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NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday, 18 September 2015

Time: 10.30 am

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

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

Acting Corporate Director for Resources

Governance Officer: Catherine Ziane-Pryor **Direct Dial:** 0115 8764298

AGENDA		**Pages**
1	**APOLOGIES FOR ABSENCE**	
2	**DECLARATIONS OF INTERESTS**	
3	**MINUTES** Of the meeting held on 7 August 2015 (for confirmation)	3 - 6
4	**STATEMENT OF ACCOUNTS** Report of Director of Strategic Finance	7 - 198
5	**ANNUAL GOVERNANCE STATEMENT 2014/15** Report of Director of Strategic Finance	199 - 232

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 ATTENDING MEETINGS ARE ASKED TO ARRIVE AT LEAST 15 MINUTES BEFORE THE START OF THE MEETING TO BE ISSUED WITH VISITOR BADGES

CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD

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NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at LH 3.19 - Loxley House, Station Street, Nottingham, NG2 3NG on 7 August 2015 from 10.30 - 10.58

Membership

Present	Absent
Councillor Sarah Piper (Chair)	Councillor Toby Neal
Councillor Steve Young (Vice Chair)	
Councillor Michael Edwards	
Councillor John Hartshorne	
Councillor Anne Peach	
Councillor Andrew Rule	
Councillor Malcolm Wood	

Colleagues, partners and others in attendance:

Shail Shah	-	Head of Audit
Jeff Abbott	-	Head of Corporate Finance
Barry Dryden	-	Senior Finance Manger
Glyn Daykin	-	Treasury Management Finance Analyst
Catherine Ziane-Pryor	-	Governance Officer

15 APOLOGIES FOR ABSENCE

Sue Sunderland and Richard Walton from KPMG External Auditors.

16 MINUTES

Subject to the following amendments to the recommendations of minute 7, Agenda item 7, 'Progress Against Recommendations of the ACTICA Review of Nottingham City Council IT Services', the minutes were confirmed and signed by the Chair:

(a) deletion of recommendation 2;

(b) insertion of the following new recommendations:

(i) 'that with regard to the 28 recommendations within the ACTICA report, the IT Service Support Manager provide Councillors Edwards, Peach and Young with the action plan identifying the individual time scale targets to implement or address each recommendation;'

(ii) 'for the IT Service Support Manager to provide a briefing note to all Councillors, outlining the IT equipment disposal policy and providing contact details for relevant IT colleagues to assist with distributing old equipment to community and voluntary groups.'

17 DECLARATIONS OF INTERESTS

None.

18 AUDIT COMMITTEE ANNUAL REPORT 2014/15

Councillor Sarah Piper, Chair of the Committee, presented the report which details the work undertaken by the Audit Committee during the 2014/15 municipal year.

RESOLVED

(1) to note the work undertaken by the Audit Committee during 2014/15;

(2) to approve the Audit Committee Annual Report 2014/15.

19 DRAFT STATEMENT OF ACCOUNTS 2014/15

Barry Dryden, Senior Finance Manager, presented the report which, in complying with Audit Regulations 2011, produce an un-audited Annual Statement of Accounts which are made available for public inspection prior to consideration for approval at the Audit Committee's meeting in September 2015.

The following responses were provided by the Senior Finance Officer, who was accompanied by Jeff Abbott, Head of Corporate Finance:

(a) monitoring of the success and failure of other Local Authorities, with regard to their financial management, is ongoing to prevent any repeats of processes and strategies which have been proven flawed, but also to take advantage of the systems and strategies which are proven to be beneficial;

(b) the movement in resources and payroll is partly as a result some senior staff not receiving pension contributions as following a change in legislation, their pension has been effectively frozen so there is no benefit for them to make further contributions, and if the employee is not contributing, the Council will not contribute;

(c) with regard to the process for assessing the impact on the valuation of the City Council's assets, such as the government's announcement regarding 'right to buy', specific formula are applied which take into account the rental value of properties, making allowances for market value variations;

(d) with regard to Section 8, paragraph 8.5.2 and the joint venture partnership with 'Blueprint Limited, it is noted that the City Council has some long term assets held for sale and this will have an impact on the balance sheet.

RESOLVED

(1) to note that the Statement of Accounts was submitted to the Audit Commission for audit review on 29 June 2015;

(2) to note that the contents of the Statement of Accounts will be placed on deposit for public inspection for 20 working days from 6 July 2015;

(3) to note that there have been no significant changes to the accounting policies presented to Audit Committee on 27 February 2015;

(4) for the Statement of Accounts to be produced on a going concern basis;

(5) to note that the Audit Committee will be required to review the final audited Statement when it is presented on 18 September 2015;

(6) to accept the offer of the Senior Finance Manager to facilitate a training session on the Statement of Accounts, prior to the next Audit Committee Meeting.

20 EXCLUSION OF THE PUBLIC

RESOLVED to exclude the public from the meeting during consideration of the remaining agenda item 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 3 of Part 1 of Schedule 12A to the Act.

21 EXEMPT MINUTE

The exempt minute of the meeting held on 26 June 2015, was confirmed and signed by the Chair.

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AUDIT COMMITTEE – 18 SEPTEMBER 2015

Title of paper:	STATEMENT OF ACCOUNTS 2014/15	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	**Wards affected:** All
Report author(s) and contact details:	Barry Dryden, Senior Finance Manager, Financial Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	None	

Recommendation(s):	
1	The external auditors' report to those charged with governance (Appendix B) is considered
2	The Statement of Accounts (Appendix C), as attached, is considered and is approved for signature by the Chair of Audit Committee.
3	The Draft Management Representation Letter (Appendix D) is approved for signature by the Chair of Audit Committee.

1. REASONS FOR RECOMMENDATIONS

1.1 Our external auditors (KPMG) have completed the audit of the draft 2014/15 Statement of Accounts (the Statements) and provided their findings in their "report to those charged with governance" (ISA260). In order to conclude the audit, KPMG are required to present the ISA260 to Audit Committee by 30 September 2015.

1.2 The Accounts and Audit Regulations 2011 require the Audit Committee to consider and approve the Statement of Accounts. The Chair of the Audit Committee and Chief Finance Officer are then required to sign a Statement of Responsibilities, including approval of the accounts.

1.3 As part of the audit, KPMG require the authority to make certain statements in a management representation letter, including confirmation that the statements have been constructed accurately and on an appropriate basis, and relevant and complete disclosures have been made.

2. BACKGROUND

2.1.1 On 29 June 2015, the Director of Strategic Finance approved the draft Statements for 2014/15 as giving a true and fair view of the financial position, income and expenditure, in accordance with the Accounts and Audit Regulations 2011.

2.2 At this point, the Statements were also subject to external audit, with the audit having to be concluded by 30 September 2015. The remainder of this report, along with the ISA260 are intended to help the Committee consider any relevant issues before approving the Statements for signature by the Chair of Audit Committee.

3. KEY ISSUES

The Executive Summary is reproduced at Appendix A for ease of reference and explains the key figures included in the Statements.

4. CHANGES TO THE FORMAT AND CONTENT OF THE ACCOUNTS.

4.1 Colleagues continue to review the format and content of the Statements, in order to introduce improvements and make the accounts more understandable. The changes for 2014/15 include:

- A redesign of the note on usable reserves to focus on the types of reserve rather than each individual reserve.
- A review of the treatment of Trading Operations, which are now included within services where appropriate
- Presenting all tables in portrait format where possible.

5. KEY RISKS IDENTIFIED FOR 2014/15.

5.1 Colleagues identified key risks and improvements that needed to be planned for in 2014/15, which were then supplemented by additional risks identified by KPMG in their planning document:

- Ability to produce Statements directly from Oracle
- Transition to earlier production of the Statement of Accounts for 2016/17
- Net Line 2 asset recognition
- Full revaluation of Housing Revenue Account assets
- Changes in the guidance on accounting for schools assets
- New Revenues & Benefits Company
- Change in main bank account
- The potential on-going impact of control weaknesses identified in 2013/14 if insufficient progress has been made in removing or mitigating them during 2014/15

5.2 During 2014/15 colleagues had put actions in place to manage each of these risks. As a result of these actions KPMG did not identify significant issues in these areas, although some improvements to payroll controls were identified which are being put in place.

6. AMENDMENTS TO THE STATEMENTS FOLLOWING AUDIT REVIEW.

6.1 KPMG have reviewed information provided in the Statements for 2014/15. Inevitably, certain changes arise from the work undertaken by both colleagues and KPMG as they examine the accuracy and completeness of the Council's Statements. As a result of this work colleagues identified a correction to presentation of the Comprehensive Income and Expenditure Statement (CIES). Both the income and expenditure on Public Health have been overstated by £21m, however net expenditure remains the same. As a result, for the 2015/16 accounts a number of checks will be completed earlier in the process to help ensure the accuracy of the draft statements.

6.2 A number of other minor changes have been made to the notes to the accounts including some additional disclosures for the Cash Flow Statement.

6.3 A number of changes have also been made to Group Accounts to reflect the changes above and the receipt of final audited accounts for other members of the Group.

7. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

Statement of Accounts working papers
KPMG External Audit Plan 2014/15

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Code of Practice on Local Authority Accounting in the United Kingdom 2015
Guidance Notes for Practitioners 2014/15 Accounts
The Accounts and Audit (England) Regulations 2011

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Section 1
Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2014/15 and this is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet. The Movement in Reserves and Cash Flow statements provide further analysis of specific figures. However, when setting its Budget and Council Tax, the Council is required to follow legislative requirements to arrive at the Funding Basis. As a consequence the Housing Revenue Account (HRA) is shown separately within the Supplementary Statements. The Collection Fund is also included here and this presents how the Council collects all Council Tax and distributes it to tax setting authorities in the area. A separate set of Group Accounts is also published which shows a consolidated position for the Council and organisations where it has significant control.

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

1.1 CIES – Financial Reporting (IFRS) Basis

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

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

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

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

Further details appear in Section 3.1 and section 6.1.

1.2 Balance Sheet

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

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of property, plant and equipment (PPE). The value of these assets has increased by £0.235m. This movement is as a result of a number of factors:

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

Further details appear in note 6.2.1.

The Balance Sheet also includes a liability of £720.588m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. The Pension Fund is reviewed every 3 years and employer's contributions are adjusted with the intention of meeting the net liabilities over a period of time.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. At 31 March 2015, this totals £720.500m.

1.3 Movement in Reserves Statement

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

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

The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget and are made up of the Un-earmarked General Fund Reserve (£19.553m), Earmarked Reserves (£160.105m) the HRA (£4.307m) and Capital Financing Reserves (£66.919m). The movement in the General Fund reflects the surplus after transfers to reserves on the Funding Basis (Paragraph 1.4). The balance on the General Fund is monitored closely to ensure it is kept at a prudent level to cover any unforeseen circumstances.

Unusable reserves are created as a consequence of the timing differences between the Funding Basis and IFRS basis of accounting as referred to in paragraph 1.4. This category also includes a revaluation reserve which holds changes in the valuation of assets. In 2014/15 a net increase in these valuations of £42.537m has been credited to this reserve, however, revaluation gains on schools that have become academies and other items resulted in an overall reduction in this reserve of £11.770m. These reserves are, therefore, not available for distribution as they are required as and when the timing differences fall out.

Further details of the reserves and movements are set out in the MIRS and in notes 6.2.11 and 6.2.12.

1.4 Funding Basis

	2013/14 £m	2014/15 £m
(Under)/Over spending by Portfolios against budgets	(1.175)	(9.773)
Cost of services(portfolios)	284.227	267.955
Council Tax Income	(80.818)	(87.192)
(Surplus)/Deficit after transfers to reserves	1.573	(7.324)
Movement in capital financing requirement	14.757	43.798
Council Tax (Band D)	£1,404.42	£1,431.80

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

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

In 2014/15 the Council Tax raised £85.835m and, together with funding from government grants and other income, this was used to meet the cost of services. Overall the Council generated a surplus of £7.324m after contributions of £11.342m had been made to earmarked reserves. This surplus increased the General Fund by £7.146m.

The IFRS basis of accounting reflects the net change in the actuarial valuation of the pension fund. For 2014/15 the resulting debit to the CIES was £153.168m. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. However, the Funding Basis approach maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund, which are set at a level which will meet liabilities over a longer period. Therefore, the difference in approach generates timing differences when recognising the net charge to the CIES.

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

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

1.5 Group Accounts

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

Group Accounts consolidate the Council's financial statements with those organisations where the Council has material financial interests and a significant level of control. The 2014/15 Group Accounts consolidate the accounts for Bridge Estate, Nottingham City Homes, Nottingham City Transport, Nottingham Ice Centre, Enviroenergy, Nottingham Revenues and Benefits Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd.

On an IFRS basis the group's deficit is £28.146m higher than the Council's, primarily due to gains and losses on the pension scheme valuations for Nottingham City Transport and Nottingham City Homes. The value of the Group as represented by Net Assets is £669.999m. This is £50.501m less than the Council's Net Assets which is again due in part to the additional pension scheme liabilities. This reduction is also reflected in the Group's reserves as a result of the consequential accumulated net losses.

Further details appear in section 8 of the accounts.

1.6 Forward Plans

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

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

Although the council has set a balanced budget for 2015/16, it is clear that there will be further funding reductions in the future, within which inflationary and demographic pressures will have to be managed. As a result the current Medium Term Financial Outlook shows an estimated funding gap of £34.089m by 2017/18.

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

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

KPMG
cutting through complexity

Report to those charged with governance (ISA 260) 2014/15

DRAFT

Nottingham City Council

September 2015

Contents

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Tony Crawley the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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Introduction

This document summarises:

- **the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for the Authority; and**
- **our assessment of the Authority's arrangements to secure value for money.**

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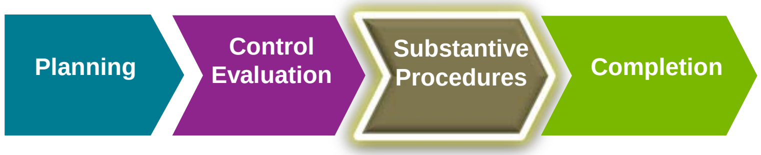
Scope of this report

This report summarises the key findings arising from:

- our audit work at Nottingham City Council ('the Authority') in relation to the Authority's 2014/15 financial statements; and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

Financial statements

Our *External Audit Plan 2014/15*, presented to you in April 2015, set out the four stages of our financial statements audit process.



This report focuses on the third stage of the process: substantive procedures. Our on site work for this took place during August 2015.

We are now in the final phase of the audit, the completion stage.

VFM conclusion

Our *External Audit Plan 2014/15* explained our risk-based approach to VFM work. We have now substantially completed the work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit risks for our VFM conclusion; and
- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

Structure of this report

This report is structured as follows:

- Section two summarises the headline messages.
- Section three sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority.
- Section four outlines our key findings from our work on the VFM conclusion.

Our key issues and recommendations are detailed in **Appendix 1**.

We have also reviewed your progress in implementing prior recommendations and this is detailed in **Appendix 2**

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

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Headlines

This table summarises the headline messages for the Authority.

Sections three and four of this report provide further details on each area.

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Proposed audit opinion	We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.
Audit adjustments	Our audit identified one material audit adjustments within the financial statements which officers have agreed to adjust. This adjustment related to the presentation of Public Health expenditure on the face of the Comprehensive Income & Expenditure Statement. We also identified some control deficiencies which have led to us making a number of recommendations and these are detailed in Appendix 1. Our audit also identified some minor presentational adjustments to the financial statements presented for audit.
Key financial statements audit risks for the Authority	We identified the following key financial statements audit risk in our 14/15 External audit plan issued in March 2015. ■ Controls over transactions administered by EMSS ■ HRA – valuation of council housing ■ NET2 and its status ■ Accounting for Schools, following LAAP Bulletin 101 ■ New Company for administration of Revenues and Benefits ■ New banking arrangements We have worked with officers throughout the year to discuss how the Council have responded to these key risks. Our detailed findings are reported in section three of this report.
Accounts production and audit process	We received the accounts on 29 June 2015 The majority of working papers were received by us on the same day which was the first day of the audit site visit. On the whole, officers dealt with audit queries quickly and the majority of the audit process was completed within the planned timescales. Some key staff were absent during part of our site visit which delayed our review of pensions and payroll. We did experience a delay with queries raised with EMSS initially but after discussion, with the finance team, the majority of these were resolved promptly.

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Headlines

This table summarises the headline messages for the Authority. Sections three and four of this report provide further details on each area.

Completion	At the date of this report our audit of the financial statements is substantially complete subject to completion of the following areas: ■ Resolution of our outstanding queries around non pay expenditure ■ Whole of Government Accounts ■ Group Consolidation Before we can issue our opinion we also require a signed management representation letter. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion and risk areas	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.

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Financial Statements
Proposed opinion and audit differences

We have identified one issue in the course of the audit that is considered to be material.

We anticipated issuing an unqualified audit opinion in relation to the Authority's financial statements by 30 September 2015.

The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007

Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Statement of Accounts by the Audit Committee on 18 September 2015.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 5 for more information on materiality) level for this year's audit was set at £19million. Audit differences below £0.950 million are not considered significant.

We identified one material misstatement which has been amended by staff which related to the presentation of Public Health expenditure on the face of the Comprehensive Income and Expenditure Statement.

There is no impact on the General Fund as a result of audit adjustments.

In addition, we identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

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Financial Statements (cont.)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

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In our *External Audit Plan 2014/15,* presented to you in March 2015, we identified the significant risks affecting the Authority and the 2014/15 financial statements. We have now completed our testing of these areas and set out our evaluation following our substantive work.

The table below sets out our detailed findings for each of the risks that are specific to the Authority.

Significant audit risk	Issue	Findings
Controls over transactions administered by EMSS **Audit areas affected** ▪ Mapping of the ledger –trial balance- to the accounts ▪ Payroll, accounts payable and accounts receivable	That the issues raised in the ISA 260 for 2013/14 about controls within the East Midland's Shared Service have not been addressed sufficiently to provide assurance over the material accuracy of the financial statements.	We have undertaken procedures to check the progress on implementing Internal Audit's recommendations in respect of the shared service, We have also performed testing over key controls. Whilst we have identified some improvements, we have identified two specific control weaknesses, particularly in relation to non pay expenditure. As a consequence we have had to undertake some additional substantive testing to provide sufficient assurance that these weaknesses have not led to a material misstatement in the accounts (this work is ongoing). We have made recommendations in Appendix 1.

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Financial Statements (cont.)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

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Significant audit risk	Issue	Findings
 **Audit areas affected** ▪ PPE note and values of HRA valuation	The HRA stock represents a very large balance in the PPE and a revaluation may have a material impact on this balance.	We have reviewed the valuation and confirmed that the changes have been processed in line with the guidance. As part of this work we compared the movements highlighted by the valuer with independent indices which give a regional and national indication of housing values. These independent indices suggested a movement between 4.3% and 4.8%. The average movement for Nottingham City Council's valuation was an average of 7.18%. This difference was discussed with the Capital Accountant and the Estates Surveyor who demonstrated that they had queried the difference with the Valuer. The main reason for the above average increase is that the ongoing Decent Homes work has improved the housing stock and had an associated impact on the value of the property. We consider that these explanations provided are reasonable.

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Financial Statements (cont.)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

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Significant audit risk	Issue	Findings
NET2 **Audit areas affected** ■ PFI disclosures ■ Financial planning for PFI scheme	The NET2 tram extension project is a major capital project for the council. As a PFI scheme the accounting related disclosures are complex and so there is an inherent risk of material error related to the scheme. We planned to review the current status and financial modelling.	We have discussed with officers the status of NET2. Due to delays on the scheme, this means that financial close has not been reached. This will be an issue for the 2015-16 financial year. However, we have reviewed the arrangements for an increase in provisions of approximately £22m which represents the estimation of compensation agreements reached with businesses and land owners impacted by NET2. There are no matters to report.
Accounting for schools **Audit areas affected** ■ School Accounting	A new LAAP (Local Authority Accounting Panel) bulletin (LAAP 101) has been issued in relation to the accounting treatment for school assets with the council's balance sheet.	We discussed the arrangements for schools with the capital accountant and have reviewed the accounting treatment. This resulted in one school being brought on balance sheet as an in-year adjustment. We confirmed this is in line with the Code.

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Financial Statements (cont.)
Significant risks and key areas of audit focus

We have worked with the Authority throughout the year to discuss significant risks and key areas of audit focus

This section sets out our detailed findings on those risks

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Significant audit risk	Issue	Findings
New Company for Revenues and Benefits **Audit areas affected** ■ Payroll ■ Group Accounts	A new company was created for the administration of revenues and benefits. A number of staff transferred.	We reviewed the arrangements for the company and considered its treatment as part of the group accounting treatment. There are no matters to report.
New bank accounts **Audit areas affected** ■ Cash	The Authority transferred its banking arrangements during the year.	We reviewed the transfer process and confirmed year end balance to third party confirmations. There are no matters to report.

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Financial Statements (cont.)
Significant risks and key areas of audit focus (cont.)

In our *External Audit Plan 2014/15* we reported that we would consider two risk areas that are specifically required by professional standards and report our findings to you. These risk areas were Management override of controls and the Fraud risk of revenue recognition.

The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
Management override of controls Audit areas affected ■ All areas	Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit. In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual. There are no matters arising from this work that we need to bring to your attention. Our work in relation to approval of non-pay expenditure has flagged one instance of a control being overridden – we have raised an associated recommendation in Appendix 1.
Fraud risk of revenue recognition Audit areas affected ■ None	Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue. This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

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Financial Statements (cont.)
Accounts production and audit process

Further improvements need to be made to the Authority's accounts production.

On the whole, officers dealt with audit queries quickly and the majority of the audit process was completed within the planned timescales.

The Authority has yet to fully implement the recommendations in our *ISA 260 Report 2013/14.*

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Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

Element	Commentary
Accounting practices and financial reporting	The Authority has made some progress in strengthening the preparation of accounts process but the absence of key staff meant delays. EMSS payroll did not respond to queries promptly until intervention by senior staff. Our testing of controls has highlighted some instances of a control not operating as designed in relation to non-pay expenditure. Further work is ongoing to establish whether there is a wider impact on the financial statements in relation to these issues and we have raised a recommendation in Appendix 1.
Completeness of draft accounts	We received a complete set of draft accounts on 29 June 2015 which was the first day of our planned site visit. However, during our time on site, some key officers were on annual leave which meant postponing some work on significant areas, for example, payroll and pensions.
Quality of supporting working papers	We issued our *Accounts Audit Protocol* including our required working papers for the audit on 10 February 2015. The quality of working papers provided was good but not all were available on day one of our audit.

Response to audit queries

The majority of officers responded to audit queries promptly although we did experience some initial delay in receiving responses from EMSS to payroll queries however once this was flagged to the finance team the information was made available promptly.

Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has yet to fully implement the recommendation in our *ISA 260 Report 2013/14*.

Appendix 2 provides further details.

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Financial Statements (cont.) Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

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Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Nottingham City Council and for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Nottingham City Council and its senior management that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the senior accountant for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report.

