67.002)	(48.146)
Any other items for which the cash effects are investing of financing cash flows	(131.038)	(127.921)
TOTAL	**(67.444)**	**(173.577)**

4.6.3 Operating Activities

The cash flows for operating activities include the following items:

	2022/23 £m	2023/24 £m
Interest received	3.729	17.473
Interest paid	(43.171)	(41.222)
Dividends received	0.393	0.673
	(39.049)	**(23.076)**

4.6.4 Investing Activities

	2022/23 £m	2023/24 £m
Purchase of property, plant and equipment, investment property and intangible assets	(104.725)	(107.831)
Purchase of short-term and long-term investments	-	(75.596)
Other payments for investing activities	(243.737)	(90.334)
Proceeds from the sale of short-term and long-term investments	7.108	7.643
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	61.315	53.834
Other receipts from investing activities	311.075	210.375
NET CASH FLOWS FROM INVESTING ACTIVITIES	**31.036**	**(1.909)**

4.6.5 Financing Activities

	2022/23 £m	2023/24 £m
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(10.359)	(12.033)
Repayments of short and long-term borrowing	(24.636)	(75.119)
Other financing activities - Council Tax and NNDR adjustments	16.845	6.591
Other payments for financing activities	(6.288)	(0.674)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(24.438)**	**(81.235)**

4.6.6 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2023 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2024 £m
Long-term borrowings	(843.157)	75.381	0.083	(767.693)
Short-term borrowings	(35.741)	(1.038)	-	(36.779)
Lease liabilities	(1.747)	0.002	-	(1.745)
On balance sheet PFI liabilities	(156.516)	12.720	(0.689)	(144.485)
Other	(1.681)	(0.075)	-	(1.756)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**(1,038.842)**	**86.991**	**(0.606)**	**(952.457)**

	1 April 2022 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2023 £m
Long-term borrowings	(874.589)	25.037	6.395	(843.157)
Short-term borrowings	(35.004)	5.658	(6.395)	(35.741)
Lease liabilities	(1.601)	0.002	(0.148)	(1.747)
On balance sheet PFI liabilities	(166.875)	9.609	0.750	(156.516)
Other	(1.623)	(0.058)	-	(1.681)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**(1,079.692)**	**40.248**	**0.602**	**(1,038.842)**

4.7 Other Notes

4.7.1 Agency Services

The Council administered a number of grants on behalf of the Government including grants to support local businesses and to individuals to support with rising energy costs. These grants are non-discretionary and have been treated as an agency transaction. Any income not paid out as at 31 March 2024 has been treated as a creditor in the balance sheet.

	2022/23				2023/24			
Scheme	Surplus Brought Forward £m	Funding Received from Government £m	Net Expenditure £m	Surplus Carried Forward £m	Funding Received from Government £m	Net Expenditure £m	Repaid to Government £m	Surplus to be repaid to Government £m
Additional Restrictions Grant (ARG)	(0.033)	0.000	0.000	(0.033)	-	-	0.033	0.000
Local Restrictions Support Grant	(6.888)	-	0.042	(6.846)	-	(0.009)	6.855	0.000
Closed Business Lockdown Payment	(5.666)	-	-	(5.666)	-	-	5.666	0.000
Restart Business Grant	(1.636)	-	-	(1.636)	-	-	1.581	(0.055)
Omicron Hospitality and Leisure Grant	(0.041)	-	-	(0.041)	-	-	0.041	0.000
Energy Rebate Grant	-	(19.876)	17.756	(2.120)	-	-	2.118	(0.002)
Energy Bill Support Scheme - Alternative Funding	-	-	-	-	(1.079)	0.358	0.721	0.000
	(14.264)	(19.876)	17.798	(16.342)	(1.079)	0.349	17.015	(0.057)

4.7.2 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 54.28%.

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

	Total EMSS		Amounts included within NCC Accounts	
	2022/23 £m	2023/24 £m	2022/23 £m	2023/24 £m
Income:				
Direct external income - LCC	(1.768)	(1.098)	-	-
Direct external income - NCC	(0.542)	(0.429)	(0.542)	(0.429)
Total Income	**(2.310)**	**(1.527)**	**(0.542)**	**(0.429)**
Expenditure:				
Direct costs incurred by LCC	5.027	7.132	-	-
Direct costs incurred by NCC	1.916	0.009	1.916	0.009
Third party payments to LCC	-	-	-	-
Total Expenditure	**6.943**	**7.141**	**1.916**	**0.009**
NET EXPENDITURE	**4.633**	**5.614**	**1.374**	**(0.420)**

4.7.3 Councillors' Allowances

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

	2022/23 £m	2023/24 £m
Allowances	1.153	1.139
Expenses	0.001	0.001
TOTAL	**1.154**	**1.140**

4.7.4 Officers Remuneration

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

POST HOLDER	2022/23 £	2023/24 £
Chief Executive - Mel Barrett		
- Salary, Fees & Allowances	183,536	190,890
- Pension Contributions	32,853	35,315
	216,389	**226,205**
Corporate Director - People - Catherine Underwood		
- Salary, Fees & Allowances	147,933	157,320
- Pension Contributions	-	26,824
	147,933	**184,144**
Corporate Director - Residents Services - Frank Jordan [1]		
- Salary, Fees & Allowances	163,166	-
- Pension Contributions	29,207	-
	192,373	**-**
Corporate Director - Communities Environment and Resident Services [2]		
- Salary, Fees & Allowances	-	103,376
- Pension Contributions	-	19,125
	-	**122,501**
Corporate Director - Growth and City Development - Sajeeda Rose		
- Salary, Fees & Allowances	143,049	157,320
- Pension Contributions	25,606	29,104
	168,655	**186,424**
Corporate Director - Finance and Resources - Clive Heaphy [3]		
- Salary, Fees & Allowances	156,094	-
- Pension Contributions	-	-
	156,094	**-**
Corporate Director - Finance and Resources - Ross Brown [4]		
- Salary, Fees & Allowances	38,000	157,320
- Pension Contributions	6,802	29,104
	44,802	**186,424**
Interim Corporate Director - Communities, Environment and Resident Services [5]		
- Salary, Fees & Allowances	13,766	53,190
- Pension Contributions	-	-
	13,766	**53,190**
Director - Policy, Performance & Communications (Asst Chief Exec) [6]		
- Salary, Fees & Allowances	92,614	-
- Pension Contributions	-	-
	92,614	**-**
Director - Policy, Performance & Communications (Asst Chief Exec) [7]		
- Salary, Fees & Allowances	8,024	89,512
- Pension Contributions	2,308	16,560
	10,332	**106,072**
Director for Legal and Governence and Monitoring Officer		
- Salary, Fees & Allowances	106,405	119,651
- Pension Contributions	15,656	22,960
	122,061	**142,611**
Director of Public Health		
- Salary, Fees & Allowances	115,343	119,651
- Pension Contributions	20,646	22,135
	135,989	**141,786**

Notes to table:
1. Post holder left March 2023
2. New post holder from July 2023
3. Post holder July 2022 to Mar 2023
4. New post holder from Jan 2023
5. New post holder from Feb 2023, left July 2023
6. Post reports to Chief Executive in 22-23. Post held to Feb 2023
7. New post holder from Feb 2023, left March 2024

Fees Paid to individuals engaged on an interim basis
Interim Strategic Director of Finance & Section 151 Officer from April 22 to June 22 at a cost to the Council of £86,644. This represents the cost of securing the individual's services via an agency, not the amount the individual will have received, which will have been lower.

A total of 551 employees (excluding senior employees) received remuneration of more than £0.050m, of which 112 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 2022/23	2023/24
50,000 - 54,999	172	223
55,000 - 59,999	67	155
60,000 - 64,999	30	54
65,000 -69,999	17	31
70,000 - 74,999	42	13
75,000 - 79,999	11	34
80,000 - 84,999	2	9
85,000 - 89,999	4	14
90,000 - 94,999	6	5
95,000 - 99,999	5	4
100,000 - 104,999	2	4
105,000 - 109,999	1	1
110,000 - 114,999	-	1
115,000 - 119,999	1	1
120,000 - 124,999	1	-
125,000 - 129,999	-	1
155,000 - 159,999	1	-
165,000 - 169,999	-	1
TOTAL	**362**	**551**
GRAND TOTAL	**362**	**551**

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

Exit Package Cost Band	Number of Compulsory Redundancies 2022/23	Number of Compulsory Redundancies 2023/24	Number of Voluntary Redundancies 2022/23	Number of Voluntary Redundancies 2023/24	Number of Other Departures 2022/23	Number of Other Departures 2023/24	Total Number of Exit Packages 2022/23	Total Number of Exit Packages 2023/24	Total Cost of Exit Packages 2022/23 £	Total Cost of Exit Packages 2023/24 £
Up to £20,000	5	3	35	1	-	2	**40**	**6**	299,711	43,149
£20,001 to £40,000	0	1	17	6	-	-	**17**	**7**	450,336	188,598
£40,001 to £60,000	1	1	2	-	-	1	**3**	**2**	140,396	101,221
£60,001 to £80,000	1	2	3	-	-	-	**4**	**2**	297,327	140,042
£100,001 to £150,000	-	2	-	1	-	-	**-**	**3**	-	371262
TOTAL	**7**	**9**	**57**	**8**	**-**	**3**	**64**	**20**	**1,187,770**	**844,272**

4.7.5 External Audit Costs

Costs for the audit of the Statement of Accounts, certification of grant claims and returns (which relate to prior year claims) and other services provided by the external auditors:

	2022/23 £m	2023/24 £m
Statutory audit	0.142	0.604
Certification of other grant claims and returns	0.008	-
Fees payable in respect of other services provided by the external auditors during the year	-	0.010
TOTAL	**0.150**	**0.614**

The 2023/24 audit is not yet concluded and there may be further variations in the fees.

4.7.6 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 School's Budget, as defined in the Schools and Early Years Finance (England) Regulations 2023. The School's 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 2023/24 are as follows:

Notes		Central Expenditure £m	ISB £m	Total £m
A	Final DSG for 2023/24 before academy and high needs recoupment			**344.287**
B	Academy and high needs figure recouped for 2023/24			**210.740**
C	Total DSG after academy and high needs recoupment for 2023/24			**133.547**
D	Plus: Brought forward from 2022/23			**21.745**
E	Less: Carry forward to 2024/25 agreed in advance			**-**
F	Agreed initial budgeted distribution in 2023/24	77.188	78.104	**155.292**
G	In year Adjustments			**-**
H	Final Budget Distribution for 2023/24	77.188	78.104	**155.292**
I	Less: Actual central expenditure	58.160		**58.160**
J	Less: Actual ISB deployed to schools		78.104	**78.104**
K	Plus Local Authority contribution 2023/24			-
L	In year carry-forward to 2024/25	19.028	0.000	**19.028**
M	Plus/MInus: Carry-forward to 2024/25 agreed in advance			-
N	Carry-forward to 2024/25			**19.028**
O	DSG unusable reserve at the end of 2022/23			**-**
P	Addition to DSG unusable reserve at the end of 2023/24			**-**
Q	Total of DSG unusable reserve at the end of 2023/24			**-**
R	Net DSG position at the end of 2023/24			**19.028**

Notes to DSG:

A Final DSG figure before any amount has been recouped from the authority as published March 2024.

B Figure recouped from the authority in 2023/24 by the DfE for the conversion of maintained schools into academies and for high needs payments made by ESFA.

C Total DSG figure after academy and high needs recoupment for 2023/24, as published March 2024.

D Figure brought forward from 2022/23.

E Any amount which the authority decided after consultation with the schools forum to carry forward to 2024/25 rather than distribute in 2023/24.

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 2023/24.

J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the authority once it is deployed to schools' budget shares).

K Any contribution from the local authority in 2023/24 which will have the effect of substituting for DSG in funding the Schools Budget.

L In-year position at end of 2023/24, i.e.:

- For central expenditure, difference between final budgeted distribution of DSG (item H) and actual expenditure (item I), plus any local authority contribution (item K).
- For ISB, difference between final budgeted distribution (item H) and amount actually deployed to schools (item J), plus any local authority contribution (item K).

M Plus/minus any carry-forward to 2024/25 already agreed.

N Total carry-forward on central expenditure (item L) plus carry-forward on ISB (item L) plus/minus any carry-forward to 2024/25 already agreed (item E).

O DSG unusable reserve at end of 2022/23 (if any) – any amount placed in the unusable reserve at the end of 2020/21 and/or 2021/22 and/or 2022/23 in accordance with the DLUHC (formally MHCLG) amending regulations.

P Any addition to DSG unusable reserve in 2023/24 as a result of an in-year deficit in 2023/24.

Q Total of DSG unusable reserve at end of 2023/24; this is the total of O and P.

R Net DSG position at the end of 2023/24; this is a memorandum item designed to show the overall position on DSG. It is calculated by taking the figure (if any) at N and deducting the figure (if any) at Q, and will therefore show any net deficit that the local authority would have if the unusable reserve were not held separately.

The final DSG for 2023 to 2024 before the academy recoupment figure includes a provision for the early years block. This figure is derived from the pupil numbers as at January 2022. The final allocations will be based on 5/12ths x January 2023 pupil numbers and 7/12ths x January 2024 pupil numbers. The final DSG adjustment will be actioned in July 2024. The final allocation for the 2023 to 2024 early years block will be treated as an 'in year adjustment' for 2024 to 2025.

4.7.7 Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the CIES note 4.3.5. Capital grants and Revenue grants received in advance as at 31 March 2024 are shown in note 4.4.12.

Councillors/Officers

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2023/24 is shown in the Councillors' allowances note 4.7.3.

During 2023/24 payments, receipts and balances outstanding for works and services to other organisations (the majority being transactions with the Council's subsidiaries) in which Councillors or relevant officers had an interest were as follows:

	2022/23 £m	2023/24 £m
Payments	102.777	40.395
Receivables	(24.798)	(23.252)
Debtors	27.837	20.524
Creditors	(7.845)	(4.485)

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's and Children's Safeguarding Board. There were no significant transactions with ICELS and Adult Safeguarding Partnership Board in 2023/24. Transactions for the Better Care Fund are detailed in note 4.7.8.

The Council paid £0.081m in 2023/24 (£0.080m 2022/23) 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.

	2022/23		2023/24	
	Payments £m	Receipts £m	Payments £m	Receipts £m
Futures Advice, Skills and Employment Ltd	2.361	(0.063)	1.730	(0.038)
Inspired Spaces	8.846	-	9.481	-
Nottingham City Homes (NCH) Ltd	64.030	(9.643)	0.334	(10.937)
Nottingham City Transport	5.991	(0.384)	12.378	(0.386)
Nottingham Revenues & Benefits Ltd	6.151	(5.793)	0.119	(1.759)
Thomas Bow Ltd	1.908	(1.194)	-	-
Other Related Parties	2.139	(3.828)	2.868	(4.778)

	Restated 2022/23		2023/24	
	Debtors £m	Creditors £m	Debtors £m	Creditors £m
Futures Advice, Skills and Employment Ltd	-	(0.480)	-	(0.095)
Nottingham City Homes (NCH) Ltd	57.484	(5.477)	45.005	(2.164)
Nottingham City Transport	0.010	(0.537)	-	(0.027)
Nottingham Revenues and Benefits Ltd	0.437	(2.000)	1.156	(2.101)
Robin Hood Energy Ltd	37.451	-	37.451	-
Other Related Parties	12.641	(2.912)	11.891	(3.776)

4.7.8 Pooled Budgets

The Better Care Fund was established by the Government to provide funds to local areas to support the integration of health and social care and to seek to achieve the National Conditions and Local Objectives. It is a requirement of the Better Care Fund (BCF) that the Integrated Care Board (ICB) and the Council establish a pooled fund for this purpose. Section 75 of the NHS Act 2006 allows partners (NHS bodies and councils) to contribute to a common fund which can be used to commission health or social care related services. This power allows a local authority to commission health services and NHS commissioners to commission social care. It enables joint commissioning and commissioning of integrated services. These details relating to Better Care Fund, both pooled and non-pooled budgets are set out in a Section 75 Agreement. The operation of the pooled fund is subject to the Council's obligations for Best Value and the ICB Statutory Duties compliance and clinical governance obligations. The partners have agreed a Lead Commissioner arrangement to commission scheme services within the pooled funds and the Council as Lead Commissioner is therefore the Host responsible for effective and efficient management of the pooled fund.

Overall strategic responsibility, including both financial governance for the BCF pooled fund, and performance monitoring and reporting arrangements, is with the Health and Wellbeing Board.

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

	2023/24 £m
Funding	
NHS Nottingham and Nottinghamshire ICB	(31.079)
Nottingham City Council (Capital)	(3.010)
Nottingham City Council (Improved Better Care Fund)	(18.930)
Total Funding	(53.019)
Expenditure	
Access & Navigation	1.548
Integrated Care	20.402
Facilitating Discharge	2.880
Primary Care	3.003
Assistive Technology	0.471
Carers	0.714
Capital Grants	2.768
Programme Costs	4.558
Coordinated Care	13.759
Independence Pathway	1.270
Housing Health - Housing Related Schemes	0.096
Winter Pressures	1.550
Total Expenditure	53.019
BALANCE OF POOLED FUND	-

4.7.9 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 2024 are as follows:

	2022/23 £m	2023/24 £m
Income	(8.747)	(10.319)
Expenditure	0.547	0.554
NET INCOME	**(8.200)**	**(9.765)**

4.7.10 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 2024 was £13.280m (31 March 2023 £12.010m).

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

	31 March 2023 £m	31 March 2024 £m
Finance lease liabilities*:		
current	0.002	0.002
non-current	1.744	1.742
Finance costs payable in future years	7.034	6.859
MINIMUM LEASE PAYMENTS	**8.780**	**8.603**

* 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 2023 £m	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m
Not later than one year	0.177	0.177	0.002	0.002
Between one and five years	0.706	0.706	0.010	0.011
Later than five years	7.897	7.720	1.734	1.731
TOTAL	**8.780**	**8.603**	**1.746**	**1.744**

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 2023 £m	31 March 2024 £m
Not later than one year	0.437	0.437
Between one and five years	0.835	0.451
Later than five years	6.906	6.852
TOTAL	**8.178**	**7.740**

The expenditure charged to the CIES during 2023/24 in relation to these leases was £0.719m (£0.702m in 2022/23).

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 2023 £m	31 March 2024 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	10.901	10.835
Anticipated residual value of property	6.593	4.553
GROSS INVESTMENT IN THE LEASE	**18.516**	**16.410**

* 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 2023 £m	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m
Not later than one year	0.061	0.061	0.061	0.061
Between one and five years	0.245	0.245	0.244	0.244
Later than five years	11.617	11.556	10.596	10.530
TOTAL	**11.923**	**11.862**	**10.901**	**10.835**

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

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

Operating Leases

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

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

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

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

	31 March 2023 £m	31 March 2024 £m
Not later than one year	22.934	22.169
Between one and five years	58.810	50.661
Later than five years	193.798	183.879
TOTAL	**275.542**	**256.709**

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 no contingent rents receivable by the Authority in 2023/24 of £0.000m (2022/23 £0.000m). There were no contingent rents for any of the other types of lease arrangement.

4.7.11 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:

	2022/23 £m	2023/24
Planning and Housing	49.115	48.736
Jobs, Growth and Transport	32.696	47.943
Strategic Regeneration	4.052	5.536
Other	121.672	104.467
Capiutal Expenditure	**207.535**	**206.682**
REFCUS Assets within PFI Contracts	0.286	0.641
Assets acquired under PFI Contracts	0.940	1.158
CUMULATIVE ASSET ADDITIONS	**208.761**	**208.481**

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:

	2022/23 £m	2023/24 £m
Capital Investment on IFRS Basis		
Property, Plant and Equipment	103.409	106.058
Heritage Assets	0.323	0.006
Intangible Assets	0.491	0.551
Long Term Investments	0.650	1.216
Total Additions to Assets on IFRS Basis	**104.873**	**107.831**
Revenue Expenditure Funded from Capital under Statute (REFCUS)	102.662	81.283
REFCUS - Exceptional Financial Support (EFS)	-	17.568
Total Expenditure to be Financed from Capital Sources	**207.535**	**206.682**
Financing		
Capital receipts	(33.653)	(22.907)
Capital receipts used to finance EFS	-	(17.568)
Government grants and other contributions	(132.447)	(128.057)
Sums set aside from revenue	(32.957)	(36.190)
UNDERLYING BORROWING REQUIREMENT IN YEAR	**8.478**	**1.960**

4.7.12 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 following table:

	2022/23 £m	2023/24 £m
Opening Capital Financing Requirement	**1,373.497**	**1,314.901**
Increase in underlying need to borrow:		
Unsupported by government financial assistance	8.480	1.960
Statutory Minimum Revenue Provision	(31.843)	(27.808)
Voluntary Revenue Provision	(2.197)	(2.397)
Voluntarily Set Aside Capital Receipts	(21.975)	(27.587)
Net PFI Liability Discharged	(11.061)	(11.669)
CLOSING CAPITAL FINANCING REQUIREMENT	**1,314.901**	**1,247.400**

4.7.13 Private Finance Initiatives and Similar Contracts

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

NET

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

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

Building Schools for the Future (BSF)

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

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

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

Local Improvement Finance Trust (LIFT) Joint Service Centres

The Council has completed two new Joint Service Centres located in Hyson Green and Bulwell and have been procured using the LIFT vehicle in partnership with NHS Nottingham City. The PFI contract which the Council has is with Community Health Partnership who manage the PFI, while NHS Nottingham City Clinical Commissioning Group manage which NHS service is provided from the joint service centre. The Council has recognised its share of occupancy of both sites on the Balance Sheet.

The contract expiry and the asset treatment are as follows:

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

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

Street Lighting Contract

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

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

Future Contractual Payments

The next table shows the Council's future contractual payments. The future Service Charge payments are estimated using the Service Charge payments incurred during 2023/24, which are then inflated using the inflation rate implicit with each PFI arrangement:

	2024/25 £m	2025/26 - 2028/29 £m	2029/30 - 2033/34 £m	2034/35 - 2038/39 £m	Total £m
NET					
Repayment of Liability	8.178	23.701	36.205	-	**68.084**
Interest Charges	7.995	23.047	9.984	-	**41.026**
Service Charges	17.304	76.963	109.953	-	**204.220**
NET Unitary Charge	**33.477**	**123.711**	**156.142**	**-**	**313.330**
BSF					
Repayment of Liability	2.091	10.643	17.064	7.001	**36.799**
Interest Charges	2.752	9.061	6.106	0.971	**18.890**
Service Charges	3.363	14.311	19.998	7.718	**45.390**
BSF Unitary Charge	**8.206**	**34.015**	**43.168**	**15.690**	**101.079**
LIFT					
Repayment of Liability	0.629	2.794	4.255	2.082	**9.760**
Interest Charges	0.840	2.827	2.118	0.395	**6.180**
Service Charges	0.835	3.879	5.589	2.146	**12.449**
LIFT Unitary Charge	**2.304**	**9.500**	**11.962**	**4.623**	**28.389**
Street Lighting					
Repayment of Liability	1.919	10.085	11.253	6.586	**29.843**
Interest Charges	3.098	9.980	6.646	0.541	**20.265**
Service Charges	2.563	10.909	15.242	3.281	**31.995**
Street Lighting Unitary Charge	**7.580**	**30.974**	**33.141**	**10.408**	**82.103**
TOTAL CHARGES	**51.567**	**198.200**	**244.413**	**30.721**	**524.901**

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.

	2022/23	2023/24				
	Total £m	BSF £m	NET £m	LIFT £m	Street Lighting £m	Total £m
Opening balance at 1 April	**168.474**	38.817	75.755	10.376	31.568	**156.516**
Repayment of Liability	**(11.958)**	(2.019)	(7.671)	(0.616)	(1.725)	**(12.031)**
CLOSING BALANCE AT 31 MARCH	**156.516**	**36.798**	**68.084**	**9.760**	**29.843**	**144.485**

4.7.14 Trust Funds

The Council acts as sole trustee for a number of trust funds. The funds do not represent assets of the Council and, therefore, have not been included in the Council's single entity accounts. However, as the Council acts as sole trustee for the Bridge Estate Trust their accounts are consolidated into the Council's group accounts (section 6). The Bridge Estate Trust holds net assets of £37.058m (£36.653m at 31 March 2023) with a turnover of £1.750m (£1.850m 2022/23), 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 £3.507m (£3.452m as at 31 March 2023) with a turnover of £0.445m (£2.493m 2022/23). These Trusts are not consolidated into the Council's group accounts on the basis of materiality. They include:

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

4.7.15 Contingent Liabilities

At 31 March 2024, 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, usually claims arising from historic child abuse and disease claims. Should no insurer be traced, or an insurer refuses an indemnity, the costs would have to be met from the provision.

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

4.7.16 Nature and Extent of Risks arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

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

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

- By formally adopting the requirements of the Code of Practice.
- By approving, annually in advance, prudential indicators for the following three years which limit:
  - The Council's overall borrowing.
  - Its maximum 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 twice per year to Councillors.

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

Credit Risk

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

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

The adopted credit criteria in respect of financial assets held by the Council in 2023/24 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 £20m 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 £40m will be placed with any one country.
- Money Market Funds – individual cash limit of £30m with any one fund and an overall limit of £120m for all Money Market Funds.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £330.7m at 31 March 2024 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, and balances held for liquidity reasons since the outbreak of COVID-19 have remained higher than in recent years. As at 31 March 2024 the council's investments are deposited with either other local authorities, short term notice accounts, the UK government or highly liquid and diverse money market funds so should the economic uncertainty on banks and other financial institutions develop the council's deposits with exposure to increased credit risk exposure can be recalled to reduce the likelihood of investment losses to crystallise. Deposits with other local authorities are judged to remain as low risk due to the legal framework around local authorities.

Credit Risk Exposure

The following table summarises the value of the Council's financial investment portfolio and the exposure to non-financial investments and debtors at 31 March 2024. This confirms that all financial investments were made in line with the approved credit rating criteria:

Credit Rating	Credit Rating	Gross Carrying Amount £m
12-month expected credit losses	AAA	76.60
	AA	59.90
	A	184.49
	BBB	
	Unrated local authorities	
	Unrated loans to 3rd parties	28.87
Significant increase in credit risk since initial recognition	AAA	
	AA	
	A	
	BBB	
	Unrated local authorities	
	Unrated loans to 3rd parties	48.62
Credit impaired	AAA	
	AA	
	A	
	BBB	
	Unrated local authorities	
	Unrated loans to 3rd parties	
Simplified approach*	AAA	
	AA	
	A	
	BBB	
	Unrated other	124.28

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

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

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

Amounts Arising from Expected Credit Losses

From the above credit risk exposures, the expected loss allowance as at 31 March 2024 was £35.123m for loans to third parties using the Lifetime Expected Credit Loss assessment.

Collateral

The Council initiates a legal charge on property or company assets, for instance, as part of a loan agreement. The total collateral at 31 March 2024 was £45.712m.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets and other local authorities to cover day to day cash flow need. Whilst PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose capital plans include debt for yield schemes or 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. Although COVID-19 poses significant budget challenges the Council anticipates being able to raise finance to meet its commitments under financial instruments.

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

The Council's deposits with financial institutions such as banks, money market funds and deposits with other local authorities and the DMO total £330.7m at 31 March 2024. There were £9.9m of deposits with the DMO with maturity dates of less than 12 months.

The council continues to use highly liquid investments including same day access money market funds as part of the Council's liquidity risk mitigation. At 31 March 2024 the council balances of £76.6m across 3 money market funds. These funds are highly diversified and highly liquid with credit ratings equivalent to AAAm so were judged to have minimal credit risk.

Refinancing and Maturity Risk

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

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.
- 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 2024 is:

	31 March 2023 £m	31 March 2024 £m
Less than 1 year	35.741	37.428
1 to 2 years	10.044	19.411
2 to 5 years	49.143	41.309
5 to 10 years	177.286	123.955
10 – 25 years	46.010	42.010
25 – 40 years	355.765	340.672
40 – 70 years	204.013	199.520
TOTAL	**878.002**	**804.305**

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

Interest Rate Risk

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

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

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

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

The 2023/24 strategy allowed for a maximum exposure to variable interest rates of £300m.

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	31 March 2024 £m
Increase in interest payable on variable rate borrowings	0.260
Increase in interest receivable on variable rate investments	(2.520)
Impact on Surplus or Deficit on the Provision of Services	(2.260)
Share of overall impact debited to the HRA	(1.107)
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	(3.367)

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 £14.224m in a number of joint ventures and in local industry, as at 31 March 2024. These holdings are generally illiquid and are shown in the balance sheet at cost less impairment. The main equity holdings are in Nottingham City Transport Ltd and Blueprint (General Partner) Ltd which are all shown at cost less impairment within the Council's group accounts. The Council is exposed to losses arising from movements in the value of these holdings. As the holdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

4.8 Accounting Standards issued but not adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2023/24 Code.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the 2023/24 Code:

a) IFRS 16 Leases issued in January 2016

b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020. The amendments:

  - specify that an entity's right to defer settlement must exist at the end of the reporting period
  - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
  - clarify how lending conditions affect classification, and
  - clarify requirements for reclassifying liabilities an entity will or may settle by issuing its own equity instruments.

c) Lease liability in a Sale and Leaseback (Amendment to IFRS 16) issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.

d) Non-current liabilities with Covenants (Amendments to IAS 1) issued in October 2022.The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:

   - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
   - targeted disclosure requirements for affected entities.

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:

   - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
   - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

Note that a) will only be applicable to local authorities that have not voluntarily implemented IFRS 16 in 2023/24.

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years.

Changes to lease accounting standards under IFRS 16 will require to be implemented by local authorities from the 2024/25 financial year onwards, although earlier adoption will be optional. The Council has not chosen to implement the changes until 2024/25. The changes will apply prospectively and a restatement of the balance sheet for prior years will not be required. The changes will affect accounting for assets leased in and will remove the current distinction between finance leases and operating leases. All leases in will require the recognition of a 'right of use' asset and a liability to pay future rentals. This will bring short term leases in of assets within the scope of the local authority statutory capital framework.

However, it is not anticipated that there will be any material impact on the council's spendable reserves because of the changes. The Council does not yet have sufficient information available to quantify the likely impact on its balance sheet of the new assets and liabilities to be recognised.

It is likely that though they provide clarifications, items b), c) and d) will not have a significant impact on the amounts anticipated to be reported in the financial statements. There will be limited application of items e) and f).

4.9 Critical Judgements in applying Accounting Policies

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

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

The critical judgements made in the Statement of Accounts are:

- There are two 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 following table summarises the treatment for each type of school:

School Type	Balance Sheet Treatment
LEA Maintained	On
Academy	Off

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

4.10 Assumptions about the Future and other Major Sources of Estimation

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

- Post-Retirement Benefits – Estimation of the net liability to pay pensions is dependent on a number of complex judgements relating to the discount rate used, for example the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 4.4.13 and the Sensitivity Analysis in section 7.2.1 for further details.

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results of the Actuary report at the last accounting date and therefore is already included in the starting position for the 2023/24 Actuary report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities. See note 7.2.1 for further details.

There was a triennial valuation of the fund by the scheme actuary in March 2022. The purpose of this was to set the level of employer contributions necessary for the next three years (1 April 2023 to 31 March 2026) to make good any fund deficit over the remaining working life of the employees.

4.11 Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Interim Corporate Director of Finance and Resources on 20 December 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were a number of significant events between the balance sheet date and the approval of these financial statements. These are detailed in the Narrative Report at Section 1.4. No additional disclosure or adjustment has been made of the 2023/24 statements has been made in relation to these events.

Section 5
SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

5.1 Housing Revenue Account (HRA)

The HRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the movement on the Housing Revenue Account statement.

5.1.1 Housing Revenue Income and Expenditure Account

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

	2022/23 £m	2023/24 £m
Expenditure		
Repairs and maintenance	31.149	9.803
Supervision and Management	26.090	66.101
Rents, rates, taxes and other charges	0.449	5.875
Depreciation and impairment of non-current assets	25.166	25.129
Debt management costs	0.050	0.062
Revaluation (gain) / loss on HRA Council dwellings	(27.801)	23.504
Total Expenditure	**55.103**	**130.474**
Income		
Dwelling Rents	(100.573)	(109.473)
Non Dwelling Rents	(2.731)	(3.782)
Charges for Services and Facilities	(11.391)	(28.308)
Sums directed by the Secretary of State	(27.703)	-
Contributions towards Expenditure	(0.368)	(0.652)
Total Income	**(142.766)**	**(142.215)**
Net Cost of HRA Services as included in the CIES	**(87.663)**	**(11.740)**
HRA services' share of Corporate and Democratic Core	0.280	0.198
NET COST FOR HRA SERVICES	**(87.383)**	**(11.542)**
HRA Share of the Operating Income and Expenditure included in the CIES		
Gain or (loss) on sale of HRA non-current assets	0.289	2.893
Grants	-	(3.292)
Interest payable and similar charges	12.812	13.249
Interest and Investment Income	(2.772)	(5.788)
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	**(77.054)**	**(4.480)**

5.1.2 Movement on the HRA Statement

	2022/23 £m	2023/24 £m
Actual Ledger Balance on HRA at the start of the Year	**17.797**	**56.763**
Outstanding Statutory (Item 9) Adjustment:		
- 1st Item 9 Credit Direction	27.703	-
- 2nd Item 9 Credit Application	4.618	4.618
Corrected Balance on HRA at the start of the Year	**50.118**	**61.381**
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	77.054	4.480
Adjustments between accounting basis and funding basis	(38.197)	(0.982)
Net increase or decrease in year before transfers to or from earmarked reserves	38.857	3.498
Transfers (to) or from earmarked reserves	(27.594)	(0.137)
Increase or (decrease) in year on the HRA	**11.263**	**3.361**
BALANCE ON THE HRA AT THE END OF THE YEAR	**61.381**	**64.742**
Outstanding Statutory (Item 9) Adjustment:		
- 2nd Item 9 Credit Application	(4.618)	(4.618)
ACTUAL LEDGER BALANCE ON THE HRA AT THE END OF THE YEAR	**56.763**	**60.124**

The table above shows the balance on the Housing Revenue Account (HRA). The balance on the earmarked HRA reserves as at 31 March 2024 was £0.626m (31 March 2023 £0.489m). Therefore, total HRA reserves at 31 March 2024 were £60.750m (31 March 2023 £57.252m).

5.1.3 Notes to the HRA Financial Statements

5.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

	31 March 2023 Number	31 March 2024 Number
Houses and Bungalows		
1 Bedroom	1,045	1,044
2 Bedroom	5,644	5,687
3 Bedroom	8,896	8,762
4 or more Bedrooms	469	462
Flats		
1 Bedroom	7,486	7,457
2 Bedroom	1,100	1,078
3 or more Bedrooms	116	114
TOTAL	**24,756**	**24,604**

5.1.3.2 Valuation of Housing Assets

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

	Value at 31 March 2023 £m	Value at 31 March 2024 £m
Operational Assets		
Council Dwellings	1,355.825	1,340.756
Other Land and Buildings	22.281	23.733
Assets Under Construction	22.432	24.535
Surplus Assets not held for sale	2.513	0.408
Investment Properties	0.655	0.668
Assets Held for Sale	-	1.825
Infrastructure	29.645	27.744
Vehicles, IT and Other Equipment	-	-
TOTAL VALUE OF ASSETS	**1,433.351**	**1,419.669**

5.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2024 was £3,192.275m (1 April 2023 £3,228.155m). The Balance Sheet value of dwellings was £1,340.755m. The difference of £1,851.518m 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.

The valuation of the Council's housing stock as at 31st March 2024 was completed by the Council's Property Services team in conjunction with external valuers.

