

## Statement of Accounts 2019/20





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# Section 1

# Narrative Report

## 1.1 Overview of Nottingham City Council pre COVID-19

Nottingham City Council is a large and diverse organisation serving the people of Nottingham.

Nottingham is a vibrant and multicultural modern city, known throughout the world for the legend of Robin Hood. It is also a major sporting centre with the National Ice Centre, Nottingham Tennis Centre, Holme Pierrepont, National Water Sports Centre, two famous football clubs and Trent Bridge International cricket ground all located in and around the city.

The Council looks after 1,848 hectares of Green Flag award-winning parks and green spaces, maintains 808km of pavements and roads, provides decent homes for 27,000 tenants and has an award-winning integrated transport system. It supports a diverse range of free and low cost community and cultural events, a range of community libraries and welcomes 2.54million visitors each year to its leisure centres.

The Council continues to be ambitious for Nottingham and its people. It is committed to delivering services, which meet the needs of all citizens, creating opportunities and enabling them to reach their full potential and succeed in education and employment.

The top 5 priorities set out in the Council Plan for 2019-23 are

- Build or buy 1,000 Council or social homes to rent
- Create 15,000 new jobs for Nottingham people
- Build a new Central Library, making it the best Children’s library in the UK
- Cut crime and reduce anti-social behaviour by a quarter
- Ensure Nottingham is the cleanest big city in England and keep neighbourhoods as clean as the city Centre.

Over the next four years, there are plans to

- build a new Central Library, with the intention of making it the best children’s library in the UK,
- complete the development of Nottingham Castle and reopen it as a major national heritage attraction and
- continue to transform the south side of the city centre.

Environmental sustainability is a key priority for the Council which has pledged to be the first carbon neutral city in the country by 2028.

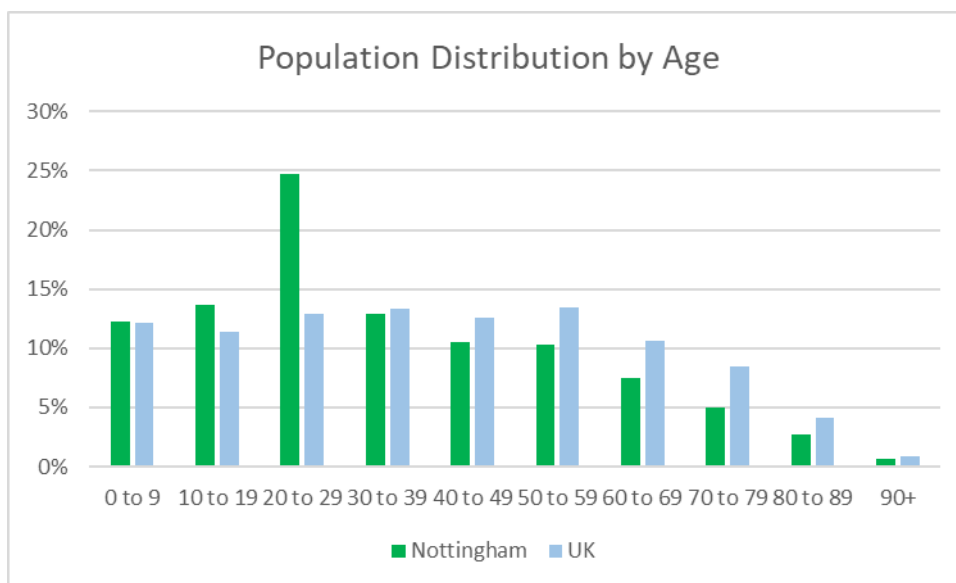
## Section 1 – Narrative Report

### 1.1.1 Population

The most recent information available showed that the latest estimate of Nottingham's resident population was 332,900, an increase of 1,830 since 2018 (Office for National Statistics Mid-Year Estimates 2019). Population projections suggest that this may increase to approximately 344,300 by 2027.

Nottingham has the second youngest population in the country with a median age of 29.7 (UK 40.3) and 51% of the population aged under 30 (UK 36%). This is primarily due to the large number of students from the two universities in the city and affects the services the Council provides and its ability to finance them.

This is shown in the chart below



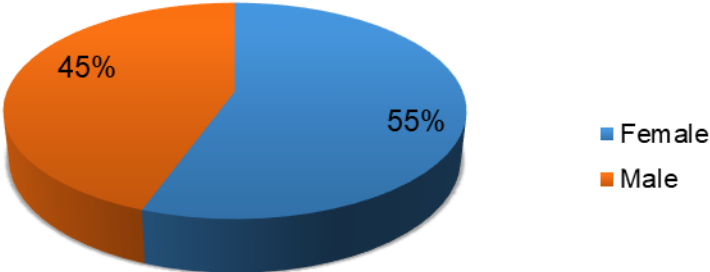
### 1.1.2 Employees

Equality, diversity and inclusion is a top priority for the Council as is attracting and retaining the best people to provide the best and most accessible services to our citizens. The Council Plan contains key actions to make sure that real progress is made on this agenda and there are organisational objectives set to position the Council as an exemplar of best equalities practice. The diversity of the workforce has been increased by creating and delivering career development programmes such as the yearlong Future Leaders, through which 53 people graduated including 18 City Council employees.

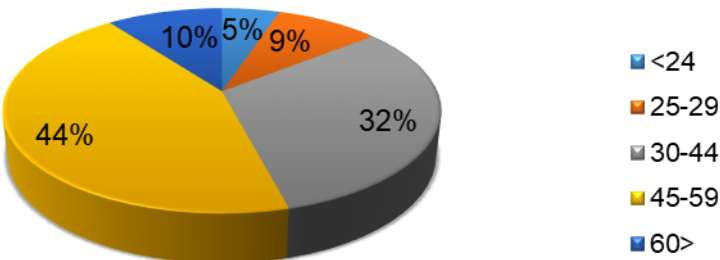
At 31 March 2020, Nottingham City Council employed 5,285 people, excluding those employed in schools.

The following charts give a breakdown of employees by gender, age and contract type.

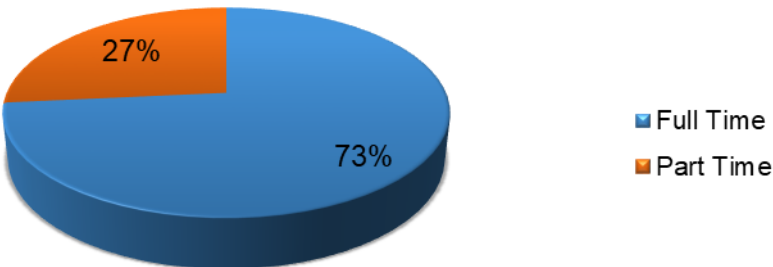
**Workforce Breakdown by Gender %**



**Workforce Breakdown by Age %**



**Workforce Breakdown by Contract Type %**



### 1.1.3 Political and Management Framework

The Council is made up of 55 Councillors and is controlled by the Labour Party who following the May 2019 local elections have 50 elected Labour Councillors. There are also two Conservative and three Independent Councillors.

The Council has adopted the Strong Leader and Cabinet model as set out in the provisions of the Local Government Act 2000 as its political management structure. Decisions are taken at meetings of full Council, Executive Board and Committees of the Board, Committees, Executive Portfolio Holders, Ward Councillors and Officers.

Full Council comprises all 55 Councillors elected to the Council. One of its functions is to agree the major policies, the “Policy Framework”, which govern the way services are provided and to provide the direction for the city. Legislation prescribes that, in addition to the budget and setting of Council Tax, full Council must adopt this overall policy framework, which comprises various plans and strategies. The Council may from time to time, decide to add other plans and strategies to this list. The Council also has an overview and scrutiny function. This holds the Executive Board to account for its decisions, undertakes reviews and makes recommendations on future policy.

The Executive Board comprises up to ten Councillors, including the Leader of the Council and is responsible for major decisions on service delivery. The law does not allow the Executive Board to make certain decisions (sometimes referred to as ‘non-executive’ decisions) for example, decisions on planning or licensing matters. These non-executive decisions are taken by Committees comprised of Councillors.

The Council’s Senior Management Team supports Councillors. For management purposes, the Council’s operations are organised into Directorates each of which is headed by a Corporate Director reporting to the Chief Executive.

### 1.1.4 Financial Objectives and Framework

Nottingham City Council is committed to maintaining financial stability and delivering value for money through effective, economic and efficient services.

The main financial objectives for the Council focus on:

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

This policy-led, medium term approach to financial planning and management ensures that we can fund our vision, values and priorities.

The Medium Term Financial Strategy (MTFS) sets the framework to deliver the Council’s aims and objectives and operates on a principle of medium term, policy-led financial planning. This connects the vision, values and priorities with decisions made in setting the annual budget within the Medium Term Financial Plan (MTFP).

New investments are considered in the context of how they will contribute to realising the Council’s vision and performance improvement more generally. Options are worked up for consideration and decisions to stop, reduce or reshape services are made in full knowledge of the impact on objectives. All proposals are scrutinised



throughout the budget process by peers, senior colleagues and Councillors. The whole approach is informed by the use of a range of performance and financial data.

The MTFP was approved by Executive Board on 18 February 2020, full details and supporting papers can be found on the Council website at:

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=7979&Ver=4>

### 1.1.5 Achievements in 2019/20

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

Significant achievements of 2019/20 include:

- Nottingham Castle - The whole Castle site is being restored and redesigned with Brewhouse Yard, the Caves, the Castle and grounds being brought together as a new visitor experience. The Castle opened to visitors in June 2021.
- Nottingham College City Hub - Nottingham College is a new and very different college for Nottingham – established as a result of a successful partnership between New College Nottingham and Central College Nottingham. The City Hub campus will be a landmark building for Nottingham, close to the Broadmarsh area and Lace Market. The college opened its doors to students in November 2020.
- Nottingham Science Park - Already home to some of the most innovative companies in the region, Nottingham Science Park has more land ready for development within the Enterprise Zone. Nottingham City Council and D2N2 Local Enterprise Partnership are working in partnership to develop the site, in line with the ambitions of Nottingham Growth Plan to support business expansion and create new jobs.

## 1.2 Financial Strategy and Performance

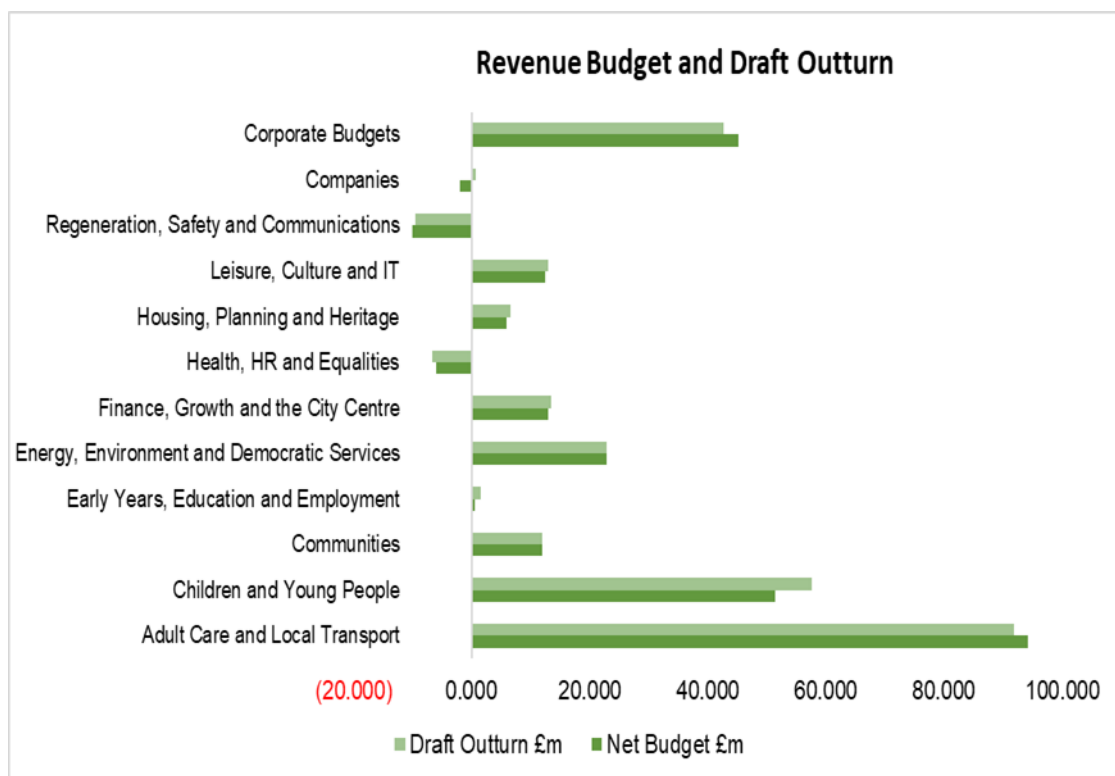
### 1.2.1 Economic and Funding Overview

Nottingham City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding due to austerity policies. Alongside the reduction in grant income, Nottingham has seen increased demand for a number of services notably Adult Social Care and Children in Care. In the period 2010/11 to 2019/20, the Council has had to make cumulative savings totalling £271.4m, a further £15.623m of savings are included within the 2020/21 budget.

This challenging budget position has resulted in the Council having four consecutive overspend outturn positions since 2016/17. The Executive Board on 29 June 2020 approved a draft 2019/20 outturn overspend position of £6.754m, of which £2.924m was directly attributable to Covid-19. Previous overspend positions from 2016/17 to 2018/19 were £2.522m, £4.215m and £1.681m respectively. In order to mitigate the prior year overspends as much as possible, a series of one-off measures have been utilized. This has reduced the Council’s future budget flexibility.

### 1.2.2 Revenue Position

The Council’s 2019/20 revenue outturn position is shown in the following chart.



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. The draft outturn, which was reported to Executive Board on 29 June 2020, was shown on this basis.

### Three-Year Medium Term Outlook

Given the challenging environment that the Council continues to operate in, the budget assumptions are subject to ongoing review in light of changing circumstances. These issues have been brought together each year to produce a Medium Term Financial Outlook (MTFO). The MTFO is updated annually and reported to Executive Board. More information can be found in the reports that were taken to Executive Board by following the links provided. The tables may not sum exactly due to roundings.

Executive Board 18 February 2020:

[Agenda for Executive Board on Tuesday, 18th February, 2020, 2.00 pm - Nottingham City Council](#)

	2020/2021 £m	2021/22 £m	2022/23 £m
<b>Expenditure:</b>			
2019/20 Net Budget Requirement	239.785	239.785	239.785
Updated Budget Assumptions	23.898	42.139	52.213
<b>Sub-Total</b>	<b>263.683</b>	<b>281.924</b>	<b>291.998</b>
Savings Proposals	(15.624)	(9.823)	(10.795)
<b>Assumed Net Budget</b>	<b>248.059</b>	<b>272.101</b>	<b>281.203</b>
<b>Funding:</b>			
Retained Business Rates, Top-up & RSG	(122.227)	(122.225)	(122.223)
Council Tax	(121.807)	(125.311)	(128.905)
Collection Fund	(4.025)	-	-
<b>FUNDING GAP</b>	<b>(0.000)</b>	<b>24.565</b>	<b>30.075</b>

Executive Board 23 February 2021:

[Agenda for Executive Board on Tuesday, 23rd February, 2021, 2.00 pm - Nottingham City Council](#)

	2021/2022 £m	2022/23 £m	2023/24 £m
<b>Expenditure:</b>			
2020/21 Net Budget Requirement	248.059	248.059	248.059
Updated Budget Assumptions	14.678	47.343	56.951
<b>Sub-Total</b>	<b>262.737</b>	<b>295.402</b>	<b>305.010</b>
Savings Proposals	(18.993)	(42.916)	(45.363)
<b>Assumed Net Budget</b>	<b>243.744</b>	<b>252.486</b>	<b>259.648</b>
<b>Funding:</b>			
Retained Business Rates, Top-up & RSG	(120.946)	(122.882)	(125.093)
Council Tax	(126.056)	(130.867)	(135.817)
Collection Fund	3.259	1.262	1.262
<b>FUNDING GAP</b>	<b>-</b>	<b>-</b>	<b>-</b>

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Executive Board 22 February 2022:

[Agenda for Executive Board on Tuesday, 22nd February, 2022, 2.00 pm - Nottingham City Council](#)

	2022/2023	2023/24	2024/25	2025/26
	£m	£m	£m	£m
<b>Expenditure:</b>				
2021/22 Net Budget Requirement	243.744	243.744	243.744	243.744
Updated Budget Assumptions	(1.156)	40.251	50.697	61.117
<b>Sub-Total</b>	<b>242.588</b>	<b>283.995</b>	<b>294.441</b>	<b>304.861</b>
Savings Proposals	(14.938)	(21.486)	(26.396)	(33.813)
<b>Assumed Net Budget</b>	<b>227.649</b>	<b>262.509</b>	<b>268.045</b>	<b>271.048</b>
<b>Funding:</b>				
Retained Business Rates, Top-up & RSG	(111.841)	(127.564)	(127.564)	(127.564)
Council Tax	(132.062)	(136.208)	(140.482)	(143.484)
Collection Fund	16.254	1.262	-	-
<b>FUNDING GAP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 1.2.3 Capital Position

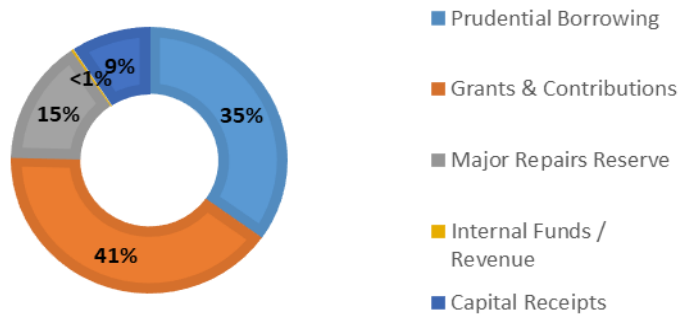
The Council's capital position as against the approved 2019/20 Capital Programme is shown below:

	Budget / Projection 2019/20 £m	Actual 2019/20 £m
<b>General Fund Capital Programme</b>		
Transport	30.217	19.711
Education / Schools	5.167	4.295
Adult Care & Local Transport	7.989	(0.383)
Children & Young People	0.164	0.039
Communities	1.367	1.848
Energy, Environment & Democratic Services	8.848	10.627
Finance, Growth & the City Centre	48.543	26.262
Housing, Planning & Heritage	3.142	2.367
Leisure, Culture & IT	21.813	19.420
Regeneration, Safety & Communications	52.113	43.750
Planned Schemes	2.050	0.000
<b>Total General Fund Capital Programme</b>	<b>181.413</b>	<b>127.936</b>
Public Sector Housing	54.578	43.805
<b>TOTAL CAPITAL PROGRAMME</b>	<b>235.991</b>	<b>171.741</b>

The General Fund and Public Sector Housing Programmes have both had project slippage in 2019/20. This slippage does not constitute project underspend or result in resources being released and the budgets will be carried forward into 2020/21 as required.

The chart below shows how the 2019/20 Capital Programme was funded:

**Funding of the 2019/20 Capital Programme**

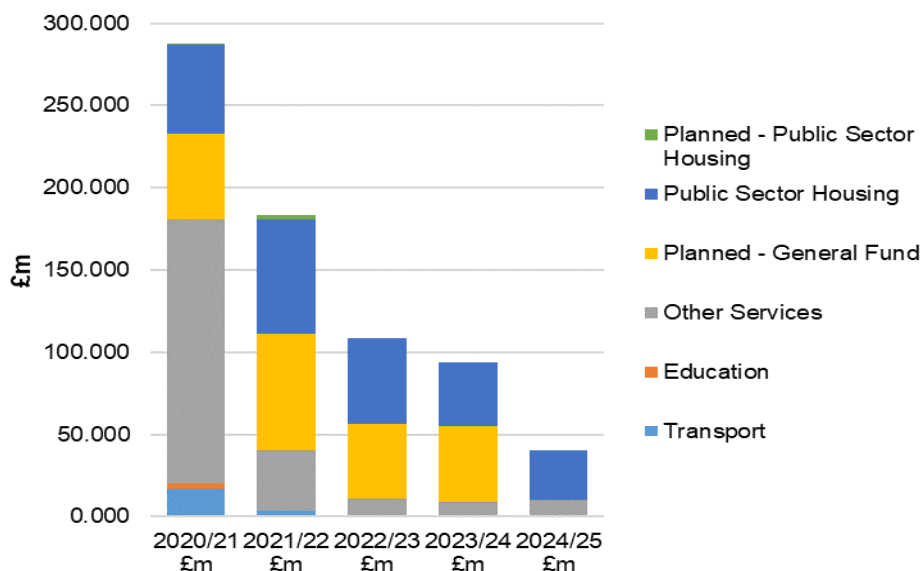


The table below shows the approved major capital schemes (i.e. excluding schemes in development) which exceed £20m expenditure. It includes capital expenditure incurred to 2019/20 and approved expenditure for 2020/21 to 2024/25.