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VFM conclusion

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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Background

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

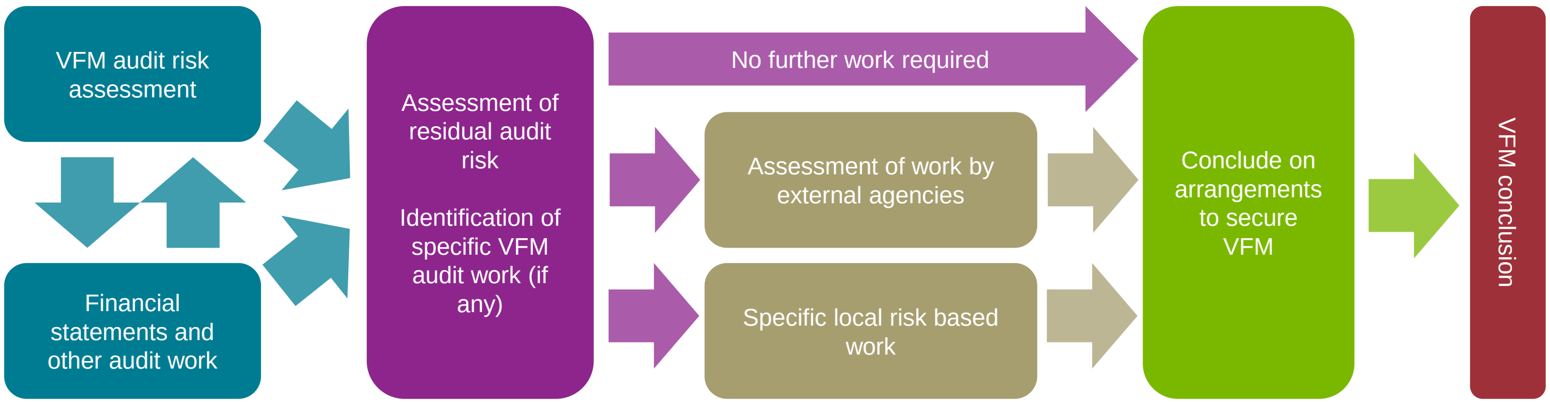
- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

The key elements of the VFM audit approach are summarised in the diagram below.

Work completed

We performed a risk assessment earlier in the year and have reviewed this throughout the year.



We have not identified any significant risks to our VFM conclusion and therefore have not completed any additional work.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

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Specific VFM risks

We identified a single specific VFM risk.

We are satisfied that internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to this risk area is adequate.

Work completed

In line with the risk-based approach set out on the previous page, and in our *External Audit Plan* we have:

- Assessed the Authority's key business risks which are relevant to our VFM conclusion;
- Identified the residual audit risks for our VFM conclusion, taking account of work undertaken in previous years or as part of our financial statements audit;

Below we set out the findings in respect of the area where we have identified a residual audit risk for our VFM conclusion.

We concluded that we did not need to carry out additional work for this risk as there was sufficient relevant work that had been completed by the Authority, inspectorates and review agencies in relation to this risk area.

Key VFM risk	Risk description and link to VFM conclusion	Assessment
Savings Plan	The Council continues to face the requirement to reduce its spend as Central Government funding reduces. The Medium Term Financial Plan for 2014/15 to 2016/17 assumed a reduction in the spending power of the Council of 5.1% in 2014/15 and 5.3% in 2015/16. The plan forecast a reduction in Revenue Support Grant of £21.9m in 2014/15 and a further £28.2m in 2015/16. The Council set a balanced budget for 2014/15, incorporating £22.6m of savings with a further requirement for £24.8m of savings planned for 2015/16. This is relevant to the financial resilience criteria.	The Council has maintained its good track record of delivering planned cost reduction savings. In 2014/15 the Council delivered £12.7m of its original £14.9m targeted cost reductions finding the remaining £2.2m from alternative schemes. This new 'Strategic Choices' service based cost reduction approach involving front line staff has therefore worked well and underpins the budget plans for 2015/16. The Council has set a balanced budget for 2015/16, incorporating a further £23.5m of agreed cost reductions. Since then the Council has been informed that it must also manage a further £2m in year reduction in Public Health Funding. It is also working through the impact on HRA business plans of the 1% per annum rent reductions over the next four years. An update report on in-year progress has yet to go the Executive. The funding gap for 2016/17 is currently forecast to be at least £23m plus the impact of budget pressures although work has already started to identify how this gap can be met. Continuing to deliver significant cost reductions year on year is clearly demanding, and will require further difficult decisions along with close monitoring of the results, especially the impact on key services. **Specific risk based work required: No**

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Appendix 1: Key issues and recommendations 2014-15

We have given each recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

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Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
1	❶	**Authorisation of expenditure** As part of our controls testing in respect of non-pay expenditure, we tested 75 items; 25 of each type of payment - purchase order invoice, non-purchase order invoice, request for payment. We identified two items that had not been authorised appropriately: • A request for payment totalling £117,000 had been authorised by an employee with an authorisation limit of £100,000. The expenditure was legitimate. We are advised that the system is to be changed so that this type of request for payment would go through workflow in the future, allowing authorisation only by officers with appropriate authority levels. • The second item was a non-purchase order invoice where no authority was provided in workflow despite the item being redirected to several individuals with increasing levels of seniority. The item was paid as it is possible to override the workflow function. We did not identify any other examples of this. We are currently undertaking further testing as we seek to obtain sufficient assurance that these weaknesses have not led to a material misstatement in the accounts. Recommendation The Council should put in place measures to prevent payments being made without appropriate authorisation.	The colleagues involved have been reminded of their authorisation limits. The management structure and processes within EMSS have been reviewed and changed during the past year. The practice of overriding the approval process is no longer sanctioned by senior management.

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Appendix 1: Key issues and recommendations 2014-15

We have given each recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

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Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
2	❷	Income and Expenditure overstated Detailed testing of non-pay expenditure identified that Public Health Income and Expenditure was overstated by £20.8m. This was due to a journal being incorrectly posted (income was posted to an expenditure code and vice versa). The error was identified prior to closedown but had not been corrected prior to the submission of accounts to the auditors. This is a material misstatement. Recommendation The finance team should undertake a detailed financial review of the financial statements prior to issue so that errors are identified and corrected prior to the submission of the accounts for audit.	The relevant checks will be automated and undertaken earlier during the production of the Statement of Accounts for 2015/16.

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Appendix 1: Key issues and recommendations 2014-15

We have given each recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

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Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
3	❶	**Journals** As part of our audit approach we routinely test journals, throughout the year and journals created for the closedown period. Our testing identified a journal with a value of £47 billion. This journal had to be created to correct a posting error resulting in a misstatement of £47 billion. Best practice is that a posting error of such a large and unusual value should not be possible and that a ledger system should flag and prevent such an entry being posted. Recommendation The Council should review the ledger system to identify if it is possible to input parameters beyond which postings cannot be made.	A review of the parameters will be undertaken. Person Responsible: Jeff Abbott Due Date: 31/3/16

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Appendix 1: Key issues and recommendations 2014-15

We have given each recommendation a risk rating and agreed what action management will need to take.

We will formally follow up these recommendations next year.

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Priority rating for recommendations		
1 ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2 ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	3 ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response / responsible officer / due date
4	1	Control weaknesses in EMSS over payroll Throughout work on payroll we identified that EMSS do not undertake a payroll reconciliation for Nottingham City Council although they do this for Leicester City Council. Exception reports, one of the outputs from payroll are not checked by EMSS. We expect that the responsibilities of EMSS should be set out in an Service Level Agreement to enable both parties to be clear what tasks should be carried out by each party. Recommendation Nottingham City Council and East Midlands Shared Service should set up a Service Level Agreement as soon as possible.	Responsibility for the reconciliations has been passed over to EMSS. An SLA with EMSS is in the process of being set up. Person Responsible: Jeff Abbott Due Date: 31/12/15

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Appendix 2: Follow up of prior year recommendations

The Authority has not implemented all of the recommendations in our *ISA 260 Report 2013/14.*

New recommendations have been made in Appendix 1

This appendix summarises the progress made to implement the recommendations identified in our *ISA 260 Report 2013/14* and re-iterates any recommendations still outstanding.

Number of recommendations that were:	
Included in original report	1
Implemented in year or superseded	0
Remain outstanding (re-iterated in Appendix 1)	1

Priority rating for recommendations		
❶ ***Priority one***: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	❷ ***Priority two***: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	❸ ***Priority three***: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at August 2015
1	❶	**Control weaknesses at EMSS** As reported to you by Internal Audit there are weaknesses in the operation of controls by EMSS in the following systems: • Payroll • Accounts payable • Accounts receivable We have reviewed the controls at EMSS and have found that though no material impact on the financial statements has occurred, there are still weaknesses to be addressed.		Not fully implemented in 2014/15; a Service Level Agreement needs to be put in place with EMSS so that responsibilities are clear. Nottingham City Council need to take responsibility to address control weaknesses.

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Appendix 3: Audit differences

This appendix sets out the significant / non-trivial audit differences.

It is our understanding that all of these will be adjusted.

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We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee. We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

Corrected audit differences

The following table sets out the significant audit differences identified by our audit of Nottingham City Council's financial statements for the year ended 31 March 2015. This amendment has been adjusted for in the final version of the financial statements.

	Impact					Basis of audit difference
No.	Income and Expenditure Statement	Movement in Reserves Statement	Assets	Liabilities	Reserves	
1	Dr income £20.8m Cr expenditure £20.8m					Journal incorrectly input in relation to Public Health Expenditure leading to both income and expenditure being overstated by a material amount. As the net impact of this error is nil there is no overall impact on the general fund.
	Dr/cr £0	**Dr/Cr £0**	**Dr/Cr £0**	**Dr/Cr £0**	**Cr £0k**	**Total impact of adjustments**

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Appendix 4: Declaration of independence and objectivity

The *Code of Audit Practice* requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

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Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK &I) 260 Communication of *Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

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Appendix 4: Declaration of independence and objectivity (cont.)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Nottingham City Council for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and Nottingham City Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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Appendix 5: Materiality and reporting of audit differences

For 2014/15 our materiality is £19 million for the Authority's accounts.

We have reported all audit differences over £14.250 million for the Authority's accounts.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We reassessed materiality for the Authority at the start of the final accounts audit following receipt of the 2014/15 accounts, which confirmed the actual gross expenditure incurred by the Authority.

Materiality for the Authority's accounts was set at £19m which equates to around 2% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the General Purposes and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the General Purposes and Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £950k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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Appendix 6: KPMG Audit Quality Framework

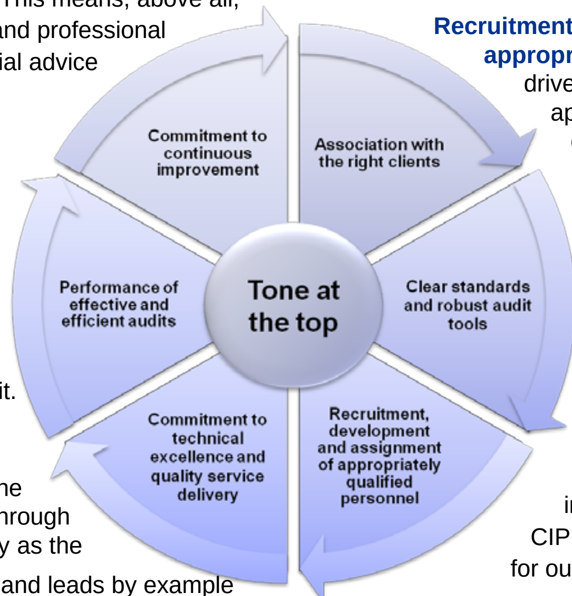
We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.



KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Tony Crawley as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

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Appendix 6: KPMG Audit Quality Framework (cont.)

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (http://www.psaa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014/2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.

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cutting through complexity™

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Nottingham City Council

Nottingham City Council

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

Statement of Accounts 2014/15

Contents

Contents - Notes to the Financial Statements

Section 1
Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2014/15 and this is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet. The Movement in Reserves and Cash Flow statements provide further analysis of specific figures. However, when setting its Budget and Council Tax, the Council is required to follow legislative requirements to arrive at the Funding Basis. As a consequence the Housing Revenue Account (HRA) is shown separately within the Supplementary Statements. The Collection Fund is also included here and this presents how the Council collects all Council Tax and distributes it to tax setting authorities in the area. A separate set of Group Accounts is also published which shows a consolidated position for the Council and organisations where it has significant control.

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

1.1 CIES – Financial Reporting (IFRS) Basis

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

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

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

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

Further details appear in Section 3.1 and section 6.1.

1.2 Balance Sheet

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

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of property, plant and equipment (PPE). The value of these assets has increased by £0.235m. This movement is as a result of a number of factors:

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

Further details appear in note 6.2.1.

The Balance Sheet also includes a liability of £720.588m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. The Pension Fund is reviewed every 3 years and employer's contributions are adjusted with the intention of meeting the net liabilities over a period of time.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. At 31 March 2015, this totals £720.500m.

1.3 Movement in Reserves Statement

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

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

The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget and are made up of the Un-earmarked General Fund Reserve (£19.553m), Earmarked Reserves (£160.105m) the HRA (£4.307m) and Capital Financing Reserves (£66.919m). The movement in the General Fund reflects the surplus after transfers to reserves on the Funding Basis (Paragraph 1.4). The balance on the General Fund is monitored closely to ensure it is kept at a prudent level to cover any unforeseen circumstances.

Unusable reserves are created as a consequence of the timing differences between the Funding Basis and IFRS basis of accounting as referred to in paragraph 1.4. This category also includes a revaluation reserve which holds changes in the valuation of assets. In 2014/15 a net increase in these valuations of £42.537m has been credited to this reserve, however, revaluation gains on schools that have become academies and other items resulted in an overall reduction in this reserve of £11.770m. These reserves are, therefore, not available for distribution as they are required as and when the timing differences fall out.

Further details of the reserves and movements are set out in the MIRS and in notes 6.2.11 and 6.2.12.

1.4 Funding Basis

	2013/14 £m	2014/15 £m
(Under)/Over spending by Portfolios against budgets	(1.175)	(9.773)
Cost of services(portfolios)	284.227	267.955
Council Tax Income	(80.818)	(87.192)
(Surplus)/Deficit after transfers to reserves	1.573	(7.324)
Movement in capital financing requirement	14.757	43.798
Council Tax (Band D)	£1,404.42	£1,431.80

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

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

In 2014/15 the Council Tax raised £85.835m and, together with funding from government grants and other income, this was used to meet the cost of services. Overall the Council generated a surplus of £7.324m after contributions of £11.342m had been made to earmarked reserves. This surplus increased the General Fund by £7.146m.

The IFRS basis of accounting reflects the net change in the actuarial valuation of the pension fund. For 2014/15 the resulting debit to the CIES was £153.168m. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. However, the Funding Basis approach maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund, which are set at a level which will meet liabilities over a longer period. Therefore, the difference in approach generates timing differences when recognising the net charge to the CIES.

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

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

1.5 Group Accounts

	2013/14 £m	2014/15 £m
Total Comprehensive Income and Expenditure (Surplus)/Deficit	(62.496)	202.119
Net Assets	871.646	669.880
Council's Share of other Group Reserves/Minority Interests	(22.708)	(50.620)

Group Accounts consolidate the Council's financial statements with those organisations where the Council has material financial interests and a significant level of control. The 2014/15 Group Accounts consolidate the accounts for Bridge Estate, Nottingham City Homes, Nottingham City Transport, Nottingham Ice Centre, Enviroenergy, Nottingham Revenues and Benefits Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd.

On an IFRS basis the group's deficit is £28.265m higher than the Council's, primarily due to gains and losses on the pension scheme valuations for Nottingham City Transport and Nottingham City Homes. The value of the Group as represented by Net Assets is £669.880m. This is £50.620m less than the Council's Net Assets which is again due in part to the additional pension scheme liabilities. This reduction is also reflected in the Group's reserves as a result of the consequential accumulated net losses.

Further details appear in section 8 of the accounts.

1.6 Forward Plans

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

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

Although the council has set a balanced budget for 2015/16, it is clear that there will be further funding reductions in the future, within which inflationary and demographic pressures will have to be managed. As a result the current Medium Term Financial Outlook shows an estimated funding gap of £34.089m by 2017/18.

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

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

Section 2
Introductory Statements

2.1 Accounting Policies

2.1.1 Basis of Accounting

The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2011 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) which is based on approved accounting standards. In addition, the Council's accounts also comply with the Service Reporting Code of Practice 2014/15, which ensures consistency and comparability in financial reporting across Councils. The accounts are supported by IFRS and statutory guidance issued under section 7 of the 2011 Act.

2.1.2 Accounting Developments and Changes

Developments and other changes during 2014/15

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

Prior Year Reclassifications

Separate disclosures are given here where it has been necessary to make material changes to prior year figures. There were no such changes made in the 2014/15 accounting statements for prior years

Accounting Standards Issued but not adopted

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

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

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

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

2.1.3 Choices permitted under IFRS

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

De Minimis Capital Expenditure

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

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

Componentisation

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

Depreciation (including amortisation of intangible assets)

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

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

2.1.4 Critical Accounting Policies

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

Accruals of Expenditure and Income

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

Government Grants and Contributions

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

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

Charges to CIES for Non-Current Assets

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

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

Valuation of Non-Current Assets

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

Interests in Companies and Other Entities

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

2.1.5 Critical Judgments in applying Accounting Policies

In applying the accounting policies set out in Section 10 (Appendix B), the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

  Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction, whilst the Academy is constructed. Once the construction is complete the Asset is transferred to Other Land and Buildings and, on the date of transfer to Academy the Council records this as a de-recognition for nil consideration.
- The Council has entered into a partnership arrangement with Leicestershire County Council to provide financial and human resources services. The structure of the partnership has been judged to be a "joint operation" with the Council's share of revenue, expenditure, assets and liabilities shown in the single entity financial statements in section 3.
- The Council has produced a set of Group Accounts after reviewing related organisations, evaluating whether the Council has the necessary material financial interest and/or level of control required for inclusion the Group.
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

2.2 Supplementary Comments

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

2.2.1 Key Changes affecting 2014/15 Statements

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

2.2.2 Provisions and Write offs

Increase in Current Provisions (£21.120m)

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

2.2.3 Impact of Economic Climate

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

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

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

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

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

- Business Rates - Since the introduction of Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for successful appeals against rates charged to businesses. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2015, calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date.

- PPE – Assets are depreciated over their useful lives, with this period dependant on assumptions about the level of repairs and maintenance applied to individual assets. The current economic climate creates uncertainty about the levels of repairs and maintenance that will be maintained, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings excluding Council dwellings would increase by £1.838m for every year that useful lives had to be reduced. Further details can be found in Note 6.2.1.

- National Ice Centre - The building has been re-valued on a basis that more accurately reflects the multi-use nature of the building rather than as an ice rink alone. The revised approach provided a valuation of £63.168m, an increase of £21.319m from the 2012 valuation.

- Post Retirement Benefits – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See Note 6.2.15 and Section 11 for further details.

- PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases the Council has estimated the implied interest rate within the leases in order to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

2.2.5 Events after the Reporting Date

Any subsequent material events occurring after the reporting date of 29 June 2015, when the un-audited accounts were authorised for issue by the Chief Financial Officer, will be reported within this section.

2.2.6 Material assets acquired and liabilities incurred.

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

2.2.7 Pension Fund

The Council is a member of the Nottinghamshire County Council pension fund and assets and liabilities of that fund that may be attributed to the Council are evaluated on an annual basis by an independent actuary. The actuary has estimated that, at 31 March 2015, the Council's fund was in deficit by £720.588m (£550.498m as at 31 March 2014). The actuary undertakes tri-annual valuations of the fund and sets the Council's contribution with a view of recovering the deficit in the longer term.

2.2.8 Prior Year Restatements

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

Comprehensive Income and Expenditure Statement 2013/14

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

Group Comprehensive Income and Expenditure Statement

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

Section 3
Core Financial Statements

3.1 Comprehensive Income and Expenditure Statement (CIES)

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

Notes		2013/14 Restated (Note 2.2.8) Gross Expenditure £m	Gross Income £m	Net £m	2014/15 Gross Expenditure £m	Gross Income £m	Net £m
	Central services to the public	5.397	(3.492)	1.905	4.619	(3.484)	1.135
	Cultural and related services	53.328	(23.929)	29.399	53.422	(27.591)	25.831
	Environmental and Regulatory services	51.006	(16.005)	35.001	52.523	(19.316)	33.207
	Planning Services	31.485	(23.912)	7.573	13.775	(32.485)	(18.710)
	Education and children's services	265.230	(180.303)	84.927	286.089	(181.949)	104.140
	Highways and transport services	74.300	(76.412)	(2.112)	86.607	(80.658)	5.949
	Local authority housing (HRA)	65.586	(96.189)	(30.603)	50.566	(109.325)	(58.759)
	Other housing services	166.861	(150.364)	16.497	172.334	(151.883)	20.451
	Adult social care	119.767	(32.773)	86.994	133.238	(46.543)	86.695
	Public Health	24.770	(25.765)	(0.995)	21.229	(22.697)	(1.468)
	Corporate and democratic core	32.947	(20.906)	12.041	36.036	(23.679)	12.357
	Non distributed costs	(1.370)	-	(1.370)	(7.447)	-	(7.447)
6.1.1	**Cost of Services**	**889.307**	**(650.050)**	**239.257**	**902.991**	**(699.610)**	**203.381**
6.1.2	Other operating expenditure			37.879			136.506
6.1.3	Financing and investment income and expenditure			52.390			55.186
6.1.4	Taxation and non-specific grant income			(350.035)			(327.037)
	(Surplus)/Deficit on Provision of Services			**(20.509)**			**68.036**
6.1.5	Revaluation of PPE/Heritage assets			(28.587)			(42.537)
6.1.6	Re-measurement of pension assets/liabilities			(25.056)			153.168
	Other gains/losses recognised required			0.046			(4.813)
	Other Comprehensive Income and Expenditure			**(53.597)**			**105.818**
	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			**(74.106)**			**173.854**

3.2 Balance Sheet

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

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

Notes		31 March 2014 £m	31 March 2015 £m
6.2.1	Property, Plant & Equipment	1,974.150	1,974.385
6.2.2	Heritage Assets	47.185	55.174
6.2.3	Investment Property	38.388	44.024
6.2.4	Intangible Assets	2.329	3.162
6.2.15(a)	Long Term Investments	20.319	15.345
6.2.15(a)	Long Term Debtors	60.696	62.437
6.2.5	Assets Held for Sale (non-current)	-	7.628
	Long Term assets	**2,143.067**	**2,162.155**
6.2.5	Assets Held for Sale (current)	4.621	9.011
6.2.15(a)	Short Term Investments	160.350	149.477
6.2.6	Inventories	2.537	3.834
6.2.7	Short Term Debtors	104.809	109.201
6.2.8	Cash and Cash Equivalents	59.041	53.409
	Current Assets	**331.358**	**324.932**
6.2.15(b)	Short Term Borrowing	(32.195)	(25.145)
6.2.9	Short Term Creditors	(189.708)	(195.608)
6.2.10(a)	Provisions (current provisions)	(4.797)	(25.917)
	Current Liabilities	**(226.700)**	**(246.670)**
6.2.15(b)	Long Term Borrowing	(685.889)	(670.493)
6.2.15(b)	Other Long Term Liabilities	(98.843)	(112.364)
6.2.10(b)	Provisions (non-current)	(14.831)	(13.707)
6.2.13	Capital Grants Receipts in Advance	(3.310)	(2.765)
6.2.14	Defined Benefit Pension Scheme	(550.498)	(720.588)
	Long Term Liabilities	**(1,353.371)**	**(1,519.917)**
	NET ASSETS	**894.354**	**720.500**
6.2.11	Usable Reserves	238.186	250.884
6.2.12	Unusable Reserves	656.168	469.616
	TOTAL RESERVES	**894.354**	**720.500**

3.3 Movement in Reserves Statement

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

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

* CIE - Comprehensive Income and Expenditure

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

* CIE - Comprehensive Income and Expenditure

3.4 Cash Flow Statement

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

Notes		2013/14 £m	2014/15 £m
	Net Surplus/(Deficit) on the provision of Services	**20.509**	**(68.036)**
6.4.1	Adjustments to net surplus or deficit on the provision of services for non-cash movements	192.556	223.820
6.4.2	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(74.643)	(84.822)
6.4.3	**Net Cash Flows from Operating Activities**	**138.422**	**70.962**
6.4.4	Investing activities	(81.194)	(57.025)
6.4.5	Financing activities	(75.103)	(19.569)
	Net Increase or Decrease in Cash and Cash Equivalents	**(17.875)**	**(5.632)**
	Cash and cash equivalents at the beginning of the reporting period	76.916	59.041
	CASH AND CASH EQUIVALENTS AT 31 MARCH 2015	**59.041**	**53.409**

Section 4
Certifications

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

4.1.1 Auditors Report

We have audited the financial statements of Nottingham City Council for the year ended 31 March 2015 on pages 16 to 19 and 25 to 140. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

- In our opinion the financial statements:
- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2015 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Nottingham City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

4.1.3 Delay in Certification of Completion of the Audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Sue Sunderland

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

18 September 2015

4.2 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required to:

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

The statement of accounts was approved at a meeting of the Audit Committee on 18 September 2015.