5.1.3.4 The Major Repairs Reserve

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

	2022/23 £m	2023/24 £m
Balance Brought Forward	**(38.773)**	**(38.659)**
Credits - Depreciation on HRA Assets	(25.166)	(25.129)
Credits - Additional credit to the MRR	(7.073)	(9.873)
Debits - Capital Expenditure	32.353	23.754
BALANCE AT END OF YEAR	**(38.659)**	**(49.907)**

Further information on depreciation is shown in note 5.1.3.7.

5.1.3.5 Capital Expenditure

Capital expenditure of £48.289m (£51.689m in 2022/23) in respect of HRA assets was financed from a range of sources in 2023/24. This is set out below:

	2022/23 £m	2023/24 £m
CAPITAL EXPENDITURE	**51.689**	**48.289**
Financed By:		
Capital Receipts Reserve	7.140	8.121
Major Repairs Reserve (MRR)	32.353	23.754
Direct Revenue Financing*	0.600	11.850
Other Capital Grants and Contributions	3.596	4.564
Borrowing	8.000	-
TOTAL FINANCING	**51.689**	**48.289**

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

5.1.3.6 Capital Receipts

Capital receipts of £18.543m (£23.404m in 2022/23) arose from the sale of land, houses and other property within the HRA in 2023/24. Of this total, £17.878m (£22.213m in 2022/23) related to the disposal of houses and flats under the right to buy scheme.

	2022/23 £m	2023/24 £m
Land & Other	1.191	0.665
Houses	22.213	17.878
TOTAL	**23.404**	**18.543**

5.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2023/24 as follows:

	2022/23 £m	2023/24 £m
Dwellings	22.726	22.677
Other Operational HRA Assets:		
Other Land and Buildings	0.423	0.367
Vehicles, Plant, Furniture and Equipment	-	-
Infrastructure and Community Assets	1.984	2.071
Surplus Assets not Held for Sale	0.034	0.014
TOTAL	**25.166**	**25.129**

5.1.3.8 Revaluations and Impairments during the Financial Year

£23.504m in respect of revaluation gains have been credited to the HRA during the year (£27.801m gains credited in 2022/23). This amount related to Council Dwellings as a result of a desktop beacon revaluation undertaken during the year.

There were no donated assets within the year.

A de-recognition write-out of £5.275m (£3.589m in 2022/23) was made to reflect the residual value of assets replaced.

The revaluation of investment properties has resulted in a credit of £0.083m (£0.810m credit in 2022/23).

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

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £8.064m at 31 March 2024 (£8.116m at 31 March 2023). A total loss allowance (previously called bad debt provision) of £6.708m has been established at 31 March 2024 (£6.771m at 31 March 2023).

5.1.3.10 Sums Directed by the Secretary of State

In December 2021 the Section 151 Officer issued a Section 114 Notice indicating the HRA ring-fence had been breached. On 3rd August 2022 the Secretary of State for Levelling Up, Housing & Communities issued an Item 9 Direction which instructed the General Fund to pay the HRA £27.703m. This was made in 2022/23 with no further payments in 2023/24. There are still some amounts outstanding and these will be subject to a second Item 9 Ministerial Direction.

5.2 Collection Fund

5.2.1 Collection Fund Statement

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

	2022/23	2023/24		
	Total £m	NNDR £m	Council Tax £m	Total £m
INCOME				
Council Tax Receivable	(161.072)	-	(169.907)	(169.907)
Business Rates Receivable	(121.199)	(118.477)	-	(118.477)
TOTAL INCOME	**(282.271)**	**(118.477)**	**(169.907)**	**(288.384)**
EXPENDITURE				
Precepts, Demands and Shares				
Central Government	57.257	57.971	-	57.971
Police Authority	17.172	-	18.413	18.413
Fire Authority	6.857	1.159	6.127	7.286
Nottingham City Council	188.174	56.812	140.424	197.236
Charges to Collection Fund				
Write offs of uncollectable amounts	2.279	3.425	0.722	4.147
Increase /Decrease (-) in allowance for non-collection	5.561	(6.461)	(3.544)	(10.005)
Increase /Decrease (-) in Provision for Appeals	(1.793)	13.691	-	13.691
Cost of Collection	0.467	0.456	-	0.456
Apportionment of previous year's estimated Collection Fund Surplus/ (Deficit)				
Police & Crime Commissioner	0.220	-	0.192	0.192
Central Government	(18.321)	(3.140)	-	(3.140)
Nottinghamshire Fire & Rescue Service	(0.293)	(0.063)	0.062	(0.001)
Nottingham City Council	(16.254)	(3.077)	1.462	(1.615)
TOTAL EXPENDITURE	**241.326**	**120.773**	**163.858**	**284.631**
Movement on the Collection Fund Balance	(40.945)	2.296	(6.049)	(3.753)
(Surplus)/Deficit Brought Forward	42.609	1.043	0.621	1.664
(SURPLUS)/DEFICIT CARRIED FORWARD	**1.664**	**3.339**	**(5.428)**	**(2.089)**

5.2.2 Notes to Collection Fund Statement

5.2.2.1 National Non-Domestic Rates (NNDR)

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

	2022/23 £m	2023/24 £m
Rate in the pound - Standard multiplier	51.2p	51.2p
Rate in the pound - Small business multiplier	49.9p	49.9p
Total non-domestic rateable value per NNDR system	349.386	345.329

5.2.2.2 Council Tax

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

	2022/23	2023/24
Council Tax Base	**67,540**	**68,403**
Council Tax (Band D) Property	**£2,294.14**	**£2,411.65**

Band	Average Number of Properties	Taxable Properties after discounts, exemptions and adjustments	Conversion Factor to Band D	Band D Equivalents
A	90,705	52,893	6/9	35,262
B	25,452	15,057	7/9	11,712
C	16,830	11,931	8/9	10,605
D	7,583	5,641	9/9	5,641
E	2,584	2,104	11/9	2,571
F	1,109	965	13/9	1,394
G	746	641	15/9	1,069
H	116	75	18/9	149

5.2.2.3 Apportionment of Collection Fund Surplus/Deficit

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

	2022/23	2023/24		
	Total £m	Council Tax £m	NNDR £m	Total £m
Nottingham City Council	1.039	(4.622)	1.636	(2.986)
Nottinghamshire Police Authority	0.068	(0.606)	-	(0.606)
Nottinghamshire Fire and Rescue Authority	0.035	(0.200)	0.033	(0.167)
Central Government	0.522	-	1.670	1.670
TOTAL	**1.664**	**(5.428)**	**3.339**	**(2.089)**

Section 6
GROUP FINANCIAL STATEMENTS AND NOTES

6.1 Introduction

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

The following pages include:

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

6.2 Significant Judgements and Assumptions

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

- Subsidiaries - where the Council is exposed, or has rights, to variable returns from its involvement with the organisation and has the ability to affect those returns through its power over the organisation i.e. control. These entities are included in the group.
- Associates – where the Council exercises a significant influence, having more than 20% of the voting power and has a participating interest. Where these are material they have been included in the group.
- Joint Venture – where the Council exercises joint control with one or more organisations and has rights to its net assets. Where these are material they have been included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

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

For 2023/24 the financial details of these organisations have been consolidated within the group accounts where it is considered that those details have a material effect upon those accounts.

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

The Council's group in 2023/24 includes Bridge Estate Trust, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd. The group core statements have been completed using the audited accounts of these organisations, except for Bridge Estate Trust and Nottingham City Transport Ltd whose draft unaudited accounts have been used.

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

	2022/23		2023/24	
	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	(29.044)	6.043	4.170	9.892
Other CIES	(924.789)	(1,089.161)	(114.609)	(113.339)
Total CIES (Surplus)/Deficit	(953.833)	(1,083.118)	(110.439)	(103.447)
Balance Sheet:				
Long Term Assets	3,579.406	3,674.624	3,556.359	3,649.284
Current Assets	480.251	515.232	527.342	564.108
Current Liabilities	(274.965)	(305.001)	(277.927)	(305.588)
Long Term Liabilities	(1,253.791)	(1,302.720)	(1,164.434)	(1,223.125)
Nets Assets	2,530.901	2,582.135	2,641.340	2,684.679
Usable Reserves	353.436	353.436	367.991	367.991
Unusable Reserves	2,177.465	2,228.699	2,273.349	2,316.688
	2,530.901	2,582.135	2,641.340	2,684.679
Cash Flow Statement:				
Net Cash Flows from Operating Activities	79.048	88.245	41.684	47.382
Investing Activities	31.036	29.030	(1.909)	(8.616)
Financing Activities	(24.438)	(35.904)	(81.235)	(83.085)
Net Increase (Decrease) in Cash and Cash Equivalents	85.646	81.371	(41.460)	(44.319)
Cash and Cash Equivalents at the beginning of the reporting period	55.546	90.306	141.192	171.677
Cash and Cash Equivalents at 31 March	141.192	171.677	99.732	127.358

6.3 Accounting policies used in preparing the Group Financial Statements

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

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

6.4 Core Group Financial Statements

6.4.1 Group Comprehensive Income and Expenditure Statement (Group CIES)

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

As outlined in note 4.3.1 Prior Year Reclassifications, the Council's 2022/23 CIES has been restated to align with the 2023/24 directorate position of the Council. The group 2022/23 CIES has also been restated. This restatement only alters the classification of the directorates of the Council and overall the total value is unchanged. The group organisations are not included within the portfolios but are shown on a separate line of the CIES.

Notes		Restated 2022/23			2023/24		
		Gross Expenditure £m	Gross Income £m	Net £m	Gross Expenditure £m	Gross Income £m	Net £m
	Adults	180.224	(84.261)	95.963	199.451	(104.625)	94.826
	Chief Executive	15.367	(1.483)	13.884	11.947	(0.556)	11.391
	Childrens	108.239	(37.121)	71.118	122.388	(39.421)	82.967
	Commissioning and Partnerships	1.938	(0.360)	1.578	3.208	(1.321)	1.887
	Communities, Environment and Resident Services	195.269	(103.412)	91.857	169.430	(95.721)	73.709
	Education	41.775	(36.249)	5.526	48.327	(44.900)	3.427
	Finance and Resources	49.052	(15.884)	33.168	61.626	(17.388)	44.238
	Growth and City Development	84.886	(91.553)	(6.667)	102.725	(89.142)	13.583
	Public Health	29.137	(32.306)	(3.169)	31.814	(35.490)	(3.676)
	Schools	113.200	(121.291)	(8.091)	124.834	(124.616)	0.218
	Corporate Items	177.480	(170.913)	6.567	167.300	(171.906)	(4.606)
	Housing Revenue Account (HRA)	34.557	(142.606)	(108.049)	109.791	(141.059)	(31.268)
	Revaluation gain on HRA Council Dwellings	(27.311)	-	(27.311)	23.522	-	23.522
	Group Organisations	199.066	(122.069)	76.997	113.963	(110.328)	3.635
	Cost of Services	**1,202.879**	**(959.508)**	**243.371**	**1,290.326**	**(976.473)**	**313.853**
	Other operating expenditure			23.933			14.045
6.7.1.1	Financing and investment income and expenditure			44.749			31.032
	Taxation and non-specific grant income			(318.704)			(351.176)
	(Surplus)/Deficit on Provision of Services			**(6.651)**			**7.754**
	Share of the surplus or deficit on the provision of services by associates			11.328			0.903
	Tax expenses of subsidiaries			1.398			1.235
	Tax expenses / (income) of associates and joint ventures			(0.032)			-
	Group (Surplus)/Deficit			**6.043**			**9.892**
	Revaluation of PPE/Heritage assets			(259.042)			(106.575)
	Re-measurement of pension assets/liabilities			(800.660)			(6.213)
	Financial assets measured at fair value			(15.492)			-
	Share of other comprehensive income and expenditure of associates and joint ventures			(13.967)			(0.551)
	Other Comprehensive Income and Expenditure			**(1,089.161)**			**(113.339)**
	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			**(1,083.118)**			**(103.447)**

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.

	2022/23 Authority £m	2022/23 Minority Interest £m	2022/23 Total £m	2023/24 Authority £m	2023/24 Minority Interest £m	2023/24 Total £m
Group (surplus) / Deficit	6.101	(0.058)	6.043	10.053	(0.161)	9.892
Other CIES	(1,088.984)	(0.177)	(1,089.161)	(113.435)	0.096	(113.339)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**(1,082.883)**	**(0.235)**	**(1,083.118)**	**(103.382)**	**(0.065)**	**(103.447)**

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

	2022/23 £m	2023/24 £m
Total comprehensive income and expenditure on the authority's single entity CIES	(953.833)	(110.439)
Add (surplus)/deficit arising from group entities:		
Subsidiaries	(121.343)	7.045
Joint Ventures	(2.671)	0.352
Trust Funds	(5.271)	(0.405)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE ON THE GROUP CIES	**(1,083.118)**	**(103.447)**

6.4.2 Group Balance Sheet

The purpose of this statement is explained in section 3.2 of the Council's single entity Statement of Accounts.

Notes		31 March 2023 £m	31 March 2024 £m
6.7.2.1	Property, Plant & Equipment	3,244.396	3,259.960
	Heritage Assets	73.058	76.052
6.7.2.2	Investment Property	288.643	261.362
	Intangible Assets	4.703	4.019
	Long Term Investments	12.469	2.425
	Long Term Debtors	40.769	34.606
	Investments in Associates and Joint Ventures	10.586	10.860
	Long Term Assets	**3,674.624**	**3,649.284**
	Assets Held for Sale	15.182	46.496
	Short Term Investments	188.255	260.852
	Intangible Assets	0.063	0.020
	Inventories	3.907	3.078
6.7.2.3	Short Term Debtors	136.044	126.197
6.7.1.2	Contract Assets	0.104	0.107
6.7.2.4	Cash and Cash Equivalents	171.677	127.358
	Current Assets	**515.232**	**564.108**
	Short Term Borrowing	(41.057)	(44.095)
6.7.2.5	Short Term Creditors	(210.851)	(208.737)
	Revenue Grants Received in Advance	(32.542)	(32.955)
6.7.1.2	Contract Liabilities	(17.591)	(17.023)
	Provisions	(2.734)	(2.282)
	Current Tax Liability	(0.226)	(0.496)
	Current Liabilities	**(305.001)**	**(305.588)**
	Long Term Borrowing	(843.157)	(767.693)
6.7.1.2	Long Term Contract Liabilities	(0.636)	(2.440)
	Long Term Creditors	(1.414)	(1.168)
	Other Long Term Liabilities	(167.538)	(151.210)
	Provisions	(42.864)	(57.058)
	Capital Grants Receipts in Advance	(155.078)	(146.033)
	Revenue Grants Receipts in Advance	(0.105)	(0.141)
	Defined Benefit Pension Scheme	(88.708)	(93.012)
	Deferred Tax Liability	(3.220)	(4.370)
	Long Term Liabilities	**(1,302.720)**	**(1,223.125)**
	NET ASSETS	**2,582.135**	**2,684.679**
6.7.2.6	Usable Reserves	353.436	367.991
6.7.2.7	Unusable Reserves	2,228.699	2,316.688
	TOTAL RESERVES	**2,582.135**	**2,684.679**

6.4.3 Group Movement in Reserves Statement

The purpose of this statement is explained in section 3.3 of the Council's single entity Statement of Accounts. The General Fund and Earmarked General Fund in total form the statutory General Fund.

2023/24	General Fund £m	Earmarked General Fund £m	General Fund Total £m	Housing Revenue Account (HRA) £m	Earmarked HRA Reserves £m	Capital Receipts £m	Major Repairs £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Minority Interest £m	Total Reserves £m
Balance at 31 March 2023	**8.877**	**195.435**	**204.312**	**56.763**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**	**50.555**	**0.679**	**2,582.135**
Outstanding Statutory (Item 9) Adjustments:														
2nd Item 9 Credit Application	-	(4.618)	(4.618)	4.618	-	-	-	-	-	-	-	-	-	**-**
Corrected Balance at 31 March 2023	**8.877**	**190.817**	**199.694**	**61.381**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**	**50.555**	**0.679**	**2,582.135**
Movement in 2023/24:														
Total CIE* (Table 6.4.1)	(8.283)	-	(8.283)	4.480	-	-	-	-	**(3.803)**	114.609	**110.806**	(7.424)	0.065	**103.447**
Adjustments between group accounts and authority accounts **(Note 6.7.3)**	(0.367)	-	(0.367)	-	-	-	-	-	(0.367)	-	(0.367)	(0.536)	-	**(0.903)**
Net Increase/Decrease before transfers	**(8.650)**	**-**	**(8.650)**	**4.480**	**-**	**-**	**-**	**-**	**(4.170)**	**114.609**	**110.439**	**(7.960)**	**0.065**	**102.544**
Funding basis adjustments	24.342	-	24.342	(0.982)	-	(15.749)	11.248	(0.134)	18.725	(18.725)	-	-	-	-
Net increase/decrease before transfers to earmarked reserves	**15.692**	**-**	**15.692**	**3.498**	**-**	**(15.749)**	**11.248**	**(0.134)**	**14.555**	**95.884**	**110.439**	**(7.960)**	**0.065**	**102.544**
Transfers to/from earmarked reserves	(1.850)	1.850	-	(0.137)	0.137	-	-	-	-	-	-	-	-	-
Movement in Year	**13.842**	**1.850**	**15.692**	**3.361**	**0.137**	**(15.749)**	**11.248**	**(0.134)**	**14.555**	**95.884**	**110.439**	(7.960)	0.065	**102.544**
BALANCE AT 31 MARCH 2024	**22.719**	**192.667**	**215.386**	**64.742**	**0.626**	**36.061**	**49.907**	**1.269**	**367.991**	**2,273.349**	**2,641.340**	42.595	0.744	**2,684.679**
OutstandingStatutory (Item 9) Adjustments:														
2nd Item 9 Credit Application	-	4.618	4.618	(4.618)	-	-	-	-	-	-	-	-	-	-
ACTUAL LEDGER BALANCE AT 31 MARCH 2024	**22.719**	**197.285**	**220.004**	**60.124**	**0.626**	**36.061**	**49.907**	**1.269**	**367.991**	**2,273.349**	**2,641.340**	**42.595**	**0.744**	**2,684.679**

* CIE - Comprehensive Income and Expenditure

2022/23	General Fund	Earmarked General Fund	General Fund Total	Housing Revenue Account (HRA)	Earmarked HRA Reserves	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	£m	£m
Balance at 31 March 2022	**14.959**	**218.896**	**233.855**	**17.797**	**0.598**	**42.191**	**38.773**	**2.810**	**336.024**	**1,241.044**	**1,577.068**	**(78.148)**	**0.444**	**1,499.364**
Outstanding Statutory (Item 9) Adjustments:														
1st Item 9 Credit Direction	-	(27.703)	(27.703)	27.703	-	-	-	-	-	-	-	-	-	**-**
2nd Item 9 Credit Application	-	(4.618)	(4.618)	4.618	-	-	-	-	-	-	-	-	-	**-**
Corrected Balance at 31 March 2022	**14.959**	**186.575**	**201.534**	**50.118**	**0.598**	**42.191**	**38.773**	**2.810**	**336.024**	**1,241.044**	**1,577.068**	**(78.148)**	**0.444**	**1,499.364**
Movement in 2022/23:														
Total CIE* (Table 6.4.1)	3.886	-	3.886	77.054	-	-	-	-	**80.940**	924.789	**1,005.729**	77.154	0.235	**1,083.118**
Adjustments between group accounts and authority accounts **(Note 6.7.3)**	(51.896)	-	(51.896)	-	-	-	-	-	(51.896)	-	(51.896)	51.549	-	**(0.347)**
Net Increase/Decrease before transfers	**(48.010)**	**-**	**(48.010)**	**77.054**	**-**	**-**	**-**	**-**	**29.044**	**924.789**	**953.833**	**128.703**	**0.235**	**1,082.771**
Funding basis adjustments	18.467	-	18.467	(38.197)	-	9.619	(0.114)	(1.407)	(11.632)	11.632	-	-	-	-
Net increase/decrease before transfers to earmarked reserves	**(29.543)**	**-**	**(29.543)**	**38.857**	**-**	**9.619**	**(0.114)**	**(1.407)**	**17.412**	**936.421**	**953.833**	**128.703**	**0.235**	**1,082.771**
Transfers to/from earmarked reserves	23.461	4.242	27.703	(27.594)	(0.109)	-	-	-	0.000	-	0.000	-	-	-
Movement in Year	**(6.082)**	**4.242**	**(1.840)**	**11.263**	**(0.109)**	**9.619**	**(0.114)**	**(1.407)**	**17.412**	**936.421**	**953.833**	128.703	0.235	**1,082.771**
BALANCE AT 31 MARCH 2023	**8.877**	**190.817**	**199.694**	**61.381**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**	50.555	0.679	**2,582.135**
OutstandingStatutory (Item 9) Adjustments:														
2nd Item 9 Credit Application	-	4.618	4.618	(4.618)	-	-	-	-	-	-	-	-	-	-
ACTUAL LEDGER BALANCE AT 31 MARCH 2023	**8.877**	**195.435**	**204.312**	**56.763**	**0.489**	**51.810**	**38.659**	**1.403**	**353.436**	**2,177.465**	**2,530.901**	**50.555**	**0.679**	**2,582.135**

* CIE - Comprehensive Income and Expenditure

6.4.4 Group Cash Flow Statement

The purpose of this statement is explained in section 3.4 of the Council's single entity Statement of Accounts.

Notes		2022/23 £m	2023/24 £m
	Net (Surplus)/Deficit on the provision of Services	**6.651**	**(7.754)**
	Adjustments to net surplus or deficit on the provision of services for non-cash movements	149.435	231.492
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(67.841)	(176.356)
6.7.4.1	**Net Cash Flows from Operating Activities**	**88.245**	**47.382**
6.7.4.2	Investing Activities:		
6.5.1	Losing control of a subsidiary	1.484	-
	Other investing activities	27.546	(8.616)
6.7.4.3	Financing activities	(35.904)	(83.085)
	Net Increase or Decrease in Cash and Cash Equivalents	**81.371**	**(44.319)**
	Cash and cash equivalents at the beginning of the reporting period	90.306	171.677
	CASH AND CASH EQUIVALENTS AT 31 MARCH	**171.677**	**127.358**

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

2023/24 group core statements have been completed using the audited accounts of these organisations, except for Bridge Estate Trust and Nottingham City Transport Ltd whose draft unaudited accounts have been used.

Copies of the accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ unless otherwise stated in sections 6.5.1 to 6.5.3 below.

6.5.1 Subsidiaries:

Nottingham City Homes Ltd (Registered Company Number: 05292636)

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

The group comprises Nottingham City Homes Ltd (NCH), Nottingham City Homes Registered Provider Ltd and Nottingham City Homes Enterprises Ltd.

Relationship with the Council
NCH is incorporated as a private company limited by guarantee under the Companies Act 1985. The company's sole member is the Council.

The Council has a NCH debtor balance of £45.005m at 31 March 2024 (£57.484m at 31 March 2023), this is made up of a loan and a short term debtor balance.

All NCH staff were transferred via TUPE back into the Council from 31 March 2023. All Council housing functions are now insourced back to the Council. The Council staff, however, continue to provide services to NCH Group through a service agreement to enable NCH Group to continue to carry out its obligations for the small number of properties under its management.

Nottingham City Transport Ltd (Registered Company Number: 02004967)

Nature of Business
The company is the principal public bus operator in the Greater Nottingham area.

Relationship with the Council
This company is controlled by the Council and commenced trading on 26 October 1986. The total shareholding owned by the Council is 95%. Transdev Plc has a minority interest in Nottingham City Transport Ltd (NCT) of 5% which comprises of 238,526 B Ordinary shares at £1 each.

The company has the following shares in issue:

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

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

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

Period of Accounts
The financial statements used in the preparation of the group accounts are for the 52 week period ending 30 March 2024 (as this is the last week ending date for NCT's internal group reporting purposes).

Summarised Financial Information of Nottingham City Transport Ltd showing Minority Interest

	2022/23		2023/24	
	NCT £m	5% Minority Interest £m	NCT £m	5% Minority Interest £m
Profit for the period attributable to equity shareholders	(1.164)	(0.058)	(3.231)	(0.161)
Other Comprehensive Income and Expenditure	(3.536)	(0.177)	1.922	0.096
TOTAL COMPREHENSIVE INCOME	(4.700)	(0.235)	(1.309)	(0.065)
Non-current Assets	45.267	2.263	45.670	2.283
Current Assets	13.742	0.687	19.079	0.954
Current Liabilities	(17.241)	(0.862)	(18.547)	(0.927)
Non-current Liabilities	(28.194)	(1.409)	(31.319)	(1.566)
NET ASSETS	13.574	0.679	14.883	0.744

Nottingham Ice Centre Ltd (Registered Company Number: 03563341)

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

Relationship with the Council
Nottingham Ice Centre Ltd (NIC) is a wholly owned subsidiary of the Council.

NIC have a loan facility with an annual review of requirements. At 31 March 2024 the balance was £7.384m (£7.384m at 31 March 2023).

Thomas Bow Ltd (Registered Company Number: 04503934)

Nature of the business
The company is a civil engineering and road surfacing contractor. It is principally engaged in the provision of highway maintenance and repair services.

Relationship with the Council
Thomas Bow Ltd was a wholly owned subsidiary of the Council following the Council's acquisition of the business on 11 September 2019. The Council owned 100% of the issued ordinary share capital of Thomas Bow Ltd (1,000 ordinary shares with a nominal value of £1 each).

Thomas Bow Ltd was sold in July 2022. Therefore, company accounts were only consolidated into the group accounts up to this point in 2022/23. Cash consideration received for the sale was £7.108m.

The amount of assets and liabilities over which control is lost at point of sale was as follows:

	2022/23 £m
Fixed Assets	1.247
Cash and cash equivalents	5.624
Other Current Assets	3.107
Current Liabilities	(7.689)
Creditors: Amounts falling due after one year	(0.204)
Net Assets	**2.085**

The net cash inflow on sale of Thomas Bow Ltd was as follows:

	2022/23 £m
Consideration received in cash	7.108
Less: cash disposed of in subsidiary	(5.624)
Net cash inflow on sale of subsidiary	**1.484**

Surplus on sale of Thomas Bow Ltd:

	2022/23 £m
Consideration received in cash	7.108
Value of investment held	(6.671)
Surplus receipt used to fund capital programme	**0.437**

6.5.2 Joint Ventures:

Blueprint Limited Partnership (Registered Limited Partnership Number: LP010442)

Nature of the business
The principal activities of the partnership are that of the purchase of interests in and redevelopment of property and the sale and interim rental of land and property.

The 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.

The activities of the partnership are managed by Blueprint (General Partner) Limited (0534186).

Relationship with the Council
The Council purchased its share on 9 March 2015. Places for People (PFPC1 LP) bought out the Igloo Regeneration Partnership share on 3 May 2018. The Council and PFPC1 LP each own 49.95%, with Blueprint (General Partner) Ltd owning the remaining 0.1% (the general partner being owned equally by the Council & PFPC1 LP). The Council in effect owns 50% of Blueprint Limited Partnership through a limited liability partnership agreement.

NCC has an outstanding debtor balance as at 31 March 2024 for Blueprint of £0.134m which includes the loan balance and accrued interest.

Summarised Financial Information of Blueprint Limited Partnership

	2022/23 £m	2023/24 £m
Turnover	(4.362)	(4.917)
Cost of Sales	3.606	5.112
Gross Profit	**(0.756)**	**0.195**
Other Operating Income	(0.345)	(0.296)
Administrative Expenses	0.427	1.218
Net Fair Value Gains on Financial Assets	0.064	-
Operating Profit	**(0.610)**	**1.117**
Interest Receivable	-	(0.003)
Interest Payable	-	0.002
Profit for the Year	**(0.610)**	**1.116**
Other Comprehensive Income and Expenditure	-	-
TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR	**(0.610)**	**1.116**
Non-current Assets	0.022	0.035
Current Assets	19.468	17.972
Current Liabilities	(3.372)	(0.557)
Non-current Liabilities	(0.008)	(0.024)
NET ASSETS AS AT 31 MARCH	**16.110**	**17.426**
INVESTMENT IN JOINT VENTURE INCLUDED IN THE COUNCIL'S GROUP ACCOUNTS (50% OF NET ASSETS)	**8.055**	**8.713**
Amounts included in the above figures:		
Cash at Bank and In Hand (included in current assets)	0.788	1.293
Accruals and Deferred Income (included in Current Liabilities)	(0.752)	(0.191)

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.

Commitments
The Council is committed to paying Futures £0.410m in 2024/25, being grant funding for the delivery of careers advice.

Summarised Financial Information of Futures group

	2022/23 £m	2023/24 £m
Revenue	(17.346)	(14.610)
Other Operating Charges	18.951	15.439
Operating (Profit)/Loss	**1.605**	**0.829**
Finance Costs	0.706	0.016
Amounts written off Investments	0.050	-
Investment Income	(0.003)	(0.155)
(Profit)/Loss before Tax	**2.358**	**0.690**
Income Tax Expense	0.120	-
(Profit)/Loss for the Year	**2.478**	**0.690**
Other Comprehensive Income and Expenditure	(28.264)	0.078
TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR	**(25.786)**	**0.768**
Non-current Assets	2.013	1.732
Current Assets	7.084	6.014
Current Liabilities	(3.695)	(3.213)
Non-current Liabilities	(0.340)	(0.239)
NET LIABILITIES AS AT 31 MARCH	**5.062**	**4.294**
***COUNCIL'S SHARE (50%) OF NET (LIABILITY)/ ASSET**	**2.531**	**2.147**
Amounts included in the above figures:		
Depreciation and Impairment (in Operating Charges)	0.466	0.410
Defined Benefit Pension Finance Costs / (Income) (in Finance Costs / Investment Income)	0.695	(0.121)
Interest Earned on Loans and Deposits (in Investment Income)	(0.003)	(0.034)
Cash and Cash Equivalents (in Current Assets)	4.339	3.956
Accruals (in Current Liabilities)	(1.788)	(1.439)

* Where there is a net liability position this is not recognised in the group accounts under IAS28. Where there is a net asset position this is recognised in the group accounts.

6.5.3 Trust Fund:

Bridge Estate (Registered Charity Number: 220716)

Nature of the Trust Fund

The earliest mention of Bridge Estate is in 1302. Since that date, various bequests of land and property have been made, the income from which being set aside for the maintenance of bridges over the River Trent. By 1882 the income generated by the Estate was in excess of that required for the maintenance of Trent Bridge and consequently the objectives of the Estate were extended by virtue of section 78 of the Nottingham Corporation Act 1882.

The objectives of the charity are as follows:

- Provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.
- In effect, to set up a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.

- The residue of such income is to be applied as the Trustee thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

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

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

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

6.6 Details of subsidiaries, associates, joint ventures and trust funds not included in the group accounts

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

6.6.1 Subsidiaries

12 London Road Energy Supplies Ltd – previously Enviroenergy Ltd. (Registered Company Number: 04131345*)*

Nature of the business
Its main activities were 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
12 London Road Energy Supplies Ltd (previously Enviroenergy Ltd.) is a private company limited by shares and was a wholly owned subsidiary of the Council. 12 London Road Energy Supplies Ltd went into liquidation on 15 April 2022. Information regarding the liquidation can be seen on Companies House or via this link https://find-and-update.company-information.service.gov.uk/company/04131345.

Enviroenergy has been bought in house and is now part of the Council from 01 December 2021.

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

Nature of the business
The company was 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.

On 1 April 2023, NRB's trade assets and liabilities transferred to the Council and NRB will cease to trade.

Nottingham Science Park Management Ltd (Registered Company Number: 05977314)

Nature of the company
The company essentially functions to administer service charges at Nottingham Science Park through its property agent.

Relationship with the Council
Nottingham Science Park Management Ltd is a wholly owned subsidiary of the Council. The Council owns 100% of the issued share capital.

Robin Hood Energy Ltd. (Registered Company Number: 08053212)

Nature of the business
Robin Hood Energy Ltd. was a company limited by shares run on a not-for-profit basis, set up to tackle fuel poverty. It supplied gas and electricity to residential and business customers.

Relationship with the Council
Robin Hood Energy Ltd. was a wholly owned subsidiary of the Council and went into administration on 13 January 2021. Information about the administration can be seen on Companies House or via this link: https://find-and-update.company-information.service.gov.uk/company/08053212/filing-history

6.6.2 Associates

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

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

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

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

6.6.3 Joint Ventures

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

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

Relationship with the Council
The company is jointly owned by the Council and PFPC1 LP. The Council purchased the 50% share on 9 March 2015.

Creative Quarter Nottingham Ltd (Registered Company Number: 08336489)
Nature of Company
Creative Quarter Nottingham Limited are an economic development agency, encouraging growth and productivity in Nottingham's creative and digital industries. Creative Quarter Nottingham Limited is a private company limited by guarantee.

Relationship with the Council
Creative Quarter Nottingham Limited was jointly owned by Nottingham City Council and Nottingham Trent University. Creative Quarter Nottingham Limited went into liquidation on 28 April 2023. Information regarding the liquidation can be seen on Companies House or via this link: CREATIVE QUARTER NOTTINGHAM LIMITED overview - Find and update company information - GOV.UK

emPSN Services Ltd (Registered Company Number: 05882746)

Nature of the Company
emPSN Service Ltd is a regional partnership formed to secure a regional network and services for schools and a service framework for the public sector.

Relationship with the Council
As a customer of emPSN the Council is a member of the company and has a stake in its future as a public sector owned company Limited by Guarantee.

Inspired Spaces Nottingham (Holdings 1) Ltd. (Registered Company Number: 06506329) and Inspired Spaces Nottingham (Holdings 2) Ltd. (Registered Company Number:8121567)

Nature of the Company
The principal activities of the companies are the provision of the construction project development and partnering services within the education sector.

Relationship with the Council
The Council has a 10% shareholding in each of the companies.

6.6.4 Trust Funds

Harvey Hadden Stadium Trust (Registered Charity Number: 522271)

Nature of the Trust Fund
On 18 July 1955 the court made a scheme and order for an athletics stadium to be erected out of the bequest of Harvey Hadden. Under the court order there is a requirement for "the Corporation" – now Nottingham City Council – to maintain the stadium built with those funds, "under the name of Harvey Hadden Stadium in good order and condition in perpetuity for the purposes of public recreation".

The objective of the Trust is to provide public recreation for the people of the City of Nottingham forever.

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

All transactions relating to Harvey Hadden Stadium Trust are subject to the same financial regulations and procedures as those relating to the Council.