CAPITAL SCHEME	Spend to 2019/20 £m	2020/21 to 2024/25 £m	TOTAL £m	DETAIL
Right-to-Buy Property Acquisitions	8.917	28.856	37.773	Purchase of Residential Properties within HRA
Nottingham Castle	19.330	12.106	31.436	Improvements to Nottingham Castle to help make it a major tourist attraction
Southern Gateway Phase 1	26.026	30.957	56.983	Regeneration of the Southside of the City
Southern Gateway Phase 2	17.443	30.173	47.616	

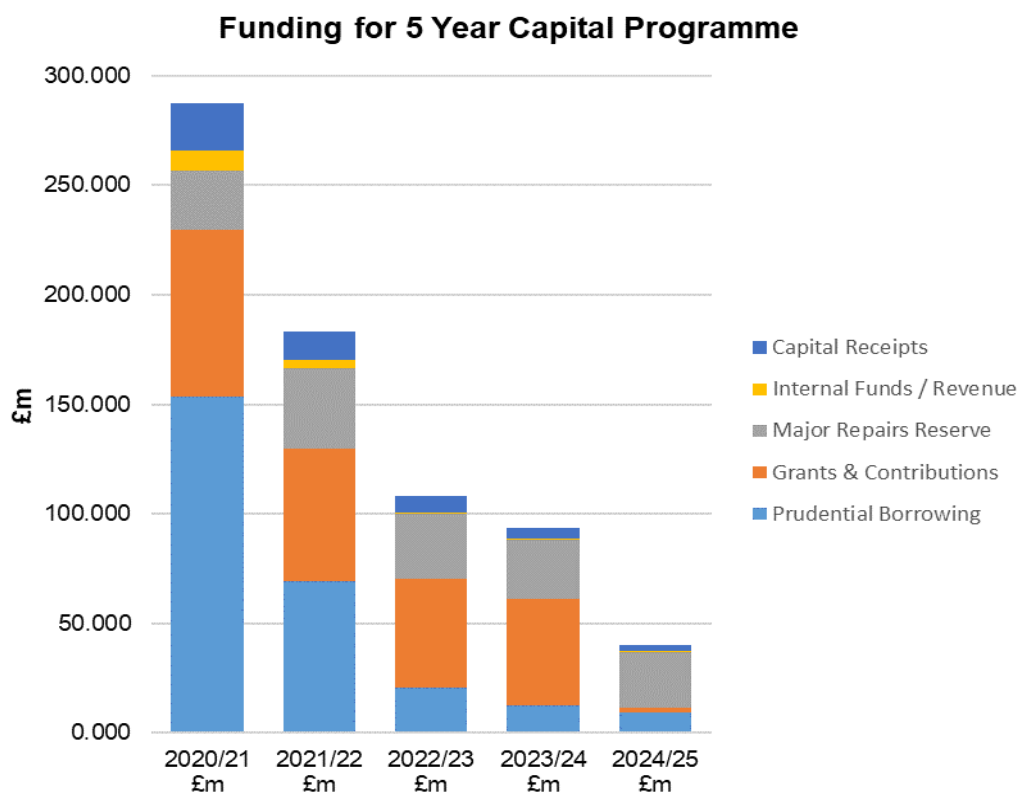
The graphs below show the breakdown of capital schemes and associated funding planned for the next five years.

**5 Year Capital Programme**



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The graph below shows how the Capital Programme will be funded.



### 1.2.4 Non-Financial Performance

#### Consultation with Citizens

The Citizens' survey is undertaken annually to gather citizen's perceptions on a variety of subjects including quality of life, health and wellbeing, community cohesion, feelings about Nottingham and satisfaction with the Council. Surveys were carried out with 2006 Nottingham Citizens during October and November 2019.

The key outcomes from the respondents were:

- 85% (83% in 2018) continue to be satisfied with their local area as a place to live
- 93% (90% in 2018) feel their local area is a place where people from different backgrounds get on well together
- 49% (43% in 2018) feel they are informed
- 83% feel that the Council treats them fairly, (no change from 2018)
- 75% continue to speak highly of Nottingham,
- 92% of respondents agree that staff who deal with their enquiries are polite.

#### More School Places in Good Local Primaries

Primary school applications in Nottingham have increased from 3,642 last year to 3,684 in 2020/21. The Council has expanded primary schools to ensure that there are sufficient places available as part of a £42m investment to provide 5,000 additional primary places. This means that every child in Nottingham has been offered a place

at a primary school for the 2020/21 academic year despite the increase in applications with 92.5% of offers for the parent's first or second choice of school.

### **Safer Private Rented Accommodation with Selective Licensing**

The Council continues to enforce licensing rules to tackle rogue landlords, improve standards and enforce basic safety requirements within the private rented sector.

### **Homelessness**

Homelessness in Nottingham follows the national trend of being on the increase. It remains a priority for the Council who have developed a Homelessness Prevention Strategy to cover the five-year period from 2019 to 2024. This seeks to build on strong partnerships across the public, voluntary, faith and private sectors to coordinate a comprehensive approach to homelessness prevention that delivers sustainable outcomes for people in Nottingham. It will continue to deliver the Nottingham 'No Second Night Out' policy to support new rough sleepers away from street homelessness as quickly as possible.

During the pandemic, the Government asked local authorities to accommodate all rough sleepers and people in night shelters in hotel accommodation. The Council arranged contracts with hotel providers to accommodate rough sleepers for a twelve-week period ending 18 June 2020. 68 rough sleepers were accommodated in the hotels and personal housing with move-on plans developed for those owed a statutory duty.

### **Greener City with Nottingham's Clean Air Plans**

Nottingham was one of the first cities to have their clean air plans approved by Government. It has also been named the cleanest city in the UK for air quality in a report conducted by Compare the Market. This supports the constant measures that companies are taking to reduce air pollution in the city, for example, Nottingham City Council's biogas buses.

In January 2019, the Council announced its plan to become the first carbon neutral city in the country by 2028, which is two years earlier than the national average.

### **Plan to Improve Children's Literacy**

Following on from Nottingham's status as a UNESCO City of Literature, the Dolly Parton Imagination Library book-giving scheme continues to be rolled out across Nottingham. The scheme aims to give children a love of reading and delivers a free book to a child's home every month from birth to the age of five. The scheme currently operates in 10 of the 20 wards of the city and has provided over 178,000 books to more than 5,100 children in Nottingham. The aim is to raise the necessary funds to be able to provide books to all under-five's in the city. There are plans to build a new Central Library in Nottingham, making it the best children's library in the UK.

## **1.2.5 Addressing Risk and Future Challenges**

### **Increased Demand for Services**

The MTFP was updated in February 2020 and reflects the fact that the Council expects to see demand for services to increase in the short to medium term, particularly those services that support children and the older population.

### **Collection Fund**

The impact of Covid-19 is reducing the Council's income from Council Tax and Business Rates. This negative impact on the Collection Fund will materialise in 2021/22 and later years, translating into a significant pressure to the next Medium Term Financial Plan for 2021/22 onwards. The 2020 Spending Review outlined the support for pressures on Council Tax and Business Rates income and stated that the government is considering further options to support businesses affected by COVID-19. Given the proportion of funding that is generated from these areas, this will represent a significant impact on the future funding of the Medium Term Financial Outlook (MTFO).

### **Commercial Income**

Investments in commercial property have been made to raise income to offset the reductions in government funding. Given the uncertainties over the economy as a result of COVID-19 and the added uncertainties of Brexit, it is difficult to predict the future or whether investments will be adversely affected. Investments were made following sound business cases from the outset, which were checked and challenged, and robust and rigorous monthly monitoring. However, given the current unprecedented situation, there are few if any transactions taking place to use as comparatives. Further details are provided in the Property, Plant and Equipment note (Note 4.4.1).

The Council is also expecting substantial losses in commercial income raised from parking, commercial waste and leisure centres etc. as a result of lockdown restrictions.

### **General Data Protection Regulation (GDPR)**

This bill came into effect on 25 May 2018. It has a huge impact on all local authorities and carries fines of up to 4% of annual turnover for serious breaches of compliance. In mitigation, the Council has appointed a Data Protection Officer who will update all policies and privacy notices. Annual training sessions are delivered across the authority in addition to mandatory refresher e-learning.

### **Group Companies**

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

In line with the Council, the group companies are facing significant financial challenges as a result of COVID-19. All were affected by lockdown restrictions either because of being forced to close or by people not accessing the City. This is expected to result in companies being unable to pay dividends, which will add further pressures to the Council's funding position.

The group accounts included as part of the Statement of Accounts consolidate the results of the companies with which the Council has a material interest. The relationship and further details can be found in the group accounts (section 6).

A statement has also been added in respect of the Public Interest Report issued by the External Auditor in respect of Robin Hood Energy. This can be found in the Post Balance Sheet Events section 4.11.



### **Universal Credit**

Universal Credit in Nottingham commenced in October 2018. As the Council needs to recover Council Tax and rents directly from residents, this gives rise to a potential increase in the level of bad debts and increase in the cost of collection. The impact of COVID-19 will significantly increase this risk.

### **Brexit**

Brexit continues to cause considerable uncertainty. Nottingham has benefitted from European funding in the past and it is unclear whether or what other similar sources of funds will be available. The Council continues to keep the situation under constant review.

## **1.3 COVID-19 and the Impact for Nottingham**

### **1.3.1 The Council's response to COVID-19**

The pandemic only affected the final two weeks covered by the 2019/20 accounts but the Council responded quickly to ensure that:

- Essential services continued to be provided
- Protective measures were put into place for citizens and staff
- Businesses were supported
- Partnership working was continued

#### **Essential services continued to be provided**

230 staff working in services that were closed due to restrictions were redeployed into frontline operations.

Adult Social Care staff conducted assessments by telephone as day services closed and online materials were provided for children and young people. Neighbourhood Development Officers created local resilience teams in each ward, to offer early intervention and reduce demand to Adult Social Care services.

#### **Protective measures for citizens**

Emergency support provided to citizens and partners across the city included:

- Assisting over 14,000 vulnerable and shielded citizens
- Enabling 1,000 vulnerable children and children of key workers to attend City schools
- Providing 87 hotel rooms for the homeless
- Recruiting 200 new carers
- Delivering Over 2000 free emergency food parcels
- Distributing 1.9 million items of PPE
- Calling 12,000 citizens who were shielding to offer support

#### **Protective measures for staff**

On 17 March 2020, all Council staff who could work from home were instructed to do so with immediate effect. The Council already had a range of solutions in place to allow

## Section 1 – Narrative Report

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staff to access the IT network remotely. Interventions to support wellbeing, resilience and capacity of staff have increased over the months.

All formal meetings were held remotely via Zoom and live-streamed on the Council's YouTube channel. Participants in meetings were sent a link by Governance Services to allow them to join the meeting whilst citizens could access meeting via links on the Council internet site.

### **Businesses were supported through the various grant funding schemes**

The Council is providing a range of services aimed at both employers and employees to support the local economy and assist with the challenges raised by COVID-19. This includes support in accessing Central Government schemes such as the Coronavirus Job Retention Scheme and Business Support Grants. Over 740 staff were supported onto furlough in May 2020.

The Nottingham Jobs Team has helped individuals to find work, claim benefits and get the practical help they need.

£42.9m worth of grants were passed on to local businesses

### **Effective partnership working with stakeholders**

Partnership working has continued during the pandemic. The Council has worked closely with Nottingham's care and support providers to support testing, recruitment and PPE supply to all sectors of the local area including care homes and personal assistants. Funding has been secured to support public transport services and work with partners is underway to address unemployment and skills challenges.

The Council has a Local Outbreak Control Plan to prepare for any future outbreaks of COVID-19 in Nottingham. It sets out how it will work with the NHS, partners, businesses, community leaders and neighbouring councils to keep those who live, work, travel and visit the city safe. The plan allows Nottingham to gradually reopen within a framework to respond to any further local outbreaks quickly and effectively including any outbreaks in care homes, schools and businesses.

### **1.3.2 Financial Impact of COVID-19 for Nottingham City Council**

The Financial impact for 2019/20 was relatively minor; however, it has significant consequences for 2020/21 and beyond.

Along with many other Local Authorities in the UK, the Council's budget is now under severe strain due to the impact of the unprecedented global COVID-19 pandemic. The response to this has resulted in immediate and significant financial impacts for the local economy communities and citizens as well as the Council. The Government recognised the significant financial impact of COVID-19 on Local Authorities and to date has provided £3.2bn to the public sector.

Nottingham City Council's allocation of un-ring-fenced government grant was £19m plus a £4.022m Hardship grant to help give Council Tax relief to vulnerable citizens.

Current estimates of cost and lost income due to COVID-19, total approximately £87.9m since the start of the pandemic. Emergency funding was required to care for older and vulnerable people and to provide PPE whilst at the same time income has been lost from leisure centres, trade waste services, car parks and many other areas. The £23.5m that Nottingham has received covers only 27% of the total cost of COVID-19, leaving a huge shortfall in the Council's finances. A range of emergency savings

proposals has been made which include a Voluntary Redundancy Scheme that opened to staff on 29 June.

The full impact continues to be assessed but will result in a pressure for the Council. Funding received to date will be included within the adjusted 2020/21 budget as the pandemic only started to have an effect on the last two weeks of the period covered by the 2019/20 Statement. Government funding received to date is not sufficient to cover the financial pressures caused by the pandemic so this will inevitably lead to difficult decisions on service delivery.

The Council has been working together to identify savings and efficiencies over the past months and a range of activities have been undertaken to reduce the budget gap. These activities include an in depth and comprehensive review of earmarked reserves, continuation of spending controls, a recruitment freeze and the opening of a Voluntary Redundancy Scheme. The Council are continuing to work with the Ministry of Housing, Communities and Local Government (MHCLG) and to lobby Government for additional funding to fully support the increased expenditure and reductions in income as result of COVID-19.

On 2 July, the Government announced a further £500million of additional support for coronavirus-related spending pressures in 2020/21.

### 1.3.3 Economic Impact of COVID-19

In the past few months, the economic outlook has changed beyond recognition of anything experienced in modern times. COVID-19 is a unique situation and when combined with Brexit presents unprecedented long-term financial challenges, which will continue well into the future. In line with the rest of the UK, the pandemic has had a significant impact on Nottingham's economy. The scale of the impact will be affected by the length of time that social distancing measures remain in place and whether the easing of lockdown will continue or whether any new periods of lockdown will be required in the event of further waves of COVID-19 cases later in 2020 or 2021.

The mains sources of employment in Nottingham are in the customer-focused service sector so lockdown restrictions have an immediate and significant impact. The consequences of lockdown are anticipated to result in further job losses later this year and possibly well into 2021.

The pandemic has resulted in fundamental business, operating and social changes, which may never return to the way they were pre-COVID. Notably, there was a huge increase in online shopping during lockdown, which could continue, and working from home has proved popular with many employers who are considering whether to continue with this as an operating model. All of these factors will prompt a fundamental change to plans for the City going forward in terms of demand for office and retail space in the City Centre, use of land and buildings and the implications for public transport.

In terms of employment, the sectors most affected by the pandemic are Tourism, Hospitality, Sports and Leisure all of which are significant areas of employment for Nottingham. HMRC produced figures for local authorities on the numbers of people receiving support from either the Government's Job Retention Scheme or Self Employment Support Scheme. For Nottingham, 48,000 people were furloughed from work in June 2020, which equates to 20.7% of the City's working age population. This is lower than the regional average of 21.9% and the national average of 21.6%. The caveat with the figures is that individuals could be furloughed from more than one job.

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The number of people unemployed and looking for work or furloughed from work as at June 2020 is estimated to be 66,000 (28.9% of the City's working population). Both categories are likely to increase as time goes on, particularly as people on furlough schemes become unemployed.

Overseas student numbers are expected to fall in the coming year and possibly, beyond, in contrast to the past three decades which saw a continual increase.

### 1.3.4 Future Outlook

In February 2020, the Council approved a revised MTFP for the 3-year period 2020/21 to 2022/23 and an updated Medium Term Financial Strategy (MTFS).

The Council is planning to invest £713.490m over the next 5 years, enabling substantial regeneration in and around the City. This allows the Council to deliver the capital requirements arising from business service needs. The capital programme and funding proposals following the 2019/20 Outturn are detailed in the following table:

	CAPITAL PROGRAMME					Total £m
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	
<b>Expenditure:</b>						
Public Sector Housing	53.654	69.459	51.610	38.722	30.380	<b>243.825</b>
Transport Schemes	16.646	3.420	-	-	-	<b>20.066</b>
Education	3.934	-	-	-	-	<b>3.934</b>
All Other Services	159.981	36.969	11.041	9.070	10.029	<b>227.090</b>
Planned Schemes - Public Sector Housing	0.950	2.450	-	-	-	<b>3.400</b>
Planned Schemes - General Fund	52.573	71.020	45.682	45.900	-	<b>215.175</b>
<b>TOTAL</b>	<b>287.738</b>	<b>183.318</b>	<b>108.333</b>	<b>93.692</b>	<b>40.409</b>	<b>713.490</b>
<b>Forecast Funding:</b>						
Prudential Borrowing	(153.322)	(69.138)	(20.723)	(12.843)	(9.184)	<b>(265.210)</b>
Capital Receipts	(22.049)	(13.129)	(7.915)	(5.076)	(3.068)	<b>(51.237)</b>
Internal Funds / Revenue	(8.772)	(3.500)	(0.247)	(0.249)	(0.192)	<b>(12.960)</b>
Major Repairs Reserve	(27.005)	(37.090)	(29.798)	(27.012)	(25.526)	<b>(146.431)</b>
Grants & Contributions	(76.590)	(60.461)	(49.650)	(48.512)	(2.439)	<b>(237.652)</b>
<b>TOTAL</b>	<b>(287.738)</b>	<b>(183.318)</b>	<b>(108.333)</b>	<b>(93.692)</b>	<b>(40.409)</b>	<b>(713.490)</b>

The Capital Programme includes a number of schemes that are currently at the planning stage. Before these projects can gain full approval, they will be subject to a process of business case appraisal, 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 a robust business case.

Some spending within the capital programme will be delivered in partnership with other organisations. The following summarises the approved major schemes with expenditure incurred from 2019/20 onwards:

- **Nottingham Castle** (£29.983m) – Scheme to develop Nottingham Castle into an excellent visitor attraction.
- **Nottingham Skills Hub** (£19.600m) – Scheme to develop a new college site.
- **Works on the southern entrance to the City** – The demolition of Broadmarsh Car Park and Bus Station commenced in July 2017. The construction of the replacement Car Park and Bus Station is progressing.
- **Public Sector Housing Building or Buying Social Homes for Rent** – The Council has a number of significant projects to replenish the Council's Housing Stock either by new build or by acquisition of existing housing.

The Statement of Accounts has been prepared on a going concern assumption. In light of the challenges facing the Council as described in the Narrative Report, a Financial Risk Assessment of the Council's position was presented to Executive Board on 29 June 2020. The report sets out that many of the original assumptions that the 2020/21 MTFP were based upon have shifted significantly as a result of COVID-19 for example:

- Staffing costs in social care
- Protective Personal Equipment (PPE)
- Furloughing of staff
- Commercial Property income
- Other commercial income for e.g. commercial waste and catering services
- Dividends and returns from group companies
- Funding assumptions in particular Business Rates and Council Tax
- Impact of COVID-19 on the Capital Programme
- Impact of COVID-19 on the Housing Revenue Account

This clearly indicates that the shortfall in funding from the Government places the Council in a position where current ways of working and services will be impacted significantly. A range of mitigating in year actions have been put into place to ensure a balanced budget position in 2020/21 and these are covered in Section 1.2.1 of this report. The S151 Officer will keep the financial position of the Council under constant review and regular updates will be given to Executive Board and Full Council.

Mitigating the impact of COVID-19 has been a challenge and a priority for Nottingham City Council. The short-term objectives have been to avoid permanent job losses and support businesses. As lockdown, restrictions are eased, the emphasis will be to move towards recovery with the aim of reactivating, regenerating and renewing the City's economy. The Council has worked with the Nottingham Growth Board to develop an Economic Recovery and Renewal Plan to set a new vision for the economy of the City and the wider sub-regions and provide an inclusive, green, digital future for Nottingham.

Over the past few months, the City Council has done all it can to manage the challenges of COVID-19 by supporting businesses and maintaining critical services that help citizens. A further survey is currently underway to ask citizens for their views regarding the pandemic, the impact of the lockdown measures and to ask which services citizens think should be prioritised.