Signed………………………………………………… Date: 18 September 2015

Councillor Sarah Piper
Chair of the Audit Committee

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, I have:

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

I have also:

- Kept proper accounting records which were up-to-date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements give a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2015.

Signed………………………………………………… Date: 18 September 2015

Geoff Walker
Chief Finance Officer
Loxley House
Station Road
Nottingham

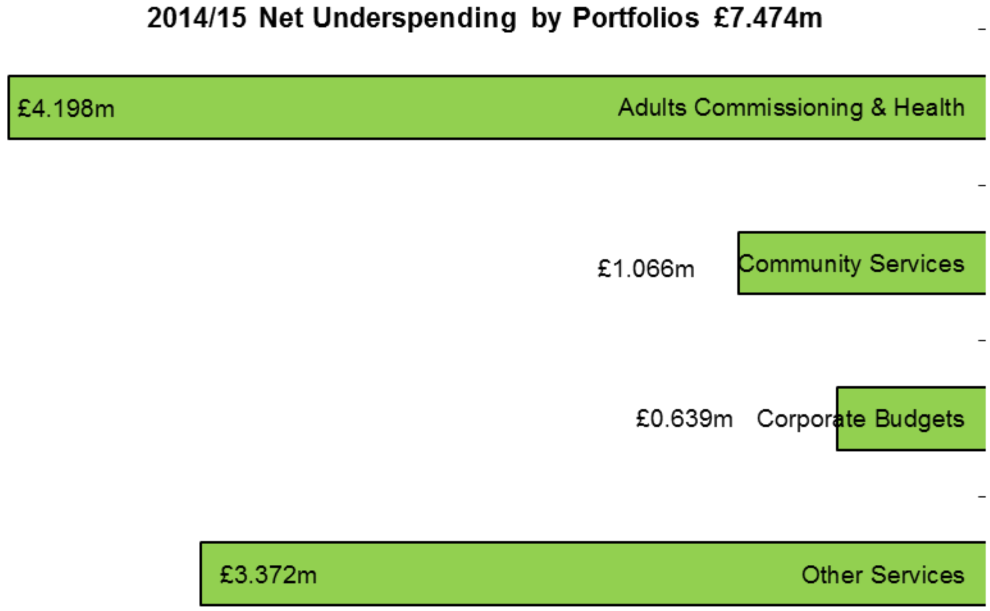
NG2 3NG

Section 5
Funding Basis and Budget Monitoring

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

5.1 Performance against Budget 2014/15

For budget management purposes, specific grant income, charges to users and expenditure items such as employees, premises, supplies and services are organised by groups of services known as portfolios (table 5.2). Using this basis the pre-audit outturn to be reported to Executive Board on 21 July 2015 will show the net outturn as being £7.474m lower than that planned for the year.



Adults Commissioning and Health -£4.198 m
This underspending is mostly due to increased contributions towards care packages and recruitment delays pending implementation of a restructure.

Community Services -£1.066m
This underspending is a result of increased turnover by the service's trading activities.

Corporate Budgets -£0.639m
This underspending was generated by interest savings on delayed borrowing and less debt repayment as a result of capital programme slippage.

5.2 Net Portfolio Spend on Funding Basis (management accounts)

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

2014/15	Adults, Commissioning and Health £m	Children's Services £m	Strategic Regeneration and Schools £m	Leisure and Culture £m	Resources and Neighbourhood Regeneration £m	Other Smaller Portfolios £m	Corporate Items £m	Total £m
Fees, Charges, other income	(57.568)	(4.903)	(9.628)	(30.292)	(34.291)	(73.027)	(88.351)	**(298.060)**
Government Grants	(0.458)	(10.449)	(141.625)	(0.534)	(6.428)	(21.485)	(113.579)	**(294.558)**
Total Income	**(58.026)**	**(15.352)**	**(151.253)**	**(30.826)**	**(40.719)**	**(94.512)**	**(201.930)**	**(592.618)**
Employee Expenses	28.898	33.836	91.352	18.317	37.871	51.701	1.746	**263.721**
Other Service Expenses	121.292	38.563	52.920	21.955	39.816	83.164	239.142	**596.852**
Support Service Recharges	0.469	0.320	1.066	(0.183)	(2.007)	0.335	-	**(0.000)**
Total Expenditure	**150.659**	**72.719**	**145.338**	**40.089**	**75.680**	**135.200**	**240.888**	**860.573**
NET EXPENDITURE	**92.633**	**57.367**	**(5.915)**	**9.263**	**34.961**	**40.688**	**38.958**	**267.955**

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

5.3 Reconciliation of CIES between Funding Basis and IFRS basis

5.3.1 Adjustments Required

Contributions from the National Non-Domestic Rate (NNDR), income from Council Tax payers and Revenue Support Grant from the Government are managed outside portfolios. Council Tax income was generated by the Council setting a Band D Council Tax of £1,431.80 (2013/14 £1,404.42).

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

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

5.3.2 Reconciliation on a Subjective Analysis

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

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

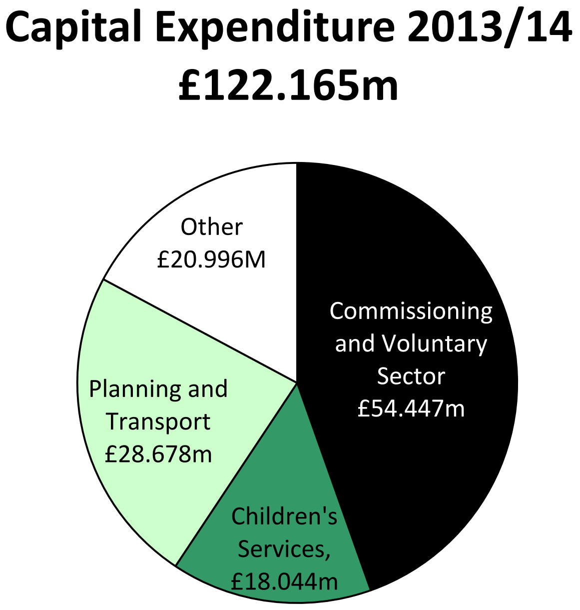
* See (Surplus)/Deficit on Provision of Services line in table 3.1

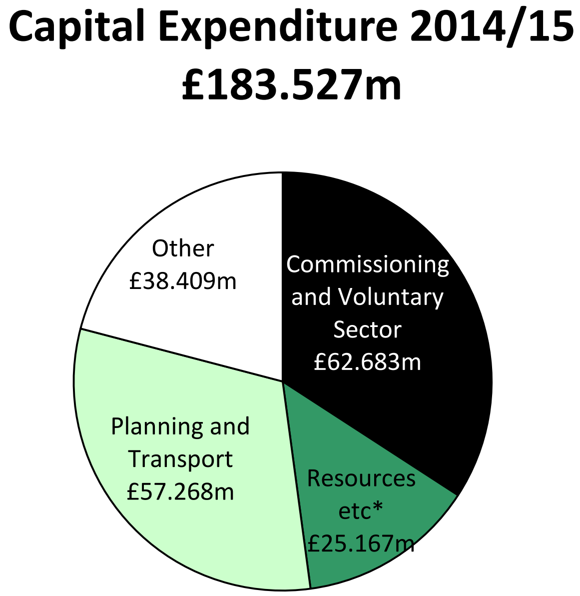
2013/14	Portfolio Spend on Funding Basis £m	Add Amounts not in Funding Basis £m	Remove Amounts not in Cost of Services £m	Cost of Services per CIES (IFRS) £m	Items below Cost of Services (IFRS) £m	Totals per CIES (IFRS) £m
Fees, charges, other income	(272.483)	(84.977)	(10.449)	(367.909)	(0.890)	**(368.799)**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

5.4 Capital

5.4.1 Capital Expenditure and Capital Financing

Capital expenditure relates to the acquisition of new assets and the development of existing assets, which will be of benefit to the Council for more than one year. Expenditure by service over the last two years has been as follows:





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

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

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

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

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

5.4.2 Capital Financing Requirement (CFR)

The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be repaid. The CFR is also used to calculate the statutory minimum charge for debt repayment known as the Minimum Revenue Provision.

Where capital expenditure is financed by borrowing, the expenditure results in an increase in the CFR. Further adjustments are made to include assets acquired under PFI contracts included in the Balance Sheet, and provisions for debt repayment included in the funding basis in the table below:

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

5.5 Long Term Borrowing

The Local Government Act 2003 provides the legislative framework for borrowing undertaken by the Council including an operational boundary or limit on the value of borrowing undertaken. The Council approved an operational boundary on the level of external debt during 2014/15 of £1,041.6m (including PFI and finance lease related debt of £237.3m). Actual external debt on 1 April 2014 was £802.0m and this decreased to £791.2m at 31 March 2015.

Section 6
Notes to the Financial Statements

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

6.1 Comprehensive Income and Expenditure Notes

6.1.1 Specific Grants Credited to Services

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

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

6.1.2 Other Operating Expenditure

Other Operating Expenditure includes the following items:

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

6.1.3 Financing and Investment Income and Expenditure

Financing and Investment includes the following items:

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

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

6.1.4 Taxation and Non-Specific Grant Income

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

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

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

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

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

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

These transactions are summarised in the following table:

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

6.2 Balance Sheet Notes

6.2.1 Property Plant and Equipment

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

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

Depreciation

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

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

Where the Council departs from standard lives, the lives used are within the overall range outlined in the table above.

Revaluations

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

During 2014/15, the Council's internal valuers completed asset valuations for operational and surplus properties in compliance with the 5-year requirement. In addition, internal valuers also completed a number of reviews outside the Council's 5-year property revaluation programme, for properties undergoing significant changes as a result of capital investment, material impairment or reclassification.

External valuers Herbert Button & Partners and Freeman and Mitchell completed a full beacon based revaluation of the Council Housing Stock valuation as at 31st March 2015.

Valuers' Assumptions - Cyclical and Non Cyclical Valuations

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

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

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

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

Material Revaluation Gains, Losses and Impairments

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

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

In line with the Accounting Policies for PPE, the Council's componentisation policy has been applied to recognition, revaluation and depreciation of fixed assets during 2014/15.

Valuation at 31 March 2015

DESCRIPTION	Council Dwellings £m	Other Land and Buildings £m	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			80.642	311.066	22.617			414.325
Valued at depreciated fair value as at:								
2010/11	-	69.666	-	-	-	-	35.415	105.081
2011/12	-	223.689	-	-	-	-	20.020	243.709
2012/13	-	225.616	-	-	-	0.078	25.737	251.431
2013/14	-	106.739	-	-	-	-	19.807	126.546
2014/15	610.225	172.196	-	-	-	27.469	23.403	833.293
TOTAL	**610.225**	**797.906**	**80.642**	**311.066**	**22.617**	**27.547**	**124.382**	**1,974.385**

Capital Commitments

At 31 March 2015, the Council had entered into a number of contracts for the construction or enhancement of PPE which extend into future years. The major commitments are:

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

6.2.2 Heritage Assets

The Council's register of Heritage Assets includes over 95,000 items (excluding natural history). The Council holds these assets as a contribution to the knowledge and cultural development of both citizens and visitors. The heritage assets items are either held on display at one of the Council's museums or held in storage, where access is encouraged.

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

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

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

Preservation and Management

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

6.2.3 Investment Property

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

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

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

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

6.2.4 Intangible Assets

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2014/15 was £0.706m.

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

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

6.2.5 Assets Held for Sale

Non-Current

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

Current

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

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

6.2.6 Inventories

	2013/14				2014/15			
	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	**0.536**	**0.051**	**0.622**	**1.209**	**0.524**	**0.064**	**1.949**	**2.537**
Purchases	2.903	1.366	12.029	16.298	4.771	0.558	19.085	24.414
Recognised as an expense in the year	(2.898)	(1.353)	(10.702)	(14.953)	(4.660)	(0.192)	(18.265)	(23.117)
Written off balances	(0.017)	-	-	(0.017)		-	-	-
BALANCE AT 31 MARCH	**0.524**	**0.064**	**1.949**	**2.537**	**0.635**	**0.430**	**2.769**	**3.834**

6.2.7 Short Term Debtors

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

6.2.8 Cash and Cash Equivalents

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

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

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

6.2.9 Short Term Creditors

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

6.2.10 Provisions

Current Provisions

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

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

Non-Current Provisions

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

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

Insurance Compensation Claims

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

The majority of costs met from the provision arise from property damage, liability claims made against the Council and motor accidents involving Council motor vehicles. In order to limit the Council's exposure to these risks the policies for external fire and motor and liability have been arranged with excesses of £0.250m, and £0.100m respectively. To further protect the Council's exposure to significant payments, aggregate stop losses are in place, which limit the total value of claims that the Council will have to fund in one policy year; the stop losses for the 2014/2015 policy year were £5m across all classes. Other costs falling on the provision include self-insured risks.

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

Business Rates

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

Equal Pay

A provision of £1.762m was set up in 2012/13 to meet the potential cost of additional settlements arising from an ongoing equal pay tribunal case. A balance of £0.757m remains for this provision.

6.2.11 Usable Reserves

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

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

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

Schools

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

Capital

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

PFI

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

Investment

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

Contingency

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

Services

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

Workforce Issues

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

Business Transformation

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

Information Technology

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

Insurance and Risk Management

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

Local Economy

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

Asset Maintenance

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

6.2.12 Unusable Reserves

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

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

Revaluation Reserve

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

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

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

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

Capital Adjustment Account

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

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

	2013/14 £m	2014/15 £m
Balance at 1 April	**869.605**	**881.690**
Other Comprehensive Items		
Voluntary aided school recognition	-	4.813
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(0.513)	(0.706)
Charges for depreciation of non-current assets	(83.299)	(86.276)
Charges for impairment of non-current assets	0.047	0.158
Revaluation losses on Property, Plant and Equipment	2.593	38.700
Donated assets	1.846	1.091
Movements in the market value of Investment Properties	0.006	1.817
Revenue expenditure funded from capital under statute (REFCUS)	(6.572)	(19.394)
REFCUS expenditure funded by grants	4.933	6.373
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(50.639)	(150.354)
Adjusting amounts written out of the Revaluation Reserve	11.217	54.307
	(120.381)	(154.284)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	8.007	5.588
Use of the Major Repairs Reserve to finance new capital expenditure	18.088	40.257
Application of grants from the Capital Grants Unapplied Account	55.698	50.552
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8.426	7.907
Voluntary set aside of capital receipts for debt redemption	22.410	23.693
Adjustment to MRP as a result of PFI Projects	4.043	3.729
Capital expenditure charged against the General Fund and HRA balances	16.820	14.125
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(1.026)	(0.740)
	132.466	145.111
BALANCE AT 31 MARCH	**881.690**	**877.330**

Financial Instruments Adjustment Account

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

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

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

Pensions Reserve

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

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

Deferred Capital Receipts Reserve

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

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

Collection Fund Adjustment Account

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

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

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements (funding basis) require it to be treated as an unusable reserve so that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

6.2.13 Capital Grants Received in Advance

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

The balances at the year-end are as follows:

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

6.2.14 Defined Benefit Pension Schemes

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

The Council participates in three post employment schemes:

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

Further details for these schemes can be found in Appendix C

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

Reconciliation of fair value of the scheme assets:

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

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

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

The liabilities show the underlying commitments that the Council has to pay in respect of post-employment (retirement) benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, as a result of the negative overall balance of £720.558m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

6.2.15 Financial Instruments

The operation of the Council's Treasury Management function is regulated through the Local Government Act 2003 and supplementary guidance issued by the Department for Communities and Local Government, the CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council approves an annual treasury strategy, reviewing risk and expected activities during the year.

The 2011 Accounting Code of Practice requires disclosure of information pertaining to the scope, significance and risk associated with the Council's financial instruments.

Categories of Financial Instruments

A financial instrument arises from a contract which creates a financial asset in one organisation and a financial liability in another. The Balance Sheet contains a range of such financial instruments, both assets and liabilities.

The tables below show the appropriate value of all financial instruments on the Balance Sheet as at 31 March 2015 (and 31 March 2014).

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

Notes:

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

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

Notes:

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

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

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

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

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the net present value, at 31 March 2015, of the cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- The fair values of loans from the PWLB have been discounted at the published interest rates for new PWLB certainty rate loans with an identical remaining term to maturity arranged on 31st March.
- Within market loans the fair values of long-term “Lender’s Option Borrower’s Option” loans have been calculated discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate on 31st March plus a margin for local authority credit risk and adding the value of the embedded options. Lenders’ options to propose an increase to the interest rate on the loan have been valued according to Bloomberg’s proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate
- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- For other loans, relevant premature repayment rates have been applied to provide a fair value.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.

- The fair value of investments excludes all sums deposited with Icelandic banks which have been accounted for separately.
- Available for sale investments are held on the Balance Sheet at fair value and therefore excluded from the table below.

The fair values calculated are as follows:

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

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

All loans and receivables held on the Balance Sheet at 31 March were issued at par. They have been accounted for on the Balance Sheet on an amortised cost basis, and reflect the principal outstanding, plus any accrued interest at 31 March 2015, giving a 'carrying amount' at year-end.

6.3 Movement in Reserves Statement Notes

6.3.1 Adjustments between Accounting Basis and Funding Basis under regulations

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

Continued on the next page

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

2013/14	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£m	£m	£m	£m	£m	£m
Non Current Assets						
● Amortisation of Intangible Fixed Assets	0.508	0.005	-	-	-	(0.513)
● Depreciation	54.560	28.739	-	-	-	(83.299)
● Impairment	(0.017)	(0.030)	-	-	-	0.047
● Revaluation Losses	8.285	(8.440)	-	-	-	0.155
● Donated Assets	(0.054)	(1.792)	-	-	-	1.846
● Investment Property Movement	0.026	(0.032)	-	-	-	0.006
● Assets Held for Sale Movement	-	(2.438)	-	-	-	2.438
● Derecogniton of Fixed Assets	27.981	7.915	-	-	-	(35.896)
● (Loss)/Gain on Sale of Fixed Assets	0.386	0.226	14.131	-	-	(14.743)
	91.675	24.153	14.131	-	-	(129.959)
Capital Financing						
● Revenue Expenditure Funded From Capital Under Statute	1.639	-	-	-	-	(1.639)
● Statutory Minimum Revenue Provision for Capital Financing	(8.426)	-	-	-	-	8.426
● Voluntary Revenue Provision for Capital Financing	(21.405)	(1.005)	-	-	-	22.410
● PFI Minimum Revenue Provision	(4.043)	-	-	-	-	4.043
● Capital Expenditure charged in year to General Fund Balance	(11.072)	(5.748)	-	-	-	16.820
● Transfer to/from Major Repairs Reserve	-	(28.739)	-	10.651	-	18.088
● Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	1.730	-	(1.730)	-	-	-
● Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	-	-	0.719	-	-	(0.719)
● Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(8.007)	-	-	8.007
● Capital Grants Applied	-	-	-	-	(55.698)	55.698
	(41.577)	(35.492)	(9.018)	10.651	(55.698)	131.134

Continued on the next page

2013/14	Usable Reserves					
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Employee Benefits	(0.558)	-	-	-	-	0.558
Pension Fund						
● Net charges made for Retirement Benefits in accordance with IAS19	56.433	-	-	-	-	(56.433)
● Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(27.114)	-	-	-	-	27.114
	29.319	-	-	-	-	(29.319)
Other Movements						
● Capital Grants & Contributions	(55.739)	-	-	-	55.739	-
● Financial Instrument Adjustment Account	(0.330)	(0.014)	-	-	-	0.344
● Transfer to/(from) Collection Fund Adjustment Account	(3.588)	-	-	-	-	3.588
	(59.657)	(0.014)	-	-	55.739	3.932
TOTAL ADJUSTMENTS	**19.202**	**(11.353)**	**5.113**	**10.651**	**0.041**	**(23.654)**

6.3.2 Post Employment Benefits Transactions

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

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

These transactions can be summarised as follows:

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

6.4 Cash Flow Statement Notes

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

	2013/14 £m	2014/15 £m
Depreciation	83.299	86.277
Impairment and downward valuations	(0.202)	(38.858)
Amortisation	0.513	0.706
Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	-	0.183
Soft Loans (non Subsidiary)-Interest adjustment credited to CIES during year	(0.002)	-
Increase/Decrease in Interest Creditors	(2.709)	(0.153)
Increase/Decrease in Creditors	49.509	(0.975)
Increase/Decrease in Interest and Dividend Debtors	0.494	(0.299)
Increase/Decrease in Debtors	(14.655)	(7.877)
Increase/Decrease in Inventories	(1.328)	(1.297)
Movement in Pension Liability	29.319	16.922
Non Cash Adjustment	0.336	0.658
Contributions to/(from) Provisions	(0.213)	19.996
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	50.639	150.354
Movement in Investment Property Values	(2.444)	(1.817)
	192.556	**223.820**

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

	2013/14 £m	2014/15 £m
Capital Grants credited to surplus or deficit on the provision of services	(60.672)	(53.635)
Net adjustment from the sale of short and long term investments	-	(15.986)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(13.971)	(15.201)
	(74.643)	**(84.822)**

6.4.3 Operating Activities

The cash flows for operating activities include the following items:

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

6.4.4 Investing Activities

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

6.4.5 Financing Activities

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

6.5 Other Notes

6.5.1 Trading Operations

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

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

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

6.5.2 Agency Services

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

6.5.3 Jointly Controlled Operations

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

Operations relating to EMSS are carried out at both NCC and LCC premises, with LCC being the employing authority and NCC the host authority. In line with the partnership agreement, the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of costs for NCC of 56%.