Highfields Leisure Park Trust (Registered Charity Number: 1006603)

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

Relationship with the Council

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

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

6.7 Notes to the Core Group Financial Statements

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

6.7.1 Group Comprehensive Income and Expenditure Statement Notes

6.7.1.1 Financing and Investment Income and Expenditure

	2022/23			2023/24		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	17.702	-	17.702	11.660	-	11.660
Interest and similar charges and income	25.506	(0.134)	25.372	23.889	(0.139)	23.750
Interest revenue/costs calculated using the effective interest rate method	30.376	(7.907)	22.469	30.730	(33.859)	(3.129)
Change in value of financial assts held at fair value through profit and loss	0.006	(1.534)	(1.528)	-	(0.089)	(0.089)
Impairment Losses	4.306	-	4.306	2.164	(0.161)	2.003
Impairment of Equity Holding	-	-	-	0.589	-	0.589
Trading Operations	1.736	(2.316)	(0.580)	1.336	(1.218)	0.118
Income and expenditure in relation to investment properties and changes in their fair value	28.839	(52.587)	(23.748)	34.976	(38.757)	(3.781)
Other Finance and Investment items	1.163	(0.407)	0.756	0.288	(0.377)	(0.089)
TOTAL	**109.634**	**(64.885)**	**44.749**	**105.632**	**(74.600)**	**31.032**

6.7.1.2 Revenue from Contracts with Service Recipients

Revenue included in the CIES for contracts with service recipients:

	Restated 2022/23				2023/24			
	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adults	-	(0.012)	(17.716)	(17.728)	-	(0.019)	(20.211)	(20.230)
Chief Executive	-	-	(0.389)	(0.389)	-	-	(0.393)	(0.393)
Childrens	-	-	(0.112)	(0.112)	-	-	(0.185)	(0.185)
Commissioning and Partnerships	-	-	(0.020)	(0.020)	-	-	-	-
Communities, Environment and Resident Services	(5.476)	(2.161)	(56.439)	(64.076)	(5.956)	(2.866)	(60.110)	(68.932)
Education	-	(4.932)	(5.228)	(10.160)	-	(2.720)	(7.122)	(9.842)
Finance and Resources	-	-	(4.148)	(4.148)	-	-	(7.525)	(7.525)
Growth and City Development	(4.090)	(0.022)	(40.542)	(44.654)	(3.232)	(0.063)	(47.152)	(50.447)
Public Health	-	-	(0.100)	(0.100)	-	-	(0.194)	(0.194)
Schools	-	(0.029)	(2.842)	(2.871)	-	(0.028)	(3.048)	(3.076)
Corporate Items	-	(0.006)	(2.044)	(2.050)	-	(0.006)	(2.721)	(2.727)
Housing Revenue Account (HRA)	(101.676)	-	(12.734)	(114.410)	(110.562)	(0.005)	(15.984)	(126.551)
Group Organisations	-	(11.720)	(100.999)	(112.719)	-	(12.245)	(97.881)	(110.126)
Financing and Investment Income and Expenditure	-	-	(20.923)	(20.923)	-	-	(36.388)	(36.388)
Revenue from contracts with service recipients	**(111.242)**	**(18.882)**	**(264.236)**	**(394.360)**	**(119.750)**	**(17.952)**	**(298.914)**	**(436.616)**
Impairment of receivables				(0.015)				(0.499)
TOTAL INCLUDED IN THE CIES				**(394.375)**				**(437.115)**

As outlined in note 4.3.1 Prior Year Reclassifications, 2022/23 has been restated to align with the 2023/24 directorate position of the Council. This restatement only alters the classification of the directorates and overall the total value is unchanged. The group organisations are not included within the directorates but are shown on a separate line.

Revenue is recognised either over time or at a point in time. This is analysed in the following table:

Timing of revenue recognition	2022/23		2023/24	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(110.003)	(1.239)	(118.572)	(1.178)
Sale of goods	-	(18.882)	-	(17.952)
Charges for services	(143.630)	(120.606)	(194.889)	(104.025)
TOTAL	**(253.633)**	**(140.727)**	**(313.461)**	**(123.155)**

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

	31 March 2023 £m	31 March 2024 £m
Receivables included in debtors	52.325	63.034
Contract assets	0.104	0.107
Contract liabilities	(18.227)	(19.463)
TOTAL	**34.202**	**43.678**

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

	2022/23		2023/24	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
Balances at 1 April	**0.375**	**(21.272)**	**0.104**	**(18.227)**
Reversal for amounts recognised in the CIES in	(0.375)	21.272	(0.104)	18.227
Increases (decreases) due to cash received (paid)	0.104	(18.227)	0.107	(19.463)
BALANCE AT 31 MARCH	**0.104**	**(18.227)**	**0.107**	**(19.463)**

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

	31 March 2023 £m	31 March 2024 £m
Not later than one year	(17.501)	(17.023)
Later than one year	(0.726)	(2.440)
TOTAL	**(18.227)**	**(19.463)**

6.7.2 Group Balance Sheet Notes

6.7.2.1 Property, Plant and Equipment

2023/24	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	
Gross Book Value b/f	1,355.826	1,142.015	202.944		12.938	46.422	45.233	2,805.378	**
Accumulated Depreciation b/f	-	(5.907)	(104.621)		(5.931)	(0.043)	-	(116.502)	**
Accumulated Impairment b/f	-	-	-		-	-	-	-	**
Net Book Value at 1 April 2023	**1,355.826**	**1,136.108**	**98.323**	**555.520**	**7.007**	**46.379**	**45.233**	**3,244.396**	
Additions - Capital Expenditure	27.328	4.327	19.202	43.277	0.206	0.040	21.842	**116.222**	
Additions - PFI / VA School Recognition	-	0.221	-	1.124	-	-	-	**1.345**	
Depreciation Charge	(22.677)	(30.051)	(17.458)	(28.834)	5.931	(0.484)	-	**(93.573)**	
Revaluations - Recognised in Revaluation Reserve	5.171	100.217	-	-	-	(2.750)	-	**102.638**	
Revaluations - Recognised in the CIES	(23.558)	0.898	-	-	-	(2.106)	-	**(24.766)**	
Derecognition - Disposals	(15.911)	(9.836)	(3.855)	-	-	(0.249)	(0.002)	**(29.853)**	
Derecognition - Other	(5.275)	(1.483)	-	-	-	(0.040)	-	**(6.798)**	
Impairments - Recognised in the CIES	-	-	(0.018)	-	-	-	-	**(0.018)**	
Other Movements- Transfers to Held for Sale	2.400	-	-	-	-	(36.462)	-	**(34.062)**	
Other Movements	17.452	(16.864)	0.276	-	-	1.293	(17.728)	**(15.571)**	
Net Book Value at 31 March 2024	**1,340.756**	**1,183.537**	**96.470**	**571.087**	**13.144**	**5.621**	**49.345**	**3,259.960**	
Gross Book Value c/f	1,340.756	1,190.219	206.898		13.144	5.621	49.345	2,805.983	**
Accumulated Depreciation c/f	-	(6.682)	(110.428)		-	-	-	(117.110)	**
Accumulated Impairment c/f	-	-	-		-	-	-	-	**
NET BOOK VALUE AT 31 MARCH 2024	**1,340.756**	**1,183.537**	**96.470**	**571.087**	**13.144**	**5.621**	**49.345**	**3,259.960**	

** The Gross Book Value, Accumulated Depreciation and Accumulated Impairment do not total to the Net Book Value shown in the table as these figures are not provided for Infrastructure Assets. The Net Book Value total does include Infrastructure Assets.

2022/23	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	
Gross Book Value b/f	1,247.096	995.831	195.909		24.232	78.875	29.040	2,570.983	**
Accumulated Depreciation b/f	-	(6.216)	(104.722)		(11.463)	-	-	(122.401)	**
Accumulated Impairment b/f	-	-	-		(0.200)	-	-	(0.200)	**
Net Book Value at 1 April 2022	**1,247.096**	**989.615**	**91.187**	**550.090**	**12.569**	**78.875**	**29.040**	**2,998.472**	
Additions - Capital Expenditure	33.183	6.076	20.300	32.038	1.187	0.129	19.749	**112.662**	
Additions - PFI / VA School Recognition	-	0.214	-	0.809	-	-	-	**1.023**	
Depreciation Charge	(22.725)	(28.238)	(17.129)	(27.521)	(0.417)	(0.216)	-	**(96.246)**	
Revaluations - Recognised in Revaluation Reserve	91.517	180.218	-	-	-	(19.572)	-	**252.163**	
Revaluations - Recognised in the CIES	27.312	15.180	-	-	-	0.151	-	**42.643**	
Derecognition - Disposals	(19.662)	(22.022)	(1.885)	-	-	(2.655)	-	**(46.224)**	
Derecognition - Other	(3.590)	(3.623)	(0.002)	-	-	-	-	**(7.215)**	
Impairments - Recognised in the CIES	-	(0.220)	(0.657)	-	0.200	-	-	**(0.677)**	
Other Movements- Transfers to Held for Sale	-	-	-	-	-	(15.182)	-	**(15.182)**	
Other Movements	2.695	(1.092)	6.509	0.104	(6.532)	4.849	(3.556)	**2.977**	
Net Book Value at 31 March 2023	**1,355.826**	**1,136.108**	**98.323**	**555.520**	**7.007**	**46.379**	**45.233**	**3,244.396**	
Gross Book Value c/f	1,355.826	1,142.015	202.944		12.938	46.422	45.233	2,805.378	**
Accumulated Depreciation c/f	-	(5.907)	(104.621)		(5.931)	(0.043)	-	(116.502)	**
Accumulated Impairment c/f	-	-	-		-	-	-	-	**
NET BOOK VALUE AT 31 MARCH 2023	**1,355.826**	**1,136.108**	**98.323**	**555.520**	**7.007**	**46.379**	**45.233**	**3,244.396**	

** The Gross Book Value, Accumulated Depreciation and Accumulated Impairment do not total to the Net Book Value shown in the table as these figures are not provided for Infrastructure Assets. The Net Book Value total does include Infrastructure Assets.

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Highways Infrastructure Assets - Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets [Local Government Circular 09/2022] this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

6.7.2.2 Investment Properties

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

	2022/23 £m	2023/24 £m
Opening Balance At 1 April	309.448	288.643
Additions	1.251	0.169
Disposals	(12.651)	(22.887)
Net gains/losses from fair value adjustments	(5.744)	(20.223)
Transfers to / from Property Plant and Equipment	(3.661)	15.660
CLOSING BALANCE AT 31 MARCH	**288.643**	**261.362**

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

Fair Value Hierarchy

Details of the group's investment properties and information about the fair value hierarchy as at 31 March 2024 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 2024 £m
Industrial	-	58.837	-	58.837
Land	-	33.942	-	33.942
Leisure / Other	-	43.330	-	43.330
Office	-	54.900	-	54.900
Retail	-	61.468	-	61.468
Services	-	8.885	-	8.885
Total	**-**	**261.362**	**-**	**261.362**

Details of the Fair Value hierarchy information are shown in note 4.4.3.

6.7.2.3 Short Term Debtors

	31 March 2023 £m	31 March 2024 £m
Prepayments	13.519	15.710
Local Taxation	14.625	22.721
Trade	52.347	61.841
Other receivable amounts	55.553	25.925
TOTAL	**136.044**	**126.197**

6.7.2.4 Cash and Cash Equivalents

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

	31 March 2023 £m	31 March 2024 £m
Cash held by the Authority / Group Organisation	0.096	0.326
Bank current accounts	59.381	50.432
Short-term deposits with banks and building societies	112.200	76.600
TOTAL CASH AND CASH EQUIVALENTS	**171.677**	**127.358**

6.7.2.5 Short Term Creditors

	31 March 2023 £m	31 March 2024 £m
Receipts in Advance	(30.538)	(30.195)
Trade	(84.893)	(104.354)
Other payables	(95.420)	(74.188)
TOTAL	**(210.851)**	**(208.737)**

6.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS (section 6.4.3).

6.7.2.7 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions. These reserves represent differences due to timing of funding certain items of expenditure and are, therefore, not available as a source of general funding. The unusable reserves also include the Council's share of profit and loss and other reserves of jointly controlled entities included in the group accounts.

	31 March 2023 £m	31 March 2024 £m
Revaluation Reserve	1,025.294	1,093.909
Capital Adjustment Account	1,241.503	1,257.629
Financial Instruments Adjustment Account	(4.865)	10.854
Pensions Reserve	(84.785)	(88.600)
Deferred Capital Receipts Reserve	6.729	1.041
Collection Fund Adjustment Account	(1.039)	2.985
Accumulated Absences Account	(5.553)	(5.553)
Profit and Loss and Other Reserves of Group Entities	48.237	41.532
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	2.499	2.147
Minority Interest - Equity	0.679	0.744
TOTAL	**2,228.699**	**2,316.688**

6.7.3 Group Movement in Reserves Statement Notes

The following tables detail the adjustments between group accounts and authority accounts in the Group Movement in Reserves Statement:

2023/24	General Fund Balance £m	Total Usable Reserves £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Total Reserves £m
Payments in relation to goods and services from subsidiaries	(7.970)	(7.970)	(7.970)	7.970	-
Receipts in relation to goods and services provided to subsidiaries	7.024	7.024	7.024	(7.024)	-
Interest and investment income from/to subsidiaries	0.008	0.008	0.008	(0.008)	-
Contributions from subsidiaries	0.571	0.571	0.571	(0.571)	-
Other movements	-	-	-	(0.903)	(0.903)
TOTAL ADJUSTMENTS	(0.367)	(0.367)	(0.367)	(0.536)	(0.903)

2022/23	General Fund Balance £m	Total Usable Reserves £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Total Reserves £m
Payments in relation to goods and services from subsidiaries	(63.018)	(63.018)	(63.018)	63.018	-
Grants and provisions for subsidiaries	(0.057)	(0.057)	(0.057)	0.057	-
Receipts in relation to goods and services provided to subsidiaries	8.988	8.988	8.988	(8.988)	-
Interest and investment income from/to subsidiaries	1.441	1.441	1.441	(1.441)	-
Contributions from subsidiaries	0.750	0.750	0.750	(0.750)	-
Other movements	-	-	-	(0.347)	(0.347)
TOTAL ADJUSTMENTS	(51.896)	(51.896)	(51.896)	51.549	(0.347)

6.7.4 Group Cash Flow Notes

6.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2022/23 £m	2023/24 £m
Interest received	3.815	17.513
Interest paid	(44.232)	(44.162)
Dividends received	0.393	0.673
Dividends paid	(0.345)	(0.289)
Taxation	-	-

6.7.4.2 Investing Activities

	2022/23 £m	2023/24 £m
Purchase of property, plant and equipment, investment property and intangible assets	(107.825)	(116.202)
Purchase of short-term and long-term investments	-	(75.596)
Other payments for investing activities	(244.602)	(90.334)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	64.080	60.451
Proceeds from the sale of short-term and long-term investments	7.108	7.643
Other receipts from investing activities	310.269	205.422
NET CASH FLOWS FROM INVESTING ACTIVITIES	**29.030**	**(8.616)**

6.7.4.3 Financing Activities

	2022/23 £m	2023/24 £m
Other receipts for financing activities	-	5.208
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(15.988)	(17.626)
Repayments of short and long-term borrowing	(24.636)	(75.119)
Other financing activities - Council Tax and NNDR adjustments	16.845	6.591
Other payments for financing activities	(12.125)	(2.139)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(35.904)**	**(83.085)**

6.7.4.4 Reconciliation of Liabilities arising from Financing Activities

	1 April 2023 £m	Financing cash outflows (inflows) £m	Non-cash changes Other £m	31 March 2024 £m
Long-term borrowings	(843.157)	75.381	0.083	(767.693)
Short-term borrowings	(35.740)	(1.039)	-	(36.779)
Lease liabilities	(26.663)	5.565	(2.624)	(23.722)
On balance sheet PFI liabilities	(156.516)	12.720	(0.689)	(144.485)
Other	(1.681)	(0.075)	-	(1.756)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**(1,063.757)**	**92.552**	**(3.230)**	**(974.435)**

	1 April 2022 £m	Financing cash outflows (inflows) £m	Acquisition £m	Non-cash changes Other £m	31 March 2023 £m
Long-term borrowings	(874.589)	25.037	-	6.395	(843.157)
Short-term borrowings	(35.003)	5.658	-	(6.395)	(35.740)
Lease liabilities	(25.388)	5.625	(6.988)	0.088	(26.663)
On balance sheet PFI liabilities	(166.875)	9.609	-	0.750	(156.516)
Other	(1.623)	(0.058)	-	-	(1.681)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	**(1,103.478)**	**45.871**	**(6.988)**	**0.838**	**(1,063.757)**

Section 7 (Appendix A)
PENSION SCHEMES

7.1 Defined Benefit Pension Schemes accounted for as Defined Contribution Schemes

7.1.1 Teachers' Pension Scheme

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

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

The scheme has more than of 12,600 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 2023/24, the Council paid £7.126m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2022/23 were £6.87m representing 23.68% of pensionable pay. The employer contribution includes a levy of 0.08% for administration.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Scheme. These costs are accounted for on a defined benefit basis and shown under past service costs/gains in section 7.2.1 below. The teacher's benefits arrangements have no assets to cover its liabilities.

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

7.1.2 NHS Pension Scheme

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

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

From 1 April 2022, all active members of the NHS Pension Scheme, regardless of their age, are now members of the 2015 NHS Pension Scheme. The 1995/2008 Scheme closed on 31 March 2022 and all future accruals from 1 April 2022 are now within the 2015 Scheme.

Members will keep the pension benefits they have accrued in the 1995/2008 Scheme before 1 April 2022 and will be able to access these benefits in the same way and at the same time as they can now.

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

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

The employer contribution rate for the period 1 April 2019 to 31 March 2023 is 20.6% of pensionable pay.

The employer contribution rate is set through a process known as the scheme valuation. A scheme valuation is carried out every four years and it measures the full cost of paying pension benefits (to current pensioners). The most recent 2020 scheme valuation identified the need to increase the employer contribution from 20.6% to 23.7% (3.1% increase) from 1 April 2024.

The next actuarial valuation is due with an effective date of 31 March 2024 and is due to commence in 2025. Changes to employer contribution rates as a result of the 2024 valuation are expected to take effect from April 2027.

Employers are required to pay a scheme administration levy, in addition to the employer contribution rate, to cover the cost of the scheme administration. This levy is 0.08% of pensionable pay and is collected at the same time and in the same way as normal employer contributions. In practical terms, this means employers will pay 23.78% of pensionable pay.

For 2023/24 the Council was responsible for paying 14.38% of contributions. The Council also paid some of the increase in costs foreseen in Budget 2016 which equated to a 2.5% increase in employer contributions with the remaining 3.8% (together totalling the 6.3% increase) constituting unforeseen costs which were funded by the Government. These contribution rates were unchanged from 2019/20, 2021/22 and 2022/23.

In 2023/24 the Council's 14.38% contribution to the Scheme was £0.030m (2022/23 £0.033m).

The employee contributions are on a tiered scale from 5.1% to 13.5% of their pensionable pay.

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

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

7.2 Defined Benefit Pension Scheme

7.2.1 Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations and summarised on the LGPS website.

(www.lgpsregs.org/) and the Fund's membership booklet (www.lgpsmember.org/).

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

As administering authority to the Fund, Nottinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the 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 last valuation of the Fund was carried out as at 31 March 2022 and set contributions for the period from 1 April 2023 to 31 March 2026. The next valuation is expected to be carried out as at 31 March 2025. 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.

The results of the Actuary Report for 2023/24 have been based on the 31 March 2022 valuation.

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

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

Investment risk: The Fund holds investment in asset classes, such as equities, which have volatile market values and 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. This may be mitigated by a longevity insurance contract if held by the Fund. There are also other demographic risks.

Climate risk: Climate risk can be grouped into two categories; Physical and Transitional risks. Physical risks are direct risks associated with an increased global temperature such as heatwaves and rising sea levels. Transitional risks are the of transitioning to a low carbon economy. These risks will manifest themselves in many of the other risks detailed above which the Fund is exposed to, for example investment returns may be affected costs.

Regulatory risk: Regulatory uncertainties could result in benefit changes to past or future benefits which could result in additional costs.

Orphan risk: As many unrelated employers participate in each Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers in that Fund.

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.

McCloud and Sargeant Judgments

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. These may affect the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report. An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

Goodwin Case

The Actuary have not made any adjustments to accounting valuations as a result of the Goodwin case.

Impact of the Outcome of the Lloyds Judgement on Past Transfer Values

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member’s right to equalised benefits and remains liable if an inadequate transfer payment had been paid.

It is not yet known if, or how, this will affect the LGPS. Further guidance from CIPFA and DLUHC is expected on this. The Actuary have not made any allowance to reflect this judgement.

GMP Indexation Consultation Response

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing ‘interim solution’ that has applied to members with a GMP reaching SPA on or after 6 April 2016.

The Actuary's standard assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the Fund will be required to pay the entire inflationary increase. Therefore, the Actuary's assumption is consistent with the consultation outcome and they do not believe they need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Assets and Liabilities in Relation to Post-Employment Benefits

The projected pension expenses for the year to 31 March 2025 are as follows:

	LGPS	Teachers Benefits
	31 March 2025	
	£m	£m
Service cost	36.364	-
Net interest on the defined liability (asset)	2.069	1.087
Administration expenses	0.784	-
Total loss / (profit)	**39.217**	**1.087**
Employer Contributions	44.991	-

These projections are based on the assumptions as at 31 March 2024. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2024.

Actuarial Methods and Assumptions

Both the Local Government Pension Scheme and Teachers Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2022 and using financial assumptions that comply with IAS19.

Valuation Data - Data Sources

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

- Results of the latest funding valuation as at 31 March 2022
- Results of the previous IAS19 report as at 31 March 2023
- Fund asset statement as at 31 March 2024
- Fund income and expenditure items to 31 March 2024
- Employer income and expenditure items to 31 March 2024
- Details of any new unreduced early retirement payments to 31 March 2024
- Details of any settlements to/from the Employer for the period to 31 March 2024

The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and the data is within tolerances for the purposes of the Actuary report. 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 following table summarises the membership data, as at 31 March 2022 for members receiving funded benefits, and as at 31 March 2020 for any members receiving unfunded benefits.

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Actives	7,624	157.858	46
Deferred Pensioners	15,098	18.960	51
Pensioners	8,606	40.079	71
Unfunded Pensioners	686	0.653	81

	Teachers Benefits		
	Number	Salaries / Pensions £m	Average Age
Unfunded Pensioners	2,395	2.176	74

Employer Payroll

The total pensionable payroll and projected payroll for the Council is as follows:

Estimated payroll for the year to 31 March 2024 £214.115m

Projected payroll for the year to 31 March 2025 £214.115m

This has been used to calculate the service cost and projected service cost respectively.

Scheduled Contributions

The following table summarises the minimum employer contributions due from the Council to the Fund over this inter-valuation period.

	Primary rate	Seconary rate for period beginning:			Minimum employer contributions due for the period beginning:		
		1 Apr 2023	1 Apr 2024	1 Apr 2025	1 Apr 2023	1 Apr 2024	1 Apr 2025
Percent of Payroll	18.5%	0.0%	0.0%	0.0%	18.5%	18.5%	18.5%
plus monetary amounts £m		6.810	5.380	3.810	6.810	5.380	3.810

The table of scheduled contributions above relates to the Council and all associated employers. The primary rate shown is the appropriate weighted average.

Funding Approach

The Council currently participates in the Nottingham City Council pool with other employers.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2024 is calculated to be 8.46% based on the Fund asset statements and fund cashflows.

The Council's share of the assets of the Fund is approximately 24.77%.

The estimated asset allocation for the Council at 31 March 2024 and 31 March 2023 is as follows (noting that due to rounding they may not total 100%):

	Local Government Pension Scheme			
	31 March 2023		31 March 2024	
	£m	%	£m	%
Public Equities	793.673	58%	1,051.360	60%
Gilts	28.148	2%	41.630	2%
Other Bonds	80.649	6%	86.246	5%
Property	161.617	12%	184.816	11%
Cash / Temporary Investments	71.252	5%	104.668	6%
Inflation Plus	68.731	5%	88.432	5%
Infrastructure	107.027	8%	125.688	7%
Prvate Equities	50.599	4%	55.674	3%
TOTAL	**1,361.696**	**100%**	**1,738.514**	**100%**

The following table sets out the percentages of the Fund's assets held in each asset class at 31 March 2024 (split by those that have a quoted market price in an active market, and those that do not).

Asset Breakdown	31 March 2024	
	% Quoted	% Unquoted
Fixed Interest Government Securities:		
UK	2%	-
Index Linked Government Secuities:		
UK	0%	-
Corporate Bonds:		
UK	0%	-
Overseas	5%	-
Equities:		
UK	17%	0%
Overseas	43%	-
Property:		
All	-	11%
Others:		
Private Equity	-	3%
Infrastructure	-	7%
Unit Trust Inflation Linked	-	5%
Credit	-	3%
Cash/Temporary Investments	-	2%
Net Current Assets - Debtor	-	0%
Net Current Assets - Creditors	-	0%
TOTAL	**68%**	**32%**

Valuation Approach

To assess the value of the Council's liabilities at 31 March 2024, the value of the Council's liabilities calculated for the funding valuation as at 31 March 2022 have been rolled forward, using financial assumptions compliant with IAS19.

The full actuarial valuation involved projecting future cashflows 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.

The projected unit method (PUM) is used to calculate the future service cost. For accounting valuations, the control period is set to one year.

It is not possible for the Actuary to assess the accuracy of the estimated value of liabilities as at 31 March 2024 without completing a full valuation. However, they are satisfied that the approach of rolling forward the previous valuation data to 31 March 2024 should not introduce any material distortions in the results provided that the actual experience of the employer 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. From the information they have received there appears to be no evidence that this approach is inappropriate.

Where members have been granted unreduced retirement on the grounds of redundancy or efficiency, an additional strain is placed on the liabilities. The additional strain is calculated and is allowed for as a curtailment cost.

Where employees are known to have transferred their employment to or from the Council during the accounting period, an allowance is made for the transfer of assets and liabilities as a settlement event.

To calculate the asset share for an individual employer, the Actuary roll forward the assets allocated to each employer at the latest valuation date allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the employer and its employees.

The Actuary also make an allowance for administration expenses which are paid in respect of the Fund. For purposes of the calculations, the administration expenses are distributed amongst the employers in the fund in proportion to their individual asset shares.

Asset Ceilings

The accounting standards state that if an employer has an accounting surplus, it should only be recognised to the extent that it is able to recover the surplus either through reduced contributions in the future, or through refunds. The present value of such economic benefits is commonly referred to as the "asset ceiling".

The Actuary's default approach for all employers will be to allow for an asset ceiling. For employers accounting under IAS19, the calculation will be based on their interpretation of IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

IFRIC 14 itself is open to multiple interpretations and, since the last accounting date, auditors' preferences have been evolving and have only recently coalesced around a generally preferred approach. Guidance was also released from CIPFA dated November 2023 regarding their interpretation of IFRIC 14's applicability in the LGPS. In light of these developments, the Actuary have adopted the below methodology as standard:

The Actuary's calculations assume that:

- There is no unconditional right to a refund of surplus, as such a payment would be at the discretion of the relevant LGPS fund.
- The appropriate time horizon to consider for calculating the economic benefit associated with potential reductions in future contributions will depend on the type of body and the nature of any applicable admission agreement:
    - If the employer is a scheduled body, or an admission body which is open to new members with no anticipated contract end date, the Actuary will assume they will participate indefinitely. Their calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, in 'perpetuity'.
    - If the employer is an admitted body which is closed to new members, the appropriate time horizon to consider will be the shorter of any anticipated contract end date and the average future working lifetime of active members. Their calculations will therefore assess the cost of future accrual, and contributions payable in respect of future accrual, with reference to an annuity corresponding to this period.
- If the employer is currently already receiving a reduction in contributions in respect of a funding surplus, these will be deducted from the contributions that would otherwise be required to be paid towards the cost of future accrual, for so long as that reduction is expected to remain in force.
- For employers reporting under IAS19 only, any requirement to make contributions towards a funding deficit is considered as an additional minimum liability. The time horizon for assessment of the additional minimum liability is the deficit recovery period used to determine the level of secondary contributions certified.

The impact of the asset ceiling on the Council's net defined benefit liability position is detailed in section 4.4.13.

Assumptions

<u>Demographic assumptions:</u>

The Actuary's standard approach is to use demographic assumptions in line with the latest actuarial valuation.

The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption:

• Making a current assumption of members' mortality (the base mortality); and

• Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgement involved and the Actuary naturally have to refine their view on this over time.

The base table mortality assumptions adopted for the Funds' latest triennial funding valuations were best estimate assumptions and therefore the Actuary used the same assumptions, as standard for accounting.

For employers participating in an English Fund, the last actuarial valuation was at 31. March 2022.

To project future improvements in mortality, the Actuary use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

The CMI have released the 2022 version of their model. This represents a change from the last accounting date when either the 2020 or 2021 version of the model was used for most employers. The core model places no weight on the exceptional mortality experienced during 2020 and 2021 as a result of the Covid pandemic but places some reliance on mortality data that has been observed during 2022. Specifically, a weighting of 25% is applied to mortality in 2022. The impact of updating the model is expected to be a slight reduction in life expectancies for all employers, largely reflecting the heavier than average mortality that was experienced during 2022.

Details of the post retirement mortality assumption are set out below:

	Local Government		Teachers Benefits	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024
Post Retirement Mortality				
Base table	S3PA	S3PA	S3PA	S3PA
Multiplier (M/F)	115% / 110%	115% / 110%	115% / 110%	115% / 110%
Future improvements model	CMI_2021	CMI_2022	CMI_2021	CMI_2022
Long-term rate of improvement	1.25% p.a.	1.25% p.a.	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0	7.0	7.0
Initial addition parameter	0.0% p.a.	0.0% p.a.	0.0% p.a.	0.0% p.a.
2020 weight parameter	5%	0%	5%	0%
2021 weight parameter	5%	0%	5%	0%
2022 weight parameter	n/a	25%	n/a	25%

The assumed life expectations from age 65 are:

	Local Government		Teachers Benefits	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024
Life expectancy from age 65 (years):				
Retiring today:				
Males	20.7	20.4	20.7	20.4
Females	23.5	23.3	23.5	23.3
Retiring in 20 years:				
Males	22.0	21.7	n/a	n/a
Females	25.0	24.7	n/a	n/a

The estimated Macaulay duration of the Council as at the accounting date is 17 years.

Other key demographic assumptions are:

- Commutation - Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations.

- Normal Retirement - Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age

- 50:50 take up - The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same

This is in line with the assumption adopted for the Fund's latest actuarial valuation.

Financial assumptions:

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

The Actuary set out their standard approach to the derivation of these assumptions and sample assumptions using market conditions at 31 March 2024.

The financial assumptions used for the purpose of IAS19 calculations are shown in the following table:

	Local Government Pension Scheme			Teachers Benefits		
	31 March 2022	31 March 2023	31 March 2024	31 March 2022	31 March 2023	31 March 2024
Financial Assumptions:						
Discount rate	2.60%	4.80%	4.90%	2.60%	4.80%	4.80%
Pension increases (CPI)	3.20%	2.90%	2.90%	3.45%	2.85%	2.95%
RPI Inflation	3.55%	3.25%	3.20%	4.00%	3.45%	3.45%
Salary increases	4.20%	3.90%	3.90%	-	-	-

Projected unit method is used in the calculations.

The Actuary have allowed for actual pension increases up to and including the 2024 Pension Increase Order. This is reflected in the Experience loss/(gain) on defined benefit obligation figure in the results. The Actuary have also allowed for actual CPI inflation experienced from September 2023 to March 2024.

Discount rate:

Under the IAS19 standard the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The Actuary's standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

The Actuary use sample cashflows for employers at each year and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate).

These sample cashflows are prepared by the Actuary on a triennial basis. Employers are grouped together into 'maturity brackets' based on the duration of their future cashflows. Each maturity bracket is linked to a term on the yield curve, up to the 30 year point, resulting in 30 sets of sample cashflows. All employers in the same maturity bracket share the same set of sample cashflows which is used at each accounting date to set the relevant financial assumptions.

In carrying out this derivation they use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The new yield curve at the accounting date is used to discount the sample cashflows to calculate a single equivalent discount rate proposed for use in the employer's accounting valuation.

The sample cashflows are used to set the assumption used, however when calculating the change in financial assumption item on the employer's balance sheet the Actuary discount the employer's unique cashflow profile with the new single equivalent discount rate. The impact of a change in the discount rate compared with the previous accounting date will therefore vary by employer depending on their own unique cashflow profile. Individual employer cashflow profiles were derived as at the last valuation date and are assumed to remain unchanged between triennial actuarial valuations.

All else being equal, a higher discount rate will result in a lower value being placed on the defined benefit obligation and an improvement in the overall position.

The impact of a change in the discount rate compared with the previous accounting date will vary by employer depending on their own unique cashflow profile. Cashflow profiles were derived at the last full triennial valuation date and are assumed to remain unchanged since then.

The table below gives details of the estimated impact of a change in the discount rate for employers with different levels of maturity. As a general guide:

- Employers may be considered "Very Mature" if they have a liability duration under 10 years at the accounting date.
- Employers may be considered "Mature" if they have a liability duration of between 10 and 20 years at the accounting date.
- Employers may be considered "Immature" if they have a liability duration over 20 years at the accounting date.

	Discount Rate		
Maturity	31 March 2023	31 March 2024	Estimated impact of change on liabilities
Very Mature	4.80% to 4.85%	4.65% to 4.80%	Neutral to increase of 1%
Mature	4.80%	4.80% to 4.95%	Decrease of 3% to neutral
Immature	4.80%	4.95%	Decrease of 3% to over 4%

Assumptions are rounded to the nearest 0.05%.

Please note this is illustrative only. The actual effect of the change in the discount rate assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

<u>Inflation expectations:</u>

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation, the Actuary should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give an indication of market expectation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). To derive the CPI assumption, the Actuary first make an assumption for the Retail Price Index (RPI) then make an adjustment.

Allowance for Inflation Experience:

The Actuary's default approach is to allow for actual pension increases which will apply at the accounting date as confirmed by the HM Treasury Order. In addition, they allow for actual inflation experience from September 2023 (which determines the next pension increase order) to the most recent known date available. Any difference between this and the pension increase previously assumed will give rise to an experience item.

For most employers, an allowance for part-year inflation experience was made when preparing their 2023 year-end accounting balance position. This would have allowed for ONS CPI inflation up to March 2023, or the most recent available data at the time the report was prepared. The inflation experience to 31 March 2024 will allow for ONS CPI inflation observed over the year to March 2024.

The CPI inflation observed from last time's accounting date up to the most recent information has been broadly in line with the long-term rate of inflation assumed over the same period for a typical LGPS employer. Therefore, the impact on the defined benefit obligation is likely to be fairly neutral for most employers

Retail Prices Index (RPI) assumption:

Similar to the SEDR approach described above, the Actuary adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the Bank of England implied inflation curve. The Bank of England implied inflation curve is assumed to be flat beyond the 40 year point, and flat over the initial short-end period up to the 3 year point.

The Actuary's view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. They have therefore allowed for an Inflation Risk Premium (IRP) which varies by the term of the employer's liabilities with the resulting assumption falling between 0.0% p.a. and 0.25% p.a. (for terms ranging from 1 year up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and the Actuary use the sample cashflows for employers at each duration year (from 1 to 30 years) in deriving the assumptions for employers.

RPI assumptions under the three maturity scenarios are set out in the table below and based on market conditions at 31 March 2024, with the equivalent 31 March 2023 SEIRs (based on our standard derivation at that time) also shown for comparison:

	RPI Inflation	
Maturity	31 March 2023	31 March 2024
Very Mature	3.40% to 3.50%	3.45% to 3.75%
Mature	3.20% to 3.40%	3.15% to 3.45%
Immature	3.15% to 3.20%	3.10% to 3.15%

Difference between RPI and CPI:

It is expected that CPI will be on average 1.0% p.a. lower than RPI for the period up to 2030. The Actuary have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030 and will be in line with market-implied inflation from the Bank of England inflation curve thereafter. This results in an assumed gap between the two inflation measures of between 0.20% p.a. and 0.75% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

While the Actuary recognise that post-2030, implied inflation will represent CPIH (i.e. including housing costs), and historically CPIH has (on average) been around 0.1% pa above the rate of CPI, we understand that since 2003 CPI has actually been slightly higher than CPIH, rather than lower. Based on the composition of the two indices before the ONS announcement in December 2023, we do not believe there was a compelling argument for the two indices to differ (on average) in the long term. We therefore take the post-2030 market implied inflation as our CPI assumption directly, making no allowance for any potential CPI-CPIH difference.