## 1.4 Explanation of Accounting Statements for 2019/20

The Statement of Accounts sets out the Council’s financial performance for 2019/2020. It is comprised of core statements and supplementary financial statements with relevant supporting notes and is shown as both single entity accounts and as consolidated group accounts. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom/20 and International Financial Reporting Standards defines the format of the Statement of Accounts.

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

The Statement of Accounts Core Statements are:

### 1.4.1 Comprehensive Income and Expenditure Statement (CIES)

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

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

### 1.4.2 Movement in Reserves Statement (MIRS)

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

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

Surpluses and deficits from previous financial years are reflected in the reserve figures brought forward in the Movement in Reserves Statement - see section 3.3. The following table summarises the movements in reserves during 2019/20:

	Restated		
	31 March 2019 £m	Movement 2019/20 £m	31 March 2020 £m
General Fund	7.994	5.767	13.761
Earmarked General Fund Reserves	140.814	13.696	154.510
Other Usable Reserves	78.698	3.622	82.320
Unusable Reserves	798.582	100.007	898.589
<b>TOTAL AUTHORITY RESERVES</b>	<b>1,026.088</b>	<b>123.092</b>	<b>1,149.180</b>

### 1.4.3 Balance Sheet

The Balance Sheet is a snapshot of the Council's assets, liabilities, cash balances and reserves as at 31 March 2020.

The following table is a summary of the balance sheet:

	Restated	
	31 March 2019 £m	31 March 2020 £m
Long Term Assets	2,976.450	3,102.390
Net Current Liabilities	(42.314)	(24.519)
Long Term Liabilities	(1,908.048)	(1,928.691)
<b>NET ASSETS</b>	<b>1,026.088</b>	<b>1,149.180</b>
Usable Reserves	227.506	250.591
Unusable Reserves	798.582	898.589
<b>TOTAL RESERVES</b>	<b>1,026.088</b>	<b>1,149.180</b>

The 2019/20 increase in Long Term Assets is mainly due to:

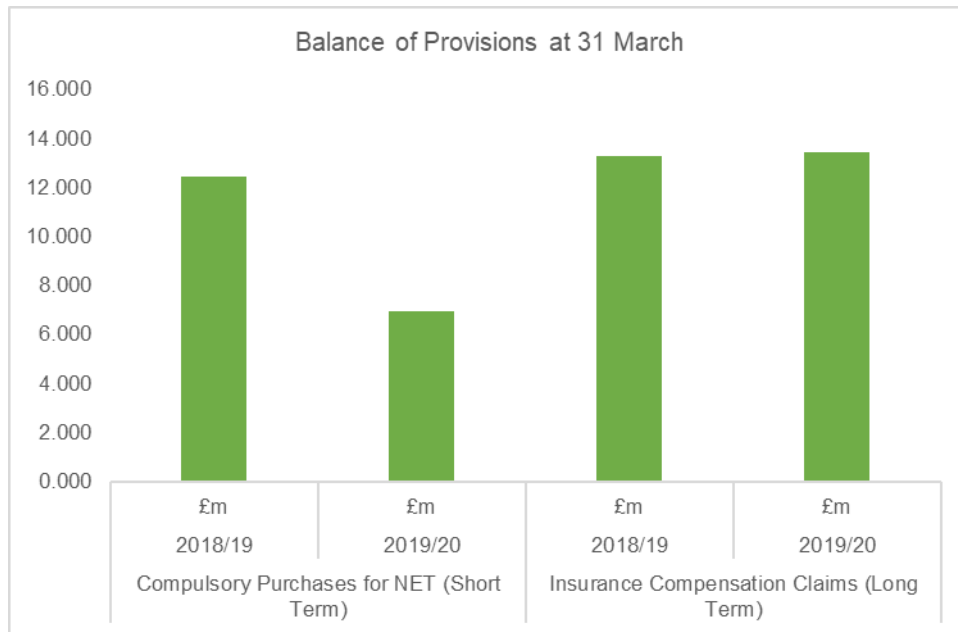
- A net increase in Property Plant & Equipment of £104.609m. Further details regarding movements in Property Plant and Equipment can be found in note 4.4.1,
- A decrease in Investment properties of £28.463m from £284.624m as at 31.3.19 to £256.161m as at 31.3.20. The fall in Investment Property value from 31st March 2019 to 31st March 2020 is as a result of in year disposals and some isolated losses to a small number of properties encountering adverse conditions.
- Increase in Investments of £16.635m and increase in Debtors of £33.074m. Further details can be found in note 4.4.14.

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

- Compulsory Purchases for NET (Short Term Provision) – The carrying value at 31 March 2020 (£6.958m) is for compulsory purchases of land and property required for the NET PFI where the purchase price has yet to be agreed.
- Insurance Compensation Claims (Long Term Provision) – The carrying value at 31 March 2020 (£13.454m) is to meet the cost of claims arising from self-insured risks and risks, which fall below the external policy retention levels, and for payment of external insurance premiums.

The movement in these provisions is shown in the following chart:

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

### Pension Liability

The Council is a member of the Nottinghamshire County Council pension fund. An independent actuary evaluates the assets and liabilities of the fund attributed to the Council on an annual basis. The actuary has estimated that, at 31 March 2020, the Council's fund was in deficit by £777.847m (£788.018m as at 31 March 2019). Actuarial valuations are undertaken every three years and a deficit recovery plan is in place to reduce the liability to zero within 20 years.

### 1.4.4 Cash Flow Statement

The Cash Flow Statement explains the movement in the Council's cash balances during the year and sets out whether the change is due to operating activities, new investment or financing activities.

### 1.4.5 Supplementary Financial Statements

The Supplementary Financial Statements are:

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

<https://www.nottinghamcity.gov.uk/media/tvkju55l/draft-2019-20-annual-governance-statement.docx>

- The **Group Accounts** which report the consolidated assets and liabilities of the Council and the companies and entities over which the Council has control or significant influence.
- The **Housing Revenue Account (HRA)** records all revenue expenditure and income relating to the provision of council dwellings and related services.



- The **Collection Fund** summarises the collection of Council Tax and National Non-Domestic Rates (NNDR), and the redistribution of some of the money to the precepting authorities and central government.
- The **Expenditure and Funding Analysis** (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and NNDR) by the Council in comparison with those resources consumed or earned by the Council in accordance with International Financial Reporting Standards (IFRS's).

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

## 1.5 Post Balance Sheet Update as at August 2024

### 1.5.1 Outstanding Accounts 2019/20 to 2022/23

The Council has experienced delays with the audit of its 2019/20 accounts due to issues with property valuations for specialist assets, subsidiary company figures required for group accounts and delays experienced at a national level throughout the local government audit system. At the time of writing the Council currently has four sets of accounts that should have already been published with audit opinions. The Council's Audit Committee have been provided with regular updates on the issues, as well as progress in resolving the issues.

### 1.5.2 Addressing the Local Government Audit Backlog

The Government published a cross-system statement on proposals to clear the backlog and embed timely audits in the Summer of 2023. This was followed up by three consultations (DLUHC, National Audit Office and CIPFA) on specific proposals in early 2024. There have been delays in implementation due to the General Election. In a written statement on 30 July 2024 the new Government have confirmed their support to overhaul the local audit system.

A core element of the consultation proposals for Phase 1: Reset is the proposed implementation of backstop dates covering all outstanding Accounts up to and including 2022/23. The proposed backstop date for the accounts covered by the Reset phase is 13 December 2024. The Council is actively working to preparing draft accounts which have been subject to a period of public inspection, as well as approved by the Section 151 Officer and Audit Committee. However, under the proposals the accounts for these years will not be subject to external audit, as such a 'backstop disclaimer' opinion is expected to be issued for each outstanding year.

At this time of writing the Council is awaiting the outcome of the consultations and the implementation of the resulting legislation, guidance and changes to accounting requirements.

### 1.5.3 Significant Event Updates

The information in this Narrative Report sets out the position for the 2019/20 financial year. The following bullet points provide an update on significant events for the Council since 2019/20 up until the time of writing:

## Section 1 – Narrative Report

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- Housing Revenue Account (HRA). In December 2021, the Corporate Director of Finance and Resources (the Section 151 Officer) issued a report under section 114 of the Local Government Finance Act 1988 to all Councillors of the Council. This report detailed acts of unlawfulness regarding the treatment of the annual management fee rebate from Nottingham City Homes (NCH) since 2014/15. As a result, the Council commissioned a report from CIPFA which confirmed that funds from the Housing Revenue Account had been incorrectly used by the Council for other council services since 2014/15. The outcome of the report led to the Council formally requesting a Ministerial Direction under item 9 (Credit Direction) Schedule 4, Part 1 of Local Government & Housing Act 1989, to enable the General Fund to transfer to the HRA the monies identified in the CIPFA review as being attributable to it. The amount requested under the direction was for £27.703m covering the period 2014/15 to 2020/21.

The Minister for Local Government formally signed the Item 9 Credit determination on 3 August 2022. This formally requires the Council to carry to the HRA from its General Fund £27.703m as the repayment of sums debited from the HRA to meet ineligible costs in its General Fund during the period 1 April 2014 to 31 March 2021. The direction is formally the Item 9 Credit (Nottingham City Council) Direction 2022 and applies in relation to the financial year beginning on 1 April 2022. A prior period adjustment has been reflected in the 2019/20 Accounts, and therefore is reflected in the opening balances for future financial years.

Further work is continuing to identify if a further breaches of the HRA ring-fence has occurred. An update of this was provided to City Council as part of approving the 2024/25 budget. An Item 9 Credit application has yet to be made to Government.

- The Strategic Council Plan 2023-2027 was approved by Council in March 2023. A copy of which can be found at the following link [EXECUTIVE BOARD 2004 \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk)
- The Council transferred the core operations of two of its third-party companies, Nottingham City Homes and Nottingham Revenues & Benefits, back in-house on 1 April 2023.
- In line with the four-year electoral cycle there was an election of a new council in May 2023. The outcome of the election was Labour (51 seats), Nottingham Independents (3 seats) and Independent (1 seat).
- In November 2023 a Section 114 (part 3) report was issued due to the financial sustainability of the Council. The report was considered by City Council in December 2023, a copy of the report can be found at the following link [Agenda for City Council \(Extraordinary\) on Monday, 18th December, 2023, 6.00 pm - Nottingham City Council](#)
- Government intervention. In December 2023 the Government announced it was 'minded to' appoint Commissioners at the Council to replace the Improvement and Assurance Board. Commissioners were formally appointed in February 2024.

- A Statutory Recommendation was issued by Grant Thornton and considered by Council in March 2024 in relation to the financial sustainability. A copy can be found at the following link [EXECUTIVE BOARD 2004 \(nottinghamcity.gov.uk\)](https://www.nottinghamcity.gov.uk/EXECUTIVE%20BOARD%202004)

# Section 2

# Statement of Responsibilities

## 2.1 Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that responsibility rests with the Corporate Director, Finance and Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The statement of accounts was approved at a meeting of the Audit Committee on 27 September 2024.

Signed:

Date: 27<sup>th</sup> September 2024

**Councillor Adele Williams**  
Chair of the Audit Committee

### The Corporate Director, Finance and Resources Responsibilities

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

I became the Section 151 Officer on 3 January 2023. The auditors had previously raised concerns about the preparation of and evidence to support the Statement of Accounts for 2019/20, particularly in relation to specialist Property Plant & Equipment valuations. The Narrative Report and Annual Governance Statement included with these Accounts provide more detail on the Council's historic issues. In addition, a previous Section 151 Officer had issued a Section 114 Part 2 Report following concerns regarding the misappropriation of resources between the General Fund and Housing Revenue Account, an independent external review confirmed the misappropriations.

## Section 2 – Statement of Responsibilities

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

Based on the detailed work undertaken since my appointment, the statement of accounts for 2019/20 have been updated with material transactions and balances either confirmed or restated as necessary. Whilst I cannot comment on the quality of the financial processes in operation prior to my appointment, I am satisfied that sufficient evidence has been obtained to support the overall Balance Sheet and the overall year-end position on General Fund balances and reserves.

In preparing this Statement of Accounts, and within the context set out above, I have:

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

I certify that these financial statements give a true and fair view of the financial position of the Authority at 31 March 2020 and of its income and expenditure for the year then ended.

Signed:

Date: 27<sup>th</sup> September 2024

**Ross Brown**  
Corporate Director, Finance and Resources  
Loxley House  
Station Road  
Nottingham  
NG2 3NG

## Section 3

# Core Financial Statements

### 3.1 Comprehensive Income and Expenditure Statement (CIES)

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

As outlined in note 4.3.1 Prior Year Reclassifications, the 2018/19 CIES has been restated to align with the 2019/20 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged. In addition, the CIES has been amended to reflect changes in depreciation and revaluations as a result of the restatement of carrying values of a number of building assets.

The CIES and associated notes have been updated to include the prior period adjustments as outlined in note 4.12.

Notes	Restated 2018/19			2019/20		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	219.199	(96.029)	123.170	210.716	(101.851)	108.865
Children and Young People	91.202	(15.725)	75.477	109.579	(19.089)	90.490
Communities	18.945	(5.587)	13.358	28.353	(4.331)	24.022
Early Years, Education and Employment	135.769	(134.602)	1.167	136.190	(133.823)	2.367
Energy, Environment and Democratic Services	46.797	(19.994)	26.803	52.222	(23.122)	29.100
Finance, Growth and the City Centre	40.548	(24.114)	16.434	41.150	(38.678)	2.472
Health, HR and Equalities	21.684	(28.269)	(6.585)	21.199	(27.377)	(6.178)
Housing, Planning and Heritage	95.051	(124.397)	(29.346)	98.779	(120.544)	(21.765)
Leisure, Culture and IT	64.990	(38.453)	26.537	44.120	(39.737)	4.383
Regeneration, Safety and Communications	48.019	(24.394)	23.625	35.625	(25.640)	9.985
Corporate Items	206.631	(204.000)	2.631	154.803	(178.940)	(24.137)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	(43.541)	-	(43.541)	15.102	-	15.102
4.3.1 &						
4.3.2 <b>Cost of Services</b>	<b>945.294</b>	<b>(715.564)</b>	<b>229.730</b>	<b>947.838</b>	<b>(713.132)</b>	<b>234.706</b>
4.3.3 Other operating expenditure			59.382			1.283
4.3.4 Financing and investment income and expenditure			75.447			72.981
4.3.5 Taxation and non-specific grant income			(287.976)			(314.594)
4.3.6 <b>(Surplus)/Deficit on Provision of Services</b>			<b>76.583</b>			<b>(5.624)</b>
4.3.8 Revaluation of PPE/Heritage assets			(86.113)			(69.191)
4.3.9 Re-measurement of pension assets/liabilities			(85.683)			(48.277)
<b>Other Comprehensive Income and Expenditure</b>			<b>(171.796)</b>			<b>(117.468)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(95.213)</b>			<b>(123.092)</b>

## 3.2 Balance Sheet

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

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

The carrying value of Property, Plant and Equipment has been amended as a result of the prior period adjustment detailed in Note 4.12. The amendment affects the carrying value at 1 April 2018 as well as 31 March 2019, hence the creation of a third balance sheet. The movement in long term assets has been balanced by a movement in unusable reserves.

Balances as at 31 March 2019 have been restated to show separately the Revenue Grants Received in Advance. These were previously included in Short Term Creditors. This restatement only alters the classification of balances and overall the total value is unchanged.

## Section 3 – Core Financial Statements

Notes		Restated	Restated	Restated
		1 April 2018 £m	31 March 2019 £m	31 March 2020 £m
4.4.1	Property, Plant & Equipment	2,500.490	2,537.795	2,642.404
4.4.2	Heritage Assets	58.469	59.857	60.961
4.4.3	Investment Property	236.733	284.624	256.161
	Intangible Assets	5.207	3.792	2.773
4.4.14	Long Term Investments	20.395	12.895	29.530
4.4.14	Long Term Debtors	93.611	77.487	110.561
	<b>Long Term assets</b>	<b>2,914.905</b>	<b>2,976.450</b>	<b>3,102.390</b>
	Assets Held for Sale (current)	3.800	3.725	4.042
4.4.14	Short Term Investments	10.000	57.549	45.189
4.4.4	Inventories	2.982	3.279	1.928
4.4.5	Short Term Debtors	91.115	122.099	150.274
4.3.7	Contract Assets	-	0.061	0.175
4.4.7	Cash and Cash Equivalents	26.163	45.827	97.125
	<b>Current Assets</b>	<b>134.060</b>	<b>232.540</b>	<b>298.733</b>
4.4.14	Short Term Borrowing	(73.785)	(86.394)	(158.175)
4.4.8	Short Term Creditors	(157.287)	(154.664)	(122.307)
4.4.12	Revenue Grants Received in Advance	-	(10.222)	(25.646)
4.3.7	Contract Liabilities	-	(9.974)	(8.743)
4.4.9	Provisions (current provisions)	(14.845)	(13.600)	(8.381)
	<b>Current Liabilities</b>	<b>(245.917)</b>	<b>(274.854)</b>	<b>(323.252)</b>
4.4.14	Long Term Borrowing	(802.145)	(877.710)	(925.526)
4.3.7	Long Term Contract Liabilities	-	(0.675)	(2.257)
4.4.14	Other Long Term Liabilities	(211.045)	(201.078)	(185.835)
4.4.9	Provisions (non-current)	(19.817)	(24.137)	(26.081)
4.4.12	Capital Grants Receipts in Advance	(18.965)	(16.430)	(11.145)
4.4.13	Defined Benefit Pension Scheme	(820.201)	(788.018)	(777.847)
	<b>Long Term Liabilities</b>	<b>(1,872.173)</b>	<b>(1,908.048)</b>	<b>(1,928.691)</b>
	<b>NET ASSETS</b>	<b>930.875</b>	<b>1,026.088</b>	<b>1,149.180</b>
4.4.10	Usable Reserves	234.566	227.506	250.591
4.4.11	Unusable Reserves	696.309	798.582	898.589
	<b>TOTAL RESERVES</b>	<b>930.875</b>	<b>1,026.088</b>	<b>1,149.180</b>



### 3.3 Movement in Reserves Statement (MIRS)

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

The MIRS and associated notes have been updated to include the prior period adjustments as outlined in note 4.12.

2019/20	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Actual ledger Balance at 31 March 2019</b>	7.994	140.814	8.096	24.163	17.201	29.238	227.506	798.582	1,026.088
<b>Outstanding Statutory (Item 9) Adjustment</b>	-	(21.404)	21.404	-	-	-	-	-	-
<b>Corrected Balance at 31 March 2019</b>	7.994	119.410	29.500	24.163	17.201	29.238	227.506	798.582	1,026.088
<b>Movement in 2019/20:</b>									
Total CIE* (Table 3.1)	3.602	-	2.022	-	-	-	5.624	117.468	123.092
Funding basis adjustments (Note 4.5.1)	10.451	-	3.483	2.656	3.427	(2.556)	17.461	(17.461)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>14.053</b>	<b>-</b>	<b>5.505</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>23.085</b>	<b>100.007</b>	<b>123.092</b>
Transfers to/from earmarked reserves	(8.286)	8.286	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>5.767</b>	<b>8.286</b>	<b>5.505</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>23.085</b>	<b>100.007</b>	<b>123.092</b>
<b>BALANCE AT 31 MARCH 2020</b>	<b>13.761</b>	<b>127.696</b>	<b>35.005</b>	<b>26.819</b>	<b>20.628</b>	<b>26.682</b>	<b>250.591</b>	<b>898.589</b>	<b>1,149.180</b>
<b>Outstanding Statutory (Item 9) Adjustment</b>	<b>-</b>	<b>26.814</b>	<b>(26.814)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ACTUAL LEDGER BALANCE AT 31 MARCH 2020</b>	<b>13.761</b>	<b>154.510</b>	<b>8.191</b>	<b>26.819</b>	<b>20.628</b>	<b>26.682</b>	<b>250.591</b>	<b>898.589</b>	<b>1,149.180</b>

\* CIE - Comprehensive Income and Expenditure

## Section 3 – Core Financial Statements

Restated 2018/19	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2018</b>	<b>5.465</b>	<b>154.584</b>	<b>4.402</b>	<b>37.161</b>	<b>13.962</b>	<b>18.992</b>	<b>234.566</b>	<b>691.976</b>	<b>926.542</b>
<b>Outstanding Statutory (Item 9) Adjustment</b>	-	<b>(13.682)</b>	<b>13.682</b>	-	-	-	-	-	-
<b>Prior Period Adjustment - Property, Plant and Equipment</b>	-	-	-	-	-	-	-	<b>4.333</b>	<b>4.333</b>
<b>Corrected Balance at 31 March 2018</b>	<b>5.465</b>	<b>140.902</b>	<b>18.084</b>	<b>37.161</b>	<b>13.962</b>	<b>18.992</b>	<b>234.566</b>	<b>696.309</b>	<b>930.875</b>
<b>Movement in 2018/19:</b>									
Total CIE* (Table 3.1)	(141.651)	-	65.068	-	-	-	<b>(76.583)</b>	171.796	<b>95.213</b>
Funding basis adjustments (Note 4.5.1)	122.688	-	(53.652)	(12.998)	3.239	10.246	<b>69.523</b>	(69.523)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(18.963)</b>	-	<b>11.416</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>102.273</b>	<b>95.213</b>
Transfers to/from earmarked reserves	21.492	(21.492)	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>2.529</b>	<b>(21.492)</b>	<b>11.416</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>102.273</b>	<b>95.213</b>
<b>BALANCE AT 31 MARCH 2019</b>	<b>7.994</b>	<b>119.410</b>	<b>29.500</b>	<b>24.163</b>	<b>17.201</b>	<b>29.238</b>	<b>227.506</b>	<b>798.582</b>	<b>1,026.088</b>
<b>Outstanding Statutory (Item 9) Adjustment</b>	-	<b>21.404</b>	<b>(21.404)</b>	-	-	-	-	-	-
<b>ACTUAL LEDGER BALANCE AT 31 MARCH 2019</b>	<b>7.994</b>	<b>140.814</b>	<b>8.096</b>	<b>24.163</b>	<b>17.201</b>	<b>29.238</b>	<b>227.506</b>	<b>798.582</b>	<b>1,026.088</b>

\* CIE - Comprehensive Income and Expenditure

### 3.4 Cash Flow Statement

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

The cash flow statement for 2018/19 has been restated to reflect the prior period adjustments as outlined in note 4.12.