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

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

6.5.4 Councillors' Allowances

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

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

6.5.5 Officers Remuneration

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

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

* Deputy Chief Executive / Corporate Director Resources left 13/07/14, a Council employee was Seconded to the Corporate Director Resources role for the remaining of 2014/15
** Corporate Director - Children and Adults - Appointed 4/11/2013
*** Corporate Director - Quality and Commissioning - Seconded to Corporate Director Children and Adults from 1/2/2013-3/11/2013, due to a Senior Officer restructure this post was removed on the 31st March 2014
**** Director - One Nottingham stopped reporting direct to the Chief Executive from the 1st April 2014, as such now no longer meets the requirements of this disclosure.
***** Director - Policy, Partnership and Comms - left the Council on the 31st March 2014

During 2014/15 there was a joint arrangement with Nottinghamshire County Council, whereby the Director of Public Health for the County would also undertake this role for the City Council. It was agreed that the role would operate on the basis of a 60/40 split, with 40% dedicated to the City Council. The Director of Public Health is not included within the officers' remuneration note as the post holder is not an employee of the City Council.

A total of 161 employees (including senior employees) received remuneration of more than £0.050m, of these 84 are employed directly by schools. However, the figures do not include staff employed by academy schools, who are not Council employees:

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

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

Type of Exit Package	2013/14* Up to £20,000	2013/14* £20,001 to £40,000	2014/15 Up to £20,000	2014/15 £20,001 to £40,000	2014/15 £40,001 to £150,0000
Number of:					
Compulsory redundancies	48	2	24	2	4
Other departures agreed	42	6	25	6	-
Total departures	**90**	**8**	**49**	**8**	**4**
Total Cost	£823,801	£189,213	£228,287	£348,125	£363,146

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

6.5.6 External Audit Costs

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

	2013/14 £m	2014/15 £m
Statutory audit and inspection work	0.233	0.229
Certification of grant claims and returns	0.025	0.021
Fee for additional audit work*	-	0.011
Refund of prior year fees by Audit Commission	-	(0.055)
TOTAL	**0.258**	**0.206**

* Additional fee charged in 2014/15 for work carried out in relation to the 2013/14 audit

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

6.5.7 Dedicated Schools Grant (DSG)

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

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

Notes		Central Expenditure £m	ISB £m	Total £m
A	Final DSG for 2014/15 before Academy recoupment			**228.843**
B	Academy figure recouped for 2014/15			**(99.896)**
C	Total DSG after Academy recoupment for 2014/15			**128.947**
D	Brought forward from 2013/14			**11.962**
E	Carry forward to 2015/16 agreed in advance			**9.066**
F	Agreed initial budgeted distribution in 2014/15	29.329	115.595	**144.924**
G	In year Adjustments	(1.507)	(5.807)	**(7.314)**
H	Final Distribution for 2014/15	27.822	109.788	**137.610**
I	Less Actual central expenditure	22.006		
J	Less ISB deployed to schools		(109.788)	
K	Plus Local Authority contribution 2014/15	-	-	-
L	**Carry forward to 2015/16 agreed in advance**	**5.816**	**-**	**14.882**

Notes to DSG:

A Figure as announced by the Department for Education (DfE) in March 2015.

B Figure recouped from the Council in 2014/15 by the DfE for the conversion of maintained schools into Academies.

C Total figure after DfE recoupment for 2014/15.

D Figure brought forward from 2013/14 as agreed with the DfE.

E The amount which the Council planned after consultation with the schools forum to carry forward to 2015/16, rather than distribute in 2014/15.

F Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.

G Changes to the initial distribution.

H Budgeted distribution of DSG as at the end of the financial year.

I Actual amount of central expenditure items in 2014/15.

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

K Any contribution from the Council in 2014/15 which will have the effect of substituting for DSG in funding the Schools Budget.

L Carry forward to 2015/16. The total figure is the carry forward to 2015/16 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

6.5.8 Related Parties

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

Central Government

Central government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the CIES note 6.1.5. Grant receipts outstanding at 31 March 2015 are shown in Table 6.2.14.

Councillors/Officers

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

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

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

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

Other Public Bodies

The Council has pooled budget arrangements with ICES, the Adult Safeguarding Partnership Board and the St Ann's Valley Centre. There were no significant transactions with the Council for these arrangements in 2014/15.

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

Entities Controlled or Significantly Influenced by the Council

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

	2013/14		2014/15	
	Payments £m	Receipts £m	Payments £m	Receipts £m
Nottingham City Transport	7.783	(0.756)	7.784	(0.966)
Nottingham City Homes (NCH) Ltd	56.512	(7.997)	58.420	(8.373)
Enviroenergy Ltd	0.929	(3.537)	0.921	(4.061)
Futures Advice, Skills and Employment Ltd	2.514	(0.003)	3.217	(0.012)
Nottingham Revenues & Benefits Ltd	-	-	-	(1.857)
Other Related Parties	0.560	(3.668)	0.668	(2.479)

	2013/14		2014/15	
	Debtors £m	Creditors £m	Debtors £m	Creditors £m
Nottingham City Transport	0.889	(0.152)	0.959	(0.315)
Nottingham City Homes (NCH) Ltd	4.260	(11.787)	2.506	(9.701)
Enviroenergy Ltd	18.669	(2.244)	16.849	(3.197)
Futures Advice, Skills and Employment Ltd	-	(0.440)	-	-
Nottingham Revenues and Benefits Ltd	-	-	0.375	(0.248)
Other Related Parties	5.402	(2.913)	5.987	(0.440)

6.5.9 Road Charging Schemes under the Transport Act 2000

The Council introduced the workplace parking levy on the 1 April 2012. The levy is charged under section 178-190 of the Transport Act 2000 (the Act). As per section 180 and 181 of the Act, all monies which are raised by the levy are to be re-invested in the City Councils Transport Plan. The figures for the year ending 31 March 2015 are as follows:

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

6.5.10 Leases

Council as Lessee

Finance Leases

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

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

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

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

* Net present value of minimum lease payments

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

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

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

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

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

Council as Lessor

Finance Leases

As a lessor, the Council has an investment in finance leases. This is made up of the minimum lease payments expected to be received over the remaining term, together with the residual value anticipated for the property at the end of the lease. The minimum lease payments comprise the settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years. The gross investment is made up of the following amounts for all finance leases:

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

* Net present value of minimum lease payments

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

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2014 £m	31 March 2015 £m	31 March 2014 £m	31 March 2015 £m
Not later than one year	0.067	0.067	0.067	0.067
Between one and five years	0.266	0.266	0.266	0.266
Later than five years	68.688	68.593	60.093	60.026
TOTAL	**69.021**	**68.926**	**60.426**	**60.359**

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

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

Operating Leases

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

- The provision of community services, such as sports facilities, tourism services and community centres
- Economic development purposes to provide suitable affordable accommodation for local businesses.

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

	31 March 2014 £m	31 March 2015 £m
Not later than one year	4.187	4.035
Between one and five years	11.321	12.470
Later than five years	96.410	95.796
TOTAL	**111.918**	**112.301**

Contingent Rents

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

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

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

6.5.11 Private Finance Initiatives and Similar Contracts

The Councils has four PFI arrangements, all of the assets within the following arrangements have been recognised on the Council's Balance Sheet:

NET

The Council reached financial close on NET Phase Two in December 2011, this PFI arrangement is to incorporate an additional two tram lines within the City's current tram network. The additional tram lines are currently under construction / testing and it is envisaged that the NET expansion will become operational summer 2015.

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

Building Schools for the Future (BSF)

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

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

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

Local Improvement Finance Trust (LIFT) Joint Service Centres

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

The contract expiry and the asset treatment are as follows:

- *Mary Potter Centre (Hyson Green), contract expires October 2032. Upon expiry of the contract term, the Council does not have an option to purchase the asset.*
- *Bulwell Riverside (Bulwell), contract expires October 2036. Upon expiry of the contract term, the Council does have an option to purchase the asset.*

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

Street Lighting Contract

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

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

Future Contractual Payments

The table below shows the Councils future contractual payments. The future Service Charge payments are estimated using the Service Charge payments incurred during 2014/15, which are then inflated using the inflation rate implicit with each PFI arrangement:

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

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

Liabilities resulting from PFI arrangements

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

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

6.5.12 Trust Funds

The Council acts as a sole trustee for a number of trust funds. The funds do not represent assets of the Council and, therefore, have not been included in the Balance Sheet. These trusts include the Bridge Estate Trust, which holds net assets of £28.204m (£27.097m at 31 March 2014) with a turnover of £2.038m (£1.999m 2013/14), primarily from the rental of investment properties. The Trust was established for the repair and maintenance of Trent Bridge, or the construction of new bridges over the River Trent.

The Council is also the sole trustee for a number of other Trusts whose net assets total £1.734m (£1.716m as at 31 March 2013) with a turnover of £0.300m (£0.361m 2012/13). These Trusts include:

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

6.5.13 Contingent Liabilities

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

Insurance Claims

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

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

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

6.5.14 Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;

- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or equity prices.

Overall Procedures for Managing Risk

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

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

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

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

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

Credit Risk

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

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

The adopted credit criteria in respect of financial assets held by the Council in 2014/15 are:

1) Minimum credit ratings – a minimum long-term credit rating of A- (or equivalent).

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

The Council's maximum exposure to credit risk in relation to its investments of £213.780m at 31 March 2015 (excluding deposits in Icelandic banks) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

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

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

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

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

The Council approved treasury and investment strategies address the main risks, and the central treasury team addresses the operational risks within these approved parameters. Measures include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day-to-day cash flow needs.

The maturity analysis of the principal element of financial liabilities at 31 March 2015 is:

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

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

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

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

Interest Rate Risk

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

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments classed as “available for sale” and so have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

The 2014/15 strategy allowed for a maximum of 50% of borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the cost of borrowing and provide compensation for a proportion of any higher costs.

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

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

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

Price Risk

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

2015. These holdings are generally illiquid and are shown in the balance sheet at cost. The equity holding in Nottingham City Transport Limited is excluded from the financial instruments disclosure notes because this interest is shown at cost within the Council's group accounts. The Council is exposed to losses arising from movements in the value of these holdings. As the holdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, "open book" arrangements are maintained with the companies concerned to enable monitoring of the factors that might cause a fall in the value of specific holdings.

Foreign Exchange Risk

The Council currently has approximately ISK476m (Icelandic Krona) held in escrow pending the relaxation of capital controls by the Icelandic Government. Based on the official exchange rate at 31 March 2015 the ISK had a sterling value of £2.3m. The Council is working with the Local Government Association, in conjunction with other affected authorities, to progress the conversion of this ISK element of its Icelandic bank deposits into sterling.

Section 7
SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

7.1 Housing Revenue Account (HRA)

7.1.1 Housing Revenue Income and Expenditure Account

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

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

7.1.2 Movement on the HRA Statement

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

7.1.3 Notes to the HRA Financial Statements

7.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

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

7.1.3.2 Valuation of Housing Assets

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

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

7.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2015 was £1,794.781m (1 April 2014 £1,673.897m). The Balance Sheet value of dwellings was £610.225m. The difference of £1,184.556m reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. Operational assets in a commercial environment are required to earn a rate of return. The value placed on such assets will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for this purpose will be reduced.

External valuers Herbert Button & Partners and Freeman & Mitchell completed a full valuation of the housing stock as at 31 March 2015 (a full valuation is required every 5 years).

7.1.3.4 The Major Repairs Reserve

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

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

7.1.3.5 Capital Expenditure

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

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

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

7.1.3.6 Capital Receipts

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

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

7.1.3.7 Depreciation

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

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

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

7.1.3.8 Revaluations and Impairments during the Financial Year

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

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

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

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

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

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

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

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £5.487m at 31 March 2015

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

7.1.3.10 Average Rent for HRA Dwellings

Year	Average Rent £
2006/07	50.68
2007/08	52.94
2008/09	56.04
2009/10	57.98
2010/11	59.39
2011/12	63.73
2012/13	67.37
2013/14	71.13
2014/15	76.46

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

7.1.3.11 Item 8 Debit and Credit (General) Determination

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

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

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

The actual charges to the HRA were:

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

7.2 Collection Fund

7.2.1 Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

	2013/14	2014/15		
		Business Rates	Council Tax	Total
	£m	£m	£m	£m
INCOME				
Council Tax Receivable	(99.054)	-	(106.639)	(106.639)
Business Rates Receivable	(127.155)	(121.347)	-	(121.347)
TOTAL INCOME	**(226.209)**	**(121.347)**	**(106.639)**	**(227.986)**
EXPENDITURE				
Precepts, Demands and Shares				
Central Government	55.463	62.411	-	62.411
Police Authority	9.633	-	10.646	10.646
Fire Authority	5.054	1.211	4.372	5.583
Billing Authority	133.501	59.322	86.879	146.201
Charges to Collection Fund				-
Write offs of uncollectable amounts	4.415	1.538	3.389	4.927
Increase (-)/Decrease in Bad Debt Provision	2.109	0.480	0.600	1.080
Increase (-)/Decrease in Provision for Appeals	9.018	(2.658)	-	(2.658)
Cost of Collection	0.498	0.498	-	0.498
Disregarded Amounts	0.090	0.059	-	0.059
TOTAL EXPENDITURE	**219.781**	**122.861**	**105.886**	**228.747**
Movement on the Collection Fund Balance	(6.428)	1.514	(0.753)	0.761
(Surplus)/Deficit Brought Forward	(1.661)	(4.634)	(3.455)	(8.089)
(SURPLUS)/DEFICIT CARRIED FORWARD	**(8.089)**	**(3.120)**	**(4.208)**	**(7.328)**

7.2.2 Notes to Collection Fund Statement

7.2.2.1 National Non-Domestic Rates (NNDR)

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

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

7.2.2.2 Council Tax

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

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

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

7.2.2.3 Redistribution of Collection Fund Surplus/Deficit

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

	2013/14	2014/15		
		Council Tax	NNDR	Total
	£m	£m	£m	£m
Nottingham City Council	(5.224)	(3.588)	(1.529)	(5.117)
Nottinghamshire Police Authority	(0.356)	(0.440)	-	(0.440)
Nottinghamshire Fire and Rescue Authority	(0.192)	(0.180)	(0.031)	(0.211)
Central Government	(2.317)	-	(1.560)	(1.560)
TOTAL	**(8.089)**	**(4.208)**	**(3.120)**	**(7.328)**

Section 8
GROUP FINANCIAL STATEMENTS AND NOTES

8.1 Introduction

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

The following pages include:

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

8.2 Significant Judgements and Assumptions

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

- Subsidiaries - where the Council is exposed, or has rights, to variable returns from its involvement with the organisation and has the ability to affect those returns through its power over the organisation i.e. control. These entities are included in the group.

- Associates – where the Council exercises a significant influence, having more than 20% of the voting power and has a participating interest. Where these are material they have been included in the group.

- Jointly Venture – where the Council exercises joint control with one or more organisations and has rights to its net assets. Where these are material they have been included in the group.

- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

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

For 2014/15 the financial details of these organisations have been consolidated within the group accounts where it is considered that those details have a material effect upon those accounts.

Details of the Council's relationship with each of these organisations are given in group accounts note 8.5.

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

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

	2013/14		2014/15	
	Single Entity Accounts £m	Group Accounts £m	Single Entity Accounts £m	Group Accounts £m
Comprehensive Income and Expenditure (CIES):				
(Surplus)/Deficit on Provision of Services	(20.509)	(21.607)	68.036	71.191
Other CIES	(53.597)	(40.889)	105.818	130.928
Total CIES (Surplus)/Deficit	(74.106)	(62.496)	173.854	202.119
Balance Sheet:				
Long Term Assets	2,143.067	2,211.941	2,162.155	2,230.118
Current Assets	331.358	327.308	324.932	326.872
Current Liabilities	(226.700)	(235.557)	(246.670)	(257.772)
Long Term Liabilities	(1,353.371)	(1,432.046)	(1,519.917)	(1,629.338)
Nets Assets	894.354	871.646	720.500	669.880
Usable Reserves	238.186	240.874	250.884	253.612
Unusable Reserves	656.168	630.772	469.616	416.268
	894.354	871.646	720.500	669.880
Cash Flow Statement:				
Net Cash Flows from Operating Activities	138.422	145.268	70.962	83.740
Investing Activities	(81.194)	(81.554)	(57.025)	(61.501)
Financing Activities	(75.103)	(80.782)	(19.569)	(24.644)
Net Increase (Decrease) in Cash and Cash Equivalents	(17.875)	(17.068)	(5.632)	(2.405)
Cash and Cash Equivalents at the beginning of the reporting period	76.916	90.467	59.041	73.399
Cash and Cash Equivalents at 31 March	59.041	73.399	53.409	70.994

8.3 Accounting policies used in preparing the Group Financial Statements

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

- Fixed assets held by group entities which are sufficiently specialist in nature not to fall within the scope of the Council's accounting policies are valued in accordance with the accounting policies of the individual entities.
- Any trust funds which the Council controls and which generate economic benefits, or deliver goods or services in accordance with the Council's objectives have been evaluated in terms of their impact on the group financial statements. Where this impact has been judged to be material the trust has been included.

8.4 Core Group Financial Statements

8.4.1 Group Comprehensive Income and Expenditure Statement (Group CIES)

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

		2013/14 Restated (Note 2.2.8)			2014/15		
Notes		Gross Expenditure £m	Gross Income £m	Net £m	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
	Central services to the public	5.397	(3.492)	1.905	4.619	(3.484)	1.135
	Cultural and related services	61.019	(31.633)	29.386	63.325	(37.567)	25.758
	Environmental and regulatory services	51.006	(16.005)	35.001	52.523	(19.316)	33.207
	Planning services	31.306	(23.500)	7.806	13.376	(31.845)	(18.469)
	Education and children's services	265.230	(180.303)	84.927	286.089	(181.949)	104.140
	Highways and transport services	115.785	(121.824)	(6.039)	129.238	(126.466)	2.772
	Local authority housing (HRA)	65.586	(96.189)	(30.603)	50.566	(109.325)	(58.759)
	Other housing services	162.631	(146.281)	16.350	168.397	(147.814)	20.583
	Adult social care	119.767	(32.773)	86.994	133.238	(46.543)	86.695
	Public Health	24.770	(25.765)	(0.995)	21.229	(22.697)	(1.468)
	Corporate and democratic core	32.947	(20.906)	12.041	36.036	(23.679)	12.357
	Non distributed costs	(1.370)	-	(1.370)	(7.447)	-	(7.447)
	Cost of Services	**934.074**	**(698.671)**	**235.403**	**951.189**	**(750.685)**	**200.504**
8.7.1.1	Other operating expenditure			37.879			141.986
8.7.1.2	Financing and investment income and expenditure			55.014			55.805
	Taxation and non-specific grants			(350.035)			(327.037)
	(Surplus) or Deficit on Provision of Services			**(21.739)**			**71.258**
	Share of the surplus or deficit on the provision of services by associates			-			(0.794)
	Tax expenses of subsidiaries			0.132			0.727
	Group (Surplus)/Deficit			**(21.607)**			**71.191**
	Revaluation of PPE/Heritage assets			(28.587)			(42.537)
	Remeasurements of pension assets/liabilities			(12.348)			178.278
	Other gains/losses recognised required			0.046			(4.813)
	Other Comprehensive Income and Expenditure			**(40.889)**			**130.928**
	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			**(62.496)**			**202.119**

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

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

	2013/14 Authority £m	2013/14 Minority Interest £m	2013/14 Total £m	2014/15 Authority £m	2014/15 Minority Interest £m	2014/15 Total £m
Group (surplus) / Deficit	(21.490)	(0.117)	(21.607)	71.217	(0.026)	71.191
Other CIES	(41.028)	0.139	(40.889)	130.976	(0.048)	130.928
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**(62.518)**	**0.022**	**(62.496)**	**202.193**	**(0.074)**	**202.119**

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

	2013/14 £m	2014/15 £m
Total (surplus)/deficit on the authority's single entity CIES	(74.106)	173.854
Add (surplus)/deficit arising from group entities:		
Subsidiaries	12.027	30.358
Joint Ventures		(0.794)
Trust Funds	(0.417)	(1.299)
Total (surplus)/deficit on the Group CIES	**(62.496)**	**202.119**

8.4.2 Group Balance Sheet

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

	Notes	31 March 2014 £m	31 March 2015 £m
Property, Plant & Equipment	**8.7.2.1**	2,022.780	2,019.954
Heritage Assets		47.185	55.174
Investment Property	**8.7.2.2**	66.692	73.384
Intangible Assets		2.329	3.162
Assets Held for Sale		-	0.078
Long Term Investments		16.119	11.192
Long Term Debtors		56.836	58.830
Investments in Associates and Joint Ventures		-	8.344
Long Term Assets		**2,211.941**	**2,230.118**
Short Term Investments		160.350	149.477
Assets Held for Sale		4.621	9.011
Inventories		4.849	6.058
Short Term Debtors	**8.7.2.3**	84.089	91.332
Cash and Cash Equivalents	**8.7.2.4**	73.399	70.994
Current Assets		**327.308**	**326.872**
Short Term Borrowing		(31.973)	(24.875)
Short Term Creditors	**8.7.2.5**	(197.961)	(205.371)
Provisions		(5.605)	(27.463)
Current Tax Liability		(0.018)	(0.063)
Current Liabilities		**(235.557)**	**(257.772)**
Long Term Creditors		(18.351)	(15.262)
Provisions		(14.831)	(13.707)
Long Term Borrowing		(685.889)	(670.493)
Other Long Term Liabilities		(98.843)	(112.364)
Capital Grants Receipts in Advance		(3.310)	(2.765)
Deferred Tax Liability		(0.222)	(0.904)
Defined Benefit Pension Scheme		(610.600)	(813.843)
Long Term Liabilities		**(1,432.046)**	**(1,629.338)**
NET ASSETS		**871.646**	**669.880**
Usable Reserves	**8.7.2.6**	240.874	253.612
Unusable Reserves	**8.7.2.7**	630.772	416.268
TOTAL RESERVES		**871.646**	**669.880**

8.4.3 Group Movement in Reserves Statement

The purpose of this statement is explained in section 3.3 of the Council's single entity Statement of Accounts.