<u>Consumer Price Index (CPI) assumption:</u>

Using a similar approach described to calculate the SEIR for the RPI assumption, the Actuary have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

The pension increase assumption is likely to be similar to last year and most employers would see a fairly neutral impact on their overall position.

CPI Inflation			
Maturity	31 March 2023	31 March 2024	Estimated impact of change on liabilities
Very Mature	2.65% to 2.85%	2.95%	Neutral to increase of 1%
Mature	2.85% to 2.95%	2.85% to 3.00%	Decrease of 1% to increase of 1%
Immature	2.85% to 2.90%	2.85% to 2.90%	Decrease of 1% to increase over 1%

Assumptions are rounded to the nearest 0.05%.

Please note this is illustrative only. The actual effect of the change in the pension increase assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

<u>Salary increases</u>:

The Actuary have adopted the standard approach to salary increases which is line with the latest actuarial valuation.

<u>Overall impact of changes to financial assumptions:</u>

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically, employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The following table describes the estimated effects for employers based on assumptions derived as at 31 March 2024 under the three maturity scenarios:

Maturity	Estimated effect of change in financial assumptions on employer's liabilities
Very Mature	Increase of 1% to 2%
Mature	Decrease of 3% to increase of 1%
Immature	Decrease of 3% to 5%

Based on market conditions at 31 March 2024, most employers will see the value of their defined benefit obligation decrease. However, the extent of this will depend on each employer's membership profile, cashflows over the year, experience and any bespoke assumptions or approaches.

Special Events Dates

When determining any past service cost or gain or loss on settlement IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.

The Council's assets and defined benefit obligation have been remeasured throughout the accounting period at one or more settlement/curtailment event dates, in line with the requirements under IAS19. The financial assumptions used to calculate the results at each remeasurement date are set out below. These have been derived consistently with the assumptions adopted at 31 March 2023.

Remeasurement Date	Discount Rate % p.a.	Pension Increases (CPI) % p.a.	Real Discount Rate % p.a.
31 March 2023	4.80%	2.90%	1.90%
31 March 2023	4.80%	2.85%	1.95%
1 September 2023	5.40%	2.90%	2.50%
31 March 2024	4.90%	2.90%	2.00%

Past Service Costs

Past service costs arise as a result of introduction or withdrawal of or changes to member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost. The actuary is not aware of any additional benefits which were granted over the year ending 31 March 2024.

Curtailments

The cost of curtailments is calculated as a result of the payment of unreduced pensions on early retirement only. The Council will also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, the actuary has only calculated the cost of curtailments which affect the Council’s LGPS pension liabilities. The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, 7 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 £0.618m. This figure 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 loss of this settlement is £15.392m. This figure has been included within service cost.

The following table sets out the settlement events allowed for:

Settlements In / (Out) Employer transferred from	Transfer Date	Assets Transferred £m	Liabilities Transferred £m	Treated as special event?	Report Date
Archway Learning Trust	1 Sep 2023	(0.861)	(1.107)	Yes	09/08/2023
Nottingham City Homes (Telecare Services)	31 Mar 2023	0.447	0.431	Yes	n/a
Nottingham City Homes	31 Mar 2023	222.151	235.676	Yes	n/a
Nottingham Revenue and Benefits Limited	31 Mar 2023	21.742	23.871	Yes	n/a
TOTAL		**243.479**	**258.871**		

Sensitivity Analysis

The sensitivity analysis below focuses on four assumptions – discount rate, long term salary increase, 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	£m	£m
Adjustment to discount rate:	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,580.631	1,683.264	1,710.609	1,738.674	1,858.639	23.541	23.724	23.909
Projected service cost	30.293	35.067	36.364	37.708	43.573	-	-	-
Adjustment to long term salary increase:	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**	**-**	**-**	**-**
Present value of total obligation	1,720.647	1,712.586	1,710.609	1,708.647	1,700.950	-	-	-
Projected service cost	36.487	36.389	36.364	36.340	36.241	-	-	-
Adjustment to pension increases and deferred revaluation:	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	1,850.897	1,737.222	1,710.609	1,684.675	1,587.319	23.913	23.724	23.537
Projected service cost	43.767	37.726	36.364	35.048	30.109	-	-	-
Adjustment to life expectancy assumptions:	**+1 Year**	**None**	**-1 Year**			**+1 Year**	**None**	**-1 Year**
Present value of total obligation	1,774.529	1,710.609	1,649.261			24.706	23.724	22.780
Projected service cost	37.720	36.364	35.044			-	-	-

How has the balance sheet changed over the year?

The change in the balance sheet position over the year is dependent on the following key variables. The following table details the approximate impact on the balance sheet:

Variable / assumption	Impact on balance sheet?	Comments
Asset returns	Improve	Asset returns for a typical LGPS fund have been higher than the discount rate assumed at the previous accounting date which will improve the balance sheet position. Please note that actual returns will vary between different LGPS funds.
Discount rate	Improve	Discount rates have increased for most employers which will improve the balance sheet position.
Inflation	Fairly neutral	Future inflation assumptions have remained at similar levels to that assumed last year and will have a fairly neutral impact for most employers.
Allowance for inflation experience	Fairly neutral	The 2024 pension increase at 6.7% is higher than the long-term average assumed. However, most employers will have made an allowance for observed inflation up to March 2023 at the previous accounting date. Inflation observed to February 2024 has been broadly in line with the long-term assumption. Therefore, we expect the experience to be fairly neutral for most employers.
Mortality	Improve	The Actuary updated their mortality assumptions to adopt the 2022 Continuous Mortality Investigation (CMI) 2022 core projections model. The impact of this will be a further small reduction to life expectancies and improvement in the balance sheet position.
Overall	Improve	Overall, the Actuary expect the balance sheet position to improve compared with last year.

These general principles are based on an average employer in an average Fund with a duration of 20 years. The actual effect of the change in these variables and assumptions will depend on each employer's individual circumstances and their unique cashflow profile.

In terms of the net defined benefit liability, the council's balance sheet position has worsened compared to the previous year as it now includes the impact of an asset ceiling (see section 4.4.13 for further information).

Section 8
ABBREVIATIONS/GLOSSARY

8.1 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
DLUHC	-	Department for Levelling Up, Housing and Communities
DRF	-	Direct Revenue Financing
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
MHCLG	-	Ministry of Housing, Communities and Local Government
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

8.2 Glossary of Financial Terms

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

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

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

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

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

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

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

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

Bad (and doubtful) Debts
Debts which may be uneconomical to collect or unrecoverable.

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

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

Capital Adjustment Account
This account contains the balances previously held on the Capital Financing Account, the Fixed Asset Restatement Account and the Government Grants Deferred Account. The movements in year relate to the amount of capital expenditure financed from revenue, grants and capital receipts. It also contains the difference between amounts provided for depreciation and the amount 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).

Contract Assets
Debtors for goods or services provided by the Council where not all of the goods or services that the Council is required to provide in order to receive payment have been delivered by 31st March.

Contract Liabilities
Creditors for goods or services provided by the Council where the Council has received payment but not done everything that is required to retain the payment by 31st March.

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

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

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

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

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

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

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

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

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

Defined Benefit Pension Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the

contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

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

Direct Revenue Financing
Capital expenditure funded from revenue budgets.

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

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

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

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

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

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

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

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

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

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

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

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

Housing Revenue Account (HRA)
Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

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

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

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

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

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

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

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

Loss Allowance
An allowance provided for bad debts i.e. credit losses.

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

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

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

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

Non-Cancellable Lease
A lease that is cancellable only:

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

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

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

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

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

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

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

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

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

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

of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

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

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

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

Public Sector Audit Appointments (PSAA) Ltd
PSAA was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government has delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. Under these transitional arrangements, PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. Before 1 April 2015, these responsibilities were discharged by the Audit Commission. The Secretary of State has specified PSAA as an appointing person under provisions of the Local Audit and Accountability Act 2014. For audits of the accounts from 2018/19, PSAA has appointed auditors to relevant principal local government bodies that opt into its national scheme. Grant Thornton UK LLP are the external auditors for Nottingham City Council for 2023/24.

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 in an **asset** to the Council (e.g. Housing improvement grants). This expenditure is written off to the Income and Expenditure Account in the year it is incurred.

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

Section 106 contributions
These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

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

Single Entity Financial Statements
The main financial statements for the Council as shown in section 3. The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council.

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

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

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

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

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

TUPE
TUPE stands for Transfer of Undertakings (Protection of Employment). It's a UK employment law that protects employees' rights when a business or service changes ownership or provider.

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

Section 9
Independent Auditor's Report

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

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Annual Governance Statement 2023-24

1. Executive Summary

1.1. The Annual Governance Statement (AGS) is a review of the effectiveness of the system of internal control. This follows best practice described in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice: Delivering Good Governance in Local Government (2016), and related CIPFA briefings.

1.2. Nottingham City Council is required by Regulation 3 of the Accounts and Audit Regulations 2015 to have a sound system of internal control

- facilitating effective exercise of its functions and achievement of its aims and objectives;
- ensuring financial and operational management of the authority is effective; and
- including effective arrangements for the management of risk.

1.3. An AGS is required as part of the annual Statement of Accounts by Regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015.

1.4. The review reflects formal reporting to Council, Executive, and other constituted committees, and enquiries made of officers with relevant knowledge, experience and expertise. The review was undertaken in consultation with the Council's Head of Paid Service, Monitoring Officer, Chief Finance Officer and Corporate Directors.

1.5. This AGS is being presented as part of the 2023-24 Statement of Accounts and is required to include significant events or developments during 2023-24 and up to the date the Statement of Accounts is signed. The AGS will be finalised after Nottingham City Council's (NCC's) external auditor has given his opinion on the 2023-24 Statement of Accounts.

NCC Improvement Plan (Together for Nottingham)

1.6. The Together for Nottingham (TFN) Plan combined the actions required as a result of Max Caller's Non-Statutory Review of NCC and the External Auditor's Public Interest Report (both issued in 2020-21). The TFN Plan was split into workstreams, with each workstream forming a significant issue reported in the previous AGS. It was updated in October 2022 to incorporate further reviews, updates to milestones and further actions and the Plan together with the statutory instructions (see below) have shape the Council's improvement work.

1.7. During 2023-24 NCC worked through the actions set out in the TFN Plan including continuing to respond to the challenging financial environment that all local authorities find themselves in.

1.8. An updated Constitution setting out the Council's rules for how it works was a key deliverable of TFN and was implemented from 1st October 2021. An update to the officer delegated decision making limit was made following review in November 2022.

1.9. A new Council Plan was adopted in 2021 and superseded by the Strategic Council Plan adopted in March 2023 incorporating a One Council approach, and a Commercial Strategy was approved by the Executive in November 2022. The Strategic Council Plan was refreshed in March 2024.

1.10. Decisions have been taken and either have been implemented or are being implemented in respect of the future of several of the Council's companies. As part of this the Council transferred the core operations of two of its third-party companies, Nottingham City Homes and Nottingham Revenues & Benefits, back in-house on 1 April 2023.

1.11. In line with the four-year electoral cycle there was an election of a new council in May 2023. The outcome of the election was Labour (51 seats), Nottingham Independents (3 seats) and Independent (1 seat). In May 2024 a new leader and deputy leader were elected by the Council.

1.12. Strengthened scrutiny arrangements were put in place at the beginning of 2023/24.

NCC Improvement Plan (2024)

1.13. A new Improvement Plan, which reflects the criteria Commissioners expect as they exit their role at NCC, was approved by the Council on 5th August 2024. In section 4 of this document, the programme is described in more detail with linkages to remaining significant issues.

Statutory Directions and Intervention

1.14. NCC was supported in its improvement journey by the Improvement and Assurance Board (IAB), set up by NCC at the direction of the Secretary of State in January 2021, chaired by Sir Tony Redmond and made up of independent experts. Following the Improvement and Assurance Board's (IAB) reports to the Secretary of State in April 2022, he issued directions in September 2022. These moved the Board from a non-statutory advisory role to a statutory intervention so that they were empowered to direct rather than guide the Council's improvement activities.

1.15. In February 2023 the IAB issued 39 instructions to the Council along with deadlines for their achievement. These Instructions, alongside the delivery of the wider actions in the Together for Nottingham Plan shaped the Council's improvement work over the course of 2023/24. An additional 2 instructions specifically concerning maximising savings in setting of the 2024/25 budget were issued at the end of January 2024.

1.16. The Council responded to the IAB on its delivery against each Instruction as the deadlines became due, IAB meetings were held throughout each year and individual contacts between IAB members and the Council took place. These interactions and response against the Instructions informed quarterly reports that the IAB provide to DLUHC on the Council's progress.

1.17. The IAB's 3rd report on the statutory intervention noted a mixed picture on progress, with progress in a number of areas, but shortcomings elsewhere and concerns about financial resilience and sustainability, there was a serious concern about failure to address particular weaknesses in finance, transformation and the underlying culture of the organisation in respect of governance and the workforce.

1.18. After consultation in late 2023 and early 2024 the government decided to appoint three Commissioners, including a Lead Commissioner, a Commissioner for finance and a Commissioner for transformation.

Commissioners

1.19. On the 22nd February 2024 the Secretary of State implemented an intervention package replacing the Improvement and Assurance Board with commissioners led by Tony McArdle with new directions allowing the commissioners to exercise a broad range of functions associated with governance, improvement and strategy.

1.20. The intervention comes with a set of Directions, including the requirement to produce an Improvement Plan to the satisfaction of Commissioners. The Council has been working closely and cooperatively with Commissioners, including in the production of a new improvement plan.

1.21. This new Improvement Plan was approved by the Council on 5th August 2024, and implementation has started.

Section 114 (2) Notice (Dec 2021)

1.22. The S151 Officer identified a significant issue as part of work to gain financial management assurances. On 15th December 2021 he issued a S114 notice to all councillors identifying unlawful transactions which had breached the statutory HRA ring-fence. Councillors agreed actions to address the issue at a meeting in January 2022 and further work was commissioned to address remaining issues. This further work was reported in April 2022 extending the financial impact and scope of concern. As a result the Council decided to insource its housing management function, and this was achieved in April 2023. In September 2022 the Secretary of State directed NCC to incorporate the recommendations reported in April into the Together for Nottingham (TFN) plan (completed in October 2022) and allocate resources accordingly.

1.23. As part of the actions, the authority applied for and was granted the Item 9 Credit (Nottingham City Council) Direction 2022 which applies in relation to the financial year beginning on 1 April 2022. This allows the Council to carry to the HRA from its General Fund £27.703m as the repayment of sums debited from the HRA to meet ineligible costs in its General Fund during the period 1 April 2014 to 31 March 2021. Further work undertaken by the authority has identified additional amounts for which an application is yet to be made to Government.

Section 114 (3) Notice (Nov 2023)

1.24. The S151 Officer, on 29th November 2023, issued a report under Section 114(3) of the Local Government Finance Act 1988 because, in his professional opinion, the council was not able to deliver a balanced budget for 2023/24, although this is a legal requirement. In reaching this opinion he considered not only the immediate circumstances faced in the current year, but also the 4-year MTFP (specifically the significant budget gap for 2024/25) and the overall adequacy of reserves.

1.25. The S151 Officer, being conscious of the limited financial control environment, instigated significant controls during 2023 through the Finance Improvement Plan to improve clarity and transparency. These support his professional assessment of the Council's financial position. A Financial Intervention Strategy, involving a range of spend control measures, was implemented following forecast overspend. Despite the considerable efforts of the Council since July to manage its position, the operating environment and wider economic context continue to be volatile with small changes in demand disproportionately materialising in large financial pressures. As a result, the funding gap forecast included a multi-million in-year overspend.

1.26. In October 2024 amendments to the Spend Control policy requested by Commissioners were introduced. The changes were designed to enable more efficient working without reducing the need for rigorous financial control. Budget holders were particularly instructed not make any financial commitments where there was insufficient budget to meet the cost, with compliance with the new rules monitored.

Exceptional Financial Support Request

1.27. A request for Exceptional Financial Support for the financial year 2023/24 and 2024/25, was made to the Government Department for Levelling Up Housing and Communities and approved. This allowed the Council to set a balanced budget for 2024/25 on 4th March 2025. In practical terms this sought permission to 'capitalise' revenue expenditure so that it is treated as capital expenditure and can be met from the council's capital resources. The final amount and confirmation that the Council can capitalise is subject to a number of conditions and assurance.

External Audit

1.28. In February 2022 the Council's external auditors Grant Thornton provided an update in respect of their financial statements audit stating 3 significant weaknesses in respect of 2019/20 and 2020/21 financial statements:

- financial sustainability,
- company governance and
- delays to annual accounts production and finalisation

1.29. The first 2 of these issues are covered within TFN. The 3rd points to resourcing of accounts preparation and strengthening of valuation records.

1.30. In February 2023 Grant Thornton updated its concerns about arrangements to secure best value by adding 5 new areas considered to be significant weaknesses:

- failure to secure significant improvements in Children's Services,
- significant movements between budget and final outturn in 2021-22
- unlawful transfer from Housing Revenue Account to the General Fund
- lack of management capacity due to recruitment and retention issues
- failure to demonstrate best value through procurement

1.31. These are reflected in the significant issues identified for AGS purposes and the TFN plan, all are considered for AGS purposes to reflect issues present in 2020/21 or to be developments related to these issues.

1.32. Grant Thornton issued a statutory recommendation on 9th February 2024, using the external auditor's powers under section 24 schedule 7 of the Local Audit and Accountability Act 2014, that further savings proposals are developed. The Council has accepted the recommendation.

1.33. As a result of the CIPFA and Penn reports the external auditor determined that a high audit risk of management override existed, which necessitated further assurance from the Section 151 Officer in respect of a number of key financial processes. Ernst & Young (EY) were procured to carry out a review, and a preliminary report identified gaps compared to best practice in some areas. A further concluding report on the Establishing Grip phase of EY work is yet to be reported.

1.34. The Together for Nottingham Plan addressed the significant issues identified in previous Annual Governance Statements and set out a structure, priorities, accountabilities and milestones for improvement incorporating and developing the recommendations made in the Public Interest and Non-Statutory Review reports. The Audit Committee has received updates on progress of the themes of the Together for Nottingham Plan and the IAB instructions during the year.

1.35. Grant Thornton's Annual Report on Nottingham City Council for the 3 years 2020/21, 2021/22 and 2022/23 was issued in March 2024. It sets out Grant Thornton's judgment of significant weakness in each of these years for

- financial sustainability and financial governance,
- governance, and
- improving economy, efficiency and effectiveness

1.36. The report highlighted that whilst some improvements have been made, for all 11 previously highlighted key recommendations further work was required. The 3 areas above are factors within these key recommendations covering

- Financial sustainability including savings schemes, business case development, and budget management and forecasting
- Medium Term Financial Plan
- Recruitment and retention (including pay policy and interim / permanent mix)
- Budget approach and finance skillbase
- Company arrangements
- Companies' strategic purpose, financial needs and risk
- Statutory accounts preparation
- Prioritisation of external audit query resolution
- HRA ringfence and housing subsidiary companies
- Children's services
- Procurement and contract management

1.37. A further key recommendation was made to engage fully and at pace with the improvement and intervention plans developed by Commissioners.

1.38. The report concluded that significant work is still needed, and concerns remain in respect of

- financial sustainability
- workforce strategic management
- the effectiveness of internal control.

1.39. A key weakness continuing over the last 2 years has been the level of vacancy and interim resource in the Finance structure.

1.40. In September 2024, at the Audit Committee, Grant Thornton issued an Audit Findings Report for the 2019-20 audit which concluded that Nottingham City Council did not have proper arrangements to secure economy, efficiency and effectiveness in its use of resources for 2019-20. The report confirms that the weaknesses reported in March 2024 are the latest position. Due to the short availability timeline for the Audit Findings Report prior to the September meeting a management response to the findings was to be bought to a later meeting.

Key Personnel

1.41. The Statutory Officers are

Melbourne Barrett - Chief Executive (statutory Head of Paid Services)

From 5 August 2024 Sajeeda Rose took over as Chief Executive

Ross Brown - Corporate Director of Finance and Resources (Section 151 Officer) to 31 October 2024

Malcolm Townroe – Director of Legal and Governance (Monitoring Officer).

From May 2024 Beth Brown took over as Director of Legal and Governance (Monitoring Officer).

1.42. Corporate Directors are

People until June 2024	Catherine Underwood
Children and Education from June 2024	Ailsa Barr was the Interim Corporate Director from June 2024 Jill Colbert is Corporate Director from the end of September 2024
Adults Social Services from June 2024	Roz Howie was the Interim Corporate Director from June 2024 Vicky Murphy is Corporate Director from November 2024
Growth & City Development	Sajeeda Rose from September 2021 Nicki Jenkins took over as Interim Corporate Director from August 2024
Communities, Environment & Residents Services	Frank Jordan from September 2021 Colin Parr took over from 2023

1.43. Another key role is

Director of Public Health	Lucy Hubber from June 2021

2. Significant Issues Summary

2.1. The following issues have been identified as significant for 2023-24 based on the CIPFA guidance and these are reported in section 4 of this report.

1. Medium Term Financial Strategy (MTFS)
2. Asset Management
3. Companies & Debt Management
4. Capital Programme

5. Governance and Decision Making, including Constitution
6. Organisation & Culture
7. Delivery Options
8. Policy Framework
10. Ofsted Focussed Visit & Improvement Programme
12. Energy & Waste Infrastructure
13. Housing management & HRA ring-fence
14. Delays to annual accounts production and finalisation
15. Oracle Fusion payroll implementation
16. Management override of controls & Finance Improvement Plan
17. Management capacity / recruitment and retention issues

2.2. Numbering is retained from 2020-21 AGS for consistency. Actions in respect of Issue 18 (Nottingham Castle Trust) from 2022-23's AGS and Issue 11 (Protecting people from Covid-19) were completed in 2022-23 Issue 9 from 2020-21's AGS were completed in 2021-22 in respect of renewing the Council Plan, whilst updating the policy framework and operating model are incorporated in Issues 7 & 8.

2.3. Additional significant issues were identified for 2023-24 as follows:

19. Internal Audit Effectiveness – Actions are incorporated in programme 10 of the new Improvement Plan

2.4. Significant issues have previously been covered in the Together For Nottingham plan and the IAB's 39 statutory instructions. The 2 further instructions clarified expectations in respect of the budget instruction for 2024/25. Delivery of the plan and instructions was monitored by Corporate Leadership Team and the IAB. The new Improvement Plan covers much of the same ground and incorporates new areas and priorities as a result of the statutory intervention and attempts to align strategies, plans and activity to resources.

	CIPFA Guidance Issues	The issue has seriously prejudiced or prevented achievement of a principal objective.	The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.	The issue has led to a material impact on the accounts.	The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose.	The Head of Audit and Risk has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.	The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.	The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
Financial Resilience	1.MTFS	✓	✓	✓	✓	✓	✓	✓
	2 Asset Management	✓	✓	✓		✓	✓	✓
	3 Companies		✓	✓	✓	✓	✓	✓
	4 Capital Programme & Debt Management	✓	✓	✓	✓	✓	✓	✓
Delivery	5 Governance and Decision Making , including Constitution	✓				✓	✓	✓

	CIPFA Guidance Issues	The issue has seriously prejudiced or prevented achievement of a principal objective.	The issue has resulted in a need to seek additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the business.	The issue has led to a material impact on the accounts.	The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose.	The Head of Audit and Risk has reported on it as significant, for this purpose, in the annual opinion on the internal control environment.	The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation.	The issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
	6 Organisation & Culture	✓	✓	✓	✓	✓	✓	✓
	16 Management override of controls & Finance Improvement Plan	✓		✓	✓		✓	
	17 Management capacity / recruitment and retention issues (from 2022/23)	✓			✓		✓	
	19 Internal Audit Effectiveness					✓		
Transformation of Delivery	7 Delivery Options		✓	✓		✓	✓	
	8 Policy Framework	✓			✓	✓	✓	
Council Plan Delivery Issues	9 A new Council Plan	Completed in 2021-22						
	10 Ofsted Focussed Visit & Improvement Programme	✓	✓		✓	✓	✓	
	11 Protecting People from Covid-19	✓	✓			✓	✓	
	12 Energy & Waste Infrastructure		✓			✓		
	13 Housing Management & HRA ring-fence	✓	✓	✓	✓	✓	✓	✓
	14 Delays to annual accounts production and finalisation	✓	✓	✓	✓	✓	✓	
	15 Oracle Fusion payroll implementation		✓			✓		
	18 Nottingham Castle Trust (from 2022/23)	✓	✓	✓			✓	

3. Action Plan: Governance Challenges for Future Years

The review of governance arrangements has identified the main areas where the Council will need to focus its efforts during future years, to address changing circumstances and the challenges identified. Areas 1-8,10 and 13-14 are set out in the Council's Together for Nottingham (TFN) Plan and for the Council Plan Delivery Issues the action plan below. Completion or substantial progress against these objectives is due by the dates shown against each action.

Ref	Action	Responsibility		Proposed timeline
		CLT	Directors or Heads of Service	
1-8	As previously set out in the Together for Nottingham (TFN) Plan and 1-11 of the new Improvement Plan. Ongoing to Mar 2026			
10	Completion of Ofsted Action Plan and delivery of sustainable social work resource levels that deliver on the Council's statutory obligations in respect of children and families Continue to provide assurances to Children's Improvement Board and to CLT, Leadership Group, Executive Panel, Executive Board, and the Children's and Young People Scrutiny Committee	Corporate Director for People	Director of Children's Integrated Services	Ongoing – monitoring by Ofsted some actions ongoing to Jan 2026.
12	Review and develop future strategy including funding model for energy & waste infrastructure and long-term district heating strategy for the city.	Chief Executive	Corporate Director of City Development & Growth Corporate Director of Finance and Resources	Waste Transformation programme ongoing with 3 workstreams mapped out to 2030
13	HRA Action Plan incorporated into the TFN Plan	Chief Executive & Leader	Corporate Director of City Development & Growth Corporate Director of Finance and Resources	Ongoing to Mar 2025
14	Action to agree plan to complete statutory audits with external auditor	Chief Executive	Corporate Director of Finance and Resources	Ongoing to Feb 2025
15	Payroll / HR stabilisation project	Corporate Director of Finance and Resources	Director of HR & EDI	Ongoing to Jun 2025

Ref	Action	Responsibility		Proposed timeline
		CLT	Directors or Heads of Service	
18	Review financial processes and deliver a financial improvement plan	Corporate Director of Finance and Resources	Director of Finance	Ongoing to Mar 2025
17	Temporary resource, improve establishment control, create Talent Acquisition & Resourcing team in HR, recruitment/talent pipeline, coordinated promotion of employment package, pay policy revision	Corporate Director of Finance and Resources	Director of HR & EDI	Ongoing to Mar 2026
19	A programme of action to recover internal audit effectiveness is in programme 10 of the new Improvement Plan.	Corporate Director of Finance and Resources	Interim Head of Audit & Risk	Ongoing with further proposals in Dec 2024
Completed Actions				
9	Executive to renew the Council Plan and submit to Council for approval	Executive & CLT		Sep 2021 Complete with further renewals
11	Continued monitoring of government guidance, assess impact on citizens and employees and complete detailed risk assessments for any reinstatement of services with particular regard for BAME staff and citizens. Implementation of Local Outbreak Control Plan if appropriate	Chief Executive & Leader	All Directors & Heads of Service	Complete Continue to monitor health inequality
18	Managed response to closure of Nottingham Castle Trust	Corporate Director of Communities, Environment & Resident Services	Director of Sport, Culture & Tourism	Complete

4. Significant Issues position

This sets out how the significant issues link to the new Improvement Plan. All significant issues are encompassed by this new plan.

Improvement Plan:
Programme 1. Future Council: Vision, purpose and approach

4.1. Programme 1 leads to refreshing the Strategic Council Plan which covers significant issue 9.

Programme 2. Review and develop the Transformation Plan

4.2. Programme 2 includes the Children's Integrated Service development and transformation activities that support significant issue 10 and sets out the approach to assessing and transforming delivery options supporting (significant issue 7).

Programme 3. Manage and monitor delivery

4.3. Programme 3 will also support the implementation and embedding of chosen delivery options (significant issue 7) along with the continued oversight of all transformation and improvement (linking to all significant issues).

Programme 4: Continuous financial sustainability

4.4. Programme 4 covers significant issues 1, 4, 12, and 13, all of which involve financial sustainability considerations, in addition to managing any timing differences arising from the approach to significant issue 2.

Programme 5: Strengthen financial management

4.5. Programme 5 underpins activities to resolve significant issues 14, 15 and 16 in addition to supporting the delivery of programmes 3 and 4.

4.6. A timetable for resolving significant issue 14 is being followed and is monitored by Audit Committee, following parliament's enactment of supporting legislation.

Programme 6: Corporate landlord and asset sales

4.7. Programme 6 supports significant issue 2. The previous programme of asset rationalisation was formally closed, but a new programme of disposals using the existing processes and pipeline is required in order to fund the Exceptional Financial Support approved by the government to enable the Council to balance its budget for 2024/25.

Programme 7: Council companies and traded services

4.8. Programme 7 builds on and improves activity to support significant issue 3 and extends it to cover all commercial activity and procurement strategy.

Programme 8: Improve governance

4.9. Programme 8 sets out further actions to resolve significant issue 5.

Programme 9: Engaged, effective and empowered workforce

4.10. Programme 9 supports resolution of significant issues 6, 8 and 17, but this review indicates that it will also need to include assurance and support capacity to determine and fill established roles with permanent staff.

Programme 10: Strengthen internal controls and assurance

4.11. Programme 10 seeks to support management of risk across the authority, which will support all programmes through identification of better controls. It also seeks to rectify deterioration in Internal Audit capacity (significant issue 19 - see section 8.2 of this report) arising from significant issues 17, 1 and 6 – this will in turn be supported by programmes 5,9 and 11.

Programme 11: Improving enabling and support systems and processes

4.12. Programme 11 will particularly support programmes 2, 3 and 5 and the related significant issues, but has potential to support all programmes and significant issues.

5. Post balance sheet events and developments

5.1. These events have had a significant impact on the Council and or its governance system including understanding of activities in 2023-24 and subsequently. The reasons for this are detailed in the narrative to the financial statements as part of the Statement of Accounts.

- Exceptional Financial Support was approved by the government which will be funded from the Council's asset disposals.

6. Responsibility of NCC and Purpose of the Governance Framework

NCC Responsibility for Implementing Good Governance

6.1. Nottingham City Council (NCC, the Council) is responsible for ensuring that its business is conducted in accordance with the law and standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a best value duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

6.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, and effective delivery of its powers and duties, this includes arrangements for the management of risk, and a sound system of internal control.

6.3. The Council approved and adopted a code of corporate governance consistent with the principles of the 2016 CIPFA/SOLACE Framework Delivering Good Governance in Local Government publication.

6.4. This statement explains how the Council has complied with the code in 2020/21 and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which require all relevant bodies to review their system of internal control and prepare an Annual Governance Statement. It reports on

- The governance system as it applied during the financial year 2020/21 including group activities.
- Significant events or developments relating to the governance system that have occurred between the year-end and the date on which the Statement of Accounts is signed by the responsible financial officer.

6.5. In addition, the CIPFA Code of Practice on Local Authority Accounting requires reference to and assessment of the effectiveness of key elements of the governance framework, including:

- group activities where the activities are significant,
- the role of those responsible for the development and maintenance of the governance environment such as
  - the authority,
  - the executive,
  - the audit committee
  - others as appropriate including shareholder representatives.

6.6. Good governance helps the Council to set its objectives and achieve them efficiently and deliver value for money for the taxpayer.

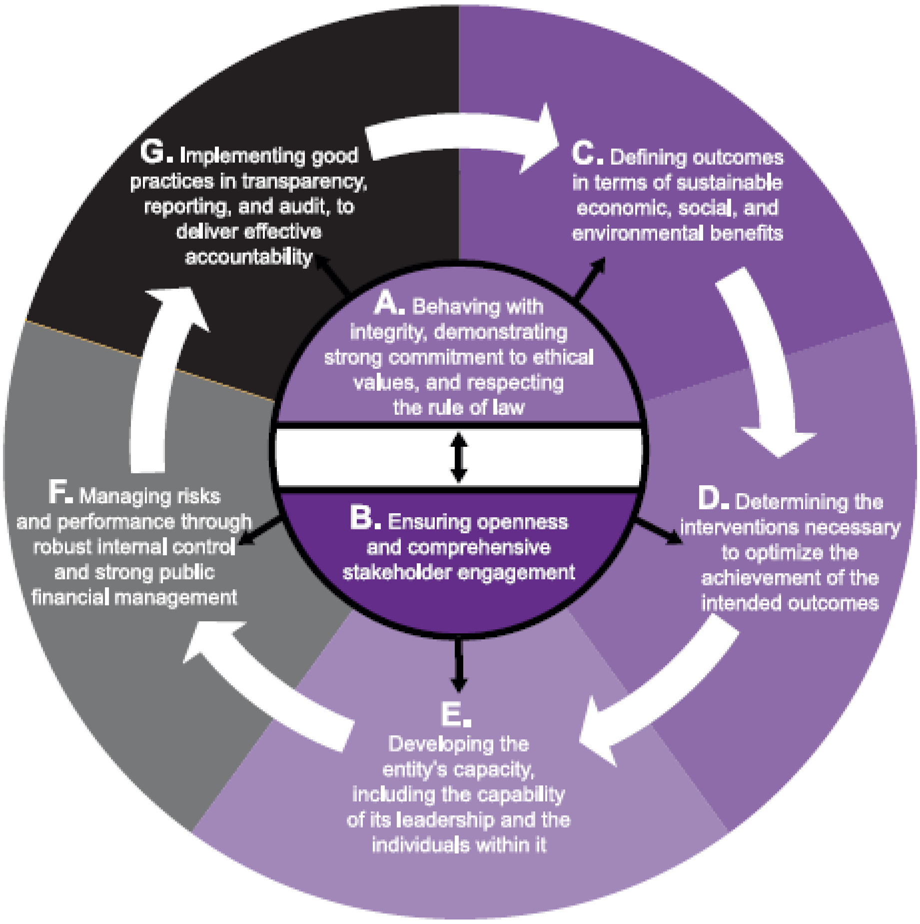
6.7. The guidance for implementing good governance was updated in 2016 by CIPFA / SOLACE to reflect a revision to the International Framework in 2014.