Notes	Restated	
	2018/19 £m	2019/20 £m
<b>Net Surplus/(Deficit) on the provision of Services</b>	<b>(76.583)</b>	<b>5.624</b>
4.6.1 Adjustments to net surplus or deficit on the provision of services for non-cash movements	196.839	107.311
4.6.2 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(57.091)	(92.845)
4.6.3 <b>Net Cash Flows from Operating Activities</b>	<b>63.165</b>	<b>20.090</b>
4.6.4 Investing activities		
6.5.1 Obtaining control of a subsidiary	-	(4.724)
Other investing activities	(126.163)	(69.715)
4.6.5 Financing activities	82.662	105.647
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>19.664</b>	<b>51.298</b>
Cash and cash equivalents at the beginning of the reporting period	26.163	45.827
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>45.827</b>	<b>97.125</b>

# Section 4

# Notes to the Financial Statements

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

## 4.1 Accounting Policies

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

### 4.1.1 General Principles

#### 4.1.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003. The Statement of Accounts is prepared on a going concern basis.

#### 4.1.1.2 Accounting Convention

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

#### 4.1.1.3 Accounting Developments and Changes during 2019/20

The following accounting standards have been introduced by the Code for 2019/20:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property – paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The Council already adopts this 'change in use' policy.
- Annual improvements to IFRS Standards 2014-2016 Cycle. The amendments that may apply to local authorities include:
  - IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of the Standard
  - IAS 28 Investments in Associates and Joint Ventures: Measuring an Associate or Joint Venture at Fair Value

These amendments are not applicable to the Council.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration. This is not material for the Council.
- IFRIC 23 Uncertainty over Income Tax Treatments. This is not applicable to the Council.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation. This is not applicable to the Council.

The application date and initial adoption date of the above standards is 1 April 2019.

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

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

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

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

### 4.1.1.5 Events after the Balance Sheet Date

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

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

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

### 4.1.1.6 Accruals of Expenditure and Income

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure in the period during which they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial

## Section 4 – Notes to the Financial Statements

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years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.

- Expenses for goods or services are recorded as expenditure when the goods or services are received by the Council rather than when payments are made.
- Where income and expenditure has been recognised but cash has not been received or paid, an appropriate class of asset or liability for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance or contract liability) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made against the loss allowance or to revenue (where there is no specific loss allowance). Loss allowances are set up for expected future credit losses and are offset against the debtor balance on the Balance Sheet. The level of loss allowance is periodically reviewed with any movements being debited or credited to the CIES.
- Works are charged as expenditure once complete, prior to completion (work in progress) they are carried as inventories on the Balance Sheet.
- For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecast cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service in the CIES. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.
- Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. In the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in the relevant service. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.
- A de minimis level of £5k is used for accruals.

### 4.1.1.7 Schools

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

#### 4.1.1.8 Choices permitted under IFRS

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

##### **De Minimis Capital Expenditure**

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

	£
Vehicles and Plant	3,000
Computer Equipment	5,000
Land & Buildings	10,000
Heritage Assets	5,000

##### **Componentisation**

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

##### **Depreciation (including amortisation of intangible assets)**

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

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

#### 4.1.2 Policies primarily affecting the CIES

##### 4.1.2.1 Government Grants and Contributions

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

##### 4.1.2.2 Business Improvement Districts (BID)

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

## Section 4 – Notes to the Financial Statements

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### 4.1.2.3 Operating Leases

#### **Receivable (Council as lessor)**

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

#### **Payable (Council as lessee)**

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

### 4.1.2.4 Employee Benefits

#### **Benefits Payable During Employment**

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

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

#### **Termination Benefits**

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

#### **NHS Pension Scheme**

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

#### **Teachers' Pension Scheme**

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

#### **Defined Benefit Schemes (Local Government Pension Scheme)**

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



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

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

The CIES shows the re-measurements comprising:

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

### **Discretionary Benefits**

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

#### **4.1.2.5 Charges to Service Revenue Accounts for Non-Current Assets**

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

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

#### **4.1.2.6 Financing and Investment**

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

- Income, expenditure and changes in the fair value of investment properties – comprising of upward and downward movements in the value of properties, together with any gains and losses arising on disposal and rentals receivable and expenses incurred in relation to properties.

## Section 4 – Notes to the Financial Statements

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- Gains and losses of financial instruments including:
  - Interest revenue calculated using the effective interest method.
  - Gains and losses arising from de-recognition of financial assets measured at amortised cost.
  - Impairment losses (including reversals of impairment losses or impairment gains).
- Net interest on Defined Benefit Pension Schemes.

### 4.1.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

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

### 4.1.2.8 Overheads and Support Services

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

### 4.1.2.9 Council Tax and National Non Domestic Rates (NNDR)

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

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

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

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

### 4.1.2.10 Jointly Controlled Operations

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

### 4.1.2.11 Acquired Operations

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

### 4.1.2.12 Exceptional Items

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

### 4.1.2.13 Value Added Tax

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

## 4.1.3 Policies primarily affecting the Balance Sheet

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

#### **PPE - Recognition**

##### *General*

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

##### *Surplus Assets*

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

##### *Private Finance Initiative (PFI) and Similar Contracts*

In accordance with the code, the Council accounts for its PFI contracts in accordance with IFRC 12 Service Concession Agreements. The Council is deemed to control the services that are provided under its PFI schemes and ownership will pass to the Council at the end of the contracts for no additional charge (with the exception of LIFT Joint Service Centres for which there is an option to purchase). The Council carries the assets used under the contracts, on its Balance Sheet as PPE and they are accounted for in the same way as the other assets. The original recognition of assets is at fair value with a corresponding liability for the amounts due to the scheme operator.

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

## Section 4 – Notes to the Financial Statements

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### *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 example software licences, are capitalised at cost.

### **Measurement**

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

- Community and Infrastructure assets for example parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.
- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2016 based on a full revaluation of beacon properties by the Council's internal valuers.

- Other land and buildings are valued at current value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of current value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at present value of the minimum lease payments.
- Heritage assets are reported in the Balance Sheet at market value and have been valued periodically by an external valuer. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are adjusted annually by the Council to provide an internal valuation which is used until the collection is periodically externally revalued. Acquisitions are held at their purchase price, adjusted annually each year (except in year of purchase), until the next valuation.
- All other assets are valued at current value.

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

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

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

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

### **Impairment**

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

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up. If there is no balance of revaluation gains the impairment loss is charged to the relevant portfolio line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant portfolio 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

## Section 4 – Notes to the Financial Statements

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freehold land, Heritage Assets, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

- Buildings and Dwellings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Infrastructure – straight line as assessed based on industry standards, up to 100 years
- Community, Vehicles, plant, furniture and equipment – straight line allocation over the useful life.
- Finance leases - over the lease term. If the lease term is shorter than the asset's estimated useful life and ownership of the asset does not transfer to the authority at the end of the lease period.
- Intangible assets – amortised on a straight line basis over the economic life, which is generally assessed to be 5 years.

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

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

### Componentisation

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

### Fair Value Measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs

### **Disposal**

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

Assets that are generic in nature are derecognised from the balance sheet when they reach the end of their useful lives.

### **4.1.3.2 Investment Property**

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

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

### **4.1.3.3 Interests in Companies and Other Entities**

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

### **4.1.3.4 PPE Assets Held for Sale**

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

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

### **4.1.3.5 Inventories**

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

### **4.1.3.6 Financial Assets**

IFRS 9 is the accounting standard for Financial Instruments and includes the recognition and measurement of Financial Assets. IFRS 9 requires recognition of credit loss allowances or changes to the fair value of financial assets to be recognised in the revenue accounts as they arise, whereas previously under IAS 39, impairment would be recognised at a later stage when a credit loss event has occurred.

## Section 4 – Notes to the Financial Statements

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

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

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

### **Financial Assets Measured at Amortised Cost**

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

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

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

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

### **Expected Credit Loss Model**

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

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

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



Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

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

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

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

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

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

### **Financial Assets Measured at Fair Value through Profit of Loss**

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

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

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

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

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

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

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

## Section 4 – Notes to the Financial Statements

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### 4.1.3.7 Financial Liabilities

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

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

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

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

### 4.1.3.8 Provisions

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

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

### 4.1.3.9 Contingent Liabilities

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

### 4.1.3.10 Defined Benefit Schemes (Local Government Pension Scheme)

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

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

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the Single Equivalent Discount Rate which uses the annualised Merrill Lynch AA rated corporate bond yield curve and assumes the curve

is flat beyond the 30 year point. The estimate of the Council's past service liability duration is 20 years.

### 4.1.3.11 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.

### 4.1.4 Policies affecting the Cash Flow Statement

#### 4.1.4.1 Cash and Cash Equivalents

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

### 4.1.5 Policies used to account on a Funding Basis

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

#### 4.1.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

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

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

#### 4.1.5.2 Gains and Losses on Sale of Assets

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

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

#### 4.1.5.3 Capital grants

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

## **Section 4 – Notes to the Financial Statements**

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### **4.1.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

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

### **4.1.5.5 Employee Benefits**

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

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

### **4.1.5.6 Termination Benefits - Pension Enhancements**

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

### **4.1.5.7 Financial Liabilities**

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

### **4.1.5.8 Financial Assets**

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

### **4.1.5.9 Use of Reserves**

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

### 4.1.6 Accounting Policies not relevant or not material

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

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

## Section 4 – Notes to the Financial Statements

### 4.2 Expenditure and Funding Analysis (EFA) and Notes

#### 4.2.1 Expenditure and Funding Analysis

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

As outlined in note 4.3.1 Prior Year Reclassifications, the 2018/19 EFA and associated notes have been restated to align with the 2019/20 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

The EFA has been updated to include the prior period adjustments as outlined in note 4.12.

	2019/20				
	General Fund Revenue Outturn Reported to Members	Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£m	£m	£m	£m	£m
Adult Care & Local Transport	91.953	(12.005)	79.948	28.917	108.865
Children & Young People	57.659	(0.007)	57.652	32.838	90.490
Communities	12.018	1.098	13.116	10.906	24.022
Early Years, Education & Employment	1.515	0.038	1.553	0.814	2.367
Energy, Environment & Democratic Services	22.912	0.135	23.047	6.053	29.100
Finance, Growth & the City Centre	13.539	(9.956)	3.583	(1.111)	2.472
Health, HR & Equalities	(6.600)	(0.095)	(6.695)	0.517	(6.178)
Housing, Planning & Heritage	6.604	(49.785)	(43.181)	21.416	(21.765)
Leisure, Culture & IT	12.935	0.028	12.963	(8.580)	4.383
Regeneration, Safety & Communications	(9.561)	17.063	7.502	2.483	9.985
Corporate Items	43.566	(74.090)	(30.524)	6.387	(24.137)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	15.102	15.102
<b>Net Cost of Services</b>	<b>246.540</b>	<b>(127.576)</b>	<b>118.964</b>	<b>115.742</b>	<b>234.706</b>
Other income and expenditure	-	(138.522)	(138.522)	(101.808)	(240.330)
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>246.540</b>	<b>(266.098)</b>	<b>(19.558)</b>	<b>13.934</b>	<b>(5.624)</b>
		Note 4.2.4	Note 4.2.3	Note 4.2.2	
Opening General Fund, Earmarked General Fund Reserves and HRA Balance at 1 April			(156.904)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(19.558)		
<b>Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*</b>			<b>(176.462)</b>		

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

## Section 4 – Notes to the Financial Statements

	Restated 2018/19				
	General Fund Revenue Outturn Reported to Members £m	Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances £m	Net Expenditure Chargeable to the General Fund and HRA Balances £m	Adjustments Between Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m
Adult Care & Local Transport	98.716	0.265	98.981	24.189	123.170
Children & Young People	59.223	-	59.223	16.254	75.477
Communities	13.001	1.426	14.427	(1.069)	13.358
Early Years, Education & Employment	0.439	(0.050)	0.389	0.778	1.167
Energy, Environment & Democratic Services	21.333	0.023	21.356	5.447	26.803
Finance, Growth & the City Centre	13.132	0.334	13.466	2.968	16.434
Health, HR & Equalities	(7.011)	-	(7.011)	0.426	(6.585)
Housing, Planning & Heritage	4.052	(53.714)	(49.662)	20.316	(29.346)
Leisure, Culture & IT	12.732	(0.182)	12.550	13.987	26.537
Regeneration, Safety & Communications	(9.159)	15.700	6.541	17.084	23.625
Corporate Items	41.585	(71.302)	(29.717)	32.348	2.631
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	(43.541)	(43.541)
<b>Net Cost of Services</b>	<b>248.043</b>	<b>(107.500)</b>	<b>140.543</b>	<b>89.187</b>	<b>229.730</b>
Other income and expenditure		(132.996)	(132.996)	(20.151)	(153.147)
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>248.043</b>	<b>(240.496)</b>	<b>7.547</b>	<b>69.036</b>	<b>76.583</b>

Note 4.2.4

Note 4.2.3

Note 4.2.2

Opening General Fund, Earmarked General  
Fund Reserves and HRA Balance at 1 April  
(Surplus)/Deficit on General Fund and HRA  
Balance in Year

(164.451)

7.547

**Closing General Fund, Earmarked  
General Fund Reserves and HRA  
Balance at 31 March\***

**(156.904)**

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

## Section 4 – Notes to the Financial Statements

### 4.2.2 EFA Note - Adjustments between Funding and Accounting Basis

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

	Restated 2018/19				2019/20			
	Adjustments for Capital Purposes £m	Net Change for the			Adjustments for Capital Purposes £m	Net Change for the		
		Adjustments	Other	Total		Adjustments	Other	Total
	£m	£m	Differences £m	Adjustments £m	£m	£m	Differences £m	Adjustments £m
Adult Care & Local Transport	21.100	3.089	-	<b>24.189</b>	25.012	3.905	-	<b>28.917</b>
Children & Young People	13.701	2.553	-	<b>16.254</b>	29.019	3.819	-	<b>32.838</b>
Communities	(2.101)	1.032	-	<b>(1.069)</b>	9.644	1.262	-	<b>10.906</b>
Early Years, Education & Employment	0.062	0.716	-	<b>0.778</b>	0.013	0.801	-	<b>0.814</b>
Energy, Environment & Democratic Services	3.540	1.907	-	<b>5.447</b>	3.521	2.532	-	<b>6.053</b>
Finance, Growth & the City Centre	1.249	1.719	-	<b>2.968</b>	(3.243)	2.132	-	<b>(1.111)</b>
Health, HR & Equalities	-	0.426	-	<b>0.426</b>	-	0.517	-	<b>0.517</b>
Housing, Planning & Heritage	19.664	0.652	-	<b>20.316</b>	20.491	0.925	-	<b>21.416</b>
Leisure, Culture & IT	11.980	2.007	-	<b>13.987</b>	(11.066)	2.486	-	<b>(8.580)</b>
Regeneration, Safety & Communications	15.911	1.173	-	<b>17.084</b>	0.898	1.585	-	<b>2.483</b>
Corporate Items	14.485	17.722	0.141	<b>32.348</b>	6.179	(0.302)	0.510	<b>6.387</b>
Exceptional revaluation (gain) / loss on HRA Council Dwellings	(43.541)	-	-	<b>(43.541)</b>	15.102	-	-	<b>15.102</b>
<b>Net Cost of Services</b>	<b>56.050</b>	<b>32.996</b>	<b>0.141</b>	<b>89.187</b>	<b>95.570</b>	<b>19.662</b>	<b>0.510</b>	<b>115.742</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(39.715)	20.504	(0.940)	<b>(20.151)</b>	(122.532)	18.444	2.280	<b>(101.808)</b>
<b>DIFFERENCE BETWEEN GENERAL FUND SURPLUS OR DEFICIT AND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES</b>	<b>16.335</b>	<b>53.500</b>	<b>(0.799)</b>	<b>69.036</b>	<b>(26.962)</b>	<b>38.106</b>	<b>2.790</b>	<b>13.934</b>

#### Adjustments for Capital Purposes

Included within Net Cost of Services:

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

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

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



### **Net Change for the Pensions Adjustments**

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

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

### **Other Differences**

For services this includes employee benefit accruals, and for:

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

## Section 4 – Notes to the Financial Statements

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

This note shows the income and expenditure by portfolio.

This note has been updated to include the prior period adjustments as outlined in note 4.12.