2014/15	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Minority Interest £m	Total Reserves £m
Balance at 31/3/15	**12.229**	**148.763**	**4.854**	**14.416**	**38.658**	**19.266**	**238.186**	**656.168**	**894.354**	**(23.082)**	**0.374**	**871.646**
Movement in 2014/15:												
Surplus/(deficit) on the provision of services	(51.532)	-	34.979	-	-	-	(16.553)	-	(16.553)	(54.664)	0.026	(71.191)
Other CIE	-	-	-	-	-	-	-	(105.818)	(105.818)	(25.158)	0.048	(130.928)
Total CIE (Table 8.4.1)	**(51.532)**	**-**	**34.979**	**-**	**-**	**-**	**(16.553)**	**(105.818)**	**(122.371)**	**(79.822)**	**0.074**	**(202.119)**
Adjustments between group accounts and authority accounts **(Note 8.7.3.2(a))**	(51.483)	-	-	-	-	-	(51.483)	-	(51.483)	**51.442**	-	**(0.041)**
Net Increase/Decrease before transfers	**(103.015)**	**-**	**34.979**	**-**	**-**	**-**	**(68.036)**	**(105.818)**	**(173.854)**	**(28.380)**	**0.074**	**(202.160)**
Funding basis adjustments	121.681	-	(35.526)	8.134	(10.188)	(3.367)	80.734	(80.734)	-	0.394	-	0.394
Movement before discretionary transfers	**18.666**	**-**	**(0.547)**	**8.134**	**(10.188)**	**(3.367)**	**12.698**	**(186.552)**	**(173.854)**	**(27.986)**	**0.074**	**(201.766)**
Discretionary transfers	(11.342)	11.342	-	-	-	-	-	-	-	-	-	-
Movement in year	**7.324**	**11.342**	**(0.547)**	**8.134**	**(10.188)**	**(3.367)**	**12.698**	**(186.552)**	**(173.854)**	**(27.986)**	**0.074**	**(201.766)**
Balance at 31/3/15	**19.553**	**160.105**	**4.307**	**22.550**	**28.470**	**15.899**	**250.884**	**469.616**	**720.500**	**(51.068)**	**0.448**	**669.880**

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

8.4.4 Group Cash Flow Statement

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

	Notes	2013/14 £m	2014/15 £m
Net (Surplus)/Deficit on the provision of Services		**21.739**	**(71.258)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements		202.687	240.333
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(79.158)	(85.335)
Net Cash Flows from Operating Activities	**8.7.4.1**	**145.268**	**83.740**
Investing activities	**8.7.4.2**	(81.554)	(61.501)
Financing activities	**8.7.4.3**	(80.782)	(24.644)
Net Increase or Decrease in Cash and Cash Equivalents		**(17.068)**	**(2.405)**
Cash and cash equivalents at the beginning of the reporting period		90.467	73.399
CASH AND CASH EQUIVALENTS AT 31 MARCH		**73.399**	**70.994**

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

Unless otherwise stated in sections 8.5.1 to 8.5.3 below:

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

8.5.1 Subsidiaries:

Enviroenergy Limited (Registered Company Number: 4131345*)*

Nature of the business
Its main activities are the production of heat and steam for supply to domestic and commercial customers, along with the generation and sale of electricity.

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

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

Nottingham City Homes Limited (Registered Company Number: 05292636)

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

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

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

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

Nottingham City Transport Limited (Registered Company Number: 2004967)

Nature of Business
The company is the principal public bus operator in the Greater Nottingham area.

Relationship with the Council
This company is controlled by the Council and commenced trading on 26 October 1986. The total shareholding owned by the Council is 95%. Transdev Plc has a minority interest in Nottingham City Transport of 5% which comprises of 238,526 B Ordinary shares at £1 each.

The company has the following shares in issue:

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

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

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

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

Summarised Financial Information of NCT showing Minority Interest

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

Nottingham Ice Centre (Registered Company Number: 3563341)

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

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

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

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

Relationship with the Council

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

8.5.2 Jointly Ventures:

Blueprint Limited Partnership (Registered Limited Partnership Number: LP10442)

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

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

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

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

Summarised Financial Information

The following table summarise the financial position of Blueprint:

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

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

Nature of the business

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

Relationship with the Council

The company is jointly owned 50/50 by the Council and Nottinghamshire County Council. The Council's share of Future's accumulated net liability and loss in year as at 31 March 2015, equating to £9.205m (2013/14 £4.798m) and £4.407m (2013/14 £0.924m) respectively, have not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Commitments

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

Summarised Financial Information of Futures group

	2013/14 £m	2014/15 £m
Revenue	(13.145)	(15.800)
Operating Charges	13.253	15.042
Operating Loss	**0.108**	**(0.758)**
Finance Costs	0.422	0.487
Investment Income	(0.013)	(0.005)
Loss before Tax	**0.517**	**(0.276)**
Income Tax Expense	0.194	0.354
Loss for the Year	**0.711**	**0.078**
Other Comprehensive Income and Expenditure	1.137	8.736
Total Comprehensive Loss for the Year	**1.848**	**8.814**
Non-current Assets	0.241	0.214
Current Assets	2.559	4.223
Current Liabilities	(1.028)	(2.087)
Non-current Liabilities	(11.368)	(20.760)
Net Liabilities as at 31 March 2015	**(9.596)**	**(18.410)**
Councils Share (50%) of Net Liability not recognised in the Group accounts under IAS 28	**(4.798)**	**(9.205)**
Amounts included in the above figures:		
Depreciation (in Operating Charges)	0.090	0.072
Interest on Bank Overdrafts and Loans (in Finance Costs)	0.007	0.005
Defined Benefit Pension Finance Costs (in Finance Costs)	0.415	0.482
Interest Earned on Loans and Deposits (in Investment Income)	(0.013)	(0.005)
Cash and Cash Equivalents (in Current Assets)	0.995	2.233
Accruals (in Current Liabilities)	0.603	1.215
Retirement Benefit Obligation (in Non-current Liabilities)	(11.177)	(20.618)

8.5.3 Trust Fund:

Bridge Estate (Registered Charity Number: 220716)

Nature of the Trust Fund
The earliest mention of Bridge Estate is in 1302. Since that date, various bequests of land and property have been made, the income from which being set aside for the maintenance of bridges over the River Trent. By 1882 the income generated by the Estate was in excess of that required for the maintenance of Trent Bridge and consequently the objectives of the Estate were extended by virtue of section 78 of the Nottingham Corporation Act 1882.

The objectives of the charity are as follows:

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

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

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

Accounts
Copies of the accounts of Bridge Estate can be obtained from Financial Reporting, Resources, Loxley House, Station Street, Nottingham, NG2 3NG.

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

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

8.6.1 Associates

Nottingham Regeneration Ltd (Registered Company Number: 3665996)
Nature of the company
The principal activity of Nottingham Regeneration Ltd is that of securing the overall economic social and environmental regeneration of the City of Nottingham, the greater Nottingham area and beyond.

Relationship with the Council
A partnership between the Council and the Homes and Communities Agency. The Council is deemed to have significant influence even though it holds less than 20% of the voting rights.

Ticketing Network East Midlands Ltd (Registered Company Number: 06623526)
Nature of the company

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

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

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

8.6.2 Joint Ventures

Blueprint General Partner Ltd (Registered Company Number: 05340186)
Nature of the Company
Blueprint (General Partner) Ltd manages the activity of the Blueprint Limited Partnership.

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

emPSN Services Ltd – formerly EMBC Procurement Ltd (Registered Company Number: 5882746)
Nature of the Company
emPSN Service Ltd is a regional partnership formed to secure a regional network and services for schools and a service framework for the public sector.

Relationship with the Council
As a customer of emPSN the Council is a member of the company and has a stake in its future as a public sector owned company Limited by Guarantee.

Inspired Spaces Nottingham Ltd - Local Education Partnership (Registered Company Number: 6506329)
Nature of the Company
This company was set up in June 2008 and the principal activities of the company are the provision of the construction project development and partnering services within the education sector in accordance with the terms and agreement set up with the Council.

Relationship with the Council
The Council has a 10% shareholding in the company. 10% is also held by Amber Investments and 80% is held by Carillion.

8.6.3 Trust Funds

Harvey Hadden Stadium Trust (Registered Charity Number: 522271)
Nature of the Trust Fund
On 18 July 1955 the court made a scheme and order for an athletics stadium to be erected out of the bequest of Harvey Hadden. Under the court order there is a requirement for "the Corporation" – now Nottingham City Council – to maintain the stadium built with those funds, "under the name of Harvey Hadden Stadium in good order and condition in perpetuity for the purposes of public recreation".

The objective of the Trust is to provide public recreation for the people of the City of Nottingham forever.

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

All transactions relating to Harvey Hadden Stadium Trust are subject to the same financial regulations and procedures as those relating to the Council.

Highfields Leisure Park Trust (Registered Charity Number: 1006603)
Nature of the Trust Fund
The Highfields Leisure Park Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. The objective of the Trust is to provide public recreation and pleasure grounds for the people of the City of Nottingham forever.

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

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

8.7 Notes to the Core Group Financial Statements

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

8.7.1 Group Comprehensive Income and Expenditure Statement Notes

8.7.1.1 Other Operating Expenditure

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

8.7.1.2 Financing and Investment Income and Expenditure

	2013/14 Expenditure £m	Income	Net	2014/15 Expenditure £m	Income	Net
Net Interest on Pension Fund	24.375	-	24.375	23.825	-	23.825
Other interest	34.672	(3.154)	31.518	35.847	(2.426)	33.421
Trading Operations	2.425	(3.786)	(1.361)	2.601	(4.482)	(1.881)
Investment Property Revaluations	0.736	-	0.736	0.685	-	0.685
Other Finance and Investment items	(1.643)	1.389	(0.254)	1.152	(1.397)	(0.245)
TOTAL	**60.565**	**(5.551)**	**55.014**	**64.110**	**(8.305)**	**55.805**

8.7.2 Group Balance Sheet Notes

8.7.2.1 Property, Plant and Equipment

2014/15	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in PPE £m
Gross Book Value b/f	569.260	939.608	220.078	432.522	29.076	38.608	81.904	**2,311.056**	**105.470**
Accumulated Depreciation b/f	-	(57.125)	(94.778)	(123.758)	(6.331)	(1.089)	-	**(283.081)**	**(7.969)**
Accumulated Impairment b/f	(0.158)	(0.357)	(0.671)	-	-	-	(4.009)	**(5.195)**	-
Net Book Value at 1st April 2014	**569.102**	**882.126**	**124.629**	**308.764**	**22.745**	**37.519**	**77.895**	**2,022.780**	**97.501**
Additions - Capital Expenditure	39.446	10.605	21.872	7.658	0.814	5.168	66.938	**152.501**	0.008
Additions - Donations	1.091	-	-	-	-	-	-	**1.091**	-
Additions - PFI / VA School Recognition	-	4.813	-	11.304	-	-	-	**16.117**	11.304
Depreciation Charge	(25.946)	(26.597)	(21.580)	(16.685)	(0.942)	(0.978)	-	**(92.728)**	(3.914)
Revaluations - Recognised in Revaluation Reserve	0.931	30.181	-	-	-	3.437	-	**34.549**	-
Revaluations - Recognised in the CIES	39.623	0.391	-	-	-	(0.911)	-	**39.103**	(17.420)
Derecognition - Disposals	(5.012)	(0.025)	(0.265)	-	-	(3.110)	-	**(8.412)**	-
Derecognition - Other	(4.907)	(116.759)	-	-	-	(11.392)	(6.404)	**(139.462)**	-
Impairments - Recognised in Revaluation Reserve		-	-	-	-	-	-	**-**	-
Impairments - Recognised in the CIES	0.158	-	-	-	-	-	-	**0.158**	-
Other - Transfers to Held for Sale	(4.261)	13.883	0.270	0.025	-	(2.186)	(13.474)	**(5.743)**	-
Net Book Value at 31st March 2015	**610.225**	**798.618**	**124.926**	**311.066**	**22.617**	**27.547**	**124.955**	**2,019.954**	**87.479**
Gross Book Value c/f	610.225	854.928	235.464	450.263	29.890	27.575	124.955	**2,333.300**	99.087
Accumulated Depreciation c/f	-	(56.310)	(109.867)	(139.197)	(7.273)	(0.028)	-	**(312.675)**	(11.608)
Accumulated Impairment c/f	-	-	(0.671)	-	-	-	-	**(0.671)**	
Net Book Value at 31 March 2015	**610.225**	**798.618**	**124.926**	**311.066**	**22.617**	**27.547**	**124.955**	**2,019.954**	**87.479**

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2013/14	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in PPE £m
Gross Book Value b/f	562.063	934.773	187.276	402.692	27.902	30.454	76.575	**2,221.735**	**76.450**
Accumulated Depreciation b/f	-	(40.797)	(78.984)	(107.736)	(5.438)	(1.212)	-	**(234.167)**	**(4.784)**
Accumulated Impairment b/f	(0.188)	(5.856)	(1.120)	-	-	(7.425)	(4.009)	**(18.598)**	-
Net Book Value at 1st April 2013	**561.875**	**888.120**	**107.172**	**294.956**	**22.464**	**21.817**	**72.566**	**1,968.970**	**71.666**
Additions - Capital Expenditure	36.223	6.242	39.515	18.529	1.174	4.895	21.446	**128.024**	0.025
Additions - Donations	1.792	-	0.054	-	-	-	-	**1.846**	-
Additions - PFI Recognition	-	16.403	-	11.301	-	-	1.291	**28.995**	28.995
Depreciation Charge	(26.182)	(26.308)	(19.604)	(16.022)	(0.893)	(0.134)	-	**(89.143)**	(3.185)
Revaluations - Recognised in Revaluation Reserve	0.920	24.543	-	-	-	2.415	-	**27.878**	-
Revaluations - Recognised in the CIES	7.812	(7.589)	-	-	-	(0.068)	-	**0.155**	-
Derecognition - Disposals	-	(0.453)	(3.091)	-	-	(2.840)	-	**(6.384)**	-
Derecognition - Other	(3.531)	(26.953)	-	-	-	(4.803)	-	**(35.287)**	-
Impairments - Recognised in the CIES	0.030	0.017	-	-	-	-	-	**0.047**	-
Other - Transfers to Held for Sale	(9.837)	8.104	0.583	-	-	16.237	(17.408)	**(2.321)**	-
Net Book Value at 31st March 2014	**569.102**	**882.126**	**124.629**	**308.764**	**22.745**	**37.519**	**77.895**	**2,022.780**	**97.501**
Gross Book Value c/f	569.260	939.608	220.078	432.522	29.076	38.608	81.904	**2,311.056**	105.470
Accumulated Depreciation c/f	-	(57.125)	(94.778)	(123.758)	(6.331)	(1.089)	-	**(283.081)**	(7.969)
Accumulated Impairment c/f	(0.158)	(0.357)	(0.671)	-	-	-	(4.009)	**(5.195)**	-
Net Book Value at 31 March 2014	**569.102**	**882.126**	**124.629**	**308.764**	**22.745**	**37.519**	**77.895**	**2,022.780**	**97.501**

8.7.2.2 Investment Properties

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

	2013/14 £m	2014/15 £m
Opening Balance At 1 April	66.587	66.692
Additions	7.851	5.623
Disposals	(6.023)	(1.926)
Net gains/losses from fair value adjustments	(0.391)	3.094
Transfers to / from Property Plant and Equipment	(1.332)	(0.099)
CLOSING BALANCE AT 31 MARCH	**66.692**	**73.384**

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

8.7.2.3 Short Term Debtors

	31 March 2014 £m	31 March 2015 £m
Central government bodies	21.257	16.895
Other local authorities	5.548	6.033
NHS bodies	1.247	1.990
Public corporations and trading funds	0.187	0.188
Other entities and individuals	55.850	66.226
TOTAL	**84.089**	**91.332**

8.7.2.4 Cash and Cash Equivalents

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

	31 March 2014 £m	31 March 2015 £m
Cash held by the Authority / Group Organisation	0.405	0.353
Bank current accounts	11.121	5.734
Short-term deposits with banks and building societies	61.873	64.907
TOTAL CASH AND CASH EQUIVALENTS	**73.399**	**70.994**

8.7.2.5 Short Term Creditors

	31 March 2014 £m	31 March 2015 £m
Central government bodies	(34.009)	(41.322)
Other local authorities	(1.846)	(9.223)
NHS bodies	(7.437)	(7.773)
Other entities and individuals	(154.669)	(147.053)
TOTAL	**(197.961)**	**(205.371)**

8.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS.

8.7.2.7 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions. These reserves represent differences due to timing of funding certain items of expenditure and are, therefore, not available as a source of general funding. The unusable reserves also include the Council’s share of profit and loss and other reserves of jointly controlled entities included in the group accounts.

	31 March 2014 £m	31 March 2015 £m
Revaluation Reserve	336.762	326.124
Capital Adjustment Account	897.201	892.927
Financial Instruments Adjustment Account	(7.186)	(6.882)
Pensions Reserve	(602.376)	(797.111)
Deferred Capital Receipts Reserve	4.293	3.893
Collection Fund Adjustment Account	5.006	4.232
Accumulated Absences Account	(5.023)	(4.471)
Profit and Loss and Other Reserves of Group Entities	1.721	(3.686)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	-	0.794
Minority Interest - Equity	0.374	0.448
TOTAL	**630.772**	**416.268**

Revaluation Reserve

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

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

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

	2013/14 £m	2014/15 £m
Opening Balance at 1 April	**319.783**	**336.762**
Upward revaluation of assets	32.571	52.449
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(4.388)	(8.802)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**28.183**	**43.647**
Difference between fair value depreciation and historical cost depreciation	(8.554)	(9.295)
Accumulated gains on assets sold or scrapped	(2.650)	(44.990)
Asset reclassifications		
Amount written off to the Capital Adjustment Account	**(11.204)**	**(54.285)**
CLOSING BALANCE AT 31 MARCH	**336.762**	**326.124**

Capital Adjustment Account

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

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

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

Pensions Reserve

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

	2013/14 £m	2014/15 £m
Opening Balance at 1 April	**(588.226)**	**(602.376)**
Return on plan assets	12.792	55.171
Actuarial gains or (losses) on pensions assets and liabilities	2.377	(232.984)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(56.433)	(45.134)
Employer's pensions contributions and direct payments to the pensioners payable in the year	27.114	28.212
CLOSING BALANCE AT 31 MARCH	**(602.376)**	**(797.111)**

8.7.3 Group Movement in Reserves Statement Notes

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

2014/15	General Fund Balance £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Total Reserves £m
Payments in relation to goods and services from subsidiaries	(67.932)	(67.932)	67.932	-
Receipts in relation to goods and services provided to subsidiaries	14.237	14.237	(14.237)	-
Interest and investment income from/to subsidiaries	0.708	0.708	(0.708)	-
Contributions from subsidiaries	1.504	1.504	(1.504)	-
Other movements	-	-	(0.041)	(0.041)
TOTAL ADJUSTMENTS	(51.483)	(51.483)	51.442	(0.041)

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

8.7.4 Group Cash Flow Notes

8.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £m	2014/15 £m
Interest received	9.112	3.001
Interest paid	(34.174)	(23.942)
Dividends received	1.000	0.700
Dividends paid	(1.340)	(1.025)
Taxation	0.043	-

8.7.4.2 Investing Activities

	2013/14 £m	2014/15 £m
Purchase of property, plant and equipment, investment property and intangible assets	(140.899)	(146.322)
Purchase of short-term and long-term investments	(22.668)	(0.075)
Other payments for investing activities	(0.417)	(4.780)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17.480	31.377
Proceeds from short-term and long-term investments	0.342	-
Other receipts from investing activities	64.608	58.299
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(81.554)**	**(61.501)**

8.7.4.3 Financing Activities

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

Section 9 (Appendix A)
Forward Plans

9.1 Medium Term Financial Plan

9.1.1 Revenue Plans

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

The Council's MTFP was developed within the context of an integrated service planning and budget preparation cycle with emphasis on objectivity, accountability, early decision making and service and Councillor engagement in order to enhance policy-led budgeting and longer term planning. The process included identifying cost reductions, budget and cost pressures for the next three years. Detailed budgets were then worked up based on current priorities and plans, underlying demographic trends and predicted inflation factors.

Local government continues to operate in a challenging environment and there is considerable uncertainty over the future levels of funding. However, it is clear that the public sector will have lower than previously anticipated levels of funding in the years ahead and that significant further savings will need to be identified. These issues have been brought together to produce a 3 year Medium Term Financial Outlook (MTFO) which is summarised below:

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

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

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

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

9.1.2 Capital Plans

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

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

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

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

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

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

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

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

9.2 Future Significant Developments

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

9.2.1 Universal Credit

The Government will continue to roll out the introduction a single Universal Benefit across the country. The Universal Benefit replaces a number of individual benefits, including Council Tax Benefit and Housing Benefit. The Council will no longer receive payments for these benefits directly, but instead will need to recover Council Tax and rents directly from residents, potentially increasing the level of bad debts the council incurs.

9.2.2 Fiscal Consolidation

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

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

9.2.3 HRA Rent Reductions

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

Section 10 (Appendix B)
Accounting Policies

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

10.1 General Principles

10.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. It provides the reader with information about the Council's financial position and its stewardship of public funds. The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2011 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) which is based on approved accounting standards. In addition to compliance with the Code, the Council's accounts also comply with the Service Reporting Code of Practice 2014/15. This Code sets out proper practice for financial reporting to ensure consistency and comparability across Councils. The accounts are supported by IFRS and statutory guidance issued under section 7 of the 2011 Act.

10.1.2 Accounting Convention

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

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

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

10.1.4 Events after the Balance Sheet Date

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

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

10.1.5 Accruals of Expenditure and Income

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

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

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

10.2 Policies primarily affecting the CIES

10.2.1 Government Grants and Contributions

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

Grants and contributions are credited to income when there is reasonable assurance that the attached conditions will be met. Any grants received where conditions have not been met are carried in the Balance Sheet as creditors. When all conditions are satisfied, the grant is credited to the relevant service line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

10.2.2 Business Improvement Districts (BID)

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

10.2.3 Operating Leases

Receivable (Council as lessor)

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

Payable (Council as lessee)

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

10.2.4 Employee Benefits

Benefits Payable During Employment

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

An accrual is made for the cost of the holiday entitlements or for any form of leave, e.g. time off in lieu, which employees have earned during the year but are able to carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the CIES when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or are making an offer to encourage voluntary redundancy.

Teachers Pension Scheme

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

Defined Benefit Schemes (Local Government Pension Scheme)

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

Discretionary Benefits

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

10.2.5 Charges to Service Revenue Accounts for Non-Current Assets

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

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

10.2.6 Financing and Investment

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

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

10.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

- The proportion of receipts relating to HRA disposals payable to the Government
- Gains or losses on sale and derecognition of non-current assets (excluding investment properties)
- Actuarial gains or losses and return on plan assets of Defined Benefit Pension Schemes, which are charged to the Pension Reserve

10.2.8 Overheads and Support Services

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

10.2.9 Carbon Reduction Commitment Scheme

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

10.2.10 Landfill Allowance Schemes

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

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

10.2.11 Jointly Controlled Operations

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

10.2.12 Exceptional Items

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

10.2.13 Value Added Tax

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

10.3 Policies primarily affecting the Balance Sheet

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

PPE - Recognition

General

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it brings benefits to the Council for more than one financial year. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

Surplus Assets

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

Private Finance Initiative (PFI) and Similar Contracts

In accordance with the code, the Council accounts for its PFI contracts in accordance with IFRC 12 Service Concession Agreements. The Council is deemed to control the services that are provided under its PFI schemes and ownership will pass to the Council at the end of the contracts for no additional charge (with the exception of LIFT Joint Service Centres for which there is an option to purchase). Therefore, the Council carries the assets used under the contracts, on its Balance Sheet as PPE, where they are accounted for in the same way as the other assets. The original recognition of assets is at fair value with a corresponding liability for the amounts due to the scheme operator.