7. The Governance Framework

Governance principles & how NCC aims to meet them

7.1. The diagram below, taken from the International Framework, illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving the intended outcomes while acting in the Public Interest at all times



7.2. Various arrangements are in place to ensure that the Council complies with the local code of corporate governance. Some of these are listed in the table below. Notably the Council introduced it's One Council Outcomes

A. Behaving with Integrity	
Councillor / Co-opted Member Code of Conduct	Employees' Code of Conduct Scheme of Delegation
Councillor / Officer Protocol	Performance Appraisal Process
Counter Fraud Strategy	Declaration of Related Party Transactions
Registers of Interests, Gifts & Hospitality Data Protection Protocols	Confidential Reporting Code (Whistleblowers' Code)
B. Openness and Engagement	
Customer Charter	Citizens' Panel
Comments, Compliments and Complaints Policy (Have Your Say)	Access to Information Engage Nottingham Hub (Consultations)
Freedom of Information arrangements	
C. Defining Outcomes (decision making)	
Strategic Council Plan 2024-27 Budget and Policy Framework Business plans / Service plans Decision-making records Commercial Principles for Strategic Decisions Public Health Needs Assessments and Outcomes Framework	Constitution including • Decision Making (Art. 7) • Executive Arrangements (Art.10) • Standing Orders (Art. 12) • Financial Regulations (Art. 17) • Contract Procedure Rules (Art. 18)
D. Interventions	
Budget Monitoring	Finance Improvement Plan
Performance Management Framework Early Interventions Transformation Benefits Management Framework One Council change model, outcomes and principles	Responding to the Non-Statutory Review, the Report in the Public Interest, External Audit Reports and S114 Reports and implementing the Council's Improvement Plan Spend Control Process
E. Capacity and Capability	
Member Induction & Training	Officer Induction
Board Training & Renewal	Data Academy
Performance Appraisal	Change Academy
Peer Review	Learning Zone
F. Risks and Performance	
Financial Regulations	Risk Management Framework
Medium Term Financial Plan	Counter Fraud Team
Departmental Leadership Team data pack reviews	Contract Management Framework

G. Effective Accountability	
Annual Financial Statements	Improvement and Assurance Board
Nottingham Plan Annual Report	External Audit and Inspection
Annual Public Health Report	

8. Review of Effectiveness

Review Process

8.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Corporate Directors within the Council who have responsibility for the development and maintenance of the governance environment, Statutory Officers, key colleagues, the Head of Internal Audit's annual report, and by comments made by the external auditors and other review agencies and inspectorates. The review also looks at governance arrangements undertaken within its group members and significant partnerships.

8.2. There is no current assessment of compliance with the Financial Management Code. The review has not been able to assess financial management as a whole.

8.3. Audit Committee has received annual reports on the effectiveness of

- Health and safety processes – actions to ensure up to date training and completion of recommended actions were made for December 2024
- Human Resources & Equality Diversity Inclusion processes – statutory and organisational requirements are being met or progressed and monitored through the activity in the functions/areas
- Information compliance – assurances on the status of activities related to data protection and cybersecurity, and other related activities such as PCI compliance, governance of RPI and AI, and Caldicott Guardian.

8.4. There has been a significant amount of senior management change during 2024 which will require assurance as part of CLT, Commissioner and Executive activity.

8.5. From the review of NCC companies' assurances it is clear that boards have undergone renewal during 2023/24 to move to comply with the best practice set out in the companies' governance handbook.

8.6. Review of directorate assurances shows changes in activity to comply with S114 spending controls and with Commissioner requirements.

8.7. Other highlights from review of assurances provided are changes to governance arising from:

- the new Mayoral Combined County Authority, and
- the housing regulator's mandatory standards.

Internal Audit & Head of Audit & Risk (HoIA) Opinion

8.8. Corporate Directors are responsible for ensuring that proper standards of internal control operate within their directorates. The Internal Audit service works to a risk-based Audit Plan agreed with Corporate Directors and agreed by the Audit Committee. Reports in respect of all reviews have been issued to the responsible colleagues, together with recommendations and agreed action plans. Report summaries have been provided to Audit Committee and implementation of actions is tracked.

8.9. The Accounts & Audit Regulations 2015 and mandatory Public Sector Internal Audit Standards require the HoIA to give an opinion and report to support the City Council's Annual Governance Statement.

8.10. The HoIA has reflected on the drivers underpinning the rise in Limited and No Assurance opinion reviews in FY 22-23 which persists into FY 23-24. The gaps in governance and accountability, coupled with ineffective system and process controls, poor financial management and immature risk management across the organisation continue to be the key themes arising through our audit work.

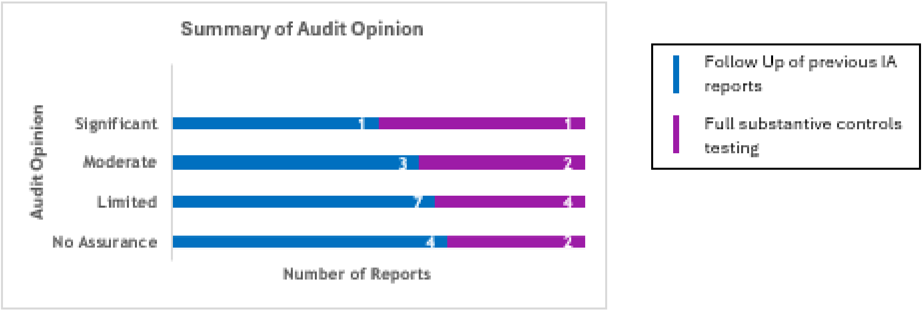
8.11. Having considered the challenges to the Council's financial resilience, the highlights of the Improvement Plan and the transformation programme that is underway to address and improve the way in which the Council delivers value for money and outcomes for its residents, the opinion in relation to this area is Limited. There has been four reviews with No assurance rating, and 9 limited assurance ratings that have highlighted the weaknesses around governance, accountability and decision-making, including:

- 3 instances of discontinuity in management oversight with two of these being cross-cutting activities
- There were also several occasions when gaps in effective ownership of a service or function were apparent leading to either no decisions being made or only limited decision making for that area.
- The Council does not have up to date IT or Data / Digital Strategies

8.12. During 2023/24 Internal Audit issued key systems audit reports with the following levels of assurance and direction of travel

System	Level of Assurance	DoT
Payroll / HR (EMSS)	Limited	⇧
Payroll (NCC)	No	⇩
Accounts Payable (EMSS)	Significant	⇧
Accounts Payable (NCC)	Limited	⇧
Accounts Receivable (EMSS)	Moderate	⇔
Accounts Receivable (NCC)	Limited	⇧
Bank Reconciliation	Moderate	⇔
Council Tax	Moderate	⇧
Business Rates	Limited	⇧
Housing Benefits	Significant	⇧
Treasury Management	Limited	⇩
Fusion ICT (EMSS)	Moderate	⇧
Fusion ICT (NCC)	Limited	⇔

8.13. Across the Council audits provided the following assurance levels



External Audit

External Audit of 2019/20 Statement of Accounts

8.14. The external auditor has provided an Audit Findings Report for his 2019/20 audit, however this also indicates that the audit is likely to be affected by the government's plan to set a backstop date for English local authority audits. At the time of writing this report a management response is yet to be determined due to the report only recently being received.

8.15. The issues identified by the external auditor are consistent with the significant issues identified in this report.

8.16. Grant Thornton has regularly reported on progress and made interim conclusions to the Audit Committee earlier in 2022. Links to their report in February 2022 and their Interim Value for Money report in February 2023 setting out their concerns are included below.

Interim Auditor’s Annual Report March 2024 for the 3 years 2020/21, 2021/22 and 2022/23

Interim Value for Money report November 2022

Independent Auditor’s Report February 2021

8.17. The external audit of the 2020/21 Statement of Accounts will take place once the 2019/20 audit is complete.

8.18. The external auditor continues to provide regular reports to Audit Committee.

9. Conclusion

9.1. The Council has reviewed the effectiveness of its governance framework including the system of internal control as outlined above and considers it needs improvement, particularly in respect of the significant issues set out in section 2 above.

9.2. The Council has taken steps to address the above matters as indicated in the Action Plan presented in section 3 of this statement, through its engagement with Commissioners and its improvement and transformation plans. These aim to make governance arrangements robust and effective. We continue to annually review governance and seek improvements where required.

Signed: ……….................…………………………………………………………

Councillor Neghat Khan

Leader of the Council

Date:

Signed: ……….................…………………………………………………………

Sajeeda Rose

Chief Executive

Date:

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Nottingham
NG2 3NG

www.nottinghamcity.gov.uk

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

14 February 2025

Dear Grant Thornton UK LLP

Nottingham City Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Nottingham City Council and its subsidiary undertakings, as detailed in appendix A for the year ended 31 March 2024.

We sign this letter setting out the management representations for the 2023/24 financial year in our current roles as Section 151 Officer and Chair of Audit Committee. We were appointed into these roles on 8 November 2024 (Section 151 Officer) and 20 May 2024 (Chair of Audit Committee). However, given all matters have been discussed in publicly available documentation that has been considered by the appropriate Council committees, we are signing this letter of representation on that basis.

From the Section 151 Officer perspective, whilst I cannot comment on the quality of the financial processes in operation prior to my appointment, I am satisfied that sufficient evidence has been obtained to support the overall Balance Sheet and the overall year-end position on General Fund balances and reserves.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings, the valuation of the defined benefit pension liability and the valuation of investment properties. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

a. there are no unrecorded liabilities, actual or contingent

b. none of the assets of the group and Council has been assigned, pledged or mortgaged

c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. The group and Council’s financial statements are free from material misstatements, misclassifications and disclosure changes and misstatements, including omissions.

xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We have updated our going concern assessment. We continue to believe that the group and Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council’s system of internal control has not identified any events or conditions relevant to going concern.

xiv. We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council’s financial statements in the event of non-compliance.

Information Provided

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xix. On 30 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024. These Regulations set a publication date for financial statements in respect of 2023/24 of 28 February 2025. The new National Audit Office Code which was approved on 14 November 2024 also requires that where auditors are unable to conclude their work, they should issue either a qualified audit opinion or a disclaimer of opinion by this date, known as the 'statutory backstop date'. It has not been possible to provide you with the all the required information for you to complete your audit for year ending 31 March 2024 by the statutory backstop date. This includes the following:

a. providing you with:

   i. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

   ii. additional information that you have requested from us for the purpose of your audit; and

   iii. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

b. communicating to you all deficiencies in internal control of which management is aware.

c. disclosing to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

d. disclosing to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

   i. management;

   ii. employees who have significant roles in internal control; or

   iii. others where the fraud could have a material effect on the financial statements.

e. disclosing to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

f. disclosing to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

g. disclosing to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xx. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxi. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 14 February 2025.

Yours faithfully

Name: Stuart Fair

Position: Interim Corporate Director of Finance & Resources and Section 151 Officer

Date: 14 February 2025

Name: Councillor Adele Williams

Position: Chair of Audit Committee

Date: 14 February 2025

Signed on behalf of the Council

Appendix 1

Nottingham City Council subsidiary undertakings include:

Nottingham City Homes Limited

Nottingham City Transport Limited

Nottingham Ice Centre Limited

Thomas Bow Limited (for 22/23 comparative year)

Nottingham City Council Joint ventures include:

Blueprint Limited Partnership

Futures Advice, Skill and Employment Limited

Nottingham City Council Joint ventures include:

Bridge Estate Trust

Appendix 3 - Audit Findings Report 2019-20 Update					
Item	**Risk**	**Issue & Risk**	**Recommendations**	**Management response**	**Update for Audit Committee 14th February 2025**
1	High risk	Strengthening the financial control environment	The Council needs to promptly implement the recommendations from the EY report. Once the financial controls remediation project is finished, the Audit Committee should seek assurance to verify that the financial controls are effectively designed and operating as intended.	Partially Implemented. Following receipt of the EY report, a Financial Improvement Plan was created to address the recommendations and presented to Audit Committee in June 2023; regular updates are presented showing progress made. A total of 38 remediation activities were identified with agreed controls for each remediation activity. At the end of Sept 24, 90% of the recommendations have been fully implemented with 10% with implementation in progress.	As at the end of January 2025, all the 38 remediation activities identified are completed with the exception of 2 (5%) which are anticipated to be completion by the end of the financial year.
2	High risk	Fixed asset register and management review of valuations	The Council should ensure its PPE valuation accounting process includes sufficient time to review the completeness and reasonableness of the valuations received from external experts. The Council should also seek to simplify its fixed asset register and for final accounts purposes provide a more condensed working paper to support the financial statements which excludes superfluous information.	For 2023/24, working papers have been condensed and a new format provided to the auditors to support the financial statements. The procurement of a 5-year contract for the supply of valuations from the 2024/25 Accounts onwards is currently in progress. Deadlines for delivery of these valuations built into the contract will enable sufficient time for both Property and Finance Teams to review all data for completeness and reasonableness. To further simplify the complexity of the PPE records, a project is underway to procure and implement asset accounting software. It is envisaged that this will be implemented in time for the 2025/26 Accounts.	Mostly implemented. The Property & Finance Teams continue to undertake reviews of valuations of part of their work in preparing 2023/24 & 2024/25 accounts. Good progress has been made on the procurement of the 5-year contract for 2025/26. The Business Case for Asset Accounting Software in progress and implementation planned during 2025/26 with an intended go live date of 1 April 2026.
3	High risk	Journal authorisation	The Council should introduce formal procedures for the authorisation of journals	Additional journal authorisation controls and procedures have been implemented.	Implemented in 2023.
4	High risk	Undisclosed member interests	We recommend that the register of interests be regularly updated by members and monitored by management and TCWG to ensure it accurately reflects all interests held by members. Additionally, it is considered good practice for the Council to audit the completeness	Annual reminders are sent to all Councillors to review their Register of Interests. Finance and Governance teams work closely together and have enhanced processes to include compliance checks and an assessment against Companies House data.	Implemented in 2023.

			of the register of interests by conducting a check for directorships held by officers and members on Companies House.		
5	High risk	Expenditure cut-off procedures	We recommend the Council reviews its cut-off accounting procedures to ensure expenditure is recorded in the correct financial period	Additional control checks were implemented for the 2020/21 closure of accounts and continue to be operational. These checks include a review before journals are posted to ensure they are correct & recorded in the relevant financial year.	Implemented in 2021.
6	High risk	Audit trail to support income transactions recorded in the financial ledger	We recommend that the Council maintain the appropriate records and listings which support balances in the accounts to enable sample testing and disseminates this message to all relevant departments well in advance of its financial statement close process.	The Council recognises the importance of maintaining appropriate working papers to support balances in its accounts. As part of its closedown approach for the 2023/24 Accounts, Finance and departments across the Council were reminded of their responsibilities regarding working papers to support balances.	Implemented in 2024 and part of annual closedown process. The Council is planning training with Grant Thornton on best practice to ensure continuous improvements in the quality of its working papers.
7	High risk	Final accounts closedown and evidence	The Council should ensure all key departments are involved at an early stage of the financial statements accounts planning process and their role in the audit process discussed in order to address any expectation gaps.	Noted. In 2023/24 the communication and timetable were improved and issued to CLT, service area managers and finance as part of the closedown process. The high-level timetable for 2024/25 has already been issued and feedback is being sought from the service areas prior to the issue of the more detailed timetable and the year-end process documentation is undergoing a full review.	The Statutory Timetable was published in November 2024 once the new Government backstop dates were approved. The Management Timetable has been approved by Finance Leadership Team and S151 will take to CLT for review and comment. The Finance Delivery Timetable and the Services Closedown Timetable to be published in February. The associated closedown process documentation is under review and will be published alongside the timetables.
8	Medium risk	Exit packages disclosure/provisions	The Council should review its procedures regarding the completeness of provisions, in particular those in relation to exit packages, to ensure these are complete and reflected in the appropriate financial year	Since the 2021/21 closedown, HR provide details of redundancies that have been agreed before 31st March but where the actual leaving date is in the next financial year, so that appropriate provisions can be made in the Accounts.	Implemented in 2021

Appendix 3 - Audit Findings Report 2019-20 Update

Item	Risk	Issue & Risk	Recommendations	Management response	Update for Audit Committee 14th February 2025
9	Medium risk	Heritage assets – de-minimis	The Council should review its grouping arrangements for Heritage assets and ensure it reviews the value of de-minimis assets not capitalised to ensure this does not become a material omission in the financial statements	Noted. The Council is Code compliant but will review the capitalisation policy in early 2025, with a view to revising the de-minimis levels.	The Accounting Policies for 2024/25 are currently being reviewed and will be presented to Audit Committee for approval in March 2025.
10	Medium risk	Group accounting	The Council should ensure that appropriate assurance is in place for consolidated balances and have a clear understanding of the required consolidation adjustments. They should also anticipate the impact of varying accounting frameworks and thoroughly document judgments.	Management has improved on the process for the consolidation of the group accounts; including the review of the accounts reported, the timetabling of receipt of the information and communication with the partners and companies.	Implemented in 2024.
11	Medium risk	Capital additions	The Council should review its capital approvals listing to ensure it is up to date and fit for purpose. It should ensure capital expenditure is only capitalised with appropriate approval in place.	Since moving to Oracle Fusion in April 2021 the capital expenditure approval hierarchy has been aligned to the approval hierarchy of the revenue expenditure	Implemented in 2021.
12	Medium risk	Accounting for grants	We recommend the Council reviews its grant accounting procedures to ensure it is recorded accurately, in accordance with the CIPFA code and in the correct accounting period.	The Council has reviewed its approach to grant accounting since 2019/20. Improvements include establishing a grant register and regular reconciliations to the ledger. The accruals approval processes have been enhanced and guidance notes are issued to finance staff to promote best practice.	Implemented in 2024.
13	Low – Best Practice	Immaterial balances – supporting notes	The council should consider removing notes relating to immaterial balances to "declutter" its accounts.	Noted. Management will be undertaking a full review of the presentation of the accounts in 2024/25.	GT offered a technical review of the 2023/24 SoA to identify if there were any opportunities to declutter the accounts. This, together with the internal review also being undertaken, will ensure recommendation is implemented in full.

14	Low - Best Practice	Housing benefit year end reconciliation process	We recommend the Council regularly reviews its current reconciliation process alongside Northgate recommended procedures to ensure no steps are being missed in the year end closedown process as recommended by the software supplier.	The reconciliation processes have been reviewed and the Northgate recommended procedures are being followed to ensure that no steps are missed in the year end closedown process.	Implemented in 2024.
15	Low – Best Practice	Heritage asset valuation	Whilst not prescribed by the code, due to the value of heritage assets held by the Council it is recommended a review is undertaken to ensure values recorded within the financial statements remain valid.	The Council is compliant with the Code. However, will consider updating its Heritage Assets valuations as part of its preparations for the 2024/25 Draft Accounts.	Implemented. The Council has considered the Heritage Assets valuations in its preparations for the 2024/25 Accounts. The outcome of the review is that as the Council is Code compliant, it is not considered a priority for 2024/25 compared to other improvements that are needed in the preparation of its accounts. The Council will re-consider this in future financial years.

Audit Committee – 14 February 2025

<table>
<tr><td>Title of paper:</td><td colspan="2">Treasury Management and Capital Strategy 2025/26</td></tr>
<tr><td>Director(s)/
Corporate Director(s):</td><td>Stuart Fair, Corporate Director of Finance and Resources and Section 151 Officer</td><td>Wards affected:
All</td></tr>
<tr><td>Report author(s) and contact details:</td><td colspan="2">Glenn Hammons, Interim Assistant Director – Technical Finance
glenn.hammons@nottinghamcity.gov.uk</td></tr>
<tr><td>Other colleagues who have provided input:</td><td colspan="2">Olu Oluwajayogbe, Interim Treasury Accountant
Victoria Gelderd, Interim Capital Accountant (Strategy)</td></tr>
<tr><td colspan="3">Does this report contain any information that is exempt from publication? No</td></tr>
<tr><td colspan="3">Brief Summary
The Audit Committee is responsible for scrutinising, reviewing and monitoring the Council's Treasury Management Strategy. The Committee is also responsible for considering the governance of the capital programme and projects.

This report provides an opportunity for the Committee to scrutinise, review and provide any comments on the proposed Treasury Management Strategy 2025/26 and Capital Strategy 2025/26 ahead of it being considered for approval by City Council in March as part of the wider Budget decisions.</td></tr>
<tr><td colspan="3">Recommendation(s):</td></tr>
<tr><td>1.</td><td colspan="2">To consider the Treasury Management Strategy for 2025/26, attached as Appendix 1, and in particular:
a) the strategy in relation to debt repayment i.e. Annual Minimum Revenue Provision Statement 2025/26 (section 5.2);
b) the Borrowing Strategy (section 3.4);
c) the Annual Treasury Investment Strategy (section 4);
d) the Prudential Indicators and Limits (section 5.1);
e) the Treasury Management Policy Statement (section 5.3).</td></tr>
<tr><td>2.</td><td colspan="2">To consider the Capital Strategy 2025/26 (Appendix 2) and in particular:
a) the Flexible Use of Capital Receipt policy (Annex A);
b) Voluntary Debt Reduction policy (Annex B);
c) Non-Treasury Investment Strategy (Annex C).</td></tr>
</table>

1. Reasons for recommendations

1.1 The Audit Committee's terms of reference include to:

(a) consider assurance of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment including emphasis on:

- i. governance risks around high level financial strategy and reserves
- ii. governance risks connected to asset realisation
- iii. governance of Capital Programme and projects
- iv. value for Money and Delivering Objectives
- v. governance of linked incorporated bodies

Finance and Governance Reporting

(a) effectively scrutinise, review and monitor treasury management strategies and policies including compliance with CIPFA Codes

1.3 Approval of a Treasury Management Strategy is a legal requirement, to comply with:

- Financial Regulations and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management by submitting a policy and strategy statement for the ensuing financial year;
- Guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April;
- Guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 which requires the preparation of an annual statement of the Council's policy on making a Minimum Revenue Provision (MRP) for the repayment of debt.

1.4 The Capital Strategy is a requirement to comply with:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the Code of Practice on Treasury Management;
- Regulations requiring the Council to have regard to the Code are issued under section 1 of the Local Government Act 2003.
- Guidance issued by the Secretary of State under section 15(1) (a) of the Local Government Act 2003 in approving, at Council, an Annual Investment Strategy before 1 April.

2. Background

2.1 <u>Treasury Management Strategy</u>

2.2 Treasury management is a term used to describe the management of an organisation's borrowing, investments and other financial instruments, their associated risks and the pursuit of optimum performance or return consistent with those risks.

2.3 The Treasury Management Strategy (TMS) sets the strategic context, within the Council's planning cycle, for how treasury management activity will take place. The various aspects of the strategy require approval by Full Council these include the Treasury Management and Treasury Investment strategies for 2025/26, the Debt Repayment Strategy, the Prudential Indicators and the associated treasury policies.

2.4 The CIPFA Treasury Management Code introduces the framework which for governing local authority investments for 2025/26 which are required to be incorporated into the Council's policies and strategies going forward. These are set out in the Treasury Management Strategy and have the effect of tightening regulation and restriction applicable to authorities making investments for commercial return. There is particular focus in relation to local authorities needing to ensure that investments are proportionate to the Council's financial capacity and critically that local authorities must not borrow to invest primarily for financial return.

2.5 The proposed Treasury Management Strategy 2025/26 is included at Appendix 1 to this report.

2.6 <u>Capital Strategy</u>

2.7 The Capital Strategy provides the Council with a framework in which capital investment and financing decisions can be aligned with the Council's corporate priorities over the medium term and includes the Voluntary Debt Reduction Policy Statement. This strategy requires approval by Full Council. The Capital Strategy continues to reflect the impact of the Exceptional Financial Support on the Council; as well as capital priorities and availability of funding.

2.8 The Strategic Council Plan acknowledges that a well-managed capital programme is a critical contributor to the overall financial recovery of the City Council and the Capital Programme has been reviewed to ensure it is in a fully funded and on a sustainable footing for the longer term. Development of an effective Capital Strategy and a strengthened governance and control framework supports the Council in achieving this. Implementation of the Plan is a key priority of the Council and the Capital Strategy forms a key component part.

Key continuing activities include: -

- A full review of the capital programme to remove de-prioritised schemes and add in future liabilities.
- Compliance with the Council's Debt Reduction Policy to reduce Council debt to a sustainable level.
- A maturing of the capital prioritisation process and the separation of spending and funding decisions.
- Providing a strengthened Governance and Control Framework and ensuring that this is put into practice across the Council.

2.9 The treasury management and capital functions are governed by provisions set out under Part 1 of the Local Government Act 2003, whereby the Council must have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. The Council formally adopts the requirements of these codes as part of its Treasury Management Policy Statement and its Capital Strategy.

2.10 The Treasury Management Strategy and the Capital Strategy have been considered by Executive Board on 11 February 2025. As part of the scrutiny process set out in by the CIPFA Code of Practice Audit Committee are required to provide any comments that require a change to the various strategies. These comments will be reflected in the reports to be considered by Full Council on the 3 March 2025.

2.11 The proposed Capital Strategy 2025/26 is included at Appendix 2 to this report.

3. Risk Assessment

3.1 Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is maintained for the treasury function.

3.2 Risk inherent in the capital programme are mitigated through the strict implementation of the Capital Strategy, the Voluntary Debt Reduction Policy and the governance from the Capital Board. A key example of this is the capital principle that the Council will not commit to schemes until the resources such as capital receipt have been secured.

4. Background papers other than published works or those disclosing exempt or confidential information

4.1 PWLB records, working papers
4.2 Nottingham City Council Project Management Handbook

5. Published documents referred to in compiling this report

5.1 Money Market and PWLB loan rates
5.2 Treasury Management in the Public Services Code of Practice – CIPFA
5.3 Prudential Code – CIPFA
5.4 Treasury Management in the Public Services Guidance Notes – CIPFA
5.5 Statutory guidance on local government investments
5.6 Statutory guidance on Minimum Revenue Provision (MRP)

Appendix 1

Nottingham City Council

Treasury Management Strategy 2025/26

INDEX

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA define treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities. A schedule of these investments is reported in section 2.2.

As part of wider plans to return the council to financial and operational stability this report contains details of progress made against the Voluntary Debt Reduction Policy which was adopted in March 2021.
This strategy aims to reduce the Council's future requirement to borrow, known as the Capital Financing Requirement (CFR) and to reduce the level of debt held by the Council. The CFR was originally forecast to reduce by £36.4m by the end of 2024/25 but the latest forecast is for the CFR to reduce by £35.3m at the end of 2024/25. This is due to reprofiling of CFR changes. Further details can be found on the progress of the Debt Reduction Plan in section 3.4.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this capital strategy is to ensure that all elected councillors on the Full Council fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

The Capital Strategy is reported individually, but alongside the Treasury Management Strategy Statement at Audit Committee, Executive Board and Full Council. The Capital Strategy will show:

- The corporate governance arrangements for these types of activities;
- The service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

If any existing non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

1.2.2 Treasury Management reporting

The Council (delegated to Executive Board except the approval of a new strategy) is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) **-** The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update councillors on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Executive Board and/or Full Council. The mid-year report and the annual report are taken to Executive Board and the Treasury Strategy report is taken to Executive Board and Full Council. This scrutiny role is undertaken by the Audit Committee.

Quarterly reports – In addition to the three major reports detailed above, quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Audit Committee. (The reports, specifically, comprise updated Treasury/Prudential Indicators.)

1.3 Treasury Management Strategy for 2025/26

The strategy for 2025/26 covers two main areas:

Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which place limits on the risk and scope of treasury activities;
- prospects for interest rates;
- the borrowing strategy including debt management;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, DLUHC (now MHCLG) Investment Guidance, DLUHC (now MHCLG) MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to councillors responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained by Technical Finance. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained by Technical Finance.

1.5 Treasury Management Consultants

The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and ensures that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2 The Capital Prudential Indicators 2025/26 – 2028/29

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Capital Expenditure £m	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Non-HRA	244.660	132.447	42.990	5.506	2.320
HRA	63.466	94.981	74.527	56.747	54.242
Total	**308.126**	**227.428**	**117.517**	**62.253**	**56.562**

The above capital expenditure figures reflect the 2025/26 Capital Strategy, which seeks to use effective prioritisation to deliver an affordable capital program by limiting expenditure and increasing capital receipts to align the capital plans to the financial context of the Council.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £m	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Capital receipts	(42.845)	(60.899)	(19.617)	(1.505)	0.000
Capital grants	(199.184)	(94.151)	(32.804)	(10.827)	(7.926)
Capital reserves	(30.992)	(47.072)	(48.307)	(28.543)	(26.667)
Revenue	(12.899)	(14.511)	(15.776)	(21.378)	(21.969)
Borrowing	(22.206)	(10.796)	(1.013)	0.000	0.000
Net financing need for the year	**(308.125)**	**(227.428)**	**(117.517)**	**(62.253)**	**(56.562)**

As explained in the Capital Strategy the General Fund has forecast expenditure financed by borrowing relating to existing residual commitments in 2024/25 and beyond, with the balance of borrowing attributed to Housing capital expenditure as shown in the table below.

Split of Capital expenditure to be financed by borrowing £m	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
General Fund	22.2	10.8	1.0	0.0	0.0
HRA	0.0	0.0	0.0	0.0	0.0
TOTAL	22.2	10.8	1.0	0.0	0.0

2.2 Non-Treasury Investments

The principles within this Treasury Management Strategy prohibit the Council from including any schemes that meet the Commercial Investment definition within its Capital Strategy in accordance with the Debt to Yield guidance published in November 2020.

Nottingham City Council has previously invested in both Service and Commercial Investments the differential between these investments is defined as follows:

Service Investments – Are investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Examples of service investments held by the Council are as follows:

loans to external organisations that are delivering the Council's strategic objectives

shareholding in companies that support service provision

Commercial Investment – CIPFA defines commercial investments as assets held solely to earn income and/or for capital appreciation Examples of commercial investments held by the Council are as follows:

Holding property for a financial return and/or appreciation.

Further details of these investments are contained within Nottingham City Council's Non-Treasury Investment Strategy which is enclosed in Annex C of the Capital Strategy.

The Council is continuously reviewing its investments to identify opportunities of divestment with a view to accelerate the reduction of the Councils debt exposure and achieve its VDR policy. As part of the VDR policy the council is not allowing any additional non-treasury investment above what was included within the Capital Programme at the time the VDR was incepted.

Service Investments

Nottingham City Council has made loans and investments to third parties based on further delivery of the Council's strategic objectives and any benefits from the investment will be received by the Council and its residents in the short, medium, or long term. The Council also hold shares in companies that support service provision. A summary of this position is included below with further detailed contained within Annex C of the Capital Strategy.

Table 3 - Summary of Service Investments	**31 March 2024 £m**	**Movements to P9 £m**	**31 December 2024 £m**	**31 March 25 Forecast £m**
Shares/Equity Held	14.855	(0.775)	14.080	14.065
Loans	109.557	(2.135)	107.422	108.054
Total	**131.941**	**(2.964)**	**128.977**	**126.485**

Commercial Investments

The most significant commercial Investments that the Council has undertaken to date are in relation to property acquisitions. A summary of the position is detailed below, further details are contained within Annex C of the Capital Strategy

Register of Commercial Investments

	Purchase Price	Capital Funding	
		Borrowing Incurred	Council Resources Used
	£m	£m	£m
Disposed in 2024/25	**0.000**	**0.000**	**0.000**
Disposed in 2024/25 - Subtotal	**0.000**	**0.000**	**0.000**
Project Doncaster	23.641	23.641	0.000
Project Mulberry	22.182	22.182	0.000
Project Abbey	19.102	19.102	0.000
Project Duke	14.486	14.486	0.000
Project Green	14.160	12.160	2.000
Project Donnington	11.793	10.793	1.000
Project Highland	11.105	11.105	0.000
Project 118	10.724	10.724	0.000
Project Fothergill	10.615	10.615	0.000
Project Albert	10.083	10.083	0.000
Project Willow	9.926	9.926	0.000
Project Brookfield	8.352	8.352	0.000
Flying Horse Walk	6.403	6.403	0.000
Project Minster	6.200	6.200	0.000
Project Castle	5.838	4.838	1.000
Project Boot	5.566	5.566	0.000
Project Aston	5.504	5.504	0.000
Heron House	3.223	3.223	0.000
Other Commercial Investments under £5.0m	23.909	23.909	0.000
Commercial Investments Held - Subtotal	**222.812**	**218.812**	**4.000**
Commercial Investment Total	**222.812**	**218.812**	**4.000**
Forecast Income net of MRP and associated costs	(10.552)		
Net Yield	**4.52%**		

2.3 The Council's financing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge, which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI/lease provider and so the Council is not required to separately borrow for these schemes. The Council has £134.4m of such schemes within the CFR as at 31 March 2025.

The CFR projections are shown below:

	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital Financing Requirement (£m)					
CFR – General Fund	949.2	892.4	840.2	793.4	747.9
CFR – HRA	278.5	264.5	258.9	253.7	251.2
Total CFR	1,227.7	1,156.9	1,099.1	1,047.1	999.1
Movement in CFR	(35.3)	(70.8)	(57.8)	(52.0)	(48.0)

Movement in CFR represented by (£m)					
Net financing need for the year (above)	22.2	10.8	1.0	-	-
Less MRP/VRP and other financing movements	(57.5)	(81.6)	(58.8)	(52.0)	(48.0)
Movement in CFR	(35.3)	(70.8)	(57.8)	(52.0)	(48.0)

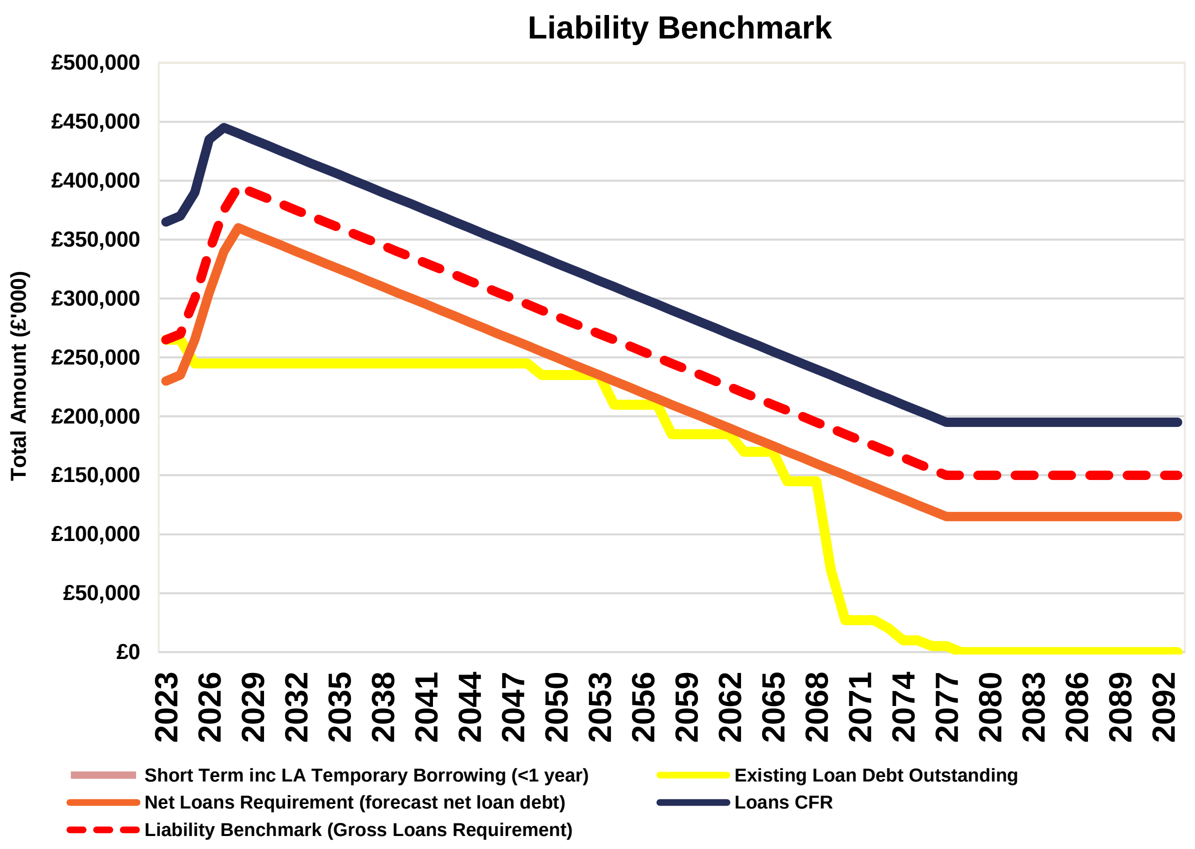
Note: the MRP / VRP will include PFI / finance lease annual principal payments and a known increase of £5.1xm in MRP from 2025/26 as part of a previous decision to change the MRP Policy.