2019/20	Adult Care and Local Transport	Children and Young People	Communities	Early Years, Education and Employment	Energy, Environment and Democratic Services	Finance, Growth and the City Centre	Health, HR and Equalities	Housing, Planning and Heritage	Leisure, Culture and IT	Regeneration, Safety and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income</b>																	
Council Tax and NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(211.731)	(211.731)	(211.731)
Fees, charges, other income	(47.054)	(0.790)	(2.373)	(9.625)	(20.741)	(14.530)	(0.670)	(117.832)	(38.730)	(15.779)	0.816	(267.308)	-	(24.753)	-	(24.753)	(292.061)
Government Grants and Contributions	(54.797)	(18.299)	(1.958)	(124.192)	(2.381)	(24.148)	(26.707)	(2.707)	(1.008)	(9.842)	(179.756)	(445.795)	-	-	(38.545)	(38.545)	(484.340)
Interest and investment income	-	-	-	(0.006)	-	-	-	(0.005)	-	(0.019)	-	(0.030)	-	(6.419)	-	(6.419)	(6.449)
<b>Total Income</b>	<b>(101.851)</b>	<b>(19.089)</b>	<b>(4.331)</b>	<b>(133.823)</b>	<b>(23.122)</b>	<b>(38.678)</b>	<b>(27.377)</b>	<b>(120.544)</b>	<b>(39.738)</b>	<b>(25.640)</b>	<b>(178.940)</b>	<b>(713.133)</b>	<b>-</b>	<b>(31.172)</b>	<b>(250.276)</b>	<b>(281.448)</b>	<b>(994.581)</b>
<b>Expenditure</b>																	
Employee expenses	36.186	36.498	11.607	69.912	24.104	15.445	5.779	9.714	23.644	13.653	12.541	259.083	-	0.707	-	0.707	259.790
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-	-	54.036	-	54.036	54.036
Levies	-	-	-	-	-	-	-	-	-	-	-	-	0.077	-	-	0.077	0.077
Other service expenses	145.613	40.243	5.840	65.464	22.065	26.816	14.903	67.649	29.057	19.489	135.875	573.014	-	16.129	-	16.129	589.143
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	74.417	-	74.417	74.417
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.276	(2.716)	(2.440)	(2.440)
<b>Total Expenditure</b>	<b>181.799</b>	<b>76.741</b>	<b>17.447</b>	<b>135.376</b>	<b>46.169</b>	<b>42.261</b>	<b>20.682</b>	<b>77.363</b>	<b>52.701</b>	<b>33.142</b>	<b>148.416</b>	<b>832.097</b>	<b>0.077</b>	<b>145.565</b>	<b>(2.716)</b>	<b>142.926</b>	<b>975.023</b>
<b>TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES</b>	<b>79.948</b>	<b>57.652</b>	<b>13.116</b>	<b>1.553</b>	<b>23.047</b>	<b>3.583</b>	<b>(6.695)</b>	<b>(43.181)</b>	<b>12.963</b>	<b>7.502</b>	<b>(30.524)</b>	<b>118.964</b>	<b>0.077</b>	<b>114.393</b>	<b>(252.992)</b>	<b>(138.522)</b>	<b>(19.558)</b>

## Section 4 – Notes to the Financial Statements

Restated 2018/19	Adult Care and Local Transport	Children and Young People	Communities	Early Years, Education and Employment	Energy, Environment and Democratic Services	Finance, Growth and the City Centre	Health, HR and Equalities	Housing, Planning and Heritage	Leisure, Culture and IT	Regeneration, Safety and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income</b>																	
Council Tax and NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(205.361)	(205.361)	(205.361)
Fees, charges, other income	(44.918)	(1.417)	(2.658)	(9.688)	(18.097)	(13.544)	(0.662)	(122.189)	(37.397)	(14.474)	(1.687)	(266.731)	-	(26.943)	-	(26.943)	(293.674)
Government Grants and Contributions	(51.111)	(14.308)	(2.929)	(124.908)	(1.897)	(10.570)	(27.607)	(2.205)	(1.074)	(9.883)	(202.313)	(448.805)	-	-	(38.792)	(38.792)	(487.597)
Interest and investment income	-	-	-	(0.005)	-	-	-	(0.004)	0.018	(0.037)	-	(0.028)	-	(5.677)	-	(5.677)	(5.705)
<b>Total Income</b>	<b>(96.029)</b>	<b>(15.725)</b>	<b>(5.587)</b>	<b>(134.601)</b>	<b>(19.994)</b>	<b>(24.114)</b>	<b>(28.269)</b>	<b>(124.398)</b>	<b>(38.453)</b>	<b>(24.394)</b>	<b>(204.000)</b>	<b>(715.564)</b>	<b>-</b>	<b>(32.620)</b>	<b>(244.153)</b>	<b>(276.773)</b>	<b>(992.337)</b>
<b>Expenditure</b>																	
Employee expenses	35.914	34.284	12.181	70.618	21.759	16.682	5.453	7.854	23.112	12.410	13.850	254.117	-	1.033	-	1.033	255.150
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-	-	53.132	-	53.132	53.132
Levies	-	-	-	-	-	-	-	-	-	-	-	-	0.075	-	-	0.075	0.075
Other service expenses	159.096	40.664	7.833	64.372	19.591	20.898	15.805	66.882	27.891	18.525	160.433	601.990	-	23.221	-	23.221	625.211
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	70.951	-	70.951	70.951
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.292	(4.927)	(4.635)	(4.635)
<b>Total Expenditure</b>	<b>195.010</b>	<b>74.948</b>	<b>20.014</b>	<b>134.990</b>	<b>41.350</b>	<b>37.580</b>	<b>21.258</b>	<b>74.736</b>	<b>51.003</b>	<b>30.935</b>	<b>174.283</b>	<b>856.107</b>	<b>0.075</b>	<b>148.629</b>	<b>(4.927)</b>	<b>143.777</b>	<b>999.884</b>
<b>TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES</b>	<b>98.981</b>	<b>59.223</b>	<b>14.427</b>	<b>0.389</b>	<b>21.356</b>	<b>13.466</b>	<b>(7.011)</b>	<b>(49.662)</b>	<b>12.550</b>	<b>6.541</b>	<b>(29.717)</b>	<b>140.543</b>	<b>0.075</b>	<b>116.009</b>	<b>(249.080)</b>	<b>(132.996)</b>	<b>7.547</b>

## Section 4 – Notes to the Financial Statements

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

This note has been updated to include the prior period adjustments as outlined in note 4.12.

	2019/20									
	Items not included in Revenue Outturn but are included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'					Earmarked General Fund Reserves movements & Other Items included in Revenue Outturn but are not included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'	Movement of items that do not report into Net Cost of Service Portfolios in the CIES/EFA	Movements in the SoA post Outturn Report	Total Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA	
	HRA	Collection Fund (Council Tax and NDR)	Revenue Support Grant	Other	Prior Period Adjustments					£m
Adult Care & Local Transport	-	-	-	-	0.349	-	(0.832)	(11.522)	(12.005)	
Children & Young People	-	-	-	-	-	-	(0.007)	-	(0.007)	
Communities	-	-	-	-	1.098	-	-	-	1.098	
Early Years, Education & Employment	-	-	-	-	-	-	0.038	-	0.038	
Energy, Environment & Democratic Services	-	-	-	-	-	-	0.135	-	0.135	
Finance, Growth & the City Centre	-	-	-	-	0.784	(10.678)	(0.062)	-	(9.956)	
Health, HR & Equalities	-	-	-	-	-	-	(0.095)	-	(0.095)	
Housing, Planning & Heritage	(45.589)	-	-	-	(4.196)	-	-	-	(49.785)	
Leisure, Culture & IT	-	-	-	-	-	-	0.028	-	0.028	
Regeneration, Safety & Communications	-	-	-	-	-	-	17.063	-	17.063	
Corporate Items	-	-	-	-	1.965	(3.264)	(64.730)	(8.061)	(74.090)	
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	-	-	-	-	-	-	
<b>Net Cost of Services</b>	<b>(45.589)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13.942)</b>	<b>(48.462)</b>	<b>(19.583)</b>	<b>(127.576)</b>	
Other income and expenditure	45.495	(214.448)	(25.332)	0.067	-	-	48.462	7.234	(138.522)	
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>(0.094)</b>	<b>(214.448)</b>	<b>(25.332)</b>	<b>0.067</b>	<b>-</b>	<b>(13.942)</b>	<b>-</b>	<b>(12.349)</b>	<b>(266.098)</b>	

## Section 4 – Notes to the Financial Statements

Restated 2018/19										
	Items not included in Revenue Outturn but are included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'					Earmarked General Fund Reserves movements & Other Items included in Revenue Outturn but are not included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'		Movement of items that do not report into Net Cost of Service Portfolios in the CIES/EFA	Total Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA	
	HRA £m	Collection Fund (Council Tax and NNDR) £m	Revenue Support Grant £m	Other £m	Prior Period Adjustments £m	£m	£m	£m	£m	
Adult Care & Local Transport	-	-	-	-	0.355	-	(0.090)	0.265		
Children & Young People	-	-	-	-	-	-	-	-		
Communities	-	-	-	-	1.426	-	-	1.426		
Early Years, Education & Employment	-	-	-	-	-	-	(0.050)	(0.050)		
Energy, Environment & Democratic Services	-	-	-	-	-	-	0.023	0.023		
Finance, Growth & the City Centre	-	-	-	-	-	-	0.334	0.334		
Health, HR & Equalities	-	-	-	-	-	-	-	-		
Housing, Planning & Heritage	(47.220)	-	-	-	(6.494)	-	-	(53.714)		
Leisure, Culture & IT	-	-	-	-	-	-	(0.182)	(0.182)		
Regeneration, Safety & Communications	-	-	-	-	-	-	15.700	15.700		
Corporate Items	-	-	-	-	4.713	(4.929)	(71.086)	(71.302)		
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	-	-	-	-	-		
<b>Net Cost of Services</b>	<b>(47.220)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4.929)</b>	<b>(55.351)</b>	<b>(107.500)</b>		
Other income and expenditure	43.525	(210.288)	(34.981)	0.461	-	12.936	55.351	(132.996)		
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>(3.695)</b>	<b>(210.288)</b>	<b>(34.981)</b>	<b>0.461</b>	<b>-</b>	<b>8.007</b>	<b>-</b>	<b>(240.496)</b>		

### HRA

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

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

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

## Section 4 – Notes to the Financial Statements

### 4.3 Comprehensive Income and Expenditure Statement Notes

#### 4.3.1 Prior Year Reclassifications

In line with the CIPFA reporting requirements the service part of the CIES is based on the organisational structure of the Council i.e. portfolios. It is the Council's policy to review and change the portfolio structures on an annual basis. A report is taken by the Leader of the Council to the City Council Committee in May each year detailing changes to the portfolios for the coming year. This results in a change in segmental reporting so that it aligns to the new reporting structure of the Council. The 2018/19 CIES and associated notes have been restated where required to align with the 2019/20 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

This note has been updated to include the prior period adjustments as outlined in note 4.12.

The following table analyses the reclassification of Portfolios within the CIES Cost of Services with regards to 2018/19 and the restated figures:

Portfolios as shown in the 2018/19 Statement of Accounts	Reclassification movements of 2018/19 to align with the 2019/20 Portfolios		Restated 2018/19		
	£m	£m		£m	
Adult Social Care and Health	<b>87.658</b>	Adult Care and Local Transport	94.704	Adult Care and Local Transport	94.704
		Finance, Growth and the City Centre - Housing Related Support	0.139	Adult Care and Local Transport - Disabled Children's Service	1.980
		Health, HR and Equalities - Public Health	(10.948)	Adult Care and Local Transport - Transport, Concessionary Fares, Highways and Energy Infrastructure, Public Transport, Workplace Parking Levy	26.138
		Housing, Planning and Heritage - Housing Related Support	3.763	Prior Period Adjustment re HRA	0.355
			<b>87.658</b>	Prior Period Adjustment re PPE	(0.007)
				<b>Adult Care and Local Transport</b>	<b>123.170</b>
				Children and Young People	68.564
				Prior Period Adjustment re PPE	6.913
				<b>Children and Young People</b>	<b>75.477</b>
				Communities - Community Centres, Cohesion and Engagement	4.033
Community Protection	<b>19.217</b>	Energy, Environment and Democratic Services - Emergency Planning	0.243	Communities - Community Centres, Cohesion and Engagement	4.033
		Finance, Growth and the City Centre - Environmental Health and Safer Housing, Licensing	1.874	Communities - One Nottingham, NS Operating Hub	0.236
		Housing, Planning and Heritage - Environmental Health and Safer Housing, Community Engagement	(0.897)	Communities - Street Scene, Grounds Maintenance, NS Directorate Management	6.260
		Leisure, Culture and IT - IT	7.929	Communities - Welfare Rights, Communities Directorate	(0.383)
		Regeneration, Safety and Communications - Licensing, Uniformed Services, Security and Logistics	6.035	Communities - Neighbourhood Management	1.300
			<b>19.217</b>	Communities - Highways Area Capital Fund	0.105
				Prior Period Adjustment re HRA	1.426
				Prior Period Adjustment re PPE	0.381
				<b>Communities</b>	<b>13.358</b>
				Early Years, Education and Employment - Inclusive Learning	0.822
Early Intervention and Early Years	<b>71.366</b>	Adult Care and Local Transport - Disabled Children's Service	1.980	Early Years, Education and Employment - Education	(1.751)
		Children and Young People	68.564	Early Years, Education and Employment - Economic Development Partner and Policy	2.096
		Early Years, Education and Employment - Inclusive Learning	0.822	<b>Early Years, Education and Employment</b>	<b>1.167</b>
	<b>71.366</b>				
Education and Skills	<b>(1.515)</b>	Communities - One Nottingham, NS Operating Hub	0.236		
		Early Years, Education and Employment - Education	(1.751)		
			<b>(1.515)</b>		

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Portfolios as shown in the 2018/19 Statement of Accounts	£m	Reclassification movements of 2018/19 to align with the	£m	Restated 2018/19	£m
Energy and Environment	22,409	Communities - Street Scene, Grounds Maintenance, NS Directorate Management	6,260	Energy, Environment and Democratic Services - Emergency Planning	0,243
		Energy, Environment and Democratic Services	16,149	Energy, Environment and Democratic Services	16,149
			22,409	Energy, Environment and Democratic Services - Civic and Coronial Services, Facilities and Building Services, Legal and Democratic	8,798
Finance, Resources and Commercial Services	24,819	Communities - Welfare Rights, Communities Directorate	(0,383)	Energy, Environment and Democratic Services - Customer Access Programme	0,968
		Energy, Environment and Democratic Services - Civic and Coronial Services, Facilities and Building Services, Legal and Democratic	8,798	Energy, Environment and Democratic Services - Highways and Energy Infrastructure	0,848
		Finance, Growth and the City Centre - Finance, East Midlands Shared Services, Strategy and Policy	12,455	Prior Period Adjustment re PPE	(0,203)
		Leisure, Culture and IT - Information Management	0,336	<b>Energy, Environment and Democratic Services</b>	<b>26,803</b>
		Regeneration, Safety and Communications - Planned Maintenance	3,613	Finance, Growth and the City Centre - Housing Related Support	0,139
			24,819	Finance, Growth and the City Centre - Environmental Health and Safer Housing, Licensing	1,874
Housing and Planning	(24,750)	Energy, Environment and Democratic Services - Customer Access Programme	0,968	Finance, Growth and the City Centre - Finance, East Midlands Shared Services, Strategy and Policy	12,455
		Housing, Planning and Heritage	(25,718)	Finance, Growth & the City Centre - Economic Development	1,960
			(24,750)	Prior Period Adjustment re PPE	0,006
Leisure and Localities	18,838	Communities - Neighbourhood Management	1,300	<b>Finance, Growth and the City Centre</b>	<b>16,434</b>
		Leisure, Culture and IT	17,538	Health, HR and Equalities - Public Health	(10,948)
			18,838	Health, HR and Equalities - Human Resources, Organisational Transformation	4,363
				<b>Health, HR and Equalities</b>	<b>(6,585)</b>
Regeneration and Growth	17,276	Early Years, Education and Employment - Economic Development Partner and Policy	2,096	Housing, Planning and Heritage - Housing Related Support	3,763
		Finance, Growth and the City Centre - Economic Development	1,960	Housing, Planning and Heritage - Environmental Health and Safer Housing, Community Engagement	(0,897)
		Regeneration, Safety & Communications	13,220	Housing, Planning and Heritage	(25,718)
			17,276	Prior Period Adjustment re HRA	(6,494)
				<b>Housing, Planning and Heritage</b>	<b>(29,346)</b>
Transport and HR	32,211	Adult Care and Local Transport - Transport, Concessionary Fares, Highways and Energy Infrastructure, Public Transport, Workplace Parking Levy	26,138	Leisure, Culture and IT - IT	7,929
		Communities - Highways Area Capital Fund	0,105	Leisure, Culture and IT - Information Management	0,336
		Energy, Environment and Democratic Services - Highways and Energy Infrastructure	0,848	Leisure, Culture and IT	17,538
		Health, HR and Equalities - Human Resources, Organisational Transformation	4,363	Prior Period Adjustment re PPE	0,734
		Regeneration, Safety and Communications - Transportation Strategy	0,757	<b>Leisure, Culture and IT</b>	<b>26,537</b>
			32,211	Regeneration, Safety and Communications - Licensing, Uniformed Services, Security and Logistics	6,035
Corporate Items	(2,085)	Corporate Items	(2,085)	Regeneration, Safety and Communications - Planned Maintenance	3,613
				Regeneration, Safety and Communications - Transportation Strategy	13,220
				Regeneration, Safety and Communications - Regeneration, Safety and Communications - Transportation Strategy	0,757
				<b>Regeneration, Safety and Communications</b>	<b>23,625</b>
Exceptional revaluation gain on HRA Council Dwellings	(43,541)	Exceptional revaluation gain on HRA Council Dwellings	(43,541)	Corporate Items	(2,085)
				Prior Period Adjustment re HRA	4,713
				Prior Period Adjustment re PPE	0,003
				<b>Corporate Items</b>	<b>2,631</b>
				<b>Exceptional revaluation gain on HRA Council Dwellings</b>	<b>(43,541)</b>
<b>COST OF SERVICES</b>	<b>221,903</b>		<b>221,903</b>		<b>** 229,730</b>

\*\* The 2018/19 Cost of Service has increased due to the addition of Prior Period Adjustments

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

## Section 4 – Notes to the Financial Statements

### 4.3.2 Specific Grants Credited to Services

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

	2018/19 £m	2019/20 £m
<b>Revenue Grants</b>		
Ministry of Housing, Communities and Local Government: PFI Grant	(2.898)	(2.898)
Department for Education: Dedicated School Grant	(109.739)	(109.544)
Department for Education: PFI Grant	(5.620)	(5.620)
Department for Education: Universal Free School Meals	(1.522)	(1.467)
Department of Transport: PFI Grants	(61.491)	(61.491)
Department for Work & Pensions: Housing Benefit Admin	(1.574)	(1.405)
Improved Better Care Fund	(11.723)	(14.565)
Section 31 NNDR Grant	(6.972)	-
Mandatory Rent Allowances: Subsidy	(77.758)	(71.267)
Public Health	(33.830)	(32.937)
Pupil Premium Grant	(6.761)	(6.204)
Rent Rebates Granted to HRA Tenants	(56.868)	(50.208)
Covid-19 LA Support Grant	-	(10.678)
<i>Other Revenue Grants</i>	(29.851)	(34.431)
<b>Contributions</b>	(42.198)	(43.080)
<b>TOTAL</b>	<b>(448.805)</b>	<b>(445.795)</b>

2019/20 Section 31 NNDR Grant now reports to NNDR Income in the Taxation & Non Specific Grant note 4.3.5 (£9.145m).

### 4.3.3 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2018/19 £m	2019/20 £m
Removal of Schools converting to Academies	55.435	-
Write out of asset values due to replacement and demolition	4.868	4.798
Payments to the Government Housing Capital Receipts Pool	2.086	2.084
Levies	0.075	0.077
Net Gain/Loss on the disposal of non-current assets	(3.082)	(5.676)
<b>TOTAL</b>	<b>59.382</b>	<b>1.283</b>



4.3.4 Financing and Investment Income and Expenditure

	Restated 2018/19			2019/20		
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m
Net Interest on Pension Fund	20.473	-	20.473	18.407	-	18.407
Interest and similar charges and income	21.889	(0.646)	21.243	20.673	(0.359)	20.314
Interest revenue/costs calculated using the effective interest rate method	31.296	(3.650)	27.646	33.114	(5.826)	27.288
Impairment Losses	19.107	-	19.107	12.146	-	12.146
Impairment of Equity Holding	7.500	-	7.500	-	-	-
Trading Operations	1.572	(1.939)	(0.367)	1.641	(2.237)	(0.596)
Income and expenditure in relation to investment properties and changes in their fair value	6.168	(19.555)	(13.387)	18.172	(20.456)	(2.284)
Other Finance and Investment items	0.062	(6.830)	(6.768)	-	(2.294)	(2.294)
<b>TOTAL</b>	<b>108.067</b>	<b>(32.620)</b>	<b>75.447</b>	<b>104.153</b>	<b>(31.172)</b>	<b>72.981</b>

2018/19 has been restated mainly due to PFI costs now being shown in the 'Interest and similar charges and income' line (were previously shown in 'Interest revenue/costs calculated using the effective interest rate method').

4.3.5 Taxation and Non-Specific Grant Income

	2018/19 £m	2019/20 £m
<b>Revenue:</b>		
<i>Council Tax income</i>		
Demand on the Collection Fund	(110.406)	(116.101)
Apportionment of Collection Fund Surplus/Deficit	(1.231)	(0.318)
<i>National Non Domestic Rates (NNDR)</i>		
Demand on the Collection Fund	(66.961)	(67.014)
Top Up Grant	(27.496)	(28.125)
Apportionment of Collection Fund Surplus/Deficit	(4.344)	0.157
NNDR Section 31 Grant	-	(9.145)
Other	(0.498)	(0.490)
<i>Non-ringfenced government grants</i>		
Revenue Support Grant	(34.981)	(25.332)
New Homes Bonus	(3.811)	(4.067)
<b>Capital:</b>		
<i>Government Departments</i>	(36.073)	(39.464)
<i>Other</i>	(2.175)	(24.695)
<b>TOTAL</b>	<b>(287.976)</b>	<b>(314.594)</b>

## Section 4 – Notes to the Financial Statements

### 4.3.6 Expenditure and Income analysed by Nature

This note has been updated to include the prior period adjustments as outlined in note 4.12.