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

Finance Leases - General

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

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

Finance Leases – where the Council is Lessee

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

Lease payments are apportioned between:

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

Finance Leases – the Council as Lessor

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

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

Heritage Assets

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

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

Intangible Assets

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

Measurement

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

- Infrastructure for e.g. roads and bridges and community assets for e.g. parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.
- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2009/10 based on a full valuation of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman and Mitchell.
- Other land and buildings are valued at fair value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of fair value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at fair value or the present value of the minimum lease payments if lower.
- Heritage assets are reported in the Balance Sheet at market value and have been valued by an external valuer, the valuation dates range from 2001 to 2008. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are adjusted annually by the Council to provide an internal valuation which is used until the collection is periodically externally revalued.
- All other assets are valued at fair value.

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

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

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

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

De Minimis Levels

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

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

Impairment

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

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset the impairment loss is charged against that balance until it is used up. Thereafter, or if there is no balance of revaluation gains the impairment loss is charged to the relevant service line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant service line of the CIES only.

Depreciation and Amortisation

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

Depreciation is calculated on the following bases:

- Dwellings – straight line allocation over the useful life on the building major components.
- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.

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

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

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

Componentisation

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

10.3.2 Investment Property

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

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

10.3.3 Long Term Investments

Interests in Companies and Other Entities
Inclusion in the Council's Group Accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as investments and valued at cost less any provision for losses.

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

10.3.4 PPE Assets Held for Sale

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

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

10.3.5 Inventories and Work in Progress

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

10.3.6 Financial Liabilities

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

10.3.7 Loans and Receivables

Loans and receivables are recognised on the Balance Sheet, initially at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

10.3.8 Provisions

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

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

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

10.3.9 Contingent Liabilities

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

10.3.10 Contingent Assets

A contingent asset occurs where a possible asset may arise but is dependent upon the outcome of future events before it can be confirmed Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

10.3.11 Defined Benefit Schemes (Local Government Pension Scheme)

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

- Quoted and unitised securities - current bid price
- Unquoted securities - professional estimate
- Property - market value.

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

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer’s liabilities and the requirements of IAS19. The discount rate chosen is the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve.

10.3.12 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Transfers to and from reserves are shown in the MIRS and not within services. Expenditure is charged to the CIES and not directly to any reserve. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and are not usable resources for the Council

10.4 Policies Affecting the Cash Flow Statement

10.4.1 Cash and Cash Equivalents

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

10.5 Policies used to account on a Funding Basis

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

10.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

Instead of these charges the Council is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (at least 4% of the adjusted Capital Financing Requirement, excluding amounts attributable to HRA). The difference between the two transactions is adjusted with the Capital Adjustment Account.

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

10.5.2 Gains and Losses on Sale of Assets

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

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

10.5.3 Capital grants

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

10.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

10.5.5 Employee Benefits

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

10.5.6 Termination Benefits - Pension Enhancements

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

10.5.7 Financial Liabilities

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

10.5.8 Loans and Receivables

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

10.5.9 Use of Reserves

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

10.6 Accounting Policies not relevant or not material

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

- Use of capital receipts to fund disposal proceeds
- Intangible Assets – Recognition of website development and other internally generated assets
- Derecognition or impairment of available for sale financial assets, loans and receivables
- Valuation of available for sale financial assets other than at quoted market price
- Restructuring of loan portfolios and treatment of bonds
- Treatment of soft loans
- Changes to accounting policies
- Community Infrastructure Levy
- Subsequent revaluation of assets held for sale
- Jointly controlled assets
- Provision for backpay arising from unequal pay claims
- Treatment of foreign currency translations

Section 11 (Appendix C)
PENSION SCHEMES

11.1 Defined Benefit Pension Schemes accounted for as Defined Contribution Schemes

11.1.1 Teachers Pension Scheme

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

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

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

In 2014/15, the Council paid £4.278m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £4.988m and 14.1%. There were no contributions remaining payable at the year-end. The employer contribution rate for 2015/16 will be 14.1% for April to August, and then 16.48% from September 2015.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Scheme. These costs are accounted for on a defined benefit basis and shown under past service costs/gains in section 11.2.1 below..

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

11.1.2 NHS Pension Scheme

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

The Scheme is an unfunded defined benefit occupational Scheme providing pensions, based on final salary for Council employees, and a career average arrangement for GPs and General Dental Practitioners. The Scheme is not designed to be run in a way that would enable NHS bodies / local authorities to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme receives contributions from employers and employees to defray the costs of pensions and other benefits. The costs of the scheme are determined by the

Government and also the Scheme actuary who performs periodic valuations of the Scheme to determine how much needs to be paid in to provide the benefits paid out. These costs are shared between the NHS employers and the Scheme members.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the Scheme taking effect from 1 April 2008, the valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay following the introduction of the employee contributions on a tiered scale from 5.0% to 13.3% of their pensionable pay for 2013/14. On advice from the Scheme actuary, Scheme contributions may be varied from time to time to reflect changes in the Schemes liabilities.

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

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

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

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

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

11.2 Defined Benefit Pension Scheme

11.2.1 Local Government Pension Scheme

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

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

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

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

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

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

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

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

Assets and Liabilities in Relation to Post-employment Benefits

The projected pension expenses for the year to 31 March 2016 are as follows:

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

Actuarial Methods and Assumptions

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

Valuation Data - Data Sources

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

- The results of the valuation as at 31 March 2013 which was carried out for funding purposes;
- Estimated whole fund income and expenditure items for the period to 31 March 2015;
- Fund investment returns for the period to 30 September 2014, and market returns (estimated where necessary) thereafter for the period 31 March 2015.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2015.
- Details of any new early retirements for the period to 31 March 2015 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of the data items have been estimated, they are not likely to have a material effect on the results. The actuary is not aware of any material changes or events since the received the data.

Employer Membership Statistics

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

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

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

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

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

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

Assets

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

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

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

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

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

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

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

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

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

Valuation Approach

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2015 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. The actuary has confirmed that there appears to be no evidence that this approach is inappropriate.

The asset share has been calculated by rolling forward the assets allocated to the Council at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from the fund by and in respect of the Council and its employees.

Valuation Method

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

Assumptions

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

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

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

The following assumptions have also been made:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

Past Service Costs/Gains

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

Curtailments

The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately. Over the year, 34 former Council employees became entitled to unreduced early retirement benefits under the LGPS (19 due to redundancy, 15 due to voluntary redundancy / other grounds). The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £0.916m.

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

Settlements

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

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

Demographics

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

Sensitivity Analysis

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

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

Section 12
ABBREVIATIONS/GLOSSARY

12.1 Abbreviations

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

12.2 Glossary of Financial Terms

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

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

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

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

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

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

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

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

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

Bad (and doubtful) Debts
Debts which may be uneconomical to collect or unrecoverable.

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

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

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

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

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

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

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

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

Code of Practice on Local Authority Accounting (UK)
Publication produced by **CIPFA** that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair Value
The fair value of an **asset** is the price at which it could be exchanged in an arms length transaction.

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

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

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

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

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

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

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

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

Housing Revenue Account (HRA)
Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

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

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

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

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

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

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

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

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

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

National Non-Domestic Rates

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

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

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

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

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

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

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

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

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

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

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

Prior Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of

fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

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

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

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

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

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

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

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

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

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

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

Section 106 contributions
These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

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

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

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

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

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

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

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

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

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Mrs S Sunderland
KPMG LLP
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NG1 6FQ

18 September 2015

Dear Sue,

This representation letter is provided in connection with your audit of the financial statements of Nottingham City Council ("the Authority"), for the year ended 31 March 2015, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and

ii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:

i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;

ii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

   ii) The Authority has disclosed to you all information in relation to:

   a) There have been no instances of fraud or suspected fraud that the Authority is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

b) there have been no allegations of fraud, or suspected fraud, affecting the Authority’s financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error. Linked to this, the Authority confirms that there have been no breaches in control in respect of accounts payable and transactions through East Midlands Shared Service which has or may have caused a material misstatement.

8. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you the identity of the Authority’s related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

11. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority’s ability to continue as a going concern as required to provide a true and fair view.
    b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
        - statutory, contractual or implicit in the employer's actions;
        - arise in the UK and the Republic of Ireland or overseas;
        - funded or unfunded; and
        - approved or unapproved,

    have been identified and properly accounted for; and

b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 18 September 2015.

Yours sincerely

Councillor Sarah Piper
Chair of the Audit Committee

Geoff Walker
Chief Financial Officer

AUDIT COMMITTEE – SEPTEMBER 18th 2015

Title of paper:	**ANNUAL GOVERNANCE STATEMENT 2014/15**	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	**Wards affected:** All
Report author(s) and contact details:	Shail Shah Head of Internal Audit Tel: 0115-8764245 Email: shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To approve the Annual Governance Statement 2014/15 set out at **Appendix 1.**	

1. REASONS FOR RECOMMENDATIONS

This report presents the Annual Governance Statement 2014/15 (AGS). The approval of the AGS before approval of the Statement of Accounts is required by the Accounts and Audit Regulations 2015.

2. BACKGROUND

2.1 The City Council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a timely, open, inclusive and honest manner. The governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled, and through which it engages with and leads the community to which it is accountable. Every council and large organisation operates within a similar framework, which brings together an underlying set of legislative requirements, good practice principles and management processes.

2.2 The Accounts and Audit Regulations 2015 require the council to conduct a review, at least annually, of the effectiveness of its internal control and prepare an AGS.

2.3 The 2007 CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" provides the principles by which good governance should be measured. This was adopted as the Council's Local Code of Corporate Governance at the Executive Board meeting on 20 May 2008.

2.4 In 2012 CIPFA/SOLACE produced an updated guidance note covering the delivery of good governance in local government and how an authority's arrangements can be reflected in the AGS. The City Council has incorporated this guidance in both the evaluation of its governance arrangements and in the production of its AGS.

2.5 The Audit Committee has the delegated authority for the formal approval of the AGS. It is good practice to approve the AGS before, and as close to publication of, the final Statement of Accounts as possible. The timetable for production of the AGS was approved at the February 2015 meeting of this Committee. In accordance with the timetable an interim statement was presented to the June 2015 meeting of the Committee. There are no further additions or changes made to the final statement which is attached as **Appendix 1**.

2.6 The AGS reflects the governance arrangements operating within the Council and its significant partners. Responsibility for its production lies with the Chief Finance Officer (CFO) / Director of Strategic Finance.

2.7 Assurance used in compiling the final report was derived from several sources: Corporate Directors and other key colleagues including the Monitoring Officer, Section 151 Officer and the Head of Internal Audit have reviewed the governance arrangements according to their respective responsibilities and have given assurance and commented as to its effectiveness. A similar exercise has been conducted involving the Council's significant partners and group members.

2.8 In accordance with the Local Code of Corporate Governance this AGS will be signed by the Leader of the Council and the Chief Executive.

2.9 This statement maps the policies, procedures and initiatives the Council has put in place to address the governance issues embodied in its Local Code, including:-

- an acknowledgement of responsibility for ensuring that there is a sound system of governance;
- an indication of the level of assurance that the systems and processes that comprise the Authority's governance arrangements can provide;
- a brief description of the key elements of the governance framework, including those of significant groups or partners;
- a brief description of the processes undertaken to maintain and review the governance arrangements, including some comment on the work undertaken by the Council, Executive Board, Committees with governance remits and Internal Audit;
- an outline of the actions taken, or proposed, to deal with significant governance issues.

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None.

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

- CIPFA/SOLACE - Delivering Good Governance in Local Government (Framework).
- CIPFA/SOLACE - Delivering Good Governance in Local Government Guidance Note - 2012.
- Accounts and Audit Regulations 2015.
- Executive Board 20 May 2008 - Local Code of Corporate Governance.
- Audit Committee Papers 27 February 2015 - Annual Governance Statement - Progress Made To Date On Issues Reported 2013/14 and Process For Producing 2014/15 Statement.
- Audit Committee Papers 26 June 2015 - Interim Annual Governance Statement 2014/15.

Appendix 1

Nottingham City Council

ANNUAL GOVERNANCE STATEMENT 2014/15

Scope of responsibility

Nottingham City Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a 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.

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, this includes arrangements for the management of risk.

The Council approved and adopted a code of corporate governance consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* publication. A copy of the code is available on our website at http://www.nottingham.gov.uk/governance. This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, which require all relevant bodies to prepare an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money

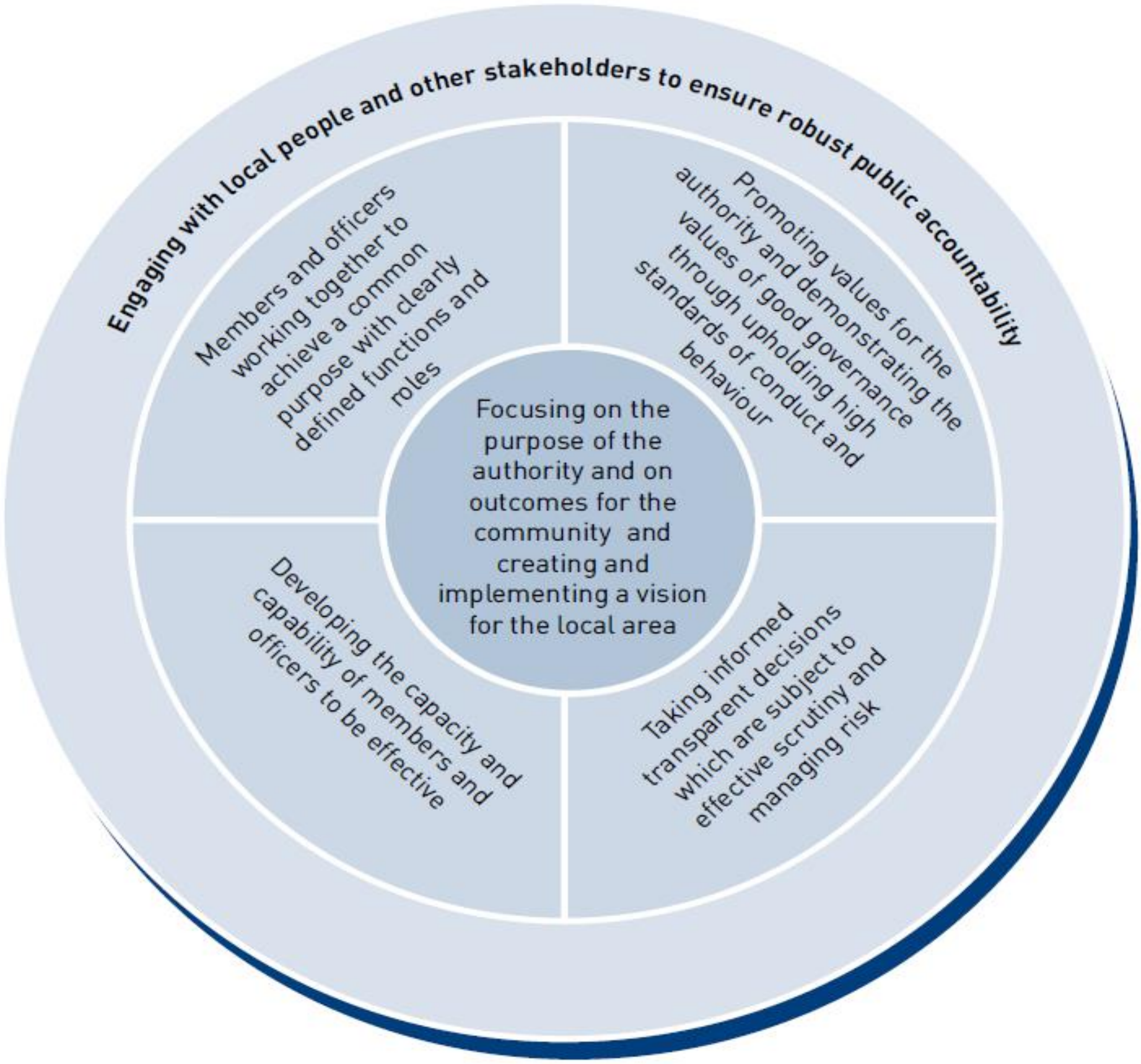
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework was in place at the Council for the year ended 31 March 2015 and up to the date of approval of the annual report and Statement of Accounts.

The Governance Framework

The core principles of the CIPFA/SOLACE framework for delivering good governance adopted by the Council in its local framework are illustrated below. Each of these principles is underpinned by the core components described.

CIPFA/SOLACE - Principles underpinning the delivery of good governance



Arrangements for identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users

The function of governance is to ensure that the Council and its partners fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity. The Council has to develop and promote a clear vision of its purpose and intended outcomes for citizens and service users that are clearly communicated both within the Council and to external stakeholders.

The Council has accepted that knowledge and understanding of local communities and neighbourhoods is critical to delivering fit for purpose services, and improving public involvement with the work of the Council has been identified as a priority.

The Council's vision is wholly aligned with that of the City as set out in the 2030 vision and Nottingham Plan to 2020. Accordingly this vision and the associated Nottingham Plan Strategic Priorities are set and are not subject to annual review and change. Consequently the Nottingham Plan is a route map for organisations in the city and for our citizens and communities and sets out what it should look like in the future and details our priorities of:-

- Developing Nottingham's international standing for science and innovation, sports and culture.
- Transforming Nottingham's neighbourhoods.
- Ensuring that all children and young people thrive and achieve.
- Tackling poverty and deprivation by getting more local people into good jobs.
- Reducing crime, the fear of crime, substance misuse and ASB (anti-social behaviour).
- Improving health and well-being.

The Council Plan, which is aligned with the municipal electoral cycle, clearly sets out the Council's objectives and highest priorities. The Nottingham Plan is the overall plan for the City, and is jointly owned by the Council and its key partners, providing clear strategic direction to 2020. The Nottingham Plan, Council Plan and other key plans such as the Children & Young People's Plan are published as appropriate and are available to all members of the public. Regular performance reports on the progress in delivering manifesto pledges are provided for councillors to review performance. Financial statements are published annually and equally the Medium Term Financial Strategy (MTFS) is a publicly accessible document.

Regular updates and reviews ensure consistency within plans and reflect national developments including the effects of reduced Government funding. Ultimately this means the Council's priorities and those of its key partners over both the short and long term, are in accord. The principles underpinning the Plan are summarised in the updated Council's 'Message Map' below, which illustrates the direction and focus for the Council.

The Council Plan has clear priorities with associated performance measures supported by delivery plans containing the key milestones and measures for each Council Plan priority. Major changes are managed by the Corporate Leadership Team on a monthly basis, including all internal transformational projects and programmes (plus the externally facing Growth Plan Programme), which together seek to ensure that the Council is well placed to lead Nottingham and optimise what it does for and on behalf of its citizens.

Message Map

Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements

Good governance flows from a shared ethos or culture, as well as from systems and structures. Consequently it is important that clear values and objectives are set and processes implemented to asses their effectiveness. Where appropriate the review mechanism should enable problems to be identified and corrective action to be taken. Progress against the Council's strategic priorities is monitored and reported to the Executive Board and One Nottingham Board on an annual basis.

Portfolio Holders and the Executive Board make decisions based upon colleague recommendations and in response to changing legal or financial obligations. The reports containing recommendations to be considered clearly explain the technical issues and their implications and relate the recommended action to agreed policies and strategies.

Where more than one course of action is possible the alternatives are analysed and justification given for the preferred choice.

Professional advice is taken when decisions have legal or financial implications, this is done in advance of decision making. Advice on legal and financial matters is taken from internal, and where necessary, external sources. Portfolio Holders also have a common responsibility to promote and be accountable for their services nationally and internationally as required. They also represent the Council's views on matters of corporate or strategic policy within their portfolio. The Leader of the Council also has responsibility to promote the City, the Council and its core values and objectives.

The advice given will usually be contained within the board papers and will be presented to the appropriate meeting to facilitate discussion. Reports are circulated with the agenda where possible, to allow consideration in advance of the meeting at which a decision is to be taken. Where applicable the recommendation will be supported by appropriate external evidence or advice. Minutes of Council, Board and Committee meetings are available to the public.

An overview and scrutiny function is undertaken by the Overview and Scrutiny Committee, supported by standing panels. The Committee's functions contribute to policy development and help to shape major plans and strategies and publicly hold the Executive to account for the decisions it makes. As a consequence, the Committee plays an important role in supporting the programme of improvements to Council services. Councillors with an overview and scrutiny role work independently, openly and transparently, and the recommendations made are founded in the evidence received from experts in the fields being reviewed, service users and colleagues. The Committee and Panels seek to involve representatives of non-council organisations, interest groups and members of the public in their activities where it is considered that such involvement would bring new perspectives, expertise and/or specialist knowledge, to allow scrutiny to fulfil its role. An annual report on scrutiny activity is produced and reported to Full City Council, covering the vision for Overview and Scrutiny, its role and its method of working.

Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

It is important that the Council uses available resources to provide the appropriate quality of services for its citizens in accordance with its objectives and priorities and to operate within its means. The Council Plan contains targets to be met in achieving these priorities. These are translated into actions through strategic business plans and operational plans, and the Performance Management Framework (PMF), illustrated below, is in place to monitor and review the effectiveness of the actions put in place.