The capital programme and the 2025/26 Capital Strategy support the objectives in the Council's *Together for Nottingham* plan including limiting expenditure financed by borrowing and the increase in capital receipts to reduce the Council's forecast requirement to borrow. This has resulted in a reduction in debt levels and will support achieving long-term financial stability. There is a forecast £263.9m overall reduction in the Council's requirement to borrow, known as the CFR, from 2024/25 to 2028/29 which is the sum of the 'Movement in CFR' for those years in the table above and reflects decisions made to date towards the debt reduction objectives within the Debt Policy shown in section 3.4.

2.4 Liability Benchmark

The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



2.5 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for resources and anticipated day-to-day cash flow balances.

Year End Resources £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Total core funds inc reserves, capital receipts & provisions	467.00	454.00	434.00	414.00	394.00
Working capital*	180.00	60.00	60.00	60.00	60.00
Under/(over) borrowing	(340.58)	(274.29)	(233.85)	(200.16)	(170.10)
Expected investments	**306.42**	**239.71**	**260.15**	**273.84**	**283.90**

*Working capital balances shown are estimated year-end; these may be higher mid-year and balances include Government Grants received in advance and so balances held will reduce as expenditure occurs.

3 Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

The Council's policy on borrowing is to limit planned expenditure financed by borrowing and to seek to reduce the level of debt held by the Council in line with the objectives in the published Together for Nottingham plan. This is known as the voluntary debt reduction policy and details of that, along with the approach to potentially borrowing for exceptional financial support, can be found in section 3.4.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2025 and for the position as at 31 December 2024 are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	actual	actual	current	current
	31.3.24	**31.3.24**	**31.12.24**	**31.12.24**
Treasury investments	**£000**	**%**	**£000**	**%**
Banks	244,167	74%	248,922	79%
Local authorities	0	0%	0	0%
Gilts	9,897	3%	9,897	3%
Money Market Funds	76,600	23%	55,900	18%
Certificates of Deposit	0	0%	0	0%
DMO/Other	0	0%	0	0%
Total treasury investments	**330,663**	**NA**	**314,718**	**NA**
Treasury external borrowing				
Local Authorities	0	0%	0	0%
PWLB	757,293	95%	716,299	96%
Fixed Rate Market Loans	15,000	2%	0	0%
LOBOs	26,000	3%	26,000	4%
Total external borrowing	**798,293**	**100%**	**742,299**	**100%**
Net treasury investments / (borrowing)	**(467,630)**	**NA**	**(427,581)**	**NA**

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt and other long-term liabilities (PFI & lease liabilities) against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

It should be noted that the forecast under borrowing position is supported by the Council balance sheet i.e. reserves and working capital balances, as these balances reduce further borrowing will be required and additional costs of financing will be incurred. This should be seen in context of the Council's overall budget position and current level of budget flexibility.

£m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt at 1 April	784.2	766.5	776.3	769.5	762.7
Expected change in Debt	-17.7	9.8	-6.9	-6.8	-10.0
Other long-term liabilities inc PFI	133.4	119.8	107.8	96.1	86.2
Expected change in OLTL *	-12.8	-13.6	-12.0	-11.8	-9.9
Gross debt at 31 March	**887.1**	**882.6**	**865.3**	**847.0**	**829.0**
Capital Financing Requirement (CFR)	**1227.7**	**1156.9**	**1099.1**	**1047.1**	**999.1**
Under / (over) borrowing	**340.6**	**274.3**	**233.8**	**200.2**	**170.1**

* (OLTL) – Other Long-Term Liabilities

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/26 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and expects to remain compliant against the future estimates below. This view takes into account current commitments, existing plans, and the proposals in this report and the Capital Strategy for 2025/26.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	804.2	786.5	796.3	789.5	782.7
Other long-term liabilities (Inc PFI)	133.4	119.8	107.8	96.1	86.2
Total	937.6	906.4	904.2	885.5	868.9

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	834.2	816.5	826.3	819.5	812.7
Other long-term liabilities (Inc PFI)	133.4	119.8	107.8	96.1	86.2
Total	967.6	936.4	934.2	915.5	898.9

The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next five financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt**.**

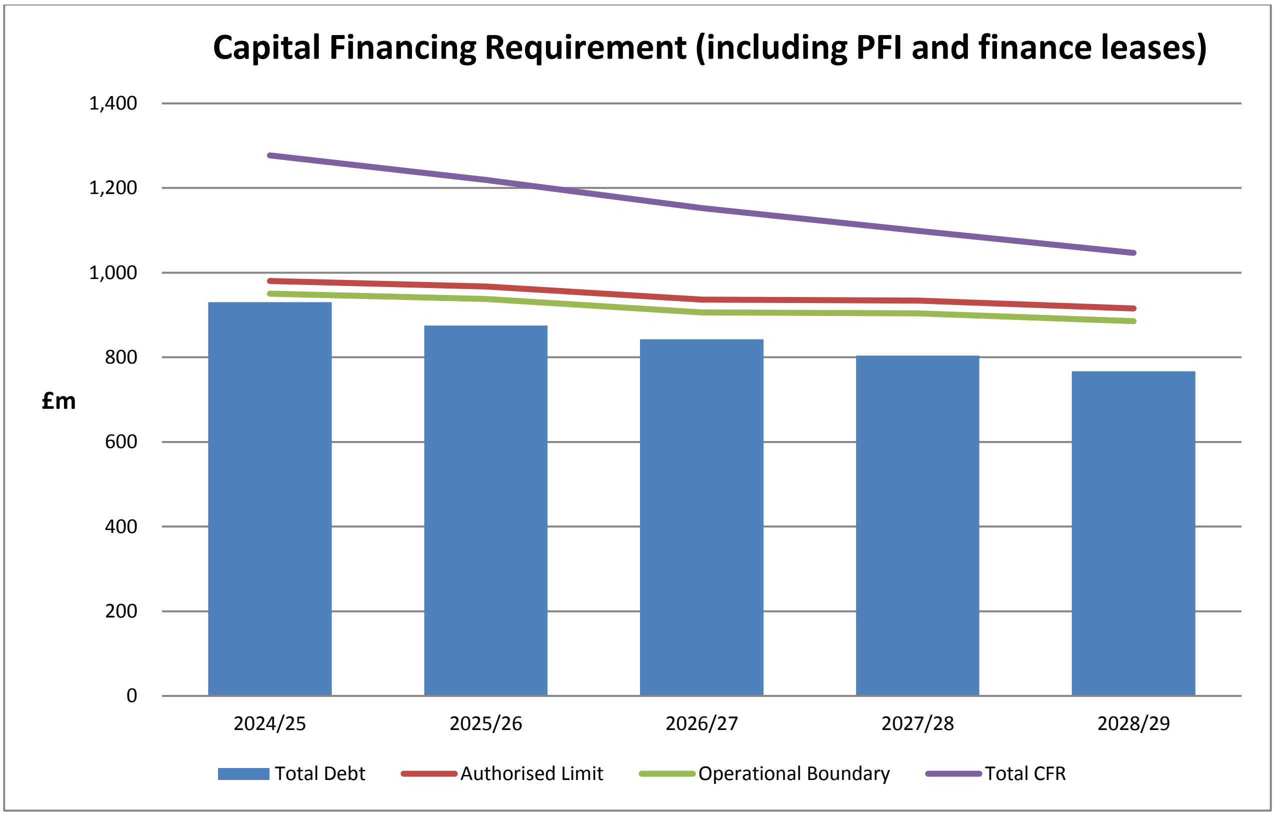
£m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Variable rate debt	200.0	200.0	200.0	200.0	200.0

The level of variable rate debt as at 31 December 2024 was £26m.

Debt limits against the CFR: - The following table and graph discloses how the indicators on the limits to borrowing compare to actual external debt and the forecast capital financing requirement (CFR). The difference between the CFR and the forecast total debt represents the level of under borrowing expected over the forecast period which is cost efficient but does increase the Council's exposure to interest rates.

CAPITAL FINANCING REQUIREMENT including PFI and finance leases					
	Est 2024/25 £m	**Est 2025/26 £m**	**Est 2026/27 £m**	**Est 2027/28 £m**	**Est 2028/29 £m**
GF CFR	949.2	892.4	840.2	793.4	747.9
HRA CFR	278.5	264.5	258.9	253.7	251.2
Total CFR	**1227.7**	**1156.9**	**1099.1**	**1047.1**	**999.1**

External Borrowing	741.8	722.9	696.5	670.6	641.0
Other long term liabilities	133.4	119.8	107.8	96.1	86.2
Total Debt	**875.2**	**842.7**	**804.3**	**766.7**	**727.2**
Authorised Limit	967.6	936.4	934.2	915.5	898.9
Operational boundary	937.6	906.4	904.2	885.5	868.9



3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11 November 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps. The Interest rate forecast below should be considered alongside the detailed economic background and forecast commentary provided in section 5.4.

Link Group Interest Rate View 08.01.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

The above forecasts for 3-12 month average earnings previously had been referenced to the London Inter-Bank Offered Rates (LIBOR), however LIBOR and LIBID rates ceased from the end of 2021 and replaced with a rate linked to the Sterling Overnight Index Average (SONIA). The forecasts are now based on expected average earnings by local authorities for 3 to 12 months.

Investment and borrowing rates (Commentary provided by Link 11/8/24)

- Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.
- Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).
- Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

PWLB RATES

- Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise.

The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

Please see section 5.4 for further economic commentary.

3.4 Borrowing strategy including debt management

The Council's policy on borrowing is to limit planned expenditure financed by borrowing and to seek to reduce the level of debt held by the Council in line with the objectives in the published Together for Nottingham plan.

The Capital Strategy includes the Voluntary Debt Reduction Policy Statement (Appendix B) including a debt policy in respect of new capital expenditure. The debt policy section is shown below:

- 2021/22 - ***To restrict new borrowing to no more than the level of the annual debt being repaid.*** (i.e. No new schemes financed by borrowing). The Capital Programme has been reduced to existing commitments and no schemes added funded by borrowing.
- 2022/23 - 2026/27 - ***Nil new borrowing throughout the period***. No new schemes financed by borrowing to be added to the Capital Programme, unless the scheme is required to enable compliance with legal or statutory duties (e.g. Health and Safety). Whereby any borrowing will be capped by the forecast headroom as indicated (including updates reported as necessary) within the CFR / external as shown below, this headroom will be restricted to measurement with the least headroom. This applies both to general fund and public sector housing debt.
- **2022/23 – 2026/27 - *Borrowing allowable in exceptional financial circumstances*.** It is allowable for the council to engage in borrowing when this is part of the response to exceptional financial circumstances. These exceptions will typically, but not exclusively, take the form of borrowing that arises from a capitalisation direction. This is a temporary funding mechanism that is put in place in order to allow time for sustainable funding solutions to be put in place. Exceptional borrowing will therefore be of short-term duration only.

The policy also states that "Nothing in this policy shall prevent the Council from exercising normal day-to-day management of its borrowings through Treasury Management activities and/or the use of internal borrowing."

Borrowing Strategy: The Council is currently maintaining an under-borrowed position and does not expect to require new borrowing for the General Fund in the forecast period.

This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing rates of inflation fall back to the Bank of England's target. That is, Bank Rate is expected to fall over the coming years. See section 3.3:

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. Interest rates are closely monitored in financial markets and a pragmatic approach to changing circumstances will be taken:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

The Councils longer-term requirement for borrowing, known as the CFR will be a key consideration before taking on new or replacement borrowing, where cash flow permits debt upon maturity will be repaid without replacement to bring the overall level of debt down and reduce the Council's cost of financing.

However, to manage interest rate risk this strategy includes the option to fund future years' borrowing requirements including maturing loans or to reduce the level of internal borrowing providing this does not exceed the authorised limit for borrowing.

Any borrowing will be subject to the Council's borrowing limits, maturity limits and the limits on the exposure to variable interest rates shown in section 3.2 to comply with the Prudential Indicators in section 5 and will be reported to the Executive Board and Audit Committee at the next available opportunity following its action.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and its successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Nottinghamshire County Council Pension Fund)
- Insurance and Assurance companies
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- finance leases
- Private Finance Initiative
- sale and leaseback

3.5 Policy on borrowing in advance of need

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

3.6 Debt rescheduling

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Rescheduling of current borrowing in our debt portfolio is considered while premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

Private market lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile).

All rescheduling will be reported to the Executive Board and Audit Committee, at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both General Fund borrowing and for HRA borrowing that is gilts + 60 basis points. Although significant new borrowing is very unlikely in the forecast period, consideration may still need to be given to alternative funding sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time)

With support from our treasury management advisors, we will keep informed as to the relative merits of each of these alternative funding sources.

4 Annual Treasury Investment Strategy

4.1 Treasury Management Investment policy – management of risk

The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two categories of investment: ‘specified’ and ‘non-specified’.

    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by councillors and officers before being authorised for use.

5. Non-specified investments limit. are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. The Council has determined that it will limit the maximum total exposure to non-specified investments (see table 2 in section 4.4).

6. **Approved Counterparties and limits**, (amounts and maturity), for each type of counterparty will be set through applying the matrix table 1 in section 4.4.

7. **Investment limits** are set for each type of investment in table 3 in section 4.5.

8. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, shown in table 4 in section 4.6.

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see section 4.4 – specified investments).

10. This authority has engaged **external consultants**, to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling.**

12. As a result of the change in accounting standards for 2023/24 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. Subsequently, a further extension to the over-ride to 31.3.25 was agreed by Government.

This authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.7). Regular monitoring of investment performance will be carried out during the year.

4.2 Investment strategy

Objectives: Both the CIPFA Code and the MHCLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income. For liquidity purposes investment balances are expected to be maintained above £30m.

Strategy: Investments will be made with reference to the forecast core cash balances, cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that the risks are relatively balanced between Bank Rate staying higher for longer, if inflation picks up markedly through 2025 post the 30 October 2024 Budget, or it may be cut quicker than expected if the economy stagnates. The economy only grew 0.1% in Q3 2024, but the CPI measure of inflation is now markedly above the 2% target rate set by the Bank of England's Monetary Policy Committee two to three years forward.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to fall to a low of 3.5%.

The suggested investment earnings rates for returns on new investments placed for periods up to about three months during each financial year are as follows:

Average % for new investments in each year	
2025/26	4.60%
2026/27	4.10%
2027/28	3.70%
2028/29	3.50%
Long term later years	3.50%

4.3 Approved Counterparties

The Council may invest its surplus funds with any of the counterparty types in table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits			
Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**
UK Govt	n/a	n/a	£ Unlimited 50 years
AAA	£30m 12 months	£30m 10 years	£30m 10 years
AA+	£30m 12 months	£30m 5 years	£30m 10 years
AA	£30m 12 months	£30m 5 years	£30m 10 years
AA-	£30m 12 months	£30m 2 years	£30m 5 years
A+	£30m 12 months	£30m 2 years	£30m 5 years
A	£30m 12 months	£30m 2 years	£30m 5 years
A-	£20m 6 months	£30m 1 year	£30m 5 years
None	n/a	n/a	£30m * 5 years
Money Market Funds (AAA or equivalent)	£40m per fund		
Strategic pooled funds (AAA or equivalent)	£20m per fund		

** Includes other UK Local Authorities – limit per Authority*
This table must be read in conjunction with the notes below: -

Lloyds Bank: The Council's current provider of banking services will be subject to the limits in table 1 for investment balances, but also accommodate necessary short-term cash management balances within its bank accounts for periods of up to 4 days with no maximum sum.

Credit Rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are not made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Debt Management Office deposits, loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, supranational banks and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Money Market Funds: A highly rated, highly diversified pooled investment vehicle whose assets mainly comprise of short-term instruments and offer same-day or short notice liquidity and very low or no price volatility. The Money Market Fund definition and limit includes CNAV, LVNAV and VNAV Cash and Cash-plus funds. All are highly regulated and have to operate within minimum credit quality and diversification requirements as set out by rating agencies to maintain an AAA money market fund rating. These are used as an alternative to short term deposits and instant access bank accounts.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly. Funds will only be considered if they have an AAA fund credit rating.

Risk Assessment and Credit Ratings:
Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Environmental, Social and Governance Investment Policy:

The Treasury investment classes detailed in this Strategy are short term in nature, and therefore establishing investment criteria for environmental, social and governance (ESG) factors is challenging.

There are several approaches to ESG investing, but they all focus on investments which will have a positive return and a long-term impact in people, the environment, and how business is conducted. This is particularly important when the investment takes the form of equity, and therefore the investor can use their influence in corporate matters.

None of the investment classes contained within this Strategy provide that level of influence. Instead, the treasury management team will continue to make sure that institutions demonstrate a significant level of commitment to ESG matters and will not invest if there are concerns.

For short term investments with counterparties, this Authority utilises the ratings provided by Fitch, Moody's and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings.

Specified Investments: The MHCLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of AAA from at least one of the main credit rating agencies.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any financial investments (treasury management investments) denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified treasury investments will therefore be limited to long-term investments, i.e. those that are due to mature in 12 months or longer. The limits for non-specified investments are shown in **table 2** below.

Table 2: Non-Specified Investment Limit	
	Cash limit
Unsecured Bank Investments > 365 days *	£0m
Secured Bank Investments > 365 days *	£40m

Government Investments > 365 days (inc Local Authorities) *	£100m
Total non-specified investments	**£100m**

* The table above shows the non-specified investment limits by the investment type. The investment limits in Table 1 & 3 also apply.

Investment Limits

In order to limit the amount of available reserves put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government and Money Market Funds) will be £20 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on Money Market Funds, foreign countries and industry sectors as below. Investments in Money Market Funds & Strategic Pooled Funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits	**Cash limit**
Any single organisation, except the UK Central Government and Money Market Funds	£30m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£30m per group
Foreign countries	£60m per country
Money Market Funds (AAA or equivalent *)	£40m per fund & £120m in total
Strategic Pooled Funds (AAA or equivalent *)	£20m per fund & £40m in total

4.4 Investment treasury indicators

The Council measures and manages its exposures to treasury management risks using the following indicators. These voluntary indicators are a guide to risk levels and they may be breached from time to time, depending on movements in interest rates and counterparty criteria. These will be reported against, in the mid-year or Annual Report.

Security
The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

- Target portfolio average credit rating = A

Liquidity
The Council balances not keeping excessive amounts of cash in call accounts to reduce the cost of carrying excess cash against the liquidity risk of not having cash available to meet unexpected payments. To mitigate the liquidity risk the Council has access to borrow additional, same day, cash from other local authorities and seeks to maintain:

- Liquid short term deposits of at least £30m available within a week's notice.
- Bank overdraft - £0m

Yield
The Council has adopted a voluntary measure of yield against industry benchmark rates

- Average Investment return against the 7-day SONIA rate

Interest Rate Exposures
The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits reflect the forecast cash balances after each year-end plus headroom to accelerate borrowing to manage interest rate risk as detailed in section 3.4. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 4: Upper limit for principal sums invested for longer than 365 days				
	2024/25	**2025/26**	**2026/27**	**2027/28**
Principal sums invested for longer than 365 days	£100m	£100m	£100m	£100m
Current investments as at 31.12.24 in excess of 1 year maturing in each year	£20m	£10m	£10m	£10m

Other Items
There are additional items that the Council is obliged to include in its Treasury Management Strategy in line with CIPFA or MHCLG guidance.

4.5 Liquidity Management:

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

4.5 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.7.1 Policy on Use of Financial Derivatives:

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

4.7.2 Policy on Apportioning Interest to the HRA:

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at the average interest rate achieved by the Council's investment portfolio in the year.

4.7.3 Policy on Council Subsidiary Deposit Facility:

The Council has a number of subsidiary companies within the group organisation, as such the it may provide a safe haven deposit facility for surplus cash balances held by these companies. These funds are available on request subject to minimum notice period and balances would attract interest at a rate agreed at the time of the request.

4.7.4 Management of treasury risk:

Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. Details of the specific risks identified in respect of treasury management within the Council are adopted to form a Risk Management Action Plan. This Plan is reviewed at regular intervals at meetings of the Treasury Management Panel and an overview is reported to Audit Committee as part of the Treasury Management reporting.

5 Appendices

5.1 The Capital Prudential and Treasury Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist councillors' overview and confirm capital expenditure plans.

5.1.1 Capital expenditure & the Capital Financing Requirement

See paragraphs 2.1 & 2.2

5.1.2 The Authorised limit for external debt and the operational boundary

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	804.2	786.5	796.3	789.5	782.7
Other long-term liabilities (Inc PFI)	133.4	119.8	107.8	96.1	86.2
Total	937.6	906.4	904.2	885.5	868.9

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

Authorised limit £m	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Debt	834.2	816.5	826.3	819.5	812.7
Other long-term liabilities (Inc PFI)	133.4	119.8	107.8	96.1	86.2
Total	967.6	936.4	934.2	915.5	898.9

5.1.3 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

These indicators reflect decisions on future capital plans and policies detailed in the Capital & Strategy with the objective to reduce the forecast cost of financing and support the Council returning to financial and operational stability.

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

%	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
General Fund	15.2%	14.7%	14.0%	13.4%	13.3%
HRA	9.0%	8.3%	7.6%	7.3%	7.0%

The estimates of financing costs include current commitments and the proposals in this report. The net revenue stream is shown as the total sum to be raised from government grants, business rates, council and other taxes (General Fund) and rent income (HRA). From 1 April 2012, the General fund income figure includes ring-fenced NET (tram) government grant and revenue raised from the Workplace Parking Levy.

b. HRA ratios

The first of two local HRA indicators below shows the ratio debt to revenue showing the sustainability of the debt load over the forecast period.

	2024/25 Period 9	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA Debt (£m)	277.1	263.0	257.5	252.3	249.6
HRA Revenues (£m)	128.6	130.3	132.9	135.5	138.2
Ratio of Debt to Revenues (%)	1:046	1:050	1:052	1:054	1:055

The second indicator shows the HRA debt per dwelling based on the forecast debt level.

	2024/25 Period 9	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA Debt (£m)	277.1	263.0	257.5	252.3	249.6
Number of HRA Dwellings	24,560	24,163	24,083	24,117	24,037
Debt per Dwelling (£m)	0.011	0.011	0.011	0.011	0.010

5.1.4 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2024/25			
	Lower	**Upper**	**Actual at 31.12.2024**
Under 12 months	0%	25%	1%
12 months to 2 years	0%	25%	2%
2 years to 5 years	0%	25%	9%
5 years to 10 years	0%	25%	2%
10 years to 25 years	0%	50%	5%
25 years to 40 years	0%	50%	60%
40 years and above	0%	50%	21%

Please note that the maturity date is deemed to be the next call date.

5.1.5 Control of interest rate exposure

Please see paragraphs 3.2.

The upper limit on variable interest rate exposure. – This is a local indicator to control the Council's exposure to interest rate risk including LOBO loans with a call option in the next 12 months. The upper limits on variable rate interest rate exposures, expressed as the amount of principal borrowed for the next three financial years. A high level of variable rate debt presents a risk from increases in interest rates. This figure represents the maximum permitted exposure to such debt**.**

£m	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**	**2028/29 Estimate**
Variable rate debt	200	200	200	200	200

The level of variable rate debt as at 31 December 2024 was £26m.

5.2 Annual Minimum Revenue Provision Statement 2025/26

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG (now DLUHC) regulations were issued on 2 February 2018 which require the Council to approve an MRP statement in advance of each year.

The following statement only incorporates options recommended in the Guidance as well as locally determined prudent methods.

- For capital expenditure incurred before 2007/08, and for supported capital expenditure (defined as a borrowing allocation financed by Government grant) incurred on or after that date, the MRP policy will be to charge an amount per Schedule A below. This charge is based on the principle of repaying the outstanding balance as 31 March 2016 over a 50 year period (2066/67) as per profile approved in 2017/18.

- For unsupported capital expenditure incurred after 2007/08, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments *or* as the principal repayment on an annuity, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. *(Option 3 in the guidance)*

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability, to reflect accounting changes under IFRS16. The Section 151 Officer will determine the appropriate treatment, having regard to the MRP Guidance, in complex cases.

- Where loans are made to other bodies for their capital expenditure, No MRP will be charged, but instead will apply the capital receipts arising from principal repayments to reduce the outstanding debt in the capital financing requirement. The principal repayment profile is as shown in 3rd party loan agreements and where principal repayments are not broadly spread over the life of the loan or there is an anticipated expected loss on the loan, the Section 151 Officer may determine that MRP be made for reasons of prudence.

- No MRP will be charged in respect of assets held within the Housing Revenue Account.

- Voluntary MRP may be made at the discretion of the Section 151 Officer.

- Capital receipts maybe voluntarily set-aside to clear debt or reduce the CFR.

- The S151 officer is currently considering the appointment of external consultants to review the charge. If and when this occurs then the relevant committees will be informed of the outcome.

MRP Overpayments - A change introduced by the revised DLUHC (now MHCLG) MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

5.3 Nottingham City Council Treasury Management Policy Statement

The following treasury management policy statement is required to be adopted annually by Full Council as part the Treasury Management Strategy.

1 Introduction and Background

1.1 The Council has adopted in full the recommendations of CIPFA's Treasury Management in the Public Services (as issued in 2017): Code of Practice (the Code), as described in Section 5 of the Code.

1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management: -

- *A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities*
- *Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.*
- *investment management practices (IMPs) for investments that are not for treasury management purposes. These are grouped with TMPs into one document.*

1.3 The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of this organization. Such amendments will not result in the organization materially deviating from the TM Code's key principles.

1.4 The Council via Full Council, will receive reports on its treasury management policies, practices, activities and the annual treasury management strategy in advance of the year in the form prescribed in its TMPs and IMPs.

1.5 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Executive Board. Executive Board will receive reports as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

1.5 The Council delegates responsibility for the execution and administration of treasury management decisions to the Chief Financial Officer (Section 151 Officer), who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.6 The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2 Policies and Objectives of Treasury Management Activities

2.1 The Council defines its treasury management activities as:

"The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

2.4 The Council's borrowing will be affordable, sustainable, prudent and proportionate with its financial resources and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Council transparency and control over its debt.

2.5 The Council's objectives, in relation to financial investments, in order of importance, remains

a. the preservation (security) of capital value

b. The liquidity or accessibility of the Council's financial investments

c. the yield earned on these investments

5.4 Economic background and forecast commentary (from MUFG Corporate Markets, Treasury advisors)

The Authority has appointed MUFG Corporate Markets (formerly Link Group) as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. MUFG Corporate Markets provided the following forecasts on 11 November 2024. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

- Following the 30 October Budget, the outcome of the US Presidential election on 6 November, and the 25bps Bank Rate cut undertaken by the Monetary Policy Committee (MPC) on 7 November, we have significantly revised our central forecasts for the first time since May. In summary, our Bank Rate forecast is now 50bps – 75bps higher than was previously the case, whilst our PWLB forecasts have been materially lifted to not only reflect our increased concerns around the future path of inflation, but also the increased level of Government borrowing over the term of the current Parliament.

- If we reflect on the 30 October Budget, our central case is that those policy announcements will be inflationary, at least in the near-term. The Office for Budgetary Responsibility and the Bank of England concur with that view. The latter have the CPI measure of inflation hitting 2.5% y/y by the end of 2024 and staying sticky until at least 2026. The Bank forecasts CPI to be 2.7% y/y (Q4 2025) and 2.2% (Q4 2026) before dropping back in 2027 to 1.8% y/y.

- The anticipated major investment in the public sector, according to the Bank, is expected to lift UK real GDP to 1.7% in 2025 before growth moderates in 2026 and 2027. The debate around whether the Government's policies lead to a material uptick in growth primarily focus on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

- There are inherent risks to all the above. The worst-case scenario would see systemic blockages of planning permissions and the inability to identify and resource the additional workforce required to deliver large-scale IT, housing and infrastructure projects. This would lead to upside risks to inflation, an increased prospect of further Government borrowing & tax rises, and a tepid GDP performance.

- Our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in February and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November).

- Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data in the second half of 2025. The fact that the November MPC rate cut decision saw a split vote of 8-1 confirms that there are already some concerns around inflation's stickiness, and with recent public sector wage increases beginning to funnel their way into headline average earnings data, the market will be looking very closely at those releases.

- Regarding our PWLB forecast, the short to medium part of the curve is forecast to remain elevated over the course of the next year, and the degree to which rates moderate will be tied to the arguments for further Bank Rate loosening or otherwise. The longer part of the curve will also be impacted by inflation factors, but there is also the additional concern that with other major developed economies such as the US and France looking to run large budget deficits there could be a glut of government debt issuance that investors will only agree to digest if the interest rates paid provide sufficient reward for that scenario.

- So far, we have made little mention of the US President election. Nonetheless, Donald Trump's victory paves the way for the introduction/extension of tariffs that could prove inflationary whilst the same could be said of further tax cuts and an expansion of the current US budget deficit. Invariably the direction of US Treasury yields in reaction to his core policies will, in all probability, impact UK gilt yields. So, there are domestic and international factors that could impact PWLB rates whilst, as a general comment, geo-political risks abound in Europe, the Middle East and Asia.

- Our revised PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012. Please note, the lower Housing Revenue Account (HRA) PWLB rate started on 15 June 2023 for those authorities with an HRA (standard rate minus 60 bps).

Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, but the risks to our forecasts are to the upsides. Our target borrowing rates are set **two years forward** (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below: -

PWLB debt	Current borrowing rate as at 11.11.24 p.m.	Target borrowing rate now (end of Q3 2026)	Target borrowing rate previous (end of Q3 2026)
5 years	5.02%	4.30%	3.90%
10 years	5.23%	4.50%	4.10%
25 years	5.66%	4.90%	4.40%
50 years	5.42%	4.70%	4.20%

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has been increased to 3.25% (from 3%). As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should also be considered. Temporary borrowing rates will, generally, fall in line with Bank Rate cuts.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are set out below.

Average earnings in each year	Now	Previously
2024/25 (residual)	4.60%	4.25%
2025/26	4.10%	3.35%
2026/27	3.70%	3.10%
2027/28	3.50%	3.25%
2028/29	3.50%	3.25%
Years 6 to 10	3.50%	3.25%
Years 10+	3.50%	3.50%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

We will continue to monitor economic and market developments as they unfold. Typically, we formally review our forecasts following the quarterly release of the Bank of England's Monetary Policy Report but will consider our position on an ad hoc basis as required.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

5.5 The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to councillors of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that councillors are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following: -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.*

- *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*

- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*

- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

Appendix 2

Capital Strategy

2025/26 to 2028/29

February 2025

Together for Nottingham

Section 1 - Overview

1.1. Introduction

1.1.1. Nottingham City Council is required have a Capital Strategy which has been approved by Full Council. The Capital Strategy is applicable for both General Fund and Housing Revenue Account (HRA) capital activities.

1.2. Legislation and Guidance

1.2.1. The Capital Strategy has been prepared in accordance with the following statutory regulations and Code of Practice:

- Part 1 of the Local Government Act 2003;
- Statutory guidance issued by the Department for Levelling Up, Housing and Communities (formerly MCHLG) on:
  (i) Local Government Investments
  (ii) Minimum Revenue Provision (MRP)
- Code of Practice issued by Chartered Institute of Public Finance & Accountancy (CIPFA):
  (i) The Prudential Code for Capital Finance in Local Authorities
  (ii) Treasury Management in the Public Services

1.2.2. Department for Levelling Up, Housing and Communities (DLUHC) are in consultation in relation to Capital Flexibilities and MRP, with the consultations closing in January and February. The Council will continue to be compliant and if any changes in guidance require amendments to the Capital Strategy and / or any appendices then an amended Capital Strategy will be presented for approval.

1.3. Purpose

1.3.1. The approved Capital Strategy provides the framework in which the Council conducts its capital activities by providing:

- An overview of the links between capital expenditure, capital financing, treasury management activity and the provision of services
- Voluntary Debt Reduction Policy and borrowing restrictions within the capital programme
- How risk is managed within the Council's capital activities

1.3.2. The Capital Strategy aligns with the Council's council plan, divisional plans and other key council plans / strategies (such as the Asset Rationalisation Strategy and the Asset Management Plan). The Strategy is also an integral part of the Council's strategic financial planning and therefore, should be read alongside and/or in conjunction with the following key reports;

- Budget and Medium Term Financial Strategy (MTFS)
- Treasury Management Strategy

During November 2023 Nottingham City Council issued a Section 114 Report due to being unable to meet its statutory requirement to deliver a balanced budget for 2023/24. Following the issue of the Section 114 Report the Council requested and was granted Exceptional Financial Support (EFS) for both 2023/24 (£25m, although only £17m was utilised) and 2024/25 (£41m). The Council has requested further EFS for 2025/26 (£25m) and 2026/27 (£10m) as it continues on its journey towards financial stability. The reduced level of EFS recognises a positive direction of travel for the Council.

1.4. Key Objectives

1.4.1. The overarching objective of Nottingham's Strategy is to provide the Council with a strategic planning and a decision-making framework to deliver a capital programme that:

- is affordable, financially prudent and sustainable;
- council's capital resources (i.e. available capital receipts and revenue resources) is committed in accordance with the Council's prioritisation (refer to section 2.5 for further details)
- ensures the Council's capital assets are used to support the delivery of services in accordance with the Council Plan;
- supports other Nottingham service specific plans and strategies, such as Divisional Plans.

1.4.2. The resources required to deliver the Capital Strategy are allocated through the annual budget process that sets the multi-year rolling capital programme. Many councils are at a point where capital resources are becoming increasingly scarce and resources have to be prioritised, leading to schemes potentially being delayed / temporarily decommissioned until resources are secured.

1.5. Principles

1.5.1. Set out below are the core programme principles which have regard to the objectives of the Capital Strategy in achieving the Councils' priorities whilst maintaining focus on capital resources in order to gain the maximum benefit:

- The capital programme will only include schemes which assist in delivery of Council priorities, as part of its Budget Strategy to close the gap between expenditure and resources.
- The overriding need to reduce the Council's borrowing requirement and debt will be critical in accordance with the debt reduction policy.
- The funding of the capital programme is set in the context of the Council's overall financial position and must be considered alongside the revenue budget and balance sheet position as part of the Council's MTFS.

1.5.2. In addition to the core principles set out above the capital projects are required to comply with the following set of project principles:

- Within the formal approval the project team is required to evidence an options appraisal has been undertaken detailing the preferred option and justification why other options have been discounted.
- When applying for external funds, bids should reflect the Council's priorities, with consideration given to any funding required to deliver the project and future maintenance liabilities for the Council.
- Capital schemes with unsecured funding (i.e. government grants, partnership contributions and/or Section 106 receipts) will be classed as 'Planned Schemes' in the current capital programme and only reclassified as approved when either:
  - a written confirmation setting out the value of external funding is secured including the agreed funding conditions and/or
  - actual funding has been received by the Council.
- All uncommitted non-ring-fenced capital funding will be reviewed to ensure it is affordable and financially sustainable in the context of the Council's overall financial position. The aim will be for non-ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives:
  - Transport grant funding
  - Education grant funding
  - Disabled facilities grant
- There will be no ring-fencing of capital receipts to specific schemes, as resources will be allocated in line with the capital funding prioritisation set out in section 2.5 below.
- Any capital schemes that crystallise an underspend will be evidenced by a reduction in forecasted capital expenditure and funding requirements. Any released council resources will be released to undergoing the prioritisation process.
- The project teams are required to ensure that schemes do not overspend, and where overspends are identified then the appropriate departments being required to identify funding through identifying capital or revenue savings, exploring external funding opportunities and/or undergoing the prioritisation process to allocate any uncommitted capital receipts.
- The Council's capital projects will be actively monitored, with the programmes reported to Executive Board on a bi-monthly basis (i.e. every other month).