	Restated 2018/19 £m	2019/20 £m
<b>Income</b>		
Council Tax and NNDR	(210.936)	(211.891)
Fees, charges, other income	(293.675)	(292.061)
Government grants and contributions	(525.845)	(548.498)
Interest and investment income	(5.705)	(6.449)
<b>Total Income</b>	<b>(1,036.161)</b>	<b>(1,058.899)</b>
<b>Expenditure</b>		
Employee expenses	288.317	279.998
Interest payments	73.605	72.443
Levies	0.075	0.077
Other service expenses	626.475	592.026
Capital charges including depreciation, amortisation, impairment, revaluations	66.933	107.069
Payments to Housing Capital Receipts Pool	2.086	2.084
Disposal of assets - loss / (gain)	55.253	(0.422)
<b>Total Expenditure</b>	<b>1,112.744</b>	<b>1,053.275</b>
<b>(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES</b>	<b>76.583</b>	<b>(5.624)</b>

### 4.3.7 Revenue from Contracts with Service Recipients

Revenue included in the CIES for contracts with service recipients:

	Restated 2018/19				2019/20			
	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	(1.269)	(0.419)	(41.450)	(43.138)	(1.402)	(0.393)	(42.624)	(44.419)
Children and Young People	-	-	(1.376)	(1.376)	-	(0.001)	(0.763)	(0.764)
Communities	-	-	(4.053)	(4.053)	-	-	(3.454)	(3.454)
Early Years, Education and Employment	-	(0.023)	(9.569)	(9.592)	-	(0.023)	(9.528)	(9.551)
Energy, Environment and Democratic Service	-	(0.009)	(17.939)	(17.948)	-	(0.024)	(20.555)	(20.579)
Finance, Growth and the City Centre	(1.434)	(2.015)	(8.675)	(12.124)	(1.314)	(4.083)	(8.553)	(13.950)
Health, HR and Equalities	-	-	(0.662)	(0.662)	-	-	(0.670)	(0.670)
Housing, Planning and Heritage	(7.534)	-	(8.132)	(15.666)	(6.725)	-	(10.535)	(17.260)
Leisure, Culture and IT	(0.125)	(1.734)	(33.173)	(35.032)	(0.108)	(1.952)	(34.753)	(36.813)
Regeneration, Safety and Communications	(0.754)	(0.070)	(2.534)	(3.358)	(0.672)	(0.072)	(3.967)	(4.711)
Corporate Items	-	-	(6.400)	(6.400)	-	-	(1.149)	(1.149)
Financing and Investment Income and Expenditure	-	(0.441)	(9.835)	(10.276)	-	(0.426)	(5.033)	(5.459)
<b>Revenue from contracts with service recipients</b>	<b>(11.116)</b>	<b>(4.711)</b>	<b>(143.798)</b>	<b>(159.625)</b>	<b>(10.221)</b>	<b>(6.974)</b>	<b>(141.584)</b>	<b>(158.779)</b>
Impairment of receivables				1.338				1.752
<b>TOTAL INCLUDED IN THE CIES</b>				<b>(158.287)</b>				<b>(157.027)</b>

## Section 4 – Notes to the Financial Statements

As outlined in note 4.3.1 Prior Year Reclassifications, 2018/19 has been restated to align with the 2019/20 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

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

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

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

Timing of revenue recognition	2018/19		2019/20	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(8.562)	(2.554)	(9.452)	(0.769)
Sale of goods	-	(4.711)	-	(6.974)
Charges for services	(99.288)	(44.510)	(101.179)	(40.405)
<b>TOTAL</b>	<b>(107.850)</b>	<b>(51.775)</b>	<b>(110.631)</b>	<b>(48.148)</b>

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

	31 March	31 March
	2019	2020
	£m	£m
Receivables included in debtors	56.068	41.981
Contract assets	0.061	0.175
Contract liabilities	(10.649)	(11.000)
<b>TOTAL</b>	<b>45.480</b>	<b>31.156</b>

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

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

## Section 4 – Notes to the Financial Statements

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

The contract liabilities balance is reduced as income is recognised in the CIES.

Where the right of the Council to income is conditional on the provision of further goods or services to the customer, such income is recorded as a contract asset. This is applicable to income relating to service charges for commercial property owned by the Council. Costs are recognised as services are provided to customers. At year end where services are not complete, the cost is de-recognised in the CIES and recognised as a contract asset on the balance sheet.

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

	2018/19		2019/20	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
<b>Balances at 1 April</b>	-	<b>(8.728)</b>	<b>0.061</b>	<b>(10.649)</b>
Reversal for amounts recognised in the CIES in year	-	8.148	(0.061)	10.649
Increases (decreases) due to cash received (paid)	0.061	(10.069)	0.175	(11.000)
<b>BALANCE AT 31 MARCH</b>	<b>0.061</b>	<b>(10.649)</b>	<b>0.175</b>	<b>(11.000)</b>

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

	31 March 2019 £m	31 March 2020 £m
Not later than one year	(9.680)	(8.743)
Later than one year	(0.969)	(2.257)
<b>TOTAL</b>	<b>(10.649)</b>	<b>(11.000)</b>

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

During 2019/20 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £68.594m for PPE assets (see note 4.4.1) and £0.597m for Heritage Assets (see note 4.4.2). There are no charges within Other Operating Expenditure relating to physical damage and demolition of assets in 2019/20.

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

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

	Local Government		Teachers Benefits	
	Pension Scheme			
	2018/19	2019/20	2018/19	2019/20
	£m	£m	£m	£m
<b>Cost of Services:</b>				
Service cost	68.168	55.575	-	-
Administration expenses	0.453	0.465	-	-
<b>Financing and Investment Income and Expenditure:</b>				
Net interest on the defined liability (asset)	19.572	17.620	0.901	0.787
<b>Total Charged to (Surplus)/Deficit on Provision of Services</b>	<b>88.193</b>	<b>73.660</b>	<b>0.901</b>	<b>0.787</b>
<b>Other Comprehensive Income and Expenditure (OCIE):</b>				
Re-measurements of the net defined benefit liability (asset):				
Return on Fund assets in excess of interest	(65.204)	106.132	-	-
Other actuarial (gains)/losses on assets	-	2.834	-	-
Change in financial assumptions	88.032	(187.009)	1.367	(2.059)
Change in demographic assumptions	(107.916)	(33.056)	(1.962)	(0.827)
Experience (gain)/loss on defined benefit obligation	-	66.553	-	(0.845)
<b>Total Charged to OCIE</b>	<b>(85.088)</b>	<b>(44.546)</b>	<b>(0.595)</b>	<b>(3.731)</b>
<b>TOTAL CHARGED TO THE CIES</b>	<b>3.105</b>	<b>29.114</b>	<b>0.306</b>	<b>(2.944)</b>

These transactions are summarised in the following table:

	2018/19	2019/20
	£m	£m
<b>Comprehensive Income and Expenditure Statement:</b>		
Cost of services	68.621	56.040
Financing and Investment income and expenditure	20.473	18.407
Other Comprehensive Income and Expenditure	(85.683)	(48.277)
<b>TOTAL</b>	<b>3.411</b>	<b>26.170</b>

## 4.4 Balance Sheet Notes

### 4.4.1 Property Plant and Equipment

2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	1,000.216	876.131	222.746		33.654	29.532	25.158	2,187.437	**
Accumulated Depreciation b/f	-	(2.831)	(114.730)		(11.323)	-	(0.006)	(128.890)	**
Accumulated Impairment b/f	-	-	-		(0.200)	-	-	(0.200)	**
<b>Net Book Value at 1st April 2019</b>	<b>1,000.216</b>	<b>873.300</b>	<b>108.016</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>25.152</b>	<b>2,537.795</b>	
Additions - Capital Expenditure	34.577	2.468	11.653	25.339	1.009	0.297	63.849	139.192	
Additions - PFI	-	-	-	7.234	-	-	-	7.234	
Depreciation Charge	(18.441)	(25.250)	(7.774)	(22.003)	(0.791)	(0.022)	-	(74.281)	
Revaluations - Recognised in Revaluation Reserve	4.018	49.924	-	-	-	14.652	-	68.594	
Revaluations - Recognised in the CIES	(15.102)	(2.722)	-	-	-	1.197	-	(16.627)	
Derecognition - Disposals	(11.052)	(0.330)	(0.116)	-	-	(0.506)	-	(12.004)	
Derecognition - Other	(1.737)	(1.055)	(0.033)	(1.127)	(0.166)	(0.685)	-	(4.803)	
Other Movements - Transfers to Held for Sale	-	(0.322)	-	-	-	(1.280)	-	(1.602)	
Other Movements - Other	9.699	3.688	(64.744)	68.222	(8.895)	0.641	(9.705)	(1.094)	
<b>Net Book Value at 31st March 2020</b>	<b>1,002.178</b>	<b>899.701</b>	<b>47.002</b>	<b>557.113</b>	<b>13.288</b>	<b>43.826</b>	<b>79.296</b>	<b>2,642.404</b>	
Gross Book Value c/f	1,002.178	901.439	97.856		23.259	43.826	79.302	2,147.860	**
Accumulated Depreciation c/f	-	(1.738)	(50.854)		(9.771)	-	(0.006)	(62.369)	**
Accumulated Impairment c/f	-	-	-		(0.200)	-	-	(0.200)	**
<b>Net Book Value at 31 March 2020</b>	<b>1,002.178</b>	<b>899.701</b>	<b>47.002</b>	<b>557.113</b>	<b>13.288</b>	<b>43.826</b>	<b>79.296</b>	<b>2,642.404</b>	

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

### Highways Infrastructure Assets - Movements on balances

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

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

### PFI Assets included in PPE

<b>2019/20 PFI Asset Value</b>			
	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m
Gross Book Value b/f	22.857	55.944	
Accumulated Depreciation b/f	(0.128)	(7.297)	
Accumulated Impairment b/f	-	-	
<b>Net Book Value at 1st April 2019</b>	<b>22.729</b>	<b>48.647</b>	<b>189.667</b>
Additions - Capital Expenditure	-	-	-
Additions - PFI	-	-	7.234
Depreciation Charge	(0.830)	-	(6.950)
Revaluations - Recognised in Revaluation Reserve	1.762	-	-
Revaluations - Recognised in the CIES	-	-	-
Derecognition - Disposals	-	-	-
Derecognition - Other	-	-	-
Other Movements - Transfers to Held for Sale	-	-	-
Other Movements - Other	-	(48.647)	48.647
<b>Net Book Value at 31st March 2020</b>	<b>23.661</b>	<b>-</b>	<b>238.598</b>
Gross Book Value c/f	23.870	-	
Accumulated Depreciation c/f	(0.209)	-	
Accumulated Impairment c/f	-	-	
<b>Net Book Value at 31 March 2020</b>	<b>23.661</b>	<b>-</b>	<b>238.598</b>

The carrying value of other land & buildings, at both 1 April 2018 and 31 March 2019, has been updated for a prior period adjustment as detailed in Note 4.12.

## Restated 2018/19

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	921.179	903.458	214.380	700.755	33.050	24.996	28.181	<b>2,825.999</b>	<b>301.277</b>
Accumulated Depreciation b/f	-	(6.315)	(102.179)	(210.843)	(10.305)	-	-	<b>(329.642)</b>	<b>(28.181)</b>
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>Net Book Value at 1 April 2018</b>	<b>921.179</b>	<b>897.143</b>	<b>112.201</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.181</b>	<b>2,496.157</b>	<b>273.096</b>
Adjustment to Opening Gross Book Value b/f	-	4.333	-	-	-	-	-	<b>4.333</b>	0.567
<b>Restated Net Book Value at 1 April 2018</b>	<b>921.179</b>	<b>901.476</b>	<b>112.201</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.181</b>	<b>2,500.490</b>	<b>273.663</b>
Additions - Capital Expenditure	32.431	7.036	11.354	17.657	1.075	0.182	14.538	<b>84.273</b>	-
Depreciation Charge	(16.998)	(26.897)	(14.959)	(28.121)	(1.099)	(0.030)	-	<b>(88.104)</b>	(12.798)
Revaluations - Recognised in Revaluation Reserve	26.878	51.505	-	-	-	6.343	-	<b>84.726</b>	0.749
Revaluations - Recognised in the CIES	43.541	(9.216)	-	-	-	0.747	-	<b>35.072</b>	(0.571)
Derecognition - Disposals	(13.538)	(55.694)	(0.463)	-	-	(3.944)	-	<b>(73.639)</b>	-
Derecognition - Other	(2.470)	(0.395)	-	-	(0.390)	(1.612)	-	<b>(4.867)</b>	-
Other Movements - Transfers to Assets Held for Sale	-	(0.159)	-	-	-	0.180	-	<b>0.021</b>	-
Other Movements - Other	9.193	5.644	(0.117)	-	-	2.670	(17.567)	<b>(0.177)</b>	-
<b>Net Book Value at 31 March 2019</b>	<b>1,000.216</b>	<b>873.300</b>	<b>108.016</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>25.152</b>	<b>2,537.795</b>	<b>261.043</b>
Gross Book Value c/f	1,000.216	876.131	222.746	718.412	33.654	29.532	25.158	<b>2,905.849</b>	301.092
Accumulated Depreciation c/f	-	(2.831)	(114.730)	(238.964)	(11.323)	-	(0.006)	<b>(367.854)</b>	(40.049)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2019</b>	<b>1,000.216</b>	<b>873.300</b>	<b>108.016</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>25.152</b>	<b>2,537.795</b>	<b>261.043</b>



## **Depreciation**

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

	<b>Overall Range</b>
Council Dwellings – Existing Use Value - Social Housing	Up to 60 years
Other Land and Buildings	Up to 65 years
Furniture & Equipment	Up to 20 years
Vehicles	Up to 10 years
Infrastructure and Community Assets	Up to 100 years

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

## **Revaluations**

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

During 2019/20, the Council's internal valuers completed asset valuations for operational properties in compliance with the 5-year requirement. They also undertook a full beacon valuation of Council Dwelling beacon properties.

In addition, internal valuers completed a number of reviews outside the Council's 5-year property revaluation programme, for properties undergoing significant changes because of capital investment, material impairment or reclassification.

External valuers revalued all of the Council's DRC and some specialist EUV valuations.

## **Valuers' Assumptions - Cyclical and Non-Cyclical Valuations**

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

## **Material Revaluation Gains, Losses and Impairments**

Revaluation movements included an overall decrease of £11.084m for Council Dwellings. This included £15.102m losses posted to the Housing Revenue Account, reversing previous years revaluation gains posted to the HRA.

## Section 4 – Notes to the Financial Statements

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 2019/20.

### Valuation at 31 March 2020

The Council's rolling revaluation programme is summarised below:

DESCRIPTION	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Carried at depreciated historical cost			47.002	557.113	13.288		79.296	696.699
Valued at depreciated current value as at:								
2015/16	-	3.370				-		3.370
2016/17	-	25.776				-		25.776
2017/18	-	15.452				-		15.452
2018/19	-	15.638				-		15.638
2019/20	1,002.178	839.465				43.826		1,885.469
<b>NET BOOK VALUE AT 31 MARCH 2020</b>	<b>1,002.178</b>	<b>899.701</b>	<b>47.002</b>	<b>557.113</b>	<b>13.288</b>	<b>43.826</b>	<b>79.296</b>	<b>2,642.404</b>

### Surplus Assets

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£m	£m	£m	£m
Land	-	15.963	-	15.963
Leisure / Other	-	6.777	-	6.777
Offices	-	21.000	-	21.000
Retail	-	0.086	-	0.086
Services	-	-	-	-
<b>Total</b>	<b>-</b>	<b>43.826</b>	<b>-</b>	<b>43.826</b>

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

### Capital Commitments

At 31 March 2020, the Council had entered into a number of contracts for the construction or enhancement of PPE with future costs estimated as £150.078m. The equivalent figure as at 31 March 2019 was £132.368m. The commitments have increased due to a number of additional schemes being approved as at the 31 March 2020. The major commitments are summarised below:

## Section 4 – Notes to the Financial Statements

Capital Programme Element	Major Schemes	31 March 2020 £m
Public Sector Housing	Decent Homes - Safe	0.842
Public Sector Housing	Decent Homes - Warm & Modern	0.493
Public Sector Housing	Additional Tenant Priorities	6.768
Public Sector Housing	Building A Better Nottingham	9.546
Public Sector Housing	Other Public Sector Housing Schemes	0.571
Education	Nethergate Expansion	2.119
Other Services	Eastcroft Plant Works	1.621
Other Services	Thomas Bow	2.279
Other Services	Skills Hub	7.042
Other Services	Southside Regeneration	55.267
Other Services	Third Party Loans	51.417
Other Services	Nottingham Castle Transformation	8.806
Other Services	Other Schemes (under £1.000m)	0.357
Transport	Smart Ticketing Project	1.938
Transport	Other Schemes (under £1.000m)	1.012
<b>TOTAL</b>		<b>150.078</b>

### 4.4.2 Heritage Assets

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

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

Collections:	Byron	Costume	Decorative Art	Fine Art	Human & Social History	Industrial History	Civic Regalia & Silver	Wollaton Non-Operational Buildings	Non-Building Structures	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2018	14.994	0.585	4.124	36.337	0.680	0.015	1.403	0.331	-	<b>58.469</b>
Revaluations	0.270	0.021	0.074	0.654	0.012	-	0.026	0.331	-	<b>1.388</b>
<b>31 March 2019</b>	<b>15.264</b>	<b>0.606</b>	<b>4.198</b>	<b>36.991</b>	<b>0.692</b>	<b>0.015</b>	<b>1.429</b>	<b>0.662</b>	-	<b>59.857</b>
Transfer	-	-	-	-	-	-	-	-	0.507	<b>0.507</b>
Revaluations	0.229	(0.001)	0.063	0.555	0.010	-	0.031	(0.290)	-	<b>0.597</b>
<b>31 MARCH 2020</b>	<b>15.493</b>	<b>0.605</b>	<b>4.261</b>	<b>37.546</b>	<b>0.702</b>	<b>0.015</b>	<b>1.460</b>	<b>0.372</b>	<b>0.507</b>	<b>60.961</b>

### Preservation and Management

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

## Section 4 – Notes to the Financial Statements

Council will apply for funding and undertake the purchase, provided that it meets the Council's objectives.

### 4.4.3 Investment Property

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

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

	2018/19 £m	2019/20 £m
<b>Balance at 1 April</b>	236.733	284.624
Additions	55.170	0.455
Disposals	(2.694)	(14.391)
Net gains/(losses) from fair value adjustments	(4.645)	(14.502)
Transfers to / from Property Plant and Equipment	0.060	(0.025)
<b>BALANCE AT 31 MARCH</b>	<b>284.624</b>	<b>256.161</b>

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

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2020 £m
Industrial	-	57.655	-	57.655
Land	-	18.445	-	18.445
Leisure / Other	-	10.912	-	10.912
Office	-	70.958	-	70.958
Retail	-	96.871	-	96.871
Services	-	1.320	-	1.320
<b>Total</b>	<b>-</b>	<b>256.161</b>	<b>-</b>	<b>256.161</b>

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

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

political factors, and general market knowledge acquired from actively managing a portfolio of investment properties.

### Highest and Best Use of Investment Properties

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

### Valuation Techniques

IFRS13 Fair Value accounting has been used during financial year 2019/20 for investment properties.

### Valuation Process for Investment Properties

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

#### 4.4.4 Inventories

	Restated 2018/19				2019/20			
	Consumable Stores	Maintenance Materials	Client services work in progress	Total	Consumable Stores	Maintenance Materials	Client services work in progress	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April</b>	<b>0.645</b>	<b>0.245</b>	<b>2.092</b>	<b>2.982</b>	<b>0.599</b>	<b>0.138</b>	<b>2.542</b>	<b>3.279</b>
Purchases	5.203	0.043	8.324	11.398	4.608	0.310	6.079	10.997
Recognised as an expense in the year	(5.249)	(0.150)	(7.874)	(11.101)	(4.630)	(0.298)	(7.426)	(12.354)
Written off balances	-	-	-	-	0.006	-	-	0.006
<b>BALANCE AT 31 MARCH</b>	<b>0.599</b>	<b>0.138</b>	<b>2.542</b>	<b>3.279</b>	<b>0.583</b>	<b>0.150</b>	<b>1.195</b>	<b>1.928</b>

2018/19 has been restated to reflect revised purchases and expenses values for consumables in year. The overall balance at 31 March 2019 is unchanged.

#### 4.4.5 Short Term Debtors

	31 March 2019	31 March 2020
	£m	£m
Prepayments	15.887	13.023
Local Taxation	7.041	8.275
Trade	56.068	41.981
Other receivable amounts	43.103	86.995
<b>TOTAL</b>	<b>122.099</b>	<b>150.274</b>

## Section 4 – Notes to the Financial Statements

### 4.4.6 Debtors for Local Taxation

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

	2018/19			2019/20		
	Council Tax £m	NNDR £m	Total £m	Council Tax £m	NNDR £m	Total £m
Up to 1 year	9.112	2.864	11.976	10.078	3.245	13.323
1 to 3 years	7.413	1.694	9.107	8.054	2.543	10.597
Over 3 years	6.627	1.777	8.404	7.452	2.218	9.670
<b>TOTAL</b>	<b>23.152</b>	<b>6.335</b>	<b>29.487</b>	<b>25.584</b>	<b>8.006</b>	<b>33.590</b>

### 4.4.7 Cash and Cash Equivalents

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

	31 March 2019 £m	31 March 2020 £m
Cash held by the Authority	0.248	0.275
Bank current accounts	12.479	22.850
Short-term deposits	33.100	74.000
<b>TOTAL</b>	<b>45.827</b>	<b>97.125</b>

The Council has offset overdrafts of £16.585m (£9.971m in 2018/19) against credit balances held within its bank current accounts.