The PMF has a clear focus on outcomes. Comprehensive and effective performance management systems operate at all levels throughout the Council. Performance is managed at the City level through the Nottingham Plan Performance Board, at corporate level through the Corporate Delivery Board and the Corporate and Departmental Leadership Teams. The framework has been subject to positive review by both the Audit Committee and Overview and Scrutiny Committee. It establishes a clear relationship between corporate priorities and decisions taken from the top down to individual level via business planning. The framework was updated in 2013/14 so that it aligns with the Council's commissioning cycle and sits within the context of our developing 'Good to

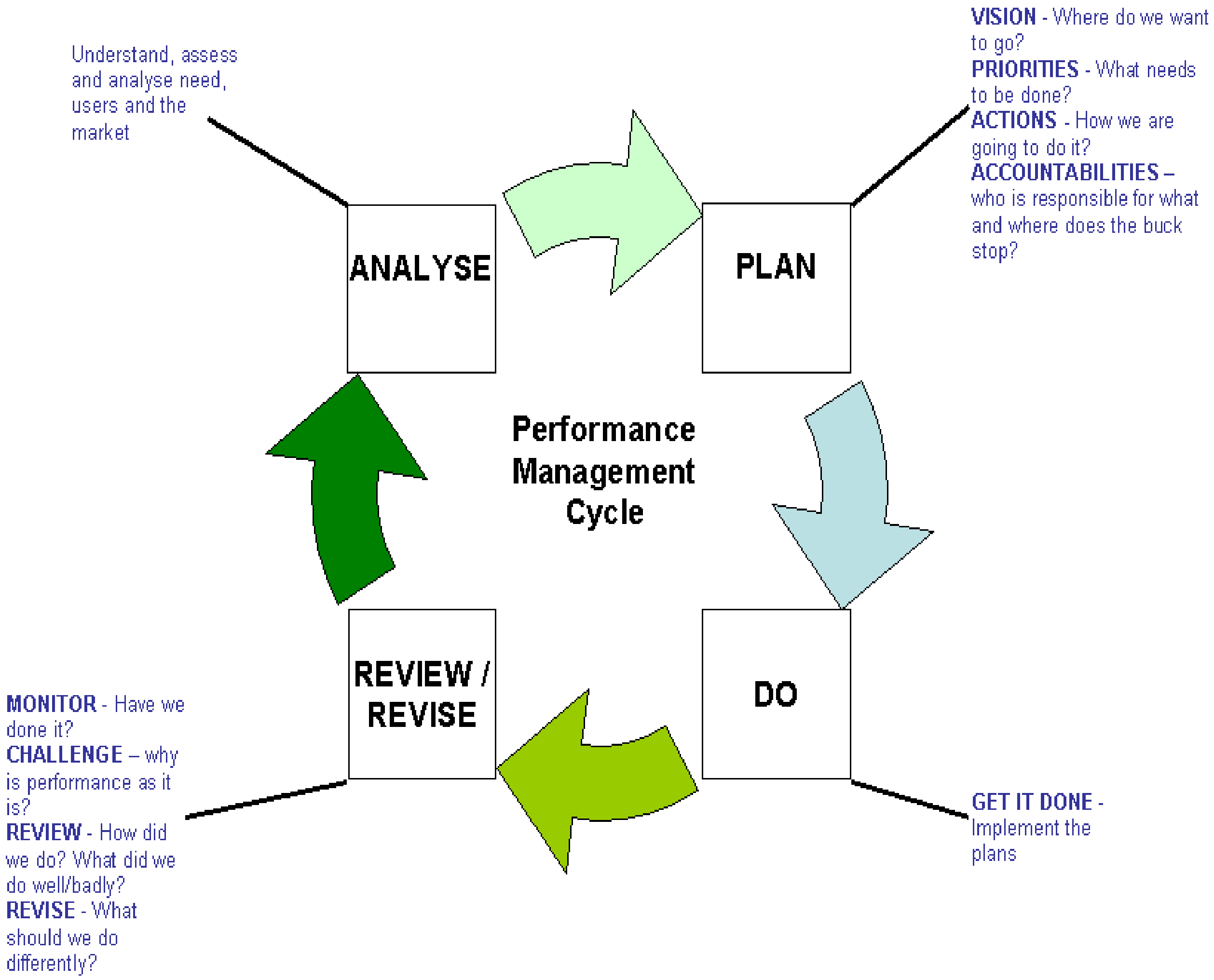
Great ' vision placing Citizens at the heart of everything we do. The PMF sets out the high level approach the Council will take to performance management, ensuring that all are:

- Clear about what to achieve, by when and by whom
- Focussing resources and action on the right outcomes
- Aware of how things are going
- Reporting on progress – to both internal and external audiences
- Able to quickly access effective support.

Accordingly the Framework:

- Sets out the principles of our performance culture and how this can be sustained
- Applies to all levels of council activity
- Defines the roles, responsibilities and reporting arrangements for all involved
- Has a broad scope, which includes strategic business planning, risk management, workforce planning, performance appraisal (which has also been substantially refreshed) and performance monitoring and management at team, service, departmental and organisational levels
- Has wider links to the Council's Transformation Portfolio.

Performance Management Framework



A full performance report is taken annually to the Executive Board with highlights reported in the Nottingham Arrow. Both the Nottingham Plan and Council Plan are tracked by a set of key performance indicators and some information is provided by external agencies such as the police. The removal of the National Indicator Set in 2010 has in many respects allowed the Council to focus on those measures that are most important and relevant for its local priorities. Efforts are underway with Core Cities and regional authorities to establish a set of indicators that are measured comparably. The Council's Corporate Leadership Team continues to drive the focus on continuous improvement. Relative performance for a number of the Council's highest priorities remains in place. Although external assurance from bodies such as the Care and Quality Commission (CQC) and Ofsted currently remains in place, this is specific to certain service areas only. Further assurance is being sought, by inviting the Local Government Association to undertake a Corporate Peer Challenge at the Council in October 2015, focussing on the Council's vision and ambitions to transform into a Great City, as well as corporate governance and other key practice.

The Council has recently developed and implemented a software tool (Covalent) for performance management and risk management used throughout the Council. Covalent is being used to monitor and manage performance at all levels and will help develop and improve the way performance information is collected, presented and used to improve service delivery. The quality of services provided is also monitored by seeking the views and experiences of citizens, service users and colleagues. The Big Conversation is an informal discussion session, which invites colleagues from all levels and all parts of the organisation to share views and submit ideas about delivering great services and find ways of improving. .

The Council's budget process establishes the resources required to deliver its services and objectives and includes reviews of the overall use of resources. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Financial procedures are identified in approved Financial Regulations. Financial reserves are kept under review and the Council maintains an adequate Internal Audit function. The Council also publishes its Statement of Accounts in accordance with statutory and professional guidance. The Council's accounts have been successfully subjected to a rigorous external audit.

Financial performance is monitored regularly with senior management and councillors receiving monthly financial reports to help manage the Council's performance. Colleagues responsible for financial resources are required to sign Personal Accountability Statements in recognition of their responsibilities to use these resources effectively, and their success is monitored as part of the performance appraisal process. .

Arrangements for defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

In local government the governing body is the City Council, which has overall responsibility for directing and controlling all the work undertaken in its name. The Constitution, approved by City Council, sets out how it operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Nottingham City Council has adopted the 'Strong Leader' and Cabinet model of Executive Governance as set out in the provisions of the Local Government Act 2000 (as amended), and this is reflected throughout the Constitution. Responsibility for decision making, the role of the City Council, Executive Board, Committees and the process for determining Key Decisions are well documented and defined in the Constitution, and may be viewed by following the following link:

Nottingham-City-Councils-Constitution

The Constitution includes a scheme of delegations which is detailed so that the functions of City Council, Executive Board, Portfolio Holders, Committees and officers are specified.

The City Council comprises 55 councillors, with the Labour Party having overall control. The councillors meet as a Full Council around every six weeks. A limited number of items of business, such as approving the level of Council Tax, must be considered by the Full Council. For other decisions, the Leader and Executive Councillors hold decision-making powers through the Executive Board, each Executive Councillor including the Leader, holds a portfolio which supports the priorities of the Council.

The role of each Portfolio Holder is defined in terms of both general and specific responsibilities. Councillors who are not on the Executive may be members of one of the regulatory committees or undertake overview and scrutiny activities. Detailed terms of reference are in place for all committees.

There is a clear distinction between the Executive and Scrutiny functions within the Council and clearly defined roles for these functions which are understood by both bodies. The Council has protocols in place to ensure communication between councillors and colleagues in their respective roles and which govern their relationship. The role of Overview and Scrutiny is set out in the detailed terms of reference for the committee itself and for the panels which report to it.

Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for councillors and staff

A hallmark of good governance is the development of shared values which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all colleagues. These are in addition to compliance with legal requirements, for example on equal opportunities. The Council recognises that to be effective in fulfilling their role councillors will need to work closely with and talk to all colleagues and partners, and that the principles of good governance are followed in all Council business.

The Council has put arrangements in place to ensure that procedures and operations are designed in conformity with appropriate ethical standards and their continuing compliance in practice is monitored. Breaches of the code of conduct relating to councillors would be considered by the Standards Committee. Colleagues can report non conformity with appropriate ethical standards via the Confidential Reporting Code. Councillors can raise issues of non compliance directly with the Standards Committee. Citizens are encouraged to report concerns through any of the routes included in the Confidential Reporting Code or via the Council's “Have Your Say” procedure. Colleagues can report non conformity with appropriate ethical standards via the Confidential Reporting Code. The Council’s People Management Handbook includes sections relating to raising concerns, performance improvement and discipline.

At an individual level the Council has developed and adopted formal codes of conduct defining the standards of personal behaviour to which individual councillors and colleagues are required to adhere. Under the Local Government Act 2000, all councillors have to sign a declaration to abide by and uphold the Council's Code of Conduct for Members. Under the Code councillors are also required to register interests. All councillors have signed and agreed to adhere to the Members Code of Conduct and training on the Code is provided as part of an induction programme. Support staff also had briefings about the Code.

The Council's Monitoring Officer maintains the Register of Councillors' Interests that have been brought to his attention. Councillors are obliged by law to keep their registration up-to-date and to inform the Monitoring Officer of any changes within 28 days of the relevant event, and councillors are regularly reminded of this responsibility. A councillor's failure to register interests can be the subject of a complaint. Most councillors have received training relating to the Code of Conduct.

In addition to their specific portfolio responsibilities all Portfolio Holders have a common responsibility to ensure that the executive functions within the portfolio are performed in accordance with approved Council policies and strategies and to the highest ethical standards. These values are also enshrined in the respective codes of conduct for colleagues, councillors and the councillor/colleague protocol. The need for disclosure of conflicts of interest is a standard agenda item at all meetings, and a review of the minutes of the Executive Board indicates that potential conflicts of interest are regularly disclosed. The Council has put arrangements in place to ensure that the associated procedures and operations are designed in conformity with appropriate ethical standards.

Arrangements for reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions councillors must be well informed.

The Constitution and its appendices clearly define those matters specifically reserved for collective decision of the Authority and those matters that may be delegated. The responsibility for updating the Constitution is set with the Monitoring Officer. Reports making changes to the Constitution including those to Financial Regulations are made to the Full Council for approval. Most reports are available for public inspection as are the results of deliberations recorded in meeting minutes.

Councillors and colleagues making decisions require the support of appropriate systems to help ensure that good decisions are made / implemented and that resources are most effectively deployed. Risk management plays an important role in supporting decision making processes and ensuring there are effective delivery mechanisms that underpin service provision. The Risk Management Framework (RMF) sets out the way in which the Council identifies, monitors and manages its strategic, operational and project/partnership risks. The RMF is regularly updated and is endorsed by the Corporate Leadership Team (CLT) and approved by Audit Committee annually. The RMF comprises a Risk Policy, Strategy, and a Process Guide covers risk management in terms of:

- Purpose, principles and benefits
- Decision making, projects and partnerships
- Appetite, escalation and delegation
- Roles and responsibilities
- Detailed practical guide

. The Risk Management Framework

Risk Management (RM) arrangements are integrated to other key documents including the MTFS, Financial Regulations and Corporate Financial Procedures. The Acting Director of Resources is responsible for risk management, championing its development and implementation. The Corporate Leadership Team takes an active role in reviewing strategic risks along with the Audit Committee through updates of the Strategic Risk Register (SRR). Work takes place to review the composition of the SRR and test alignment of risks to the Council's strategic priorities. Similarly, a significant commitment is made to supporting effective risk management of the Transformation/Big Ticket programmes through the work of the Portfolio Programme Management Office.

RM training has been provided to the Audit Committee as part of the councillor induction process and has been well received. Wider training for colleagues is also now available supported by e-learning and revised guidance, consistent with the updated RMF. Risk workshops have been run by a Corporate Risk Specialist and have included basic risk management awareness.

The Strategic Risk Strategy provides practical guidance on the management of the SRR and the risks within it, including escalation/delegation of risks, reporting arrangements and responsibilities. Risk strategies are developed for all risk registers, maintaining a rigorous risk and opportunity management approach while enabling flexibility in how risks are managed at different levels of the organisation. This reflects for example, departmental priorities, ways of working and activities, while complying with requirements of higher level risk strategies. The RMF is available to colleagues through the Council's intranet site.

It is acknowledged that more work is required to embed understanding of operational risk management. The implementation of the PMF seeks to explicitly link planning, performance and risk within the Service Planning process. Further more, Covalent provides a software environment in which to capture and link related performance planning and risk information aligned to organisational objectives.

Arrangements for ensuring that the Authority's financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Finance Officer

An essential element of good governance is the existence of sound arrangements for the management of financial resources.

The Chief Finance Officer (CFO) is a professionally qualified accountant. The CFO sits on the CLT and is able to contribute positively to decision making affecting the delivery of the Council's objectives. The CFO is able to promote good financial management and in so doing makes sure effective use is made of City Council resources. The CFO has led a Finance Change process designed to ensure that the finance function continually develops and remains fit for purpose. The following illustrates the Financial Framework put in operation to support the delivery of the Council's objectives.

The Financial Framework

CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	PROCUREMENT	RISK MANAGEMENT
Strategies	**MTFS**					
		Income Generation Strategy	Capital Strategy & AMP	Treasury Management Strategy	Procurement Strategy	Risk Management Framework
Guidance	CIPFA & technical guidance	Budget Guidelines	Capital Guidelines	CIPFA Code of Practice for TM	CIPS & Procurement Toolkit	Risk Management Policy and Guidance
Plans	MTFP	Annual Budget	Capital Programme & AMP	Treasury Policy Statement	Procurement Checklist	Risk Responses
Governance	Constitution	Budget Management & Control statements & Annual Governance Statement		Prudential Indicators & Annual Report	Contract & Finance Procedure Rules	Risk Register reporting and regular review
	Financial Regulations and Standing Orders					Audit Committee Reports & annual report
	Internal & External Audit Plans and our response to inspection and audit reports					

Arrangements for undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The operation of an effective Audit Committee is an essential part of good governance. The Audit Committee was established in 2008/09 and annual reports of its achievements are sent to Full Council. The role of the Committee is developing and regular interaction with similar Committees in other Core Cities is undertaken to share best practice.

Arrangements for ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

In order to demonstrate the highest level of stewardship of public resources it is important that all work undertaken on behalf of the Council is transparent, falls within legal powers and is in accordance with professionally recognised best practice. However, governance cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements.

This ethos of good governance can be expressed as values and demonstrated in behaviour. In England, the Local Government Act 2000 outlined ten principles of conduct for use in local government bodies built on the seven principles for the conduct of people in public life established by the Committee on Standards in Public Life (the Nolan principles). These principles are enshrined in the Council's Codes of Conduct and are summarised in the following table:

Local Government Act 2000 Ten Principles of Conduct

Principle	Holders of public office:-
Selflessness	Should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends
Integrity	Should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
Objectivity	Should make choices on merit in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits.
Accountability	Are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
Openness	Should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and actions and restrict information only when the wider public interest clearly demands.
Honesty	Have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
Leadership	Should promote and support these principles by leadership and example.
Respect for others	Should promote equality by not discriminating unlawfully against any person and by treating people with respect, regardless of their age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.
Duty to uphold the law	Should uphold the law, and on all occasions, act in accordance with the trust that the public is entitled to place in them.
Stewardship	Should do whatever they are able to do to ensure that their authorities use their resources prudently and in accordance with the law.

The Council's establishment incorporates all posts required by statute. These key roles are performed by the Council's Head of Paid Services, Monitoring Officer and Section 151/114 Officer. The roles of these officers are laid down in the Council's Constitution and are defined clearly in the associated job descriptions. As Head of Paid Service, the Chief Executive is ultimately responsible and accountable to the Council for all aspects of operational management.

The CFO undertakes the responsibilities of the Section 151 Officer including responsibility to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control.

The role of the Monitoring Officer includes responsibility to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with. The Monitoring Officer is responsible for arrangements for whistle blowing to which staff and those contracting with the Council have access; arrangements have been put in place allowing them access and the right of complaint is well publicised.

Service areas use professional networks to keep abreast of developments. The central policy function has been enhanced and works well in applying a Nottingham perspective to emerging policy trends and prospective legislation. Increasing use is made of web-based resources from specialist legal firms for legislative updates. Professional advice is offered and taken in advance of decision making when decisions have legal or financial implications. Advice on legal and financial matters is taken from internal and, where necessary, external sources. The advice given will usually be contained within the board papers.

The Council has Budget and Policy Framework Procedure rules in place, which set out how budget and policy decisions are made. Key roles are performed by the Council's Head of Paid Services, Monitoring Officer and Section 151 Officer. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. In addition, scrutiny committees, external audit and external inspection agencies contribute to the review of the Council's compliance with its policies, procedures, laws and regulations.

Arrangements for identifying the development needs of councillors and senior colleagues in relation to their strategic roles, supported by appropriate training

Effective local government relies on public confidence in councillors and colleagues. Good governance strengthens credibility and confidence in public services. The Council needs the right skills to direct and control resources effectively. Governance roles and responsibilities are challenging and demanding, and councillors need the right skills for their roles. In addition, governance is strengthened by the participation of people with many different types of knowledge and experience.

A comprehensive induction programme, developed in conjunction with the Councillor Development Steering Group (CDSG) and Corporate Directors, is delivered to councillors to enable them to function quickly and effectively in their roles. Evaluation information is assessed and good practice is reviewed as part of the planning for future induction training. An induction plan was agreed by CDSG for the 2015 intake of councillors and is now being delivered.

CDSG, aided by Group Support and Democratic Services colleagues, identify and arrange suitable learning opportunities for councillors. There are also councillor development and policy briefings on current topics. Councillors' learning and development needs are reviewed by CDSG and there is greater emphasis now on the political groups being able to tailor and drive their own development programmes.

The Council has a policy of recruitment and promotion on merit (People Plus and Project People), and recruits outside the Council where necessary. Induction programmes for both councillors and colleagues are in place. The Constitution contains clear details of the roles and responsibilities for councillors, including the Leader and Portfolio Holders. All colleagues have detailed job descriptions and person specifications, and individual development requirements for colleagues are identified using a Performance Appraisal process. This process has recently been refreshed. Consultation with key customers is also used to understand the development needs for the Council.

At present, Executive councillor performance is reviewed at individual but not group level. The Executive is subject to scrutiny by Overview and Scrutiny at decision and policy development level. Councillor Development Provision is designed to help councillors to continually improve their performance, with councillors receiving training and development necessary to effectively discharge their governance and community leadership roles. This is achieved in a number of ways including induction training and training relevant to panels and boards, casework, overview and scrutiny, public speaking and IT skills. Both the Executive Board and Overview and Scrutiny Committee take external advice when considered appropriate.

Corporate Directors are experienced in their respective fields and are assessed by the Chief Executive as part of their performance appraisals. Most hold relevant professional qualifications which impose the requirement for continuing professional development. Corporate Directors organise their own training within the context of performance appraisals and any development obligations imposed by professional bodies of which they are members. Similarly, the skills of other staff are developed on an ongoing basis as part of the performance appraisal and service planning process

Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

In order to understand the needs and demands of the community it is essential that appropriate procedures and processes are in place to ensure the relationships between the council, its partners and its citizens are clear, so that each knows what is expected of the other.

The Council is accountable in a number of ways. Councillors are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All councillors must account to their communities for the decisions they have taken and the rationale behind those decisions. The Council is subject to external review through the external audit of its financial statements and some inspection regimes. Similarly, the Council budget is subject to significant influence and overview by government, which has powers to intervene. The Council is required to publish its financial statements and to prepare an annual report.

The Council is committed to the creation of sustainable and democratic communities, encouraging active citizenship and democratic engagement by developing the role of area committees; wide consultation on matters of local concern; events such as those that take place in Local Democracy Week and the promotion of councillors and their key roles within their communities. A range of media is used to let local people and employees know about progress on the Council's plans. For example, the "Contact Us" and "Have your Say" sections of the internet site allows citizens to find out about initiatives, register interest in future consultations and make observations. The Council welcomes and positively encourages public involvement in the way in which business is conducted.

Councillors and colleagues are both subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may appeal either through their local councillor or directly to the Ombudsman.

The Council is accountable to the community it serves and publishes on an annual basis, information on its vision, strategy, plans, financial performance and outcomes, achievements and the satisfaction of service users in the previous period. The Council is dedicated to providing the easiest possible access to information while protecting individuals' privacy. Some information will not be available to the public as there are several grounds for exemption under the Freedom of Information Act. Most of these exemptions are subject to the application of a Public Interest Test. This is a test of whether the reasons for disclosing the information are outweighed by the exemption. Most Council meetings are open to the public and all minutes of meetings are available for examination, and reports clearly explain technical issues and their implications. A few simple rules have been introduced to help the public question session run smoothly and to be of maximum benefit to the public. The Executive Board meets in public (except for exempt items).

The Council has committed itself to wide consultation on matters of local concern. It expects that any consultation carried out is used to engage and gain the views of relevant communities, plan what needs to be achieved, establish how far the services meet their objectives from the customer's perspective, enable changes to services in line with customer feedback, determine how visible changes can be tracked as a result of consultation and provide feedback on the results and actions arising from consultation.

Arrangements for incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the authority's overall governance arrangements.

In order that shared goals are achieved it is important that the principles of good governance are put in place across the full range of Council work. When working in group or partnership arrangements the existence of sound governance helps ensure that shared goals are achieved and resources controlled and used effectively.

The Council engages with all sections of the community whilst working with partnerships. A variety of mechanisms are used to ensure the engagement is appropriate to the diverse communities. The Nottingham Plan to 2020 (One Nottingham Sustainable Community Strategy) provides the overarching vision, objectives and priorities for the Council and the One Nottingham family of partnerships. The Nottingham Plan to 2020 has full commitment across the Council, partners and community. Given the significant political and economic changes since the plan's launch, the One Nottingham Board and the leadership of Nottingham City Council requested a refresh of the Nottingham Plan targets in 2013/14, to ensure that the right areas of work are prioritised, partnership resources are targeted in the most efficient way and the best target measures are used to ensure the plan is effectively delivering for the citizens of Nottingham. The refresh of the Nottingham Plan to 2020 is not a full revision. Targets were revisited to make sure they are appropriate, credible, robust and measurable going forward, whilst maintaining the ambition that was established when the plan was launched in 2009 as a contract with citizens. It also considered possible areas within the plan which would most benefit from dedicated partnership focus. Recommendations were developed by Nottingham Plan lead officers and have been through a challenge process with peers and performance colleagues, taking account of performance to date.

The Council's Partnership Governance Framework (PGF) sets out the approach to managing work with significant partnerships and provides a mechanism for ensuring that Councillors and lead officers are clear about their roles and responsibilities in relation to significant partnerships. The mechanism is the annual health checks which includes a section to assess that the governance of the partnership is clear and appropriate. The health checks enable the partnership to assess that it has a clear set of values and guiding principles against which decision making and actions can be judged. These are often set out in the partnerships' constitutions including codes of conduct. The health check also includes an assessment of the aims and objectives of the partnerships, including alignment between the partnership and the Nottingham Plan, and also a section to enable the partnerships to assess the robustness and clarity of their decision making, delegated powers and accountability. The Partnership Governance Framework, via the health checks, provides the mechanism for significant partnerships to assess the extent to which their aims and objectives align to The Nottingham Plan to 2020 and the vision for 2030.

In 2013/14 two additions were included in the health checks for partnerships to confirm that the Council lead officer is actively engaged and that, where applicable, for the most recent financial year, the partnership had an 'unqualified audit opinion' and that recommendations are actioned. The annual health checks have previously been updated to ensure that the partnerships were able to assess whether those making decisions are provided with information that is fit for the purpose, relevant, timely and give clear explanations of technical issues and their implications. This contributes to the assessment for the 'decision making and accountability' capability. The checks also enable each partnership to assess that it has a clear set of values and guiding principles against which decision making and actions can be judged. These are set out in the partnerships' constitution, policies and procedures. The register of significant partnerships includes the status of the partnerships, its membership, and a summary of how its aims and roles are aligned with the Council's strategic plans. Each year a random sample of health checks are scrutinised to verify the quality and accuracy of response. The register, and an overview of the health check results, including proposed actions where remedial work is needed, are reported to the Audit Committee. The checks include a section for lead officers and chairs to self-assess the governance of partnership risk management (called "partnership risk management") and a section for "overall headline risks". The contents of these are shared with the Corporate Risk Specialist. The most recent health checks found no significant issues.