Section 2 – Governance

2.1 Capital Governance

2.1.1 The Council's Capital Programme involves the expenditure and financing of £771.886m of capital schemes over the period 2024/25 to 2028/29. It is important therefore given the risks surrounding capital projects that appropriate governance arrangements are in place. For the Council these governance arrangements encompass:

- The Capital Strategy itself, which is approved annually at Full Council.
- The Voluntary Debt Reduction Policy, which approved as part of the Capital Strategy (see appendix B).
- The Capital Board, which is chaired by the Leader of the Council and reviews amendments to the Capital Programmes / projects, any changes to the approved value of the Capital Programme require endorsement by the Capital Board prior to obtaining formal approval, as detailed in the Council's constitution (e.g. Executive Board, Portfolio Decision, Operational Decision).
- Capital Programme Officer Group, which is chaired by the S151 officer and supports the Capital Board undertaking a initial review of the capital proposals.
- The Corporate Leadership Team (CLT), which has overall responsibility for the management and monitoring of the Capital Programme.
- Directorate Management Teams, which oversee and agree business cases for capital schemes prior to submission to Capital Board, CLT and/or formal approval.
- The Constitution (including Financial Regulations, the Scheme of Delegation and Contract Procedure Rules), which sets out the powers of the Executive and senior officers with regard to capital expenditure.
- Executive Board receives and approves budget update reports bi-monthly which identify any variation to the approved capital programme arising either from the re-phasing of schemes, changes in resource availability and requirements or new capital schemes.
- All capital expenditure is guided by the Council's financial accounting framework which ensures that only expenditure that properly falls as capital expenditure in accordance with accounting convention and / or statutory guidance is capitalised.
- The Capital Programme is subject to both internal and external audit scrutiny.

2.2 Capital Programme Board

2.2.1 The Council has established a Capital Board with robust processes for overseeing the multi-year capital programme, endorsing additions / amendments to the capital programmes, reviewing project risks / delivery and funding updates. This approach ensures that capital resources are directed towards supporting schemes that best meet the council's priorities.

2.2.2 The Capital Programme Board is chaired by the Leader of the Council and the S151 Officer chairs the Capital Programme Officer Group. This group is supported by input from senior officers who will oversee their departmental plans and capital requirements via their departmental leadership teams.

2.2.3 Departments will also be required to have long term strategies for the capital requirements detailed within the Departmental Plans, for their areas to help ensure that investment is only being proposed where it is needed and proposals should not be put forward in areas where the longer term plan does not support this.

2.2.4 This process is done with the understanding of the prioritisation criteria set out in section 2.4 and operate in accordance with the Council's Decision Making Framework.

2.3 Formulation and Approval of the Capital Programme

2.3.1 The annual cycle for the capital programme will align with the Medium-Term Financial Plan timelines and cumulate in a capital programme that is approved March Council.

An indicative annual cycle is set out below:

- March – Parameters are agreed by Capital Board
    - Timetable for the cycle including deadlines for submissions
    - Indication of overall level of resources expected to be available to allocate
    - Standard information that must be submitted for each project proposal
    - Proposed projects are required to be identifiable within the departments business plans
    - Evaluation criteria that will be used to prioritise projects

- April to Mid May – Corporate Directors via their departmental leadership teams consider outline project briefs and shortlist those to be submitted into the prioritisation process

- End of May – Outline project briefs are reviewed and challenged by a team nominated by the Capital Programme Officer Group; further information / clarifications are requested as appropriate

- June – Prioritisation takes place against pre-agreed criteria by a subgroup of officers nominated by the Capital Programme Board. This group will recommend which projects should go forward to the next stage, which should be put on a reserve list and which rejected to the Capital Programme Officer Group and then to the Capital Programme Board.

- July to October – feasibility studies commissioned and initial business cases developed by project teams for projects that have been recommended to progress. Business Cases will follow Treasury Green Book principles using a five case model. This will require them to include options appraisals, outline procurement strategies and affordability projections amongst other items.

- November – Business cases are the subject to a gateway style assurance review.

- December – Capital Programme Officer Group and the Capital Programme Board receive recommendations from the reconvened prioritisation panel, which will have considered each scheme's progress since July and the recommendations of the gateway style review. Capital Programme Board to recommend to Executive Board which projects should be included in the capital programme.

- January – Draft Capital Programme and Capital Strategy endorsed by the Capital Board.

- February – Executive Board to approve the capital programme for recommendation to Council for the following and subsequent financial years.

- March – Council approve MTFS including Capital Programme. The annual cycle will commence in March with an invitation to submit proposals for new projects to be included in the revised multi-year programme to be approved by Executive Board the following February.

- April – May – updates / reviews on the previous year's projects will be received by the group undertaking the initial prioritisation process. This will be done to assess the progress being made and the accuracy of previous of assumptions. This will create the potential for projects that have not progressed as expected to be slipped / removed should other higher-ranking priorities emerge in this round of prioritisation. Reflection on assumptions made by projects in previous years at this stage will also help to inform how confident the group carrying out prioritisation can be in future year scheme projections.

- December – A repeat of the above stage before the Capital Programme Board makes its final recommendations for the future capital programme.

2.3.2 Requests for new project proposals to be progressed in advance of this cycle will be considered in accordance with the process set out within this strategy. This approach will also be used for ad hoc requests coming into the programme part way through the year. These requests should be the exception rather than the rule and would generally apply to schemes such as emergency health and safety works or where an external funding opportunity has arisen at short notice.

2.3.3 The standard templates for this process, along with guidance notes and wider supporting information on project management will be kept on the intranet and regularly reviewed to ensure it is kept up to date. The Council will evaluate new project proposals giving full consideration to the Capital Prioritisation criteria.

2.4.1. Given the financial context and the limited resources available, there will be little flexibility for schemes to progress or current Pipeline schemes to continue without meeting the strict prioritisation criteria. Projects where the primary purpose is to generate a surplus will not be permitted under any circumstance. The judgement of the Section 151 officer is final in determining if a proposal breaches this criterion.

2.3.4 In addition to the evaluation criteria, Capital Programme Board, in evaluating project proposals, will consider:

- The whole life cost implications of the proposed scheme, including those arising from ongoing maintenance requirements, both capital and revenue.
- How the investment will play a part in the managing the medium to long term demand for Council Services.
- How the investment will be made to maximise the benefits for the Council across a range of its priorities and objectives.
- Ability to deliver so that projects accepted into the programme can realistically be delivered in accordance with the timescales indicated by the phasing of the project within the multi-year programme.

2.3.5 The Capital Programme, Capital Strategy and the Treasury Management Strategy are intrinsic parts of a Medium-Term Financial Plan. Executive Board is required to approve the rolling multi-year capital programme at the same meeting each year when it recommends the revenue budget to Full Council for the following financial year. This will ensure that the revenue implications of the capital programme are reflected in the revenue budget.

2.3.6 Where individual schemes are formally approved for acceptance into the capital programme, the capital budgets for the relevant financial years will also be deemed to have been approved. However, where a block allocation is approved as part of the programme, then a further decision may be required, in accordance with the scheme of delegation, to approve the capital budgets for individual schemes.

2.3.7 Amendments to the programme will require approval in accordance with the scheme of delegation. In exceptional circumstances a new scheme may need to be progressed outside the normal annual cycle and the decision to allow the scheme to be considered is delegated to the Capital Board.

Such amendments are likely to fall into two main categories:

- Variations to scheme costs / outcomes / risk / timelines
- Ad hoc additions to the capital programme e.g. emergency health and safety work

2.4. Capital Scheme Prioritisation

2.4.1. Capital schemes will be strictly categorised into 3 high level categories:

- Schemes entirely funded by external grant and with £nil revenue impact. These schemes can go to formal approval once they have been endorsed by Capital Board.
- Schemes entirely funded by external grant with a negative revenue impact. Will be reviewed on the basis of affordability.
- Schemes which require allocation of Council capital resources, these schemes will undertake a prioritisation process as detailed below.

2.5. Capital Receipt Prioritisation

2.5.1. The Council's available capital resources are heavily reliant on the level of capital receipts available. This is due to the low level of non-ringfenced Government funding and the Council's strategy to reduce its level of debt through its Voluntary Debt Reduction Policy.

2.5.2. The Section 151 Officer's professional opinion is the priority order in the application of available capital receipts should ensure the financial sustainability and mitigate tangible risks of the Council.

2.5.3. The capital receipts from the High Value Investment Properties have historically been used to reduce the Capital Financing Requirement (CFR) in accordance with the Council's approved Capital Strategy, due to these assets having underlying debt (i.e., purchase funded from Prudential Borrowing). This approach will continue in 2025/26.

2.5.4. The priority order of application for capital receipts, after the repayment of the CFR and debt from capital receipts arising from high value investment properties as set out in paragraph 2.5.3, is as follows:

1) Financing of Exceptional Financial Support
2) Transformation (Flexible Use of Capital Receipt)
3) Capital Schemes classed as Health and Safety, Statutory or Legally required,
4) Reduction of the Council's CFR through repayment of external or internal borrowing.
5) Other capital investment schemes

2.5.5. For clarity the priority order set out in paragraph 2.5.4 is relating to the prioritisation for the utilisation of capital receipts only. It is not a prioritisation methodology for capital schemes which should follow the existing process as set out elsewhere in this Strategy.

2.6. Review of Capital Governance

2.6.1. During the 2025/26 financial year the Council will undertake a review of the capital governance arrangements with a view to make them more robust and fit for purpose in the current financial environment within which the Council is operating. The aims of the review will look to strengthen the governance arrangements and take into account the emerging partnership with East Midlands Combined County Authority (EMCCA).

Section 3 – Budget Strategy

3.1. The Link Between Revenue and Capital Budgets

3.1.1. Capital and revenue expenditure are separate components of local authority budgets and funding for each is considered separately. However, a vital component of successful financial planning is that revenue and capital budgets are intrinsically linked as the impact of capital projects must be reflected in revenue budgets. Therefore, this Capital Strategy forms a key part of the Council's MTFS and budget process.

3.1.2. It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular the Council is legally required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that any increases in capital expenditure must be limited so that increases in charges to the revenue budget are kept to a level that is affordable within the projected income of the Council for the foreseeable future. Such charges to revenue arise from increases in debt charges caused by increased borrowing to finance additional capital expenditure, and from any increases in running costs from new capital projects.

3.1.3. During financial year 2023/24 Nottingham City Council issued a Section 114 report due to having a significant budget gap in the current year. Following the issue of the Section 114 report a Finance Recovery Plan was approved at Full Council in December. This recovery plan included a commitment to carry out a Capital Programme review, to identify to the extent to which borrowing can be stopped and savings made. The outcome of this review led to £2m being removed from the Capital programme.

3.1.4. The Council received Exceptional Financial Support (EFS) from Government to assist in balancing its General Fund Revenue Budget in 2023/24 and 2024/25. A further request has been made for 2025/26 and 2026/27. The EFS includes an application for a capitalisation direction which the Council will need to fund from capital receipts through a programme of asset disposals. As set out in section 2.5 the repayment of any capitalisation direction will be the top priority for the use of the council capital receipts. If the Council is unable to finance EFS due to insufficient capital receipts being available, then it will need to temporarily borrow until asset disposals are delivered. There will be an associated debt financing costs (interest and capital repayment - MRP) incorporated into the revenue budget.

3.1.5. The impact and affordability of capital expenditure must be considered in the assessment of capital projects at the business case stage. Effective financial planning must fully reflect the impact of capital plans on the Council's revenue budgets.

3.2. Budget Approach

3.2.1. **Budget Strategy**

The budget process is priority-led; aligning the availability of resources with the priorities of the Council and associated priority areas.

All capital investment must be sustainable in the long-term. Therefore, all capital investment decisions must consider the revenue implications both in terms of servicing the finance (if appropriate) and running costs of the new assets. The impact of the revenue implications is a significant factor in determining approval of projects. The use of capital resources has been fully taken into account in the production of the Council's MTFS.

3.3. Identification and Prioritisation of Capital Investment Needs

3.3.1 Investment Proposals

3.3.2 The basis of the capital programme is driven by the availability of external and internal capital resources (i.e. grants) and the Council Priorities / Divisional Plan. The annual process is set out in section 2.3. The size of the capital programme is determined by:

- The need to incur capital expenditure
- Capital resources available
- The revenue implications flowing from the capital expenditure.

3.3.3 Projects Evaluation

3.3.4 Officers and members of the Capital Board endorse projects to be included within the capital programme in light of the relative priorities and the overall impact on the revenue budget.

3.3.5 All capital investment decisions consider the revenue implications both in terms of servicing the financing, and the running costs of the new assets. The impact of the revenue implications is a significant factor in determining approval of projects. The use of capital resources has been fully taken into account in the production of the Council’s MTFS.

3.3.6 The Council’s policy is to agree the rolling capital programme on an annual basis at the February Council meeting as part of the annual budget setting process.

Section 4 – Relevant Policies and Strategies

4.1. Council Strategic Plan

4.1.1. To reflect the Council's corporate priorities, the Strategic Plan for 2024-2027 was approved in March 2024. There is planned annual refreshed for the Council Plan in March 2025.

4.1.2. Our vision is that Nottingham will be known as a healthy, aspirational, thriving city, where people feel safe to live and work whatever their age, an exciting, clean and welcoming place to play, study and visit. A city that is green and environmentally sustainable, with strong commitment to fairness, equality and inclusivity.

4.1.3. An ambitious city where people and businesses have a reputation for regeneration and building a growing economy with a skilled workforce. A city that is creative and culturally vibrant, where local people are proud of their city, their place, neighbourhood and their local community

4.1.4. Our high-level outcomes for Nottingham are:

People
- Child-Friendly Nottingham
- Living Well in Our Communities

Neighbourhoods
- Green, Clean and Connected

Communities
- Better Housing
- Safer Nottingham City
- Carbon Neutral City by 2028
- Keeping Nottingham Working
- Keeping Nottingham Moving
- Improve the City Centre
- Serving People Well

4.1.5. The Council is currently refreshing its Strategic Plan. 'Our Council Plan' will be structured around three Core Missions rather than 10 strategic priorities. These are:

- A renewed council
- Delivering for local people
- Leading Nottingham forward

4.1.6. **Divisional Plans**

4.1.7. Each department is required to have a Divisional Plan, this plan should contain short and medium term capital requirements. These should then feed into the prioritisation process.

4.2. Asset Management

4.2.1. It is recognised that there is a need for a more sustainable and long-term strategic approach to the management of the Council's property assets. Following an independent review of how the Council manages its property assets, a Corporate Landlord approach is currently being implemented, which will result in a more joined up corporate approach to asset and property management.

A Corporate Asset Management Plan is being refreshed - the key components of which, relevant to the Capital Strategy, are:

- regular review of the portfolio to identify assets that can be released with the capital receipts used to support the debt reduction policy or capital programme expenditure.
- lower the operating costs of the property portfolio through release of poorly performing or surplus assets.
- support the provision of integrated access to public services through joint working with partners to create multi-agency service facilities.
- identify and exploit the latent value of the estate with emphasis on site utilisation or where opportunities to generate income / value from alternative uses can be realised.
- minimise future liabilities to the Council by reducing the backlog maintenance and/or lowering its overall carbon footprint by releasing buildings which are poorly performing in terms of $CO2$ emissions or maintenance unless they are service critical; to improve their sustainability
- challenge utilisation and use of the portfolio, including buildings let on concessionary terms to occupiers.
- Identify assets where investment would increase revenue/operational capability.

4.2.2. An initial comprehensive review of the Council's commercial property assets has been undertaken with the relevant properties being approved for disposal at Executive Board.

4.2.3. The prioritisation of capital investment will reflect the requirements of the Corporate Asset Management Plan and this will be overseen by the Capital Board.

4.2.4. **Property Asset – Disposal**

4.2.5. The Council is undergoing an Asset Rationalisation Programme (ARP). The aim of the programme is to review the Council's operational and non-operational assets, in line with the council's strategic requirements and identify any assets for potential disposal.

4.2.6. Any available capital receipts generated from the ARP will be pooled and used to meet the Council's current commitments including capital approvals, debt reduction, spend under a Capitalisation Directive and the repayment of reserves. Capital receipts will not generally be hypothecated against individual projects and only then, with the express consent of the Section 151 officer.

4.2.7. The investment property portfolio has been externally reviewed with a report detailing the Council's actions being presented at January 2023 Executive Board, the actions include liquidating assets that do not provide the required return or carry an unacceptable current or future risk to the Council. These investment properties are continually reviewed as part of the Council's asset disposal policy.

4.2.8. The Council has a disposals policy which provides the framework for asset disposals and confirms the Council policy to dispose of assets at best consideration (usually market value) to maximise the capital receipts. It will also consider other forms of asset management but a robust and comprehensive options appraisal is required to ensure best consideration.

4.2.9. As part of the disposal appraisal a model has been developed by colleagues within Finance and Property, this model reviews the Council's properties and identifies properties for disposal and the impacts of retention. These properties are then reviewed by senior management prior to obtaining formal approval to dispose.

4.2.10. Given the increased pressure placed on capital receipts to fund a multitude of demands as set out in section 2.5, officers will need to continue to develop a pipeline of assets suitable for sale (approved through the normal governance process) that will meet the overall demand. Given the inherent difficulties of realising capital receipts in a timely manner and to sufficient quantum, a new pipeline of receipts will need to be brought forward on a regular basis to ensure the obligations can be met. The balance of capital receipt demands and forecast receipts will be actively managed to ensure the capital priorities are sustainable with pipeline schemes only being introduced into the programme when the Council is confident that the higher priorities are funded.

4.3. Treasury Management Strategy

4.3.1. **Link between Capital and Treasury Management Strategies**

4.3.2. There are close links between the Capital Strategy and Treasury Management Strategy. The capital programme determines the borrowing need of the Council in accordance with the Voluntary Debt Reduction Policy. This management of longer term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

4.3.3. Treasury Management and its capital financing revenue budget, has an intrinsic link to the Capital Programme and will change with every capital budget decision.

4.3.4. The Capital Strategy and Treasury Management Strategy have been reviewed to ensure compliance with the updated requirements across the two strategies. The

Capital Strategy should be considered alongside the Treasury Management Strategy which between them provide the following:

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed. Detailing any implications for future financial sustainability.

4.3.5. The following is detailed within the Council's Treasury Management Strategy:

- A long-term projection of external debt, internal borrowing and the use of cash backed reserves.
- How debt will be repaid over the life of the underlying debt; the Minimum Revenue Provision (MRP) Policy.
- The authorised limit and operational boundary.
- Local Prudential Indicators.
- Treasury management governance procedures supporting decision making and risk management.
- Arrangements for the scrutiny of treasury management.

4.4. Carbon Neutrality 2028

4.4.1. Nottingham City Council pledged to become the first carbon neutral city in the country, aiming to reach this target by 2028. This involved the creation of Nottingham's 2028 Carbon Neutral Charter. Our financial position and operating context means that we will need to reimagine how we achieve our Carbon Neutral ambitions. The establishment of the East Midlands Combined County Authority will bring Net Zero funding to a local level and presents an opportunity for us to deepen our efforts with the region. Our ambition for the city to be carbon neutral by 2028 is based on five key objectives:

- Significant reductions in carbon dioxide (CO2) and wider greenhouse gas emissions arising from key areas such as transport, our built environment and energy generation.
- Offsetting any residual CO2 emissions through a range of actions including tree planting.
- Making the city more resilient and better adapted to the adverse impacts of the climate crisis such as flooding.
- Improving the city's natural environment.
- Adopting a 'carbon neutral by design' ethos in all we do as a council. The council cannot do this alone. We are working closely with partners, organisations, communities, and residents across the city.

4.5. Housing Revenue Account (HRA) 30-Year Business Plan

4.5.1 The 30 year Business Plan of the HRA involves an assessment of the long term financial implications of key strategic objectives alongside ongoing landlord operations and service improvements. The plan sets out the capital investment requirement while considering available capital funding. Further details in relation to the assumptions are contained within the HRA report being presented at February 2025 Executive Board. As detailed in the HRA report following the approval of the 2025/26 HRA budget the 30 year Business Plan has been refreshed and updated.

Section 5 – Capital Expenditure and Funding

5.1. Capital Expenditure

5.1.1. Capital spend is expenditure incurred in acquiring, constructing or enhancing physical assets such as buildings, land, vehicles, plant and machinery that have an estimated useful asset life in excess of one year.

5.1.2. Nottingham City Council applies a de-minimis level of £10,000 in relation to the recognition of assets but has not set a limit for capital spend due to instances whereby small items of expenditure qualifies as capital and is supported by capital grant.

5.1.3. **Capital Expenditure Plans**

5.1.4. The Council determines the areas where it may need to incur capital expenditure from the following: -

a) Identification of urgent health and safety requirements.
b) Review and delivery of Council priorities (Council Plan and other service plans).
c) Review of current and future asset management plan.
d) Changes in service areas where a change in need and/or demand may require additional facilities etc.

5.1.5. Aligned to corporate and service priorities, individual schemes are included within the approved capital programme or are to be considered for a resource allocation over the period of the Capital Strategy, having regard to the MTFS and Budget Strategy.

5.1.6. In addition to the Council Plan, Divisional Plans, Budget Strategy & MTFS which underpin the spending plans, they are also driven by various factors, some of which are listed below:

- Asset condition survey
- Change in asset requirements, e.g. technological, environmental standards
- External funding opportunities
- Changes in Statutory or Legal requirements
- Member-led priorities.

5.2. Capital Resource Strategy

5.2.1. **Context of Capital Resource Strategy**

5.2.2. The Council's strategy for deploying its resources is to ensure that all resources are utilised to achieve Council objectives as set out in the prioritisation criteria. Whilst the aims and priorities of the Council will shape decisions around capital expenditure, there is recognition that the financial resources available to meet priorities are constrained as a result of the current economic and political climate.

5.2.3. Due to the Exceptional Financial Support, which is a priority to repay, and the Voluntary Debt Reduction Policy the Council is required to agree a funded capital programme. Schemes which require allocation of Council Capital Resources will be strictly prioritised in line with the priorities confirmed in section 2.5. This prioritisation process includes non-capital project commitments such as Capitalisation Directives and Transformation requirements.

5.2.4. Any unfunded capital schemes which are classed as a high priority are classified as Pipeline / Temporarily Decommissioned, these schemes will be prioritised once funding becomes available. It is recognised there are risks associated with these schemes until funding is available. These risks are regularly reviewed by the Capital Officer Group and Capital Board, and if the risks are considered excessive, after appropriate mitigations have been put in place, funding will be considered to be made available.

5.2.5. In light of the above, it is imperative that capital expenditure plans are affordable, prudent and sustainable. Given the Council's MTFS position, the aim is to minimise any impact of capital expenditure on the Councils General Fund.

5.2.6. **Utilisation of Capital Resources**

5.2.7. Wherever possible the Capital Programme will utilise and maximise external grant funding or contributions from third parties (e.g. developers). Whilst grants and other contributions will reflect government and partner-led priorities they will nevertheless be deployed to address priority needs for the Council.

5.2.8. Due to restrictions on borrowing arising from the Voluntary Debt Reduction Policy and the Council's current revenue position capital investments are heavily reliant on generating funding in the form of capital receipts from asset sales. The prioritisation for the application of capital receipts is set out in section 2.5.

5.2.9. The Council has a substantial land and property estate. Where assets are identified as surplus to operational requirements they may be disposed of, resulting in a capital receipt. Capital receipts are generally not ring-fenced unless the property disposed of has directly associated debt assigned to it. For these assets repayment of this debt is the first call on any capital receipt. After disposal costs and repayment of associated debt (if appropriate) any net receipt will be allocated to maximise the achievement of corporate priorities (including revenue efficiencies arising from capital receipts flexibilities) or to finance capital schemes. Capital receipts may also be used to repay amounts borrowed when there are clear benefits from doing so; this is set out further in the capital prioritisation process.

5.2.10. The council has a number of different funding sources available to use for capital expenditure. The different sources of funding are detailed below.

5.2.11. **Consideration of Capital Proposals with Multiple Funding Sources**

5.2.12. Schemes attracting partial external funding and require match funding, will be assessed in the same way as those schemes which require 100% of funding to be met from council resources and will only be included within the capital programme if they meet the Council's needs, objectives and priorities.

5.2.13. Schemes that are 100% funded from external funding would normally be included automatically within the capital programme, subject to confirmation of the external funding, the scheme meeting the Council's priorities and not having a negative impact on revenue.

5.2.14. All schemes are required to go through the Capital Board prioritisation process even if 100% funded by grant.

5.3. Capital Funding Options

5.3.1. The availability, affordability and financial sustainability of capital funding will limit the number and value of capital schemes which can be progressed. The main sources of capital funding for the General Fund and HRA are summarised below.

5.3.2. **Capital Grants**

5.3.3. The Council receives capital grants from the government for various services. Any grant that the Council receives for housing (HRA grant) is ring-fenced. Grants have been an important source of funding for the Council's capital expenditure in recent years and it is expected that the following will continue:

- Ring-fenced grants and contributions (reserved for a particular purpose and have a restricted use).
- Non-ring-fenced grants and contributions (grant given with conditions which Projects are required to meet).
- Section 106 agreements (planning obligations generally subject to conditions of use).

An element of the non-ringfenced grant might be flexible, but there is a risk that if the grant is not spent as intended by the grant awarding body any future allocation maybe reduced (e.g. Transport Grants / Education Grants). As supported by the Councils Capital Principles.

5.3.4. Grants can be awarded to the Council either via;

- Direct Award e.g. Disabled Facilities Grant; or
- Grant application for deliver a specific service requirement / priority

5.3.5. Where there is a requirement to make an application to an external body for funding and commit Council resources as match funding for any part of any bid full consideration must be given if the match funding resources could be better utilised in delivering corporate objectives.

5.3.6. To ensure the Council is accountable funders it will complete grants returns.

5.3.7. **Revenue Contributions**

5.3.8. Revenue budgets can be used to fund the capital programme, either via a one- off contribution to fund a project in its entirety, or an annual sum to repay Prudential Borrowing debt costs in accordance with the Voluntary Debt Reduction Policy.

5.3.9. In the current financial climate, and with increasing revenue pressures within the general fund finances, the extent to which this may be used to fund capital expenditure is significantly reduced. This is expected to remain the case for the foreseeable future. Therefore, revenue funding is considered to be the funding of last resort.

5.3.10. The HRA revenue budgets contribute towards specific capital schemes to supplement the capital resources allocated to housing improvement and regeneration schemes.

5.3.11. **Earmarked Reserves**

5.3.12. Reserves are set aside from revenue resources and earmarked for particular purposes. The approved capital programme currently contains expenditure which is funded from a combination of the following reserves including the IT investment reserve, revenue reserve for capital purposes and the Major Repairs Reserve.

5.3.13. **Capital Receipts**

5.3.14. The Council's policy on capital receipts is set out in section 2.5.

5.3.15. **Private Finance Initiatives (PFI) and leasing**

5.3.16. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital. Under a PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the Council.

5.3.17. The current Capital Programme does not include the recognition of any assets acquired under PFI or lease arrangement. If future schemes are funded by other non-treasury long-term liabilities such as PFI and leasing then this has to be clearly identified within the approval and accounted for in accordance with the appropriate accounting standards. All non-treasury long-term liabilities from historic decisions are regularly monitored and reported as part of the Statement of Accounts.

5.3.18. The Council will be compliant with the requirements of IFRS16 concerning lease and PFI.

5.3.19. **Borrowing**

5.3.20. Councils have discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the following criteria as set out in the Prudential Code:

a. Affordable
b. Sustainable
c. Prudent
d. Proportionate for the size of the authority

5.3.21. Scheme affordability can be measured across several key indicators within the financial model including surplus cash position, surplus Net Present Value, early year deficits affordability and mitigations. Affordability can be considered at an individual project level or across the wider programme.

5.3.22. Nottingham City Council have over-relied on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure when measured in terms of debt servicing costs as a proportion of net revenue expenditure. Therefore, to mitigate this risk going forward the Council is not undertaking new borrowings for the period of the MTFS and will indeed be paying down debt in accordance with a revised MRP Policy and the Voluntary Debt Reduction Policy Statement. The Voluntary Debt Reduction Policy is set out in Annex B.

5.4. Capital Receipts Policy

5.4.1. **Overview**

5.4.2. A capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The rationalisation of the asset portfolio is a fundamental part of the asset management strategy and provides benefits such as a reduction in revenue costs relating to surplus assets, as well as releasing assets for disposal. Capital receipts are an important funding source for the current capital programme.

5.4.3. The Council’s policy is to treat all capital receipts as a corporate resource, enabling investment to be directed towards those schemes or projects with the highest corporate priority. This means that individual services are not reliant on their ability to generate capital receipts.

5.4.4. The timing and value of asset sales is the most volatile element of funding. As a result, the Chief Finance Officer (Section 151) closely monitors progress on asset disposals.

5.4.5. **Flexible Use of Capital Receipts**

5.4.6. The Ministry of Housing and Communities and Local Government (MHCLG) issued a directive in 2016 providing councils with the flexibility to use capital receipts for qualifying revenue expenditure, with 2021/22 being the final year for this directive. In February 2021 it was announced that there would be a 3-year extension with the directive being available until 31 March 2025, with a further 3-year extension announced in November 2025 until 31 March 2030. Nottingham City Council's Flexible Use of Capital Receipts Policy is set out in Annex A.

5.4.7. **Prioritisation for the use of Capital Receipts**

5.4.8. The Council's prioritisation for the use of capital receipts is set out in section 2.5.

Section 6 – Non-Treasury Investments Strategy

6.1. Non-Treasury Investments

6.1.1. The principles within this Capital Strategy prohibit the Council from including any schemes that meet the Commercial Investment definition within its Capital Strategy in accordance with the Debt to Yield guidance published in November 2020.

6.1.2. Nottingham City Council has previously invested in both Service and Commercial Investments the differential between these investments is defined as follows:

- Commercial Investment – CIPFA defines commercial investments as assets held solely to earn income and/or for capital appreciation Examples of commercial investments held by the Council are as follows:
  - Holding property for a financial return and/or appreciation.
- Service Investments – Are investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Examples of service investments held by the Council are as follows:
  - loans to external organisations that are delivering the Council's strategic objectives.
  - shareholding in companies that support service provision.

6.1.3. Further details of these investments are contained within Nottingham City Council's Non-Treasury Investment Strategy which is enclosed in Annex C.

6.1.4. The Council is continuously reviewing investments to identify opportunities of divestment to accelerate the reduction of the Councils debt exposure and achieve its VDR policy. As part of the VDR policy the council is not allowing any additional non-treasury investment above what was included within the Capital Programme at the time the VDR was incepted.

6.2. Commercial Investments

6.2.1. The most significant commercial Investments that the Council has undertaken to date are in relation to property acquisitions. A summary of the position is detailed below, further details are contained within Annex C.

Summary of Commercial Investments			
		Capital Funding	
	Purchase Price £m	**Borrowing Incurred £m**	**Council Resources Used £m**
Investment Disposed in 2023/24	0.000	0.000	0.000
Commercial Investments Held	222.812	(218.812)	(4.000)
Commercial Investment Total	**222.812**	**(218.812)**	**(4.000)**
Forecast Income net of MRP and associated costs	(10.552)		
Net Yield	**4.52%**		

6.3. Service Investments

6.3.1. Nottingham City Council has made loans and investments to third parties based on further delivery of the Council's strategic objectives and any benefits from the investment will be received by the Council and its residents in the short, medium, or long term. The Council also hold shares in companies that support service provision. A summary of this position is included below with further detailed contained within Annex C.

Table 3– Summary of Service Investments

	31 March 24 Balance £m	Movements to P9 £m	31 December 24 Balance £m	Forecast Balance 31 March 25 £m
Shares/Equity Held	14.855	(0.775)	14.080	14.065
Loans	109.557	(2.135)	107.422	108.054
Total	**124.412**	**(2.910)**	**121.502**	**122.119**

Section 7 – Capital Programme

7.1. Approved Capital Programme

7.1.1. The Council's current capital programme includes various programmes but is split between the General Fund and the Housing Revenue Account.

7.1.2. Full Details of the Council's 5-year programme including additions / growth items are included within the Capital Budget approval.

7.1.3. The tables below provide summary of the Capital Programme, which is reflective of the scheme slippage as at period 9 of the 2024/25 financial year.

Table 4a: Approved Capital Programme Spend

Capital Programme - 2024/25 to 2028/29	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Adult Social Care	2.245	2.985	3.185	1.956	0.000	**10.371**
Childrens Integrated Services	0.604	0.064	0.035	0.000	0.000	**0.703**
Education / Schools	5.135	14.288	3.272	0.000	0.000	**22.695**
Total - People	**7.984**	**17.337**	**6.492**	**1.956**	**0.000**	**33.769**
Finance	0.000	0.000	0.000	0.000	0.000	**0.000**
Legal & Governance	0.000	0.000	0.000	0.000	0.000	**0.000**
IT	1.150	1.295	0.829	0.115	0.120	**3.509**
Total - Finance & Resources	**1.150**	**1.295**	**0.829**	**0.115**	**0.120**	**3.509**
Economic Development	1.584	1.689	0.000	0.000	0.000	**3.273**
Major Projects	0.113	0.000	0.000	0.000	0.000	**0.113**
Planning	15.163	15.794	7.989	0.000	0.000	**38.946**
Strategic Asset & Property	0.000	0.000	0.000	0.000	0.000	**0.000**
Housing	0.120	0.000	0.000	0.000	0.000	**0.120**
Total - Growth & City Development	**16.980**	**17.483**	**7.989**	**0.000**	**0.000**	**42.452**
Energy & Sustainability	106.431	3.674	1.254	0.000	0.000	**111.359**
Communities	0.287	0.937	0.000	0.000	0.000	**1.224**
Resident Services	3.494	1.262	0.121	0.000	0.000	**4.877**
Sport & Culture	2.113	5.174	1.992	2.063	1.774	**13.116**
Total - CERS	**112.325**	**11.047**	**3.367**	**2.063**	**1.774**	**130.576**
Transport Programme	60.996	45.127	3.887	1.372	0.426	**111.808**
Exceptional Financial Support	41.024	25.000	10.000	0.000	0.000	**76.024**
Transformation	3.192	0.000	0.000	0.000	0.000	**3.192**
Total General Fund - Approved Programme	**243.651**	**117.289**	**32.564**	**5.506**	**2.320**	**401.330**
General Fund Planned Programme	1.009	15.158	10.426	0.000	0.000	**26.593**
TOTAL GENERAL FUND CAPITAL PROGRAMME	**244.660**	**132.447**	**42.990**	**5.506**	**2.320**	**427.923**
HRA - Approved Programme	63.441	64.674	52.970	45.347	44.492	**270.924**
HRA - Planned Schemes	0.025	30.307	21.557	11.400	9.750	**73.039**
HRA CAPITAL PROGRAMME	**63.466**	**94.981**	**74.527**	**56.747**	**54.242**	**343.963**

CAPITAL PROGRAMME 2024/25 to 2028/29	**308.126**	**227.428**	**117.517**	**62.253**	**56.562**	**771.886**
Decommissioned Schemes	7.514	13.715	13.817	12.339	7.091	**54.476**

Table 4b: Approved Capital Programme Funding for General Fund

Capital Funding - 2024/25 to 2028/29	2024/25	2025/26	2026/27	2027/28	2028/29	Total
External Grants & S106	(192.315)	(88.239)	(26.795)	(3.327)	(0.426)	**(311.102)**
Capital Receipts - General Fund	(4.136)	(10.607)	(1.890)	0.000	0.000	**(16.633)**
Capital Receipts - Exceptional Financial Support	(22.345)	(18.799)	(10.000)	0.000	0.000	**(51.144)**
Revenue Reserves - General Fund	(3.395)	(3.850)	(3.292)	(2.179)	(1.894)	**(14.610)**
Revenue Contribution - General Fund	(0.263)	(0.156)	0.000	0.000	0.000	**(0.419)**
Borrowing	(3.527)	(4.595)	(1.013)	0.000	0.000	**(9.135)**
Borrowing - Exceptional Financial Support	(18.679)	(6.201)	0.000	0.000	0.000	**(24.880)**
TOTAL GENERAL FUND CAPITAL PROGRAMME	**(244.660)**	**(132.447)**	**(42.990)**	**(5.506)**	**(2.320)**	**(427.923)**

Table 4c: Approved Capital Programme Funding for HRA

HRA Capital Programme Funding - 2024/25 to 2028/29	2024/25	2025/26	2026/27	2027/28	2028/29	Total
External Grants & S106	(6.869)	(5.912)	(6.009)	(7.500)	(7.500)	**(33.790)**
Capital Receipts - HRA	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - RtB	(16.364)	(31.493)	(7.727)	(1.505)	0.000	**(57.088)**
Major Repairs Reserve	(27.597)	(43.221)	(45.015)	(26.364)	(24.773)	**(166.970)**
Revenue Contribution - HRA	(12.636)	(14.355)	(15.776)	(21.378)	(21.969)	**(86.114)**
Borrowing	0.000	0.000	0.000	0.000	0.000	**0.000**
Total Funding - HRA	**(63.466)**	**(94.981)**	**(74.527)**	**(56.747)**	**(54.242)**	**(343.963)**

7.2. Additions to the Capital Programme

7.2.1. Appendix 3 of the Budget report sets out the new capital schemes that are being recommended to be adopted in the programme, the additions in 2025/26 is restricted due to the Council's financial context. A total of £49.444m is being proposed to be added for the General Fund programme funded by secured external grant. While the HRA is proposing to add £56.181m to HRA Capital Programme, funded by a mix of funding. Table 5 below provides a summary of the capital additions.