### 4.4.8 Short Term Creditors

	Restated 31 March 2019 £m	31 March 2020 £m
Receipts in Advance	(28.405)	(24.708)
Trade	(72.449)	(52.790)
Other payables	(53.810)	(44.809)
<b>TOTAL</b>	<b>(154.664)</b>	<b>(122.307)</b>

The figures for 2018/19 are shown as restated due to Revenue Grants Received in Advance of £10.222m now being shown separately on the Balance Sheet (they were previously included in Short Term Creditors).

### 4.4.9 Provisions

#### Current Provisions

These are amounts set aside to meet specific expenditure in 2020/21.

## Section 4 – Notes to the Financial Statements

The NET2 provision has reduced during 2019/20 due to acquisition prices being agreed on compulsory purchases. The closing balance is for compulsory purchases where the purchase price has yet to be agreed.

	Compulsory Purchases for NET2	Job Evaluation	Other	Total
	£m	£m	£m	£m
<b>Balance at 1 April 2019</b>	<b>(12.469)</b>	<b>(0.304)</b>	<b>(0.827)</b>	<b>(13.600)</b>
Additional provisions made	-	-	(0.829)	(0.829)
Amounts used	1.103	-	0.233	1.336
Unused amounts reversed	4.408	0.304	-	4.712
<b>BALANCE AT 31 MARCH 2020</b>	<b>(6.958)</b>	<b>-</b>	<b>(1.423)</b>	<b>(8.381)</b>

### Non-Current Provisions

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

	Injury and Damage Compensation Claims	NNDR Appeals	Financial Guarantees	Total
	£m	£m	£m	£m
<b>Balance at 1 April 2019</b>	<b>(13.309)</b>	<b>(4.480)</b>	<b>(6.348)</b>	<b>(24.137)</b>
Additional provisions made	(3.697)	(0.574)	(1.902)	(6.173)
Amounts used	3.552	0.677	-	4.229
<b>BALANCE AT 31 MARCH 2020</b>	<b>(13.454)</b>	<b>(4.377)</b>	<b>(8.250)</b>	<b>(26.081)</b>

### Insurance Compensation Claims

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

The majority of costs met from the provision arise from property damage, liability claims made against the Council and motor accidents involving Council motor vehicles. In order to limit the Council's exposure to these risks the policies for external fire, motor and liability claims have been arranged with excesses of £0.250m, £0.100m and £0.350m 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 2019/20 policy year were £4.7m for liability claims, £1.03m for motor claims and £2m for property. Other costs falling on the provision include self-insured risks and the payment of insurance premium for policies where the risk has been transferred to the market.

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

## Section 4 – Notes to the Financial Statements

### National Non-Domestic Rates (NNDR)

This represents the Council's share of NNDR appeals provision. The Council bears a risk of non-collection of NNDR following appeals. £1.381m is the value of successful appeals charged against the provision in 2019/20. An increase of £1.172m in the provision has been made as a result of the assessment of outstanding appeals at 31st March 2020.

### Financial Guarantees

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided financial guarantees in respect of Robin Hood Energy Ltd (RHE), a wholly owned subsidiary of the Council, to a maximum total value of £16.5m, which is 80% of the liability to its wholesale energy suppliers. These energy suppliers require companies such as RHE to either lodge cash or require a financial guarantee to cover advance purchases of energy.

These financial guarantees have been assessed and recognised in the accounts as a provision of £8.250m based on the probability of being called as at 31 March 2020.

#### 4.4.10 Usable Reserves

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

Details of the Earmarked General Fund reserves are shown below:

	2018/2019		2019/20		Balance at 31 March 2020 £m
	Balance at 1 April 2018 £m	Net Movements £m	Balance at 31 March 2019 £m	Net Movements £m	
<b>Restricted Reserves:</b>					
Capital	22.481	(0.626)	21.855	(1.504)	20.351
Schools	16.456	(0.593)	15.863	(1.711)	14.152
<b>Other Reserves:</b>					
Asset Maintenance	4.016	0.029	4.045	0.837	4.882
Contingency and Risk	6.841	1.235	8.076	13.414	21.490
Information Technology	7.886	(1.316)	6.570	0.011	6.581
Local Economy	6.892	(0.764)	6.128	(1.946)	4.182
Private Finance Initiatives	44.866	3.554	48.420	0.945	49.365
Services	7.001	0.711	7.712	(0.716)	6.996
Transformation	5.155	(6.103)	(0.948)	(1.348)	(2.296)
Treasury Management	4.841	(18.324)	(13.483)	(1.390)	(14.873)
Workforce	14.467	0.705	15.172	1.694	16.866
<b>TOTAL</b>	<b>140.902</b>	<b>(21.492)</b>	<b>119.410</b>	<b>8.286</b>	<b>127.696</b>

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



The detailed categories are explained below:

### **Capital**

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

### **Schools**

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

### **Asset Maintenance**

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

### **Contingency & Risk**

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

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

As part of Central Government's response to the COVID-19 pandemic, the Council received additional grants and payments in advance to assist with cash flow and to allow the Council to help the citizens and businesses of Nottingham. Although these amounts were received right at the end of 2019/20, they primarily related to the 2020/21 financial year and, where appropriate, were transferred to an earmarked reserve. The most significant grant was the first tranche of an ring-fenced Government COVID-19 support funding totalling £10.678m, which was received on 27 March 2020. This is included within Contingency and Risk.

### **Information Technology**

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

### **Local Economy**

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

### **Private Finance Initiatives**

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

### **Services**

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

## **Section 4 – Notes to the Financial Statements**

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### **Transformation**

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

### **Treasury Management**

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

### **Workforce**

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

## 4.4.11 Unusable Reserves

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

	Restated 2018/19 £m	2019/20 £m
Revaluation Reserve	564.417	617.492
Capital Adjustment Account	1,025.472	1,066.125
Financial Instruments Adjustment Account	(5.854)	(5.578)
Pensions Reserve	(788.018)	(777.847)
Deferred Capital Receipts Reserve	2.143	1.042
Collection Fund Adjustment Account	4.585	2.028
Accumulated Absences Account	(4.163)	(4.673)
<b>TOTAL UNUSABLE RESERVES</b>	<b>798.582</b>	<b>898.589</b>

**Revaluation Reserve**

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

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

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

The reserve has been restated as at 31 March 2019 to reflect the prior period adjustment as identified in Note 4.12.

	Restated 2018/19 £m	2019/20 £m
<b>Balance at 1 April</b>	<b>529.088</b>	<b>564.417</b>
Adjustments to opening balance	(7.444)	-
<b>Adjusted balance at 1 April</b>	<b>521.644</b>	<b>564.417</b>
Upward revaluation of assets	98.485	240.628
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(12.372)	(171.437)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	86.113	69.191
Difference between fair value depreciation and historical cost depreciation	(14.091)	(14.282)
Accumulated gains on assets sold or scrapped	(29.249)	(1.834)
Amount written off to the Capital Adjustment Account	(43.340)	(16.116)
<b>BALANCE AT 31 MARCH</b>	<b>564.417</b>	<b>617.492</b>

## Section 4 – Notes to the Financial Statements

### Capital Adjustment Account

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

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

The reserve has been restated as at 31 March 2019 to reflect the prior period adjustment as identified in Note 4.12.

	Restated 2018/19 £m	2019/20 £m
<b>Balance at 1 April</b>	<b>987.174</b>	<b>1,025.472</b>
Adjustments to opening balance	11.777	-
<b>Adjusted balance at 1 April</b>	<b>998.951</b>	<b>1,025.472</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Amortisation of intangible assets	(1.772)	(1.780)
Charges for depreciation of non-current assets	(88.105)	(74.281)
Charges for impairment of non-current assets	(7.500)	-
Revaluation losses on Property, Plant and Equipment	35.089	(16.507)
Movements in the market value of Investment Properties	(4.645)	(14.502)
Revenue expenditure funded from capital under statute (REFCUS)	(4.567)	(5.714)
REFCUS expenditure funded by grants	3.305	2.831
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(81.271)	(32.598)
Adjusting amounts written out of the Revaluation Reserve	43.340	16.116
	(106.126)	(126.435)
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	23.376	15.874
Use of Capital Receipts Reserve to repay debt	13.672	16.719
Use of the Major Repairs Reserve to finance new capital expenditure	26.339	25.902
Application of grants to fund capital expenditure	28.002	66.716
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	28.392	28.589
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	7.852	1.505
Adjustment to MRP as a result of PFI Projects	4.668	14.528
Capital expenditure charged against the General Fund and HRA balances	0.461	0.467
<b>Reduction in Liabilities &amp; Repayment of Long Term Debtors etc:</b>		
Principal Repayment of Capital Loans	(0.115)	(3.212)
	132.647	167.088
<b>BALANCE AT 31 MARCH</b>	<b>1,025.472</b>	<b>1,066.125</b>

**Financial Instruments Adjustment Account**

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

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

	2018/19	2019/20
	£m	£m
<b>Balance at 1 April</b>	<b>(6.146)</b>	<b>(5.854)</b>
Premiums incurred in the year	0.363	0.363
Discounts incurred in the year	(0.072)	(0.007)
Loans	0.005	0.008
Soft Loans	(0.004)	(0.088)
<b>BALANCE AT 31 MARCH</b>	<b>(5.854)</b>	<b>(5.578)</b>

**Pensions Reserve**

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

## Section 4 – Notes to the Financial Statements

	2018/19 £m	2019/20 £m
<b>Balance at 1 April</b>	<b>(820.201)</b>	<b>(788.018)</b>
Remeasurements of the net defined benefit liability/asset	85.683	48.277
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(89.094)	(74.447)
Employer's pensions contributions and direct payments to the pensioners payable in the year	35.594	36.341
<b>BALANCE AT 31 MARCH</b>	<b>(788.018)</b>	<b>(777.847)</b>

### Deferred Capital Receipts Reserve

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

	2018/19 £m	2019/20 £m
<b>Balance at 1 April</b>	<b>2.146</b>	<b>2.143</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.003)	(1.101)
<b>BALANCE AT 31 MARCH</b>	<b>2.143</b>	<b>1.042</b>

### Collection Fund Adjustment Account

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

	2018/19 £m	2019/20 £m
<b>Balance at 1 April</b>	<b>3.937</b>	<b>4.585</b>
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	0.648	(2.557)
<b>BALANCE AT 31 MARCH</b>	<b>4.585</b>	<b>2.028</b>

### Accumulated Absences Account

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

	2018/19 £m	2019/20 £m
<b>Balance at 1 April</b>	<b>(4.022)</b>	<b>(4.163)</b>
Settlement or cancellation of accrual made at the end of the preceding year	4.022	4.163
Amounts accrued at the end of the current year	(4.163)	(4.673)
<b>Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis</b>	<b>(0.141)</b>	<b>(0.510)</b>
<b>BALANCE AT 31 MARCH</b>	<b>(4.163)</b>	<b>(4.673)</b>

#### 4.4.12 Grants Received in Advance

##### Revenue Grants Received in Advance

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

	31 March 2019 £m	31 March 2020 £m
Department for Education	(1.849)	(0.998)
Department of Health and Social Care	(1.059)	(4.113)
Department for Environment, Food and Rural Affairs	(0.195)	(0.192)
Ministry of Housing, Communities and Local Government	(2.111)	(11.648)
Department for Business, Energy and Industrial Strategy	-	(1.684)
Home Office	(0.069)	(0.269)
Sport England	(0.157)	(0.296)
Arts Council England	(0.107)	(0.255)
Other Government Grants	(1.463)	(5.270)
Other Non Government Grants and Contributions	(3.212)	(0.921)
<b>TOTAL</b>	<b>(10.222)</b>	<b>(25.646)</b>

##### Capital Grants Received in Advance

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

## Section 4 – Notes to the Financial Statements

The balances at the year-end are as follows:

	31 March 2019 £m	31 March 2020 £m
Department for Education	(0.173)	(0.077)
Department for Transport	(3.348)	(0.087)
Ministry of Housing, Communities and Local Government	(4.794)	(0.149)
Office for Low Emission Vehicles	(1.077)	(2.690)
S106 Contributions - Affordable Housing	(2.659)	(2.758)
S106 Contributions - Open Space	(1.728)	(2.289)
S106 Contributions - Education	(2.108)	(2.872)
S106 Contributions - Transport / Public Realm / Training	(0.252)	(0.173)
Other Grants and Contributions	(0.291)	(0.050)
<b>TOTAL</b>	<b>(16.430)</b>	<b>(11.145)</b>

### 4.4.13 Defined Benefit Pension Schemes

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

The Council participates in three post-employment schemes:

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

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

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



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

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

	Local Government Pension Scheme		Teachers Benefits	
	2018/19 £m	2019/20 £m	2018/19 £m	2019/20 £m
<b>Opening balance at 1 April</b>	<b>(1,860.099)</b>	<b>(1,912.851)</b>	<b>(37.818)</b>	<b>(36.029)</b>
Current service cost	(50.899)	(56.342)	-	-
Interest cost	(46.937)	(45.339)	(0.901)	(0.787)
Change in financial assumptions	(88.032)	187.009	(1.367)	2.059
Change in demographic assumptions	107.916	33.056	1.962	0.827
Experience loss/(gain) on defined benefit obligation	-	(66.553)	-	0.845
Liabilities assumed/extinguished on settlements	0.017	1.966	-	-
Estimated benefits paid net of transfers in	50.643	53.042	-	-
Past Service costs including curtailments	(17.459)	(0.335)	-	-
Contributions by scheme participants and other employers	(9.033)	(9.709)	-	-
Unfunded pension payments	1.032	1.002	2.095	2.110
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>(1,912.851)</b>	<b>(1,815.054)</b>	<b>(36.029)</b>	<b>(30.975)</b>

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2018/19 £m	2019/20 £m
<b>Opening balance at 1 April</b>	<b>1,077.716</b>	<b>1,160.862</b>
Interest on assets	27.365	27.719
Return on assets less interest	65.204	(106.132)
Other actuarial gains/losses	-	(2.834)
Administration expenses	(0.453)	(0.465)
Contributions by the employer including unfunded	33.499	34.231
Contributions by scheme participants and other employers	9.033	9.709
Estimated benefits paid plus unfunded net of transfers in	(51.675)	(54.044)
Settlement prices received/paid	0.173	(0.864)
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>1,160.862</b>	<b>1,068.182</b>

The total return on the fund assets for the year to 31 March 2020 is (£78.413m).

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

## Section 4 – Notes to the Financial Statements

	Local Government Pension Scheme		Teachers Benefits	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£m	£m	£m	£m
Present value of the defined benefit obligation	(1,899.095)	(1,803.377)	-	-
Fair value of Fund assets (bid value)	1,160.862	1,068.182	-	-
<b>Net Liability</b>	<b>(738.233)</b>	<b>(735.195)</b>	-	-
Present value of unfunded obligation	(13.756)	(11.677)	(36.029)	(30.975)
<b>NET DEFINED BENEFIT LIABILITY IN BALANCE SHEET</b>	<b>(751.989)</b>	<b>(746.872)</b>	<b>(36.029)</b>	<b>(30.975)</b>

The Council has a share of responsibility for some of the funded and unfunded liabilities of the historic Nottinghamshire County Council, prior to the re-organisation of local government in 1998. As such, a share of the assets and liabilities attributable to the historic council are included in the figures above, as in previous years.

The Council additionally has responsibility for the Fund liabilities of Nottingham City Transport Limited accrued prior to 26 October 1986. These liabilities and a respective share of Fund assets are included in the figures above as in previous years.

The liabilities show the Council's commitment to pay post-employment (retirement) benefits. The total liability of £777.847m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit are in place to safeguard the financial position of the Council:

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

### 4.4.14 Financial Instruments

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 requires disclosure of information pertaining to the scope, significance and risk associated with the Council's financial instruments.

#### Categories of Financial Instruments

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

## Section 4 – Notes to the Financial Statements

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

### Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
<b>Amortised Cost</b>								
Principal	0.813	10.776	77.487	110.561	57.500	45.000	97.949	113.015
Cash & Cash Equivalents	-	-	-	-	45.827	97.125	-	-
Investment accrued Interest	-	-	-	-	0.049	0.189	-	-
<b>Amortised Cost Total</b>	<b>0.813</b>	<b>10.776</b>	<b>77.487</b>	<b>110.561</b>	<b>103.376</b>	<b>142.314</b>	<b>97.949</b>	<b>113.015</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>0.813</b>	<b>10.776</b>	<b>77.487</b>	<b>110.561</b>	<b>103.376</b>	<b>142.314</b>	<b>97.949</b>	<b>113.015</b>
Non-financial Instrument	12.082	18.753	-	-	-	-	24.150	37.259
<b>TOTAL</b>	<b>12.895</b>	<b>29.529</b>	<b>77.487</b>	<b>110.561</b>	<b>103.376</b>	<b>142.314</b>	<b>122.099</b>	<b>150.274</b>

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

### Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
<b>Amortised Cost</b>								
Principal	(876.789)	(924.613)	-	-	(76.451)	(149.895)	(110.504)	(73.401)
Loans Accrued Interest	-	-	-	-	(9.943)	(8.280)	-	-
Market Loan Effective Interest Rate Adjustment	(0.921)	(0.913)	-	-	-	-	-	-
PFI and finance lease liabilities	(191.383)	(181.785)	-	-	(9.641)	(9.597)	-	-
Growing Places Fund and other	-	-	(9.695)	(4.050)	-	-	(8.420)	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>(1,069.093)</b>	<b>(1,107.311)</b>	<b>(9.695)</b>	<b>(4.050)</b>	<b>(96.035)</b>	<b>(167.772)</b>	<b>(118.924)</b>	<b>(73.401)</b>
Non-financial Instrument	-	-	-	-	-	-	(54.382)	(48.906)
<b>TOTAL</b>	<b>(1,069.093)</b>	<b>(1,107.311)</b>	<b>(9.695)</b>	<b>(4.050)</b>	<b>(96.035)</b>	<b>(167.772)</b>	<b>(173.306)</b>	<b>(122.307)</b>

### Notes:

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

	Borrowings	Long-term		Current	
		31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
		PWLB	(827.773)	(875.598)	(63.601)
Market Loans	(49.921)	(49.913)	(0.496)	(0.500)	
Temporary Debt & Other	(0.016)	(0.015)	(22.297)	(132.806)	
<b>Total Borrowings</b>	<b>(877.710)</b>	<b>(925.526)</b>	<b>(86.394)</b>	<b>(158.175)</b>	

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

## Section 4 – Notes to the Financial Statements

Market Loans are long term loans all of which are at a fixed interest rate taken from Banks, £34m of these loans are known as LOBO loans where, at specific points, the lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty.

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

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

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

	2018/19	2019/20
	£m	£m
Interest expense	53.128	53.647
Expected Loss - Impairment Allowances	26.607	12.147
Fees and other expenses	0.062	-
<b>Services</b>	<b>79.797</b>	<b>65.794</b>
Interest income on financial assets measured at amortised cost	(3.643)	(4.972)
Other income	(1.052)	(1.575)
Dividend Income	(1.375)	(0.232)
<b>Total Income in (Surplus)/Deficit on Provision of Services</b>	<b>(6.070)</b>	<b>(6.779)</b>
<b>NET GAIN/(LOSS) FOR THE YEAR</b>	<b>73.727</b>	<b>59.015</b>

### Financial Instruments – Fair Values

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

All of the council's financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- PWLB loans borrowed by the Council have been valued on the basis of using the PWLB new borrowing (certainty rate) discount rates matching the remaining duration of the loans.
- The fair values of other long-term borrowing has been estimated using the new PWLB Certainty Rate loan discount rates (UK government gilt prices plus a margin of 80 bpts) for the most appropriate maturity and repayment profiles as proxy for fair value in the absence of any detailed market transactions.
- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.

## Section 4 – Notes to the Financial Statements

- Where appropriate the fair value for long term debtors has been estimated using a PWLB equivalent discount rate for new fixed rate loans with the most appropriate maturity and repayment profile as at 31st March 2020. The fair value on the remaining long term debtors is deemed to be the balance outstanding at 31<sup>st</sup> March 2020.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.

The reference rates used for the various fair value estimations are as at 31 March 2020, which due to COVID-19 added significant volatility to rates and yields compared to the pre-COVID-19 period.