The Council and partners in One Nottingham and other significant partnerships have an excellent understanding of its diverse communities and their needs (see Nottingham Insight, Citizens Survey 2014, Joint Strategic Needs Assessment, State of Nottingham Report, Crime & Disorder Needs Assessment, Ward Report and wealth of ward and mosaic data) which is used to shape our engagement.

The Research, Engagement and Consultation (REC) function within the Early Intervention Directorate supports all services across the Council to effectively consult and engage with citizens and make the best use of the findings. This includes providing advice and support on planning, designing and undertaking consultations (including surveys, event evaluations and focus groups) and engagement activity. As part of this, the team advises colleagues as to the most appropriate ways of consulting and engaging depending upon the intended audience, and ensures that colleagues think about using alternative formats and interpretation services when necessary. REC also manages the Citizens' Panel, which consists of 1,000 citizens from across the city. This Panel has been designed to be broadly representative of the city on a range of demographic and geographical factors and Panel members receive regular surveys and can also be called upon to be part of discussion groups or to test new services. REC also ensures that young people participate and engage in decision-making about services and their communities. As part of this, the Engagement and Participation Lead Officer within REC manages a variety of groups for young people of different ages and backgrounds. REC also ensures that citizens' views are taken into account in the various commissioning reviews. This may involve managing focus groups and reference groups, helping to plan and deliver stakeholder conferences, planning survey activity and supporting citizen involvement in tendering specification, tender assessment and quality assurance

Other organisations where the Council holds a substantial interest include its group companies, charities and trusts. In every such interest the Council endeavours to ensure they are set up with appropriate governance arrangements and are expected to comply with all relevant laws and regulations, and their financial statements and other published information are expected to be accurate and reliable.

Review of Effectiveness

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 also by comments made by the external auditors and other review agencies and inspectorates. The review also looks at governance arrangements undertaken within its significant partnerships and within its group members.

Process that has been applied in maintaining and reviewing the effectiveness of the governance framework

The purpose of the Constitution is to set out how the Council conducts its business, how decisions are made and the procedures that are followed to ensure that these decisions are effective, efficient and transparent so that the Council remains accountable to citizens.

Some of these procedures are required by law while others are a matter for the Council to determine. The Council exercises all its powers and duties in accordance with the law and its approved Constitution.

Nottingham City Council has adopted the 'Strong Leader' and Cabinet model of Executive Governance as set out in the provisions of the Local Government Act 2000 (as amended), and this is reflected throughout the Constitution. Portfolio Holders share responsibility with the Leader, Deputy Leader and other members of the Executive for the Executive business of the Council.

The principle bodies with responsibility for governance and their terms of reference are included in the Constitution and are summarised below, together with some of the topics considered during the year. All the associated reports and agendas are publicly available and may be found at the following website:

http://www.nottinghamcity.gov.uk/article/23479/Council-Meetings-and-Decisions

Principle Constitutional Bodies Dealing With Governance

Body	Summary of Governance role
City Council	City Council, comprising all 55 councillors, is the foremost public decision making forum of the Council that sets the policy framework and budget. The policy framework consists of the most important plans and strategies adopted by the Council. The Council meeting is chaired by the Lord Mayor. Topics Considered by the Council • Questions From Citizens; • The Nottingham City Council Act 2013 • Decisions Taken Under The Urgency Procedures • General Amendments To The Constitution, Constitutional Updates • Executive Appointments, Remits And First Meetings, Appointments and First Meeting Of Committees, Boards, Panels, Joint Bodies Etc and Committee Membership • The Overview And Scrutiny Annual Report 2013/14 • The Treasury Management 2013/14 Annual Report • The Capital Programme Update 2014/15 To 2018/19 • The Establishment Of A Nottingham And Nottinghamshire Combined Authority • The Council Tax Support Scheme 2015/16 • Pay Policy Statement 2015/2016 • Fair Funding For Nottingham • Treasury Management 2015/16 Strategy • The Budget 2015/16
Executive Board	The role of the Executive Board is to take key decisions as delegated by the City Council. The work also encompasses receiving performance and financial information which determines the strategic direction of the Council. Additionally constituted sub Committees of the Board are listed below. • East Midlands Shared Services Joint Committee • Executive Board City Centre Committee • Executive Board Commissioning Sub-Committee • Leader's Key Decision - Notice • Leader's Key Decision Meeting • The City of Nottingham and Nottinghamshire Economic Prosperity Topics Considered by the Board • Key Decisions • Capital Programme Update 2014/15, Capital Outturn 2013/14, • Nottingham Plan Refresh 2013-14, Nottingham Plan Year 4 Annual Report • Progress In Delivering Council Priorities • Risk Management: Strategic Risk Register, Quarterly Updates And Annual Review

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<tr><th>Body</th><th>Summary of Governance role</th></tr>
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Corporate Financial Revenue Outturn
Treasury Management 2015-16 Strategy, 2014/15 Half Yearly Update, 2013/14 Annual Report
Future Delivery Model For The Revenues And Benefits Service
Welfare Reform
Quarterly Reviews of Revenue And Capital Budgets
Budget Consultation 2015/16 Phases, Schools' Budgets 2015/16
Nottingham And Nottinghamshire Combined Authority
Council Tax - Determination Of The 2015/16 Tax Base
Medium Term Financial Plan
IT Service Improvement Programme
</td></tr>
<tr><td>Overview and Scrutiny Committee</td><td>The scrutiny of Executive decisions is an essential element in the effective governance of the Council, and the scrutiny function has wide-ranging powers under the Local Government Act 2000 to examine policy development, executive decisions and matters of wider local concern.
The Committee consists of Councillors who are not on the Executive, who are charged with keeping an overview of Council business and City concerns and scrutinising areas of particular interest or concern. Their role is to hold the Executive to account when deemed necessary in the business they undertake, and also to assist in the development and review of Council policy. Tasks involve looking in detail at areas of service delivery or issues of general concern in the Council, external partnerships and organisations. The Committee makes recommendations to the Executive or to the whole Council and on occasion, to outside organisations, on issues which might include suggestions for improvements or different ways of doing things. The Council also has a statutory responsibility to scrutinise substantial developments or variations in NHS services and this is undertaken by the Health Scrutiny Panel or by the Joint City / County Health Scrutiny Committee.

Additionally constituted Panels and Sub Committees of the Board are listed below.

Health Scrutiny Panel
Joint City And County Health Scrutiny Committee
Overview And Scrutiny - Call In Panel
Scrutiny Review Panels

Personal Budgets
Rehabilitation And Resettlement Of Offenders
Allotments
Ash Die Back
Changing Educational Landscape
Communication And Enforcement - Wheelie Bins On Pavements
Congestion Around Educational Establishments
Equalities Within The Commissioning And Procurement Process
Flood Management And Gully Cleansing
Homelessness Prevention Strategy Consultation

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<tr><th>Body</th><th>Summary of Governance role</th></tr>
<tr><td></td><td>
Irresponsible Dog Ownership
Responsibility And Management Of Local Public Waterways
Tree Management
Topics Considered by the Committee

Establishment Of Overview And Scrutiny Committee Sub-Committees 2014/15
Nottingham Plan Presentation , The Nottingham Plan - Year 4 (2013-14) Annual Report
Responses To The Recommendations To The Scrutiny Review Panels Carried Out During 2013-14
Implications For Scrutiny Following The Publication Of The Jay Report
Good To Great - Changing The Council's Operating Model
Nottingham Growth Plan
Programme For Scrutiny

</td></tr>
<tr><td>Standards Committee</td><td>The Council has a Standards Committee constituted in accordance with the Standards Committee (England) Regulations 2008 that oversees the Code of Conduct and other governance matters. The Committee meets as and when required and there was no meeting called in the year.</td></tr>
<tr><td>Audit Committee</td><td>The Audit Committee has responsibility for the development of risk within the Council and is the designated body for the overview of the Council’s Internal Audit function. An annual report is produced by the Chair of the Committee, reflecting the work undertaken and the associated linkages it has to improving governance.

Topics Considered

Internal Audit Charter 2014, Annual Work Plans And Three Year Strategic Plan
Internal Audit Annual Report, Reports Selected For Examination, Quarterly Performance Reports and Plan Updates
Strategic Risk Register Quarterly Reports And Annual Review
Audit Committee Terms Of Reference And Annual Work Programme Updates, Chair's Annual Report
Annual Governance Statement and Progress Updates
Statement Of Accounts, Review Of Accounting Policies
Local Government Ombudsman Annual Report
Partnership Governance Health Checks And Update Of Significant Partnerships
Treasury Management Strategy, Half Yearly Update, 2013/14 Annual Report
Performance Management Framework

</td></tr>
</table>

Body	Summary of Governance role
	• Counter Fraud Policy • External Audit Plan 2014/15, Audit And Accountability Act 2014, Annual Audit Letter, Certification Of Claims And Returns Annual Report • IT Service Improvement Programme

Head of Internal Audit (HoIA)

Internal Audit is an independent, objective assurance and consulting activity aiding the Council in accomplishing its objectives by bringing a systematic, disciplined approach directed to evaluate and improve the Council's control and governance processes. Using information and evidence collected during the year the HoIA produces an annual audit report and opinion summarising the effectiveness of the governance arrangements in place.

In 2014/15 The HoIA maintained processes complying with the governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit. The service substantially complied with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and met the requirements of the Account and Audit Regulations 2015 and associated regulations.

The HoIA reported that Corporate Directors are responsible for ensuring that proper standards of internal control operate within their departments. Internal Audit reviews these controls and gives an opinion in respect of the systems and processes put in place. The 2014/15 Audit Plan, as agreed by the Audit Committee and Corporate Directors, was completed in accordance with the professional standards. The HoIA has also overseen those policies and procedures in place addressing the risk of fraud and irregularity, and is of the opinion that they align with best practice as described in the Cipfa Code for managing the risk of fraud and corruption. Additionally during 2015 the HoIA has piloted the use of a corporate team to strengthen the counter fraud function.

The HoIA has undertaken reviews of the internal control procedures in respect of the key systems and processes of the Council and where appropriate, its partners. The work was planned using a risk based model of the Council's activities. It has been supplemented by ad hoc reviews in respect of irregularities and other work commissioned by Corporate Directors or the partners of the Council and the work undertaken by external review agencies. Reports in respect of all reviews have been issued to the responsible officers, together with recommendations and agreed action plans. Each report issued included a level of assurance that could be assessed from its findings. Each quarter, a list of reports was sent to the Audit Committee for scrutiny and a number of audits were selected for in depth review at the Committee.

HoIA Overall Opinion

Throughout 2014/15 the HoIA has continuously reviewed the significant challenges and risks associated with the Council's operations and has allocated the necessary resources, via the audit plan, to help him form an opinion on the Council's governance arrangements. In forming his opinion the HoIA has reviewed all the IA reports issued in 2014/15 and drawn upon available external sources of assurance from independent review bodies and internal assurance mechanisms to identify and assess the key control risks to the

Council's objectives. Consequently, the HoIA has concluded that although no systems of control can provide absolute assurance, nor can IA give that assurance, he is satisfied that, on the basis of the audit work undertaken during the 2014/15 financial year, there have been no significant issues (as defined in the CIPFA Code of Practice) reported by IA. Furthermore, on the basis of the audit work undertaken during the 2014/15 financial year, covering financial systems, risk and governance, the HoIA is able to conclude that a reasonable level of assurance can be given that internal control systems are operating effectively within the Council, its significant partners and associated groups.

Other assurance mechanisms

Corporate Directors and statutory officers have provided an assurance statement supporting the AGS for 2014/15. These statements have been supplemented by assurance gathered from key colleagues responsible for Internal Audit, Risk, Human Resources, significant partnerships and group members, and have also been informed by independent external reviews, including the external auditor. The assurance is based around questionnaires developed from the CIPFA/SOLACE Framework for Corporate Governance.

In summary, the Council has reviewed its systems of internal control and taken a comprehensive approach to considering and obtaining assurance from many different sources. The Council has been informed on the implications of the result of the review of the effectiveness of the governance framework, and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined below.

Issues reported

Part of the AGS report reflects the position on significant control issues affecting the Council and the action plans put in place to address them. In ascertaining the significance of the control issues reported, the Council has used CIPFA guidance on the factors involved. These factors are summarised as follows:

- 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 Internal Audit 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.

Issues worthy of note are issues that are not categorised as significant but which require attention to ensure continuous improvement of the system of internal control. New or outstanding issues are as follows:

ISSUES WORTHY OF NOTING

Central Government Review of Local Government Funding & Balancing the Council's Budget

As the coalition Government has undertaken a fundamental review of public spending which has reduced the level of funding available to the Council from 2010/11 onwards.
The combination of the impact of the global recession and the need for a significant investment in some services placed severe pressure on the Council's financial resources. The budget process, through the in depth analysis of spending requirements and the opportunities to generate income, highlighted the need to reduce net expenditure across the City Council.

Final Position

The Government has implemented a rapid and extensive programme of policy change, accompanied by significantly reduced funding for the public sector. On current projections the Government's settlement funding for the Council will have reduced by circa £100m between 2010/11 and 2015/16 and in response, service and financial planning process has once again facilitated significant proposed movements in resources. Such changes include to:

- take account of the Council's priorities within the Council Plan:
- address demographic and service pressures through investment;
- reflect the significant reductions in external funding (especially general and specific Government grants) by reducing expenditure on those activities;
- support our determination to be efficient, improve performance and modernise our organisation;
- recognise the very challenging financial landscape and future outlook and the impact on all sectors including the public sector.

Budgets have been redirected to enable some resources to be targeted on the Council's current focus of supporting the most vulnerable, local jobs, and enjoying Nottingham. Resources are proposed to be redirected by:

- reducing demand and reviewing the way we commission our services:
- reviewing and optimising income streams of all kinds;
- redesigning and modernising our service provision / identifying efficiencies.

In addition the Council will continue its focus on regeneration and growth through its Capital Investment Strategy.

Children in Care

The Children in Care service exists primarily to ensure that children have permanent plans for where they live. Nottingham's priority for its children in care is to ensure that where possible, children live with their birth families. If that is not achievable then adoption and fostering are the next preferred options.

Children in care arrangements and associated budget pressures are key issues facing the service. There is a need to recruit and retain Social Workers to maintain stable safeguarding arrangements. Nottingham has seen, as in other areas across the country, a significant increase in the number of children in care over the past two years.

Latest Position

A plan is in place to reduce the numbers of children who remain in care over the forthcoming year. Part of this work involves systematic use of tools to help return young people to their birth families, having detailed exit plans for each young person, benchmarking all data against our statistical neighbours and ensuring a full complement of staff to deliver the business. Work is underway to match children and young people to adopters at an earlier point in the adoption process to ensure a stable and permanent family home for all our children in care. The renewed focus is the subject of a Big Ticket Project regarding reducing the numbers of children in care and speeding up the adoption process by tackling delay. Work in 2012 was undertaken to realign the children in care placements budget and to ensure that the use of a regional framework for all care registered and 16 plus accommodation was robust. This has resulted in some continued net savings on placement costs. Performance against placement stability and recording the wishes and feelings of children and young people continues to be strong.

There is strong collaboration between partners in Nottingham city, most notably between Health, LA, Police, Foster Carers and providers of residential accommodation. The Council has created a 'permanence team' which is the Children in Care Team. This became operational in April 2012. Further resources have since been agreed to support the effectiveness of the team to place children in permanency placements in a more timely way, and ensure delays are kept to a minimum. This is central to the strategy of ensuring better outcomes for our children in care population.

Performance against children in care targets is strongly monitored and in some areas out performs against statistical neighbours. An area for growth and development against key performance targets is in ensuring the health of children in care is robustly monitored and action taken where appropriate. Speeding up adoptions and tackling delay is the second priority area. NCC does better than its statistical neighbours (with the exception of Middlesbrough) in the recently published adoption scorecard. There was a significant increase in the number of adoptions in 2012/13 compared with the previous year. Resources have been realigned to build on that progress, based on evidence of what works well. The authority secured 43 adoptions and 43 Special Guardianship Orders for the financial year 2013/2014.

The Targeted Support Team continues to offer the effective delivery of services to children, young people and their families/carers, The reconfiguration of Nottingham City Council’s Residential Services into Small Group Homes has served to support children and young people to be better placed, have improved outcomes in a cost effective manner and ensure young people receive a quality service that keeps them safe. All homes have met and exceeded minimum standards with one home receiving an OFSTED rating of outstanding and two homes receiving good with outstanding features.

The Council has embarked on a further strategy to reduce the numbers of children coming into care. The Edge of Care Intervention Hub was launched in September 2013 which was for an initial 6 month pilot project, located and managed within the Targeted Support Team that has now been extended. To date, the Hub has supported 33 families that include 92 children. Of those 92, the Hub has worked directly with 70, of which it is felt that 65 have been directly at risk of being accommodated. 12 children have been accommodated. This amounts to an estimated budget relief of more than £1.2 million (based on placement type) over the 12 month period.

East Midlands Shared Service (EMSS)

Leicestershire County Council (LCC) and Nottingham City Council (NCC) have been working in partnership to develop and implement an East Midlands Shared Service to support both transactional finance and HR administration/payroll processes. The shared service is supported by an implementation of the Oracle E-Business Suite. As is usual with this type of extensive system implementation, a great deal of focus has been applied to the financial control processes requiring review and redesign. Much of the risk for NCC has been mitigated by the fact that the Council was migrating to an existing LCC platform.

Latest Position

The Council's Accountancy and Audit services continue to closely monitor the activity and performance of the Oracle system closely. No major concerns have yet arisen in this regard. Issues have been faced in terms of financial management since the implementation on 2 April 2013, and delays have been experienced in making payments to certain suppliers. The causes of this issue have been addressed and the resulting payment backlog is being cleared.

Nottingham Express Transit (NET)

Nottingham City Council entered into a 22 year Private Finance Initiative concession contract with Tramlink Nottingham Limited ("Tramlink") in December 2011 to extend and operate Nottingham's tram network. The concession contract passes the key design, build and construction risks, to Tramlink, the private sector concession company.

Latest Position

Construction of NET Phase Two is underway with an anticipated opening to passenger services during 2015. The NET concession contract, including project risks remaining with the City Council, is being managed by an experienced in-house project team and overseen by a dedicated Project Board.

Workplace Parking Levy (WPL)

The WPL is a levy which applies to all employers within the Nottingham City Council administrative boundary. Employers that provide any workplace parking places are required to get a WPL licence and those with 11 or more chargeable places, to pay a charge, from 1 April 2012. An important issue focuses on the ability of WPL to raise revenue to meet the Council's contribution to the NET Phase 2, the HUB and Link Bus network. The scheme was introduced on 1st October 2011 and charging commenced in April 2012.

Latest Position

There has been concern regarding the ability of WPL to meet funding requirements. The WPL income projections will be continually updated to reflect the latest information available from the WPL team as the income collection is still in its infancy. In the event that over the 23 year life of the NET Phase 2 contract, insufficient WPL income is generated, decisions may be made in respect of the ongoing contributions to the Link Bus network and/or extending the WPL scheme beyond the life of the NET Phase 2 contract.

Information Governance

Responsibility for Information Governance in the Authority rests with the Director of Resources who acts as the Senior Information Risk Owner (SIRO). Information Governance within the Authority is managed and controlled by the Information Management Services section working to the Information Management Framework. The Authority recognises that elements of Information Management have been limited and this continues to be identified within the corporate risk register to ensure the risk is actively managed. A number of measures have been initiated to mitigate this risk, including the development of an Information Modernisation Programme and changes to the handling of information rights requests.

Latest Position

The Authority has established a corporate-wide transformation programme, entitled Information Matters this year. The Programme has a number of work streams, which include;

- Culture and Governance
- Records Management
- Information Rights

The work programmes are currently being developed, and will be managed through the Information Matters Programme Board and implemented with support from the Information Management Strategy Group. Each of the work streams are putting in place robust governance structures and policies, along with assurance measures and Key Performance Indicators which are currently being developed and will be reported in future Governance Statements.

The Information Commissioner's Office undertook a consensual Data Protection Audit of the Authority in June 2014. The audit considered three control areas; records management, freedom of information requests and requests for personal data. The Audit findings gave the Authority limited assurance. The recommendations from the Audit have been considered, and included with the development of the Information Matters Programme.

In 2014/15 the Authority carried out its annual self-assessment against the Department of Health's (DoH) Information Governance Toolkit which assesses performance against DoH information governance policies and standards. The Authority achieved a minimum of level 2 score in each of the 28 requirements, attaining an overall compliance score of 69%, and an overall grade of satisfactory. The Authority also achieved the Public Services Network Accreditation.

The management of information security and data breach incidents are carried out as per the Authority's information governance processes. All data breach incidents are reported to the SIRO, and Caldicott Guardian where appropriate, and are investigated by the Information Management Services section, with corrective action taken where necessary. Lessons learned are shared through the Information Management Strategy Group. There have been three serious breaches of the Data Protection Act in 2014/15 which were reported to the Information Commissioner.

Housing Revenue Account (HRA) Stock Revaluation

A full valuation of the HRA stock was undertaken in the 2014/15 year

Final Position

External valuers conducted a valuation of the HRA stock during March 2015. The outcome was reviewed by NCC and resulted in an increase of £40.553 or 7.1% in the value of the HRA. The Property Department reviewed the work completed by the external valuers by seeking comments to properties where the value had changed by more than 10% and taking a small sample of properties at random and analysing the comparables used, plus other data.

Nottingham Revenues and Benefits

On 1st November 2014, Nottingham City Council entered into a 7-year partnership with Northgate Information Solutions for the provision of Revenues & Benefits Services. A unique element of the partnership was that Northgate are contractually-bound to sub-contract the work to Nottingham Revenues & Benefits Limited, a wholly-owned Nottingham City Council company.

Latest Position

Governance arrangements have been established with membership and attendance at the monthly Operations Board, monthly Transformation Board and quarterly Partnership Board.

Monthly service reports are provided by Northgate, which includes progress against Key Performance Indicators, the transformation programme and service improvement plan.

Information Technology

The Council has commissioned a report considering several key areas where the Council's IT Service has run installed infrastructure to the end of its useful life with the view of identifying where investment is required to enable the Council to operate a technical environment that is fit for purpose.

Latest Position

An improvement programme has been developed to ensure that a continuing high level of IT service will be delivered to support the work of the City Council, and help to ensure that services of sufficient quality are provided to citizens.

SIGNIFICANT ISSUES REPORTED

Icelandic Banks

In October 2008, as a consequence of the global financial crisis, the Icelandic banking system collapsed, with four of its banks going into administration. This impacted directly on the Council, which had a total of £41.6m deposited with three of the banks involved (Heritable, Landsbanki and Glitnir), at the time of the collapse.

Final Position

More than 120 local authorities had similar deposits with Icelandic banks at that time, totalling some £920m. All these authorities joined forces through the Local Government Association to co-ordinate the recovery of the monies. The latest claim administration reports state no further repayments are expected. The Audit Committee will be informed if this position changes as part of the Council's normal treasury management reporting process.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed: ………..................……………………………………………………………
Leader of the Council

Signed: ………..................……………………………………………………………
Chief Executive

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