7.3. Pipeline / Temporarily Decommissioned Capital Projects

7.3.1. Table 4a summarises the projects classified as temporarily decommissioned and therefore outside the current Capital Programme due to funding not being available. Table 6 below provides a summary of the pipeline schemes, inclusive of projects rolled forward from the 2024/25 Capital Budget (approved a Full Council March 2024), further details are contained in Appendix 3.4 of the Capital Budget Report:

Table 5: Capital Programme Additions						
Department	Capital Programme 2024/25 – 2028/29 £m					
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Transport	0.000	8.284	0.767	0.511	0.426	**9.988**
Education & Childrens	0.000	0.000	2.272	0.000	0.000	**2.272**
IT	-0.045	0.000	0.000	0.000	0.120	**0.075**
Growth & City Development	0.000	1.541	0.000	0.000	0.000	**1.541**
Sport & Culture	0.000	0.000	0.000	0.000	0.568	**0.568**
Exceptional Financial Support	0.000	25.000	10.000	0.000	0.000	**35.000**
HRA	0.000	20.322	14.709	11.400	9.750	**56.181**
Capital Programme Additions	**-0.045**	**55.147**	**27.748**	**11.911**	**10.864**	**105.625**

Funding	Capital Programme 2024/25 – 2028/29 £m					
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Grants	0.000	(15.737)	(9.048)	(8.011)	(7.926)	**(40.722)**
Capital Receipts - HRA	0.000	0.000	0.000	0.000	0.000	**0.000**
Capital Receipts - RtB	0.000	(3.657)	(2.475)	(0.825)	0.000	**(6.957)**
Major Repairs Reserve	0.000	(6.023)	(1.900)	(1.900)	(1.900)	**(11.723)**
Revenue Contribution	0.000	-4.730	-4.325	-1.175	-0.350	**(10.580)**
Revenue Reserves	0.045	0.000	0.000	0.000	(0.688)	**(0.643)**
Borrowing	0.000	(25.000)	(10.000)	0.000	0.000	**(35.000)**
Total Funding	**0.045**	**(55.147)**	**(27.748)**	**(11.911)**	**(10.864)**	**(105.625)**

Table 6: Capital Programme Pipeline Schemes						
Department	Capital Programme 2024/25 – 2028/29 £m					
	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Energy & Sustainability	2.734	4.810	6.762	6.214	3.216	23.736
Communities	0.300	0.300	0.300	0.300	0.300	1.500
Resident Services	4.480	8.605	6.755	5.825	3.575	29.240
Sport & Culture	0.000	0.000	0.000	0.000	0.000	0.000
Decommissioned Schemes	**7.514**	**13.715**	**13.817**	**12.339**	**7.091**	**54.476**

7.3.2. It is recognised that the risks of not incorporating these schemes into the Capital Programme are increasing and may have knock on implications for service delivery. During 2025/26 all risks relating to these schemes will be reviewed and considered through the capital governance process. If the risks are considered excessive after mitigations the funding of these schemes will be reviewed.

Section 8 – Risk Management

8.1. Risk Management Overview

8.1.1. This section considers the Council's risk appetite in relation to its capital investments and non-treasury investments, i.e. the amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time.

8.1.2. Risk will always exist and cannot be removed in its entirety; however, capital projects should always perform a risk review to identify any such risks and how these can be mitigated.

8.1.3. Major capital schemes require careful management to mitigate, transfer or eliminate the potential risks which can arise. Where key risks or opportunities are identified they should be subject to the Council's provisions, processes and reported to the Capital Board on a periodic basis. The key risks for 2025/26 capital programme include the Decommissioned/Pipeline schemes. The level of these risks and mitigations will be reviewed and considered through the capital governance arrangements.

8.2. Managing Risk Effectively

8.2.1. Risks specific to the delivery of the capital programme and Capital Strategy are managed by a range of processes and groups:

- Financial risks (e.g. overspending, slippage and re-profiling) are managed through the financial monitoring process which is reported bi-monthly to Executive Board.
- The progress of major projects is monitored through returns to the Portfolio Office.
- Any significant changes to the direction of financial or legal risks of any major scheme are reported to Capital Board, CLT and Executive Board (as appropriate).

8.2.2. **Risk Management Framework**

8.2.3. The Council has a strong risk management framework in place which provides a process for the identification, management and reporting of risks. The risk strategy, with the associated risk registers (strategic and departmental risk registers), plays an important part in the corporate governance structure of the Council.

8.3. Risk Profile

8.3.1. Effective risk management means being risk aware, not risk averse. The Council believes that:

- risk needs to be managed and mitigated where possible, and the Council's risk is proportionate.
- the amount of risk the Council is prepared to accept or be exposed to (its risk appetite) will vary according to the perceived significance of particular risks, as well as regulatory or legislative constraints.

8.4. Other Assurance Frameworks

8.4.1. In addition to the Council's risk management framework, there are other assurance frameworks to provide management and Members the assurances required over processes and controls.

8.4.2. The internal audit function has an audit programme whereby financial systems are reviewed on a rolling cycle. The findings and recommendations from these audits are reviewed and actioned by officers with the Audit Committee being updated on findings.

8.4.3. External audit provides additional assurance over our capital processes, controls and management through their annual audit of our Statement of Accounts.

Section 9 – Knowledge and Skills

9.1. Knowledge and Skills

9.1.1. To ensure that capital projects are delivered efficiently meeting the Councils objectives and that the Capital and Treasury functions have the necessary skills. The Council ensures that its staff delivering the projects, the Capital and Treasury Management teams have their training needs assessed as part of the staff appraisal process with staff attending seminars / conferences and training courses where necessary.

9.1.2. The CIPFA Code requires the responsible officer to ensure that Councillors with responsibility for treasury management receive adequate training. This especially applies to Councillors responsible for scrutiny. Appropriate training is provided periodically to Councillors and other relevant staff that are charged with governance.

9.1.3. External advisers are engaged where required so that the Council can access specialist skills and resources whilst the responsibility for every decision always remains with the Council, ensuring that undue reliance is not placed upon our external advisers.

9.1.4. Capital Finance Training has been rolled out to officers within Nottingham City Council as part of the Finance Improvement Plan. This training is a requirement for anyone involved in the project process and will be reviewed on an annual basis.

Annex A – Flexible Use of Capital Receipts Policy

Nottingham City Council
Flexible Use of Capital Receipts Policy 2025/26

Purpose

This report provides background information with regards the statutory guidance on the flexible use of Capital Receipts and its application within this authority. During February 2018 the Secretary of State issued a direction under Section 16(2)(b) of the Local Government Act 2003 and guidance under section 15(1)(a) of the Local Government Act 2003. This direction gave local authorities the power to use in year capital receipts from the disposal of property, plant and equipment assets (excluding Right to Buy Receipts):

- Generate ongoing revenue savings in the delivery of public services; and/or
- Transform service delivery to reduce costs; and/or
- Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners

The current direction applies to all financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024.

In November 2024 the Government announced in the Local Government Finance Policy Statement that the flexible use of capital receipts direction would be extended until March 2030. The legislative aspects of this are awaited to be confirmed.

Background

Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations.

The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations. The Secretary of State for Communities and Local Government originally issued guidance in March 2016 giving local authorities greater freedoms with how capital receipts could be utilised.

These freedoms were subsequently extended in each of the following years up to and including 2024/25, with another extension until 2029/30 announced as part of the Local Government Finance Policy Update in November 2024. This Direction allows for the following expenditure to be treated as capital: “expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.” Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility. To take advantage of this freedom, the Council must act in accordance with the Statutory Guidance issued by the Secretary of State. This guidance requires the Council to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy, with the initial strategy being effective from April 2022 with future strategies included within the Capital Strategy and reported as appropriate.

Flexible Use of Capital Receipts Strategy
Nottingham City Council intends to use capital receipts to fund qualifying expenditure in relation to costs incurred in Improvement, Transformation & Reconfiguration projects funded by capital receipts of £2.408m during 2024/25, out of a total £16.929m in the period 2022-2025. The profile of this spend is set out in the Table below and will partially support delivery of **c£38.348m** savings over the period 2022/23 to 2027/28. A number of these savings will be recurring into future financial years too.

Table: Investment for Delivering Transformation Programme

	Actual	Actual	Forecast	Total
	2022/23	2023/24	2024/25	
	£m	£m	£m	£m
Total Investment	**8.237**	**7.055**	**2.838**	**18.130**
Funded by:				
Capital Receipts	8.201	6.320	2.408	16.929
Revenue Children's Budget	0.036	0.535	0.100	0.671
Reserve	0	0.131	0.234	0.365
Housing Revenue Account	0	0.069	0.096	0.165
Total Funding	**8.237**	**7.055**	**2.838**	**18.130**

Any slippage or acceleration of expenditure between financial years is to be included in the year the expenditure is incurred until the end of the programme. The current medium term financial plans assume capital receipts will not be used to fund investment in the transformation savings programme from 2025/26. Investment will come from reserves and base revenue budgets. With ambitious savings targets across the 4-year MTFP period, it is imperative to provide assurance on the overall savings programme (previous and new savings proposals), ensuring sufficient investment is provided to deliver the savings within an approved framework, acting at the earliest opportunity to remedy any risks and issues. With this in mind, £3.446m has been built into the base budget to support the ongoing delivery of the savings programme led by the Strategic Director of Transformation and Change. In addition, reserves will be made available for investment and emerging transformational opportunities subject to S151 approval. This will ensure the Council maximises the use of capital receipts to repay Exceptional Financial Support (EFS) in line with its use of capital receipts prioritisation policy. The Council will keep this approach under review during the 2025/26 financial year.

Project Management and Governance
The savings programme has undergone reviews, where previously identified savings that are no longer deemed deliverable had been mitigated by new schemes for delivery. The capital receipts outlined in this report support the project management capacity for the agreed savings programme and delivery of specific savings and efficiency programmes within it.

This programme is forecasting to delivering the outlined savings for 2025/26 and beyond. Any non-delivery is reported, to the Executive Board and alternative savings will need to be identified to offset any shortfall. The emerging and current transformation projects contain a number of significant transformation pieces of work that will start to change the way in which the Council is organised and how it delivers its services. Each of these are expected to deliver better, more efficient services to the city and realise financial savings.

A new delivery framework, with a focus on the monitoring and reporting on the savings programme to Transformation Board is being developed with the Transformation commissioner and strategic director Transformation and Change. Part of this is to undertaken deep dives on specific projects and programmes to ensure there are robust operational plans, test progress and identify and manage risks early to either ensure successful delivery or the creation of alternative viable proposals.

Medium Term Savings forecast

The table below sets out the savings arising from transformation and improvement activities:

Table: Transformation Programme – Savings by Year

	2022/23 Actual	2023/24 Actual	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	2022/23 to 2027/28 Total Saving	2025/26 to 2027/28 Total Saving
	£m	£m	£m	£m	£m	£m	£m	£m
Customer	(0.329)	(3.198)	(0.812)	0.000	0.000	0.000	(4.339)	0.000
Business Support	(0.340)	(0.340)	(0.690)	0.000	0.000	0.000	(1.370)	0.000
Procurement	(0.331)	(0.662)	(0.414)	0.000	(0.314)	0.000	(1.721)	(0.314)
Adults	(0.226)	(1.835)	(1.697)	(1.654)	(1.151)	0.000	(6.563)	(2.805)
Children's	(0.539)	(3.920)	(4.045)	(1.999)	(0.809)	(0.278)	(11.590)	(3.086)
Community	0.000	(0.205)	(0.163)	(0.300)	0.000	0.000	(0.668)	(0.300)
Estates/New Ways of Working	0.000	(1.513)	(0.075)	0.000	0.000	0.000	(1.588)	0.000
Homeless	0.000	(0.347)	(5.182)	(4.185)	(0.736)	0.190	(10.260)	(4.731)
Information Technology	0.000	(0.249)	0.000	0.000	0.000	0.000	(0.249)	0.000
Total Transformation	**(1.765)**	**(12.269)**	**(13.078)**	**(8.138)**	**(3.010)**	**(0.088)**	**(38.348)**	**(11.236)**

Impact on Prudential Indicators

As part of this strategy the Council is required to give due regard to the impact on the Prudential Code and the Prudential Indicators. The capital receipts required to fund the qualifying transformation costs have not been included within the Council's current Capital Programme and as such the utilisation of receipts for capital receipts flexibility will not have a detrimental impact on the Council's prudential indicators, as set out in the Council's Treasury Management Strategy.

Annex B – Voluntary Debt Reduction Policy

Nottingham City Council
Voluntary Debt Reduction Policy

Investment in the city's infrastructure is an important part of the Council's role but the Council also recognises that with limited resources, expenditure on servicing debt to fund capital investments is money not spent on providing day to day services to its citizens. Its future priorities will be determined though an emphasis on the new Strategic Council Plan which will reconcile its ambitions with the resources available to support those ambitions.

The City Council also recognises that its absolute level of external debt remains high in comparison with its peer group and is driven largely by past investment to enhance the city rather than current capital spending decisions.

Prudential Code

The Council is committed to the principles of the Prudential Code:

- Affordable
- Sustainable
- Prudent
- Proportionate for the size of the authority

Investment Strategy

The Council's capital strategy ensures that all the projects are accounted for in the allocation of any available resources over a medium-term planning horizon. The principles of the strategy are as follows:

- Current approved (or committed) schemes will be supported subject to sufficient resources being identified to enable them to proceed or complete up to the approved level of expenditure.
- <u>New schemes funded by borrowing will be severely limited by the criteria set out in the debt policy.</u> This is to reduce the Council's current unsustainable level of debt and will require a review of the existing capital schemes.
- All schemes will be subject to a strict objective prioritisation process, which will include a robust business case including whole life costing.
- All schemes must align to the new PWLB criteria (i.e. not debt for yield) irrelevant of the schemes funding envelope. Historic debt for yield schemes will be revisited in the light of emerging guidance.
- Capital receipts are a central resource and not generally linked to specific schemes including assets identified for disposal as part of the Asset Rationalisation Programme. Permissible exceptions are:
    - School Sites ring-fenced by the Secretary of State for education purposes.
    - Commitments of capital receipts from prior decisions (including repayment of outstanding debt).
    - Transformation activity spend that can be funded through the flexible use of capital receipts.
    - The current Capital Flexibility consultation could add further permissible exceptions.
- Revenue implications of schemes must be fully reflected in the MTFP and affordable within services, (affordability needs to be demonstrated using prudent assumptions taking account of optimism bias).

- The capital budget approved by Full Council is a control total and no further schemes will be included in the programme unless existing schemes are removed or delayed - unless the new schemes in question are fully funded by external resources.
- The Council will consider the removal of ring-fencing (*where permissible*) from certain grant allocations to assist in the achievement of the Council's priorities and objectives. All uncommitted non-ring-fenced capital funding will be reviewed to ensure it is affordable and financially sustainable in the context of the Council's overall financial position. The aim will be for non-ring-fenced grants received in support of the three areas below will be earmarked to fund these initiatives:
    - Transport grant funding
    - Education based grants
    - Disabled Facilities Grant

Debt Policy

The Council has the discretion to undertake borrowing on capital schemes (General Fund and Public Sector Housing) if the borrowing is deemed Value for Money and meets the criteria as set out in the Prudential Code and is affordable, sustainable, prudent and proportionate for the size of the authority.

HM Treasury have published revised lending terms for the PWLB as from 26th November 2020, which makes PWLB unavailable for all authorities that have debt to yield schemes within their capital plans.

The Council have relied significantly on borrowing to fund capital expenditure in recent years leaving the Council with significant debt exposure and a relatively high level of debt servicing costs in proportion to the scale of its revenue account. Therefore, to mitigate this risk going forwards, the Council will seek to reduce is Minimum Revenue Provision (MRP) costs and pay down debt over time, through a strict prioritisation of spending decisions and the accelerated generation of capital receipts subject to maintaining a best value consideration.

The debt policy in respect of new capital expenditure is thus as follows:

- 2025/26-2028/29 - ***To restrict new borrowing to no more level of borrowing committed to when the policy was incepted.*** (i.e. No new schemes financed by borrowing).

The council has achieved headroom against CFR and external debt targets (as shown below) Capital Programme has been reduced to existing commitments and no schemes added funded by borrowing.

Nothing in this policy shall prevent the council from exercising normal day to day management of its borrowings through Treasury Management activities and/or the use of internal borrowing.

Borrowing allowable in exceptional financial circumstances

It is allowable for the council to engage in borrowing when this is part of the response to exceptional financial circumstances (e.g. Exceptional Financial Support from Government). These exceptions will typically, but not exclusively, take the form of borrowing that arises from a capitalisation direction. This is a temporary funding mechanism that is put in place in order to allow time for sustainable solutions to be put in place. Exceptional borrowing will therefore be of short-term duration only.

Impacts of the Policy

The Council will exert control on debt, primarily through controlling the revenue impacts of borrowing (MRP) rather than through seeking to repay external debt. This is because external debt is often heavily weighted towards fixed rate debt with maturity period up to 60 years and where redemption would often carry significant penalties.

The forecast impact on external debt is set out in the table below. The revised forecast external debt takes into account the revised debt policy together with activities associated with the normal Treasury Management activities.

	Actual 2023/24 £m	Forecast 2024/25 £m	Forecast 2025/26 £m	Forecast 2026/27 £m	Forecast 2027/28 £m	Forecast 2028/29 £m
Capital Financing Requirement						
HRA	287.900	278.507	264.480	258.926	253.720	251.189
General Fund	975.076	949.196	892.435	840.186	793.427	747.914
CFR Total	**1,262.976**	**1,227.703**	**1,156.915**	**1,099.112**	**1,047.147**	**999.103**
Less PFI / Finance Leases	(146.229)	(133.410)	(119.849)	(107.820)	(96.069)	(86.177)
Underlying Borrowing Requirement	**1,116.747**	**1,094.293**	**1,037.066**	**991.292**	**951.078**	**912.926**
External Borrowing	(774.205)	(741.816)	(722.888)	(696.517)	(670.640)	(641.006)
Internal Borrowing	(342.542)	(352.477)	(314.178)	(294.775)	(280.438)	(271.920)
Internal Borrowing (assumed PFI)	(146.229)	(133.410)	(119.849)	(107.820)	(96.069)	(86.177)
Total Borrowing	**(1,262.976)**	**(1,227.703)**	**(1,156.915)**	**(1,099.112)**	**(1,047.147)**	**(999.103)**
Initial VDR Policy Forecast						
Capital Financing Requirement	*1,337.3*	*1,272.5*				
External Borrowing	*(954.8)*	*(927.4)*				
Reset of VDR Policy Forecast						
Capital Financing Requirement			*1,032.925*	*978.352*	*948.079*	
External Borrowing			*(737.888)*	*(711.518)*	*(685.639)*	

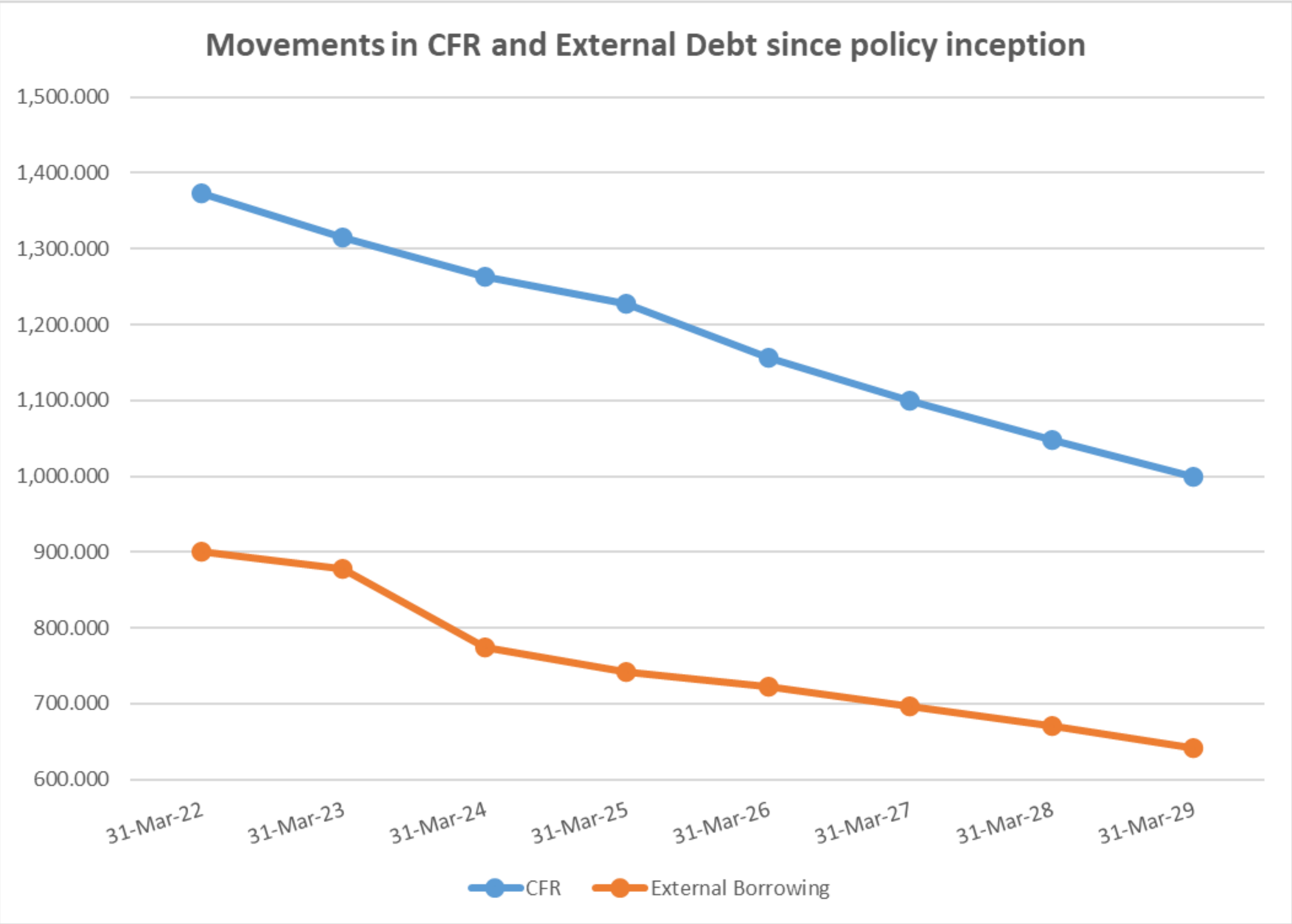
When the VDR Policy was incepted it forecasted the CFR and External Debt position to 31st March 2025, the above table effectively resets the VDR policy forecast to match the current CFR position / forecast.

General Fund MRP and Interest	**Actual 31/03/24 £m**	**Forecast 31/03/25 £m**	**Forecast 31/03/26 £m**	**Forecast 31/03/27 £m**	**Forecast 31/03/28 £m**	**Forecast 31/03/29 £m**
General Fund Proportion of External Debt	550.23	527.30	509.00	487.60	466.01	442.65
Annual MRP (exc. PFI)						
Supported borrowing	0.077	4.756	4.756	4.756	4.756	4.756
Unsupported Borrowing	27.732	27.902	28.376	27.649	27.448	27.996
Annual MRP (exc. PFI)	**27.809**	**32.658**	**33.132**	**32.405**	**32.204**	**32.752**
General Fund interest incurred (exc. PFI)	18.963	17.869	17.219	16.574	15.891	15.891
General Fund interest received	(15.189)	(10.057)	(7.548)	(6.948)	(6.948)	(6.948)
Total Capital Financing Cost	**31.583**	**40.470**	**42.803**	**42.031**	**41.147**	**41.695**
Net Revenue Budget	292.671	356.800	355.068	372.189	390.103	409.835
Capital Financing Costs as % Net Revenue Budget	**10.79%**	**11.34%**	**12.05%**	**11.29%**	**10.55%**	**10.17%**

A measurement of bringing the debt to a sustainable level is the Council's capital financing costs as a % of Net Revenue Budget, the below table shows the Council's position is significantly improving over the current MTFP.

The VDR was implemented as part of the Capital Strategy 2021/22, for comparative purposes at 31st March 2021 the financing cost was 17.63% of net revenue budget.

The graph below evidences the actual and forecasted movements from the inception of the debt reduction policy to March 2028, since 31st March 2021 to the forecast position at 31st March 2025 the CFR has reduced by 9.5% from £1,411.0m to £1,277.3m, while external debt has reduced by 20.5% from £932.8m to £741.8m.



Annex C – Non-Treasury Investment Strategy

Nottingham City Council
Non-Treasury Investment Strategy

1. Introduction

1.1. Nottingham City Council may make two types of investments:
- Treasury Investments
- Non-Treasury Investments (also referred to as 'Other Investments').

Details of the Council's treasury management investments are contained in the Council's Treasury Management Strategy and are therefore not included in this strategy.

1.2. This strategy covers the Non-Treasury Investments and is prepared in accordance with statutory guidance issued under the Local Government Act 2003, the Treasury Management Code of Practice, and the Prudential Code for Capital Finance in Local Authorities. Non-Treasury Investments are policy investments made to deliver Nottingham City Council objectives as set out in the Capital Strategy and Medium Term Financial Strategy.

1.3. For the purposes of this strategy the Non-Treasury Investments are subdivided into either being classified as a Commercial Investment or a Service Investment. The definition of each is detailed below:
- **Commercial Investments**, as defined by CIPFA are investments by the Council solely to earn income and/or for capital appreciation. Following revised guidance in November 2020, the Council is no longer able to invest in further Commercial Investments without breaching the Debt to Yield. Nottingham City Council's stance is to completely comply with the revised guidance. These investments are where the Council is holding property for a financial return and/or appreciation.
- **Service Investments** are investments that deliver Council service objectives (e.g. regeneration / housing), these investments are able to generate a return for Nottingham City Council but there is a requirement for the investments to support Council service objectives. These investments are loans to external organisations and shareholdings in companies that are delivering the Council's strategic objectives.

1.4. The Council is continuously reviewing its investments to identify opportunities of divestment with a view to accelerate the reduction of the Councils debt exposure and achieve its VDR policy. As part of the VDRP policy the council is not allowing any additional non-treasury investment above what was included within the Capital Programme at the time the VDRP was incepted.

2. Non-Treasury Investment Exposure

2.1. The Prudential Code stipulates that Council's are required to consider the financial exposure and proportionality of its non-treasury investments. This will evidence the impact on the MTFP if income is lower than forecasted within the base budget. The assumptions within the base budget for these investments is done on a prudent basis and should a revenue pressure be identified in year it will be managed within the budget process. The below table evidences the proportion of income from non-treasury investments to net revenue position, excluding any notional interest.

	2021/22 Actual (£m)	2022/23 Actual (£m)	2023/24 Forecast (£m)
Commercial Investments			
Income (i.e. rent)	(15.381)	(14.813)	(15.530)
MRP and other attributable costs (exc. Interest)	4.301	3.329	4.978
Service Investments			
Income (i.e. interest / dividends)	(3.986)	(4.278)	(3.103)
MRP and other attributable costs (exc. Interest)	1.849	1.874	0.333
Net Non-treasury investment	**0.192**	**(0.007)**	**(13.322)**
Net Revenue Position	278.046	292.671	317.092
Proportion of net income from commercial and service investments to net revenue position	**4.75%**	**4.75%**	**4.20%**

2.2. Majority of the non-treasury investments are considered a secure income with income generated as defined in either the lease agreements or the loan repayment schedules. However, the Council is carrying the risk that tenants or loanees are unable to make debt / interest payments per the agreements, the following table shows the sensitivity of net income in actual and as a percentage of the net revenue position using forecasted position as the base position.

Sensitivity Analysis of Non-Treasury Investment as £m and % of net revenue budget						
£m		**Commercial Investments**				
%		**(5.00%)**	**(2.50%)**	**Base**	**2.50%**	**5.00%**
Service Investments (*)	**(5.00%)**	(12.700)	(12.900)	(13.200)	(13.400)	(13.700)
		3.99%	4.07%	4.16%	4.24%	4.32%
	(2.50%)	(12.700)	(12.900)	(13.300)	(13.500)	(13.800)
		4.01%	4.10%	4.18%	4.26%	4.35%
	Base	(12.800)	(13.100)	**(13.300)**	(13.600)	(13.900)
		4.04%	4.12%	**4.20%**	4.28%	4.37%
	2.50%	(12.900)	(13.100)	(13.400)	(13.700)	(13.900)
		4.06%	4.14%	4.22%	4.31%	4.39%
	5.00%	(12.900)	(13.200)	(13.500)	(13.700)	(13.900)
		4.08%	4.16%	4.25%	4.33%	4.41%

(*) Assumes the Council doesn't have to make MRP for missed loan repayments.

3. Commercial Investments

3.1. The most significant commercial Investments that the Council has undertaken to date are in relation to property acquisitions. The capital value of the commercial investments currently held by the Council as at 31 March 2024 is £200.554m and will be revalued at 31 March 2025 as part of the Councils 2024/25 Financial Accounts. These investments have been funded by £4.000m of the Councils own resources and £218.812m of Unsupported Borrowing (net of MRP to March 2023).

3.2. The forecast net revenue to the general fund for 2023/24 from the above investments is (£10.552m). The average yield generated from the Commercial Investments is 4.52% (based on net income and purchase price).

3.3. All Commercial Property Investments are reviewed on an on-going basis. These reviews support good estate management principles and ensure that the Council's risk and returns are appropriately managed. The gross commercial investment made by the Council of £222.812m (excluding MRP payments to 31st March 24), leaves the Council open to Property Market downturn including increased voids / tenant lease breaking and any other risks including the ongoing impact and recovery from Covid-19. The pandemic and the current economic and fiscal outlook will continue to have a significant impact on the level of risk and the expected returns for 2023/24 and its effects are likely to be felt for several years.

3.4. A register of the commercial investments is detailed below, this also confirms that the Council has not disposed of any commercial investment during 2024/25. Sales are expected during 2025/26 and into 2026/27 as approved at January 2023 Executive Board.

Register of Commercial Investments

	Purchase Price	Capital Funding	
		Borrowing Incurred	Council Resources Used
	£m	£m	£m
Disposed in 2024/25			
	0.000	0.000	0.000
Disposed in 2024/25 - Subtotal	**0.000**	**0.000**	**0.000**
Project Doncaster	23.641	23.641	0.000
Project Mulberry	22.182	22.182	0.000
Project Abbey	19.102	19.102	0.000
Project Duke	14.486	14.486	0.000
Project Green	14.160	12.160	2.000
Project Donnington	11.793	10.793	1.000
Project Highland	11.105	11.105	0.000
Project 118	10.724	10.724	0.000
Project Fothergill	10.615	10.615	0.000
Project Albert	10.083	10.083	0.000
Project Willow	9.926	9.926	0.000
Project Brookfield	8.352	8.352	0.000
Flying Horse Walk	6.403	6.403	0.000
Project Minster	6.200	6.200	0.000
Project Castle	5.838	4.838	1.000
Project Boot	5.566	5.566	0.000
Project Aston	5.504	5.504	0.000
Heron House	3.223	3.223	0.000
Other Commercial Investments under £5.0m	23.909	23.909	0.000
Commercial Investments Held - Subtotal	**222.812**	**218.812**	**4.000**
Commercial Investment Total	**222.812**	**218.812**	**4.000**
Forecast Income net of MRP and associated costs	(10.552)		
Net Yield	**4.52%**		

3.5. Non-Treasury investments are analysed periodically to ensure that the fair value / carrying value of each investment is appropriate as required under the relevant Accounting Standard (Service Investments – IFRS9, Commercial Investments – IAS40).

4. Service Investments

4.1. Nottingham City Council has made loans and investments to third parties based on further delivery of the Council's strategic objectives and any benefits from the investment will be received by the Council and its residents in the short, medium, or long term. The Council also hold shares in companies that support service provision.

4.2. The most significant service investments that the Council has undertaken to date are loans to 3rd parties to support the delivery of objectives that align to the council plan, these comprise of capital and revenue loans totalling £107.422 at 31/3/25. Details of these Service Investments are detailed below.

Register of Service Investments					
Equity	31 March 24 Balance	Revenue	Capital	31 December 24 Balance	31 March 25 Balance Forecast
	£m	£m	£m	£m	£m
Shares / Equity Held					
Blueprint	8.713	0.000	8.713	8.713	8.713
Robin Hood Energy	0.000	0.000	0.000	0.000	0.000
Thomas Bow	0.000	0.000	0.000	0.000	0.000
Nottingham City Transport	4.532	0.000	4.532	4.532	4.532
Other Investments Under £1m	1.61	0.000	1.61	0.835	0.82
Total Shares / Equity Held @ 31 March 2024	**14.855**	**0.000**	**14.855**	**14.080**	**14.065**
Loans					
Bridge Estate	1.623	0.000	1.623	1.442	1.442
Nottingham Castle	1.859	0.000	1.859	1.859	1.859
Nottingham Cricket Club	1.776	0.000	1.776	1.752	1.694
College	15.962	0.000	15.962	15.193	14.695
Nottingham Ice Centre	7.384	7.384	0.000	7.384	7.384
Nottingham City Homes	25.937	0.000	25.937	25.714	25.488
RHE	6.922	0.000	6.922	30.088	30.088
Tramlink	30.088	0.000	30.088	6.922	7.134
NCH RP	3.932	3.932	0.000	3.912	3.893
NCH EL	14.074	0.000	14.074	13.156	14.377
Total Loans @ 31 March 2024	**109.557**	**11.316**	**98.241**	**107.422**	**108.054**

4.3. Each Service Investment is scrutinised giving due regard to the formal approval. This scrutiny includes an appropriate level of due diligence reflecting the level of additional risk which ensures that the Council has the appropriate level of security, liquidity, and yield.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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Agenda Item 12

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