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

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

The fair values calculated are as follows:

	Fair value level	31 March 2019		31 March 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
PWLB debt	2	(891.375)	(1,049.428)	(900.468)	(1,004.839)
Market loans	2	(50.417)	(78.726)	(50.413)	(76.814)
PFI and finance leases	2	(201.024)	(291.302)	(191.384)	(266.948)
Other debt	*	(22.313)	(22.313)	(132.820)	(132.869)
Trade creditors	*	(110.504)	(110.504)	(87.824)	(87.824)
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(1,275.633)</b>	<b>(1,552.273)</b>	<b>(1,362.909)</b>	<b>(1,569.294)</b>
Money Market & Pooled Funds (< 1 year)	*	33.100	33.100	74.000	74.000
Other Investments (< 1 year)	*	57.549	57.549	45.189	45.189
Investments (> 1 year)	2	-	-	10.000	10.086
Shares in unlisted companies	** 3	12.895	12.895	19.529	19.529
Debtors	*	97.949	97.949	128.105	128.105
Long-term debtors	***2	77.487	109.035	110.561	149.056
<b>TOTAL FINANCIAL ASSETS</b>		<b>278.980</b>	<b>310.528</b>	<b>387.384</b>	<b>425.965</b>

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

\*\* The fair value of shares in unlisted companies that are within the NCC group are shown at cost less impairment. In 2018/19 £7.500m of shares in Robin Hood Energy Ltd have been fully impaired.

## Section 4 – Notes to the Financial Statements

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

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

This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £900.468m would be valued at £1,004.839m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,430.930m.

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of 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. This shows a notional future gain (based on economic conditions at 31 March 2020) arising from a commitment to receive interest from lenders above current market rates.

The long term debtors as at 31 March 2020 show a carrying amount of £110.561m. The main debtors sub-categories include £30.537m Nottingham Express Transit (NET), £43.465m loans to subsidiaries, £25.893m other third party loans and £10.666m other long term debtors.

### **Financial Guarantee**

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The details for the financial guarantees provided by the council can found in the provisions note 4.4.9.

### **Soft Loans**

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are £0.374m issued in 2014 then £0.150m issued in 2017, £0.090m issued in 2018 and £0.345m issued in 2019/20 to Nottingham Castle Trust. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loan information is as follows:

## Section 4 – Notes to the Financial Statements

	2018/19 £m	2019/20 £m
<b>Opening balance</b>	<b>0.367</b>	<b>0.453</b>
Nominal value of new loans granted in year	0.090	0.345
Fair Value adjustment on initial recognition	(0.034)	(0.126)
Other changes	0.030	0.039
<b>Closing balance at end of year</b>	<b>0.453</b>	<b>0.711</b>
Nominal value	<b>0.614</b>	<b>0.910</b>

## Section 4 – Notes to the Financial Statements

### 4.5 Movement in Reserves Statement Notes

#### 4.5.1 Adjustments between Accounting Basis and Funding Basis under Regulations

2019/20	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	1.779	0.001	-	-	-	(1.780)
• Depreciation	53.914	20.367	-	-	-	(74.281)
• Revaluation Losses	1.527	15.100	-	-	-	(16.627)
• Investment Property Movement	14.681	(0.179)	-	-	-	(14.502)
• Assets Held for Sale Movement	(0.120)	-	-	-	-	0.120
• Derecognition of Fixed Assets	2.361	2.436	-	-	-	(4.797)
• (Loss)/Gain on Sale of Fixed Assets	(2.210)	(3.010)	33.021	-	-	(27.801)
	71.932	34.715	33.021	-	-	(139.668)
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute	2.883	-	-	-	-	(2.883)
• Statutory Minimum Revenue Provision for Capital Financing	(28.589)	-	-	-	-	28.589
• Voluntary Revenue Provision for Capital Financing	-	(1.505)	-	-	-	1.505
• PFI Minimum Revenue Provision	(14.528)	-	-	-	-	14.528
• Capital Expenditure charged in year to General Fund Balance	(0.067)	(0.400)	-	-	-	0.467
• Transfer to/from Major Repairs Reserve	-	(29.329)	-	3.427	-	25.902
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.084	-	(2.084)	-	-	-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(15.874)	-	-	15.874
• Use of Capital Receipts Reserve to repay debt	-	-	(16.719)	-	-	16.719
• Capital grants & contributions to be applied in future years	(20.800)	-	-	-	20.800	-
• Capital grants applied in year	(43.359)	-	-	-	(23.356)	66.715
• Cash payments in relation to deferred capital receipts	-	-	1.100	-	-	(1.100)
• Other Items (long term debtors)	-	-	3.212	-	-	(3.212)
	(102.376)	(31.234)	(30.365)	3.427	(2.556)	163.104

Continued on the next page



## Section 4 – Notes to the Financial Statements

<b>2019/20</b>	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
<b>Other Movements</b>						
Pension Fund						
• Net charges made for Retirement Benefits in accordance with IAS19	74.447	-	-	-	-	(74.447)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(36.341)	-	-	-	-	36.341
• Financial Instrument Adjustment Account	(0.278)	0.002	-	-	-	0.276
• Transfer to/(from) Collection Fund Adjustment Account	2.557	-	-	-	-	(2.557)
• Employee Benefits	0.510	-	-	-	-	(0.510)
	40.895	0.002	-	-	-	(40.897)
<b>TOTAL ADJUSTMENTS</b>	<b>10.451</b>	<b>3.483</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>(17.461)</b>

## Section 4 – Notes to the Financial Statements

Restated 2018/19	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	1.768	0.004	-	-	-	(1.772)
• Depreciation	69.340	18.765	-	-	-	(88.105)
• Revaluation Losses	8.068	(43.141)	-	-	-	35.073
• Investment Property Movement	4.628	0.017	-	-	-	(4.645)
• Assets Held for Sale Movement	(0.016)	-	-	-	-	0.016
• Derecognition of Fixed Assets	0.928	4.033	-	-	-	(4.961)
• (Loss)/Gain on Sale of Fixed Assets	53.351	(3.059)	26.018	-	-	(76.310)
• Charges for Investment Impairment	7.500	-	-	-	-	(7.500)
	<b>145.567</b>	<b>(23.381)</b>	<b>26.018</b>	<b>-</b>	<b>-</b>	<b>(148.204)</b>
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute	1.262	-	-	-	-	(1.262)
• Statutory Minimum Revenue Provision for Capital Financing	(28.392)	-	-	-	-	28.392
• Voluntary Revenue Provision for Capital Financing	(7.125)	(0.727)	-	-	-	7.852
• PFI Minimum Revenue Provision	(4.668)	-	-	-	-	4.668
• Capital Expenditure charged in year to General Fund Balance	(0.461)	-	-	-	-	0.461
• Transfer to/from Major Repairs Reserve	-	(29.578)	-	3.239	-	26.339
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.086	-	(2.086)	-	-	-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(23.376)	-	-	23.376
• Use of Capital Receipts Reserve to repay debt	-	-	(13.672)	-	-	13.672
• Capital grants & contributions to be applied in future years	(18.958)	-	-	-	18.958	-
• Capital grants applied in year	(19.290)	-	-	-	(8.712)	28.002
• Other Items (long term debtors)	-	-	0.118	-	-	(0.118)
	<b>(75.546)</b>	<b>(30.305)</b>	<b>(39.016)</b>	<b>3.239</b>	<b>10.246</b>	<b>131.382</b>

Continued on the next page

## Section 4 – Notes to the Financial Statements

<b>Restated 2018/19</b>	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
<b>Other Movements</b>						
Pension Fund						
• Net charges made for Retirement Benefits in accordance with IAS19	89.094	-	-	-	-	(89.094)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(35.594)	-	-	-	-	35.594
• Financial Instrument Adjustment Account	(0.326)	0.034	-	-	-	0.292
• Transfer to/(from) Collection Fund Adjustment Account	(0.648)	-	-	-	-	0.648
• Employee Benefits	0.141	-	-	-	-	(0.141)
	52.667	0.034	-	-	-	(52.701)
<b>TOTAL ADJUSTMENTS</b>	<b>122.688</b>	<b>(53.652)</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(69.523)</b>

The movement in reserves statement has been amended to reflect the prior period adjustment as identified in Note 4.12.

## Section 4 – Notes to the Financial Statements

### 4.5.2 Post-employment Benefits Transactions

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

	Local Government			
	Pension Scheme		Teachers Benefits	
	2018/19	2019/20	2018/19	2019/20
	£m	£m	£m	£m
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(88.193)	(73.660)	(0.901)	(0.787)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	33.499	34.231	-	-
Retirement benefits payable to pensioners	-	-	2.095	2.110

These transactions can be summarised as follows:

	2018/19	2019/20
	£m	£m
<b>Movement in Reserves Statement:</b>		
Reversal of Charges made in accordance with the Code	(89.094)	(74.447)
Charges to General Fund made on a funding basis	35.594	36.341
<b>TOTAL</b>	<b>(53.500)</b>	<b>(38.106)</b>

## 4.6 Cash Flow Statement Notes

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

	Restated 2018/19 £m	2019/20 £m
Depreciation	88.105	74.281
Impairment and movement in asset valuations	(35.072)	16.507
Amortisation	1.773	1.780
Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	14.879	-
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	(0.031)	(0.039)
Adjustment for effective interest rates	(0.040)	0.119
Increase/decrease in expected loss allowance impairments/doubtful debts re: Loans & Advances	10.460	6.773
Financial Guarantee Adjustments	6.348	1.902
Increase/Decrease in Interest Creditors	1.049	(3.328)
Increase/Decrease in Creditors	4.688	(38.323)
Increase/Decrease in Interest and Dividend Debtors	0.070	(0.945)
Increase/Decrease in Debtors	(30.920)	(32.162)
Increase/Decrease in Contract Assets	0.061	0.114
Increase/Decrease in Inventories	(0.297)	1.351
Movement in Pension Liability	53.500	38.106
Other non cash adjustment	(0.361)	(0.628)
Contributions to/(from) Provisions	(3.273)	(5.178)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	81.255	32.479
Movement in Investment Property Values	4.645	14.502
<b>TOTAL</b>	<b>196.839</b>	<b>107.311</b>

2018/19 has been restated to show Financial Guarantee Adjustments separately (previously included within Contributions to/(from) Provisions), with the total value remaining unchanged overall. 2018/19 has also been restated to reflect the impact on building revaluations and depreciation as a result of the prior period adjustment as identified in Note 4.12.

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

	2018/19 £m	2019/20 £m
Capital Grants credited to surplus or deficit on the provision of services	(30.957)	(56.613)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(26.134)	(36.232)
<b>TOTAL</b>	<b>(57.091)</b>	<b>(92.845)</b>

## Section 4 – Notes to the Financial Statements

### 4.6.3 Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £m	2019/20 £m
Interest received	3.473	5.515
Interest paid	(44.706)	(56.983)
Dividends received	1.200	0.407
	<b>(40.033)</b>	<b>(51.061)</b>

### 4.6.4 Investing Activities

	2018/19 £m	2019/20 £m
Purchase of property, plant and equipment, investment property and intangible assets	(148.231)	(143.334)
Purchase of short-term and long-term investments	(57.500)	(61.671)
Other payments for investing activities	(10.754)	(39.932)
Proceeds from short-term and long-term investments	10.000	57.537
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	26.019	34.121
Other receipts from investing activities	54.303	78.840
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(126.163)</b>	<b>(74.439)</b>

### 4.6.5 Financing Activities

	2018/19 £m	2019/20 £m
Cash receipts of short and long-term borrowing	150.525	197.500
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(4.669)	(7.296)
Repayments of short and long-term borrowing	(63.194)	(84.557)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>82.662</b>	<b>105.647</b>

## 4.6.6 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2019 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2020 £m
Long-term borrowings	(877.710)	(65.000)	17.184	(925.526)
Short-term borrowings	(86.394)	(56.269)	(15.512)	(158.175)
Lease liabilities	(2.201)	0.002	-	(2.199)
On balance sheet PFI liabilities	(198.824)	7.294	2.349	(189.181)
Growing Places Fund and other	(18.114)	8.326	5.738	(4.050)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,183.243)</b>	<b>(105.647)</b>	<b>9.759</b>	<b>(1,279.131)</b>

	1 April 2018 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2019 £m
Long-term borrowings	(802.145)	(75.570)	0.005	(877.710)
Short-term borrowings	(73.785)	(12.085)	(0.524)	(86.394)
Lease liabilities	(2.202)	0.001	-	(2.201)
On balance sheet PFI liabilities	(205.841)	4.668	2.349	(198.824)
Growing Places Fund and other	(18.526)	0.324	0.088	(18.114)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,102.499)</b>	<b>(82.662)</b>	<b>1.918</b>	<b>(1,183.243)</b>

## Section 4 – Notes to the Financial Statements

### 4.7 Other Notes

#### 4.7.1 Agency Services

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

#### 4.7.2 Jointly Controlled Operations

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

Operations relating to EMSS are carried out at both NCC and LCC premises, with LCC being the employing authority and NCC the host authority. In line with the partnership agreement, the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of costs for NCC of 57.41%.

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

	Amounts included within			
	Total EMSS		NCC Accounts	
	2018/19	2019/20	2018/19	2019/20
	£m	£m	£m	£m
<b>Income:</b>				
Direct external income - LCC	(1.548)	(1.510)	-	-
Direct external income - NCC	(0.570)	(0.545)	(0.570)	(0.545)
<b>Total Income</b>	<b>(2.118)</b>	<b>(2.055)</b>	<b>(0.570)</b>	<b>(0.545)</b>
<b>Expenditure:</b>				
Direct costs incurred by LCC	6.206	5.610	-	-
Direct costs incurred by NCC	0.254	0.276	0.254	0.276
Third party payments to LCC	-	-	2.710	2.658
<b>Total Expenditure</b>	<b>6.460</b>	<b>5.886</b>	<b>2.964</b>	<b>2.934</b>
<b>NET EXPENDITURE</b>	<b>4.342</b>	<b>3.831</b>	<b>2.394</b>	<b>2.389</b>

#### 4.7.3 Councillors' Allowances

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

	2018/19	2019/20
	£m	£m
Allowances	1.056	1.080
Expenses	0.003	0.002
<b>TOTAL</b>	<b>1.059</b>	<b>1.082</b>



4.7.4 Officers Remuneration

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

POST HOLDER	Restated 2018/19 £	2019/20 £
<b>Chief Executive - Ian Curryer</b>		
- Salary, Fees & Allowances	160,094	163,424
- Pension Contributions	-	-
	<b>160,094</b>	<b>163,424</b>
<b>Corporate Director - Children and Adults <sup>1</sup></b>		
- Salary, Fees & Allowances	145,670	82,740
- Pension Contributions	19,957	11,335
	<b>165,627</b>	<b>94,075</b>
<b>Corporate Director - People <sup>2</sup></b>		
- Salary, Fees & Allowances	-	70,063
- Pension Contributions	-	9,590
	-	<b>79,653</b>
<b>Corporate Director for Strategy and Resources</b>		
- Salary, Fees & Allowances	123,423	122,472
- Pension Contributions	16,909	16,779
	<b>140,332</b>	<b>139,251</b>
<b>Corporate Director - Commercial and Operations</b>		
- Salary, Fees & Allowances	124,860	127,357
- Pension Contributions	14,199	17,448
	<b>139,059</b>	<b>144,805</b>
<b>Corporate Director - Development and Growth <sup>3</sup></b>		
- Salary, Fees & Allowances	58,604	-
- Pension Contributions	8,029	-
	<b>66,633</b>	-
<b>Corporate Director - Development and Growth</b>		
- Salary, Fees & Allowances	72,835	127,357
- Pension Contributions	9,978	17,448
	<b>82,813</b>	<b>144,805</b>
<b>Programme Director - Midland Engine <sup>4</sup></b>		
- Salary, Fees & Allowances	110,357	16,051
- Pension Contributions	15,119	2,043
	<b>125,476</b>	<b>18,094</b>
<b>Strategic Director of Finance and Section 151 Officer</b>		
- Salary, Fees & Allowances	98,702	100,676
- Pension Contributions	13,522	13,793
	<b>112,224</b>	<b>114,469</b>
<b>Strategic Director of Development (and Deputy Chief Executive) <sup>5</sup></b>		
- Salary, Fees & Allowances	44,047	6,402
- Pension Contributions	-	-
	<b>44,047</b>	<b>6,402</b>
<b>Director for Legal and Monitoring Officer <sup>6</sup></b>		
- Salary, Fees & Allowances	98,545	100,676
- Pension Contributions	13,501	13,793
	<b>112,046</b>	<b>114,469</b>
<b>Director of Public Health <sup>7</sup></b>		
- Salary, Fees & Allowances	102,440	104,489
- Pension Contributions	14,731	15,026
	<b>117,171</b>	<b>119,515</b>

1. Post holder retired 31.10.19. Role replaced in structure by Corporate Director for People.

2. New post in structure with effect from 30.09.19

3. Post holder left 31.08.18

4. Fully funded post through Midlands Engine grant. Post holder left 20.05.19 Change to structure in 19/20 so new postholder no longer meets criteria of senior officer.

5. Strategic Director of Development new post in structure in 18/19.

Appointed 01.09.18 working part time. Post holder left 30.04.19

6. Post now reports to Chief Executive - 2018/19 restated to include this post

7. Post now reports to Chief Executive - 2018/19 restated to include this post

## Section 4 – Notes to the Financial Statements

A total of 187 employees (excluding senior employees) received remuneration of more than £0.050m, of which 68 are employed directly by schools. The figures do not include staff employed by academy schools as they are not Council employees:

Remuneration Banding	Number of Employees	
	Restated 2018/19	2019/20
£		
50,000 - 54,999	56	60
55,000 - 59,999	33	31
60,000 - 64,999	37	29
65,000 - 69,999	15	32
70,000 - 74,999	15	11
75,000 - 79,999	2	7
80,000 - 84,999	2	3
85,000 - 89,999	7	10
90,000 - 94,999	2	2
95,000 - 99,999	1	-
100,000 - 104,999	-	1
125,000 - 129,999	1	-
130,000 - 134,999	-	1
<b>TOTAL</b>	<b>171</b>	<b>187</b>
<b>GRAND TOTAL</b>	<b>171</b>	<b>187</b>

2018/19 is restated as two posts are now included within the senior employees note.

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	2018/19			2019/20		
	Up to £20,000	£20,001 to £40,000	£40,001 to £1,500,000	Up to £20,000	£20,001 to £40,000	£40,001 to £1,500,000
<b>Number of:</b>						
Compulsory redundancies	42	9	15	20	3	1
Other departures agreed	17	6	1	-	-	-
<b>TOTAL DEPARTURES</b>	<b>59</b>	<b>15</b>	<b>16</b>	<b>20</b>	<b>3</b>	<b>1</b>
Total Cost	£413,255	£470,041	£1,010,786	£140,642	£104,943	£83,542

#### 4.7.5 External Audit Costs

The Council has incurred the following costs for the audit of the Statement of Accounts, certification of grant claims and returns (which relate to prior year claims) and other services provided by the external auditors:

	Restated 2018/19 £m	2019/20 £m
Statutory audit	0.221	0.225
Certification of other grant claims and returns	0.008	0.005
Fees payable in respect of other services provided by the external auditors during the year	0.010	0.010
<b>TOTAL</b>	<b>0.239</b>	<b>0.240</b>

The table includes the statutory audit fees paid to the appointed auditors Grant Thornton, for the audit of the 2018/19 & 2019/20 Statement of Accounts.

2018/19 is restated as further variation fees were paid in respect of the 2018/19 audit.

#### 4.7.6 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by DSG provided by the Department for Education. This is a ring fenced grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2020. 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 2019/20 are as follows:

Notes	Central Expenditure £m	ISB £m	Total £m
A Final DSG for 2019/20 before Academy recoupment			<b>275.375</b>
B Academy figure recouped for 2019/20			<b>165.586</b>
C Total DSG after Academy recoupment for 2019/20			<b>109.789</b>
D Plus: Brought forward from 2018/19			<b>6.469</b>
E Carry forward to 2020/21 agreed in advance			<b>5.257</b>
F Agreed initial budgeted distribution in 2019/20	34.387	76.369	<b>110.756</b>
G In year Adjustments	0.245		<b>0.245</b>
H Final Distribution for 2019/20	34.632	76.369	<b>111.001</b>
I Less Actual central expenditure	33.942		
J Less ISB deployed to schools		75.072	
K Plus Local Authority contribution 2019/20	-	-	-
<b>L CARRY FORWARD TO 2020/21 AGREED IN ADVANCE</b>	<b>0.690</b>	<b>1.297</b>	<b>7.244</b>

Notes to DSG:

- A Figure as announced by the Department for Education (DfE) in March 2020.
- B Figure recouped from the Council in 2019/20 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recoupment for 2019/20.

## Section 4 – Notes to the Financial Statements

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- D Figure brought forward from 2018/19 as agreed with the DfE.
- E The amount which the Council planned after consultation with the schools forum to carry forward to 2020/21, rather than distribute in 2019/20.
- 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 2019/20.
- 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 2019/20 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2020/21. The total figure is the carry forward to 2020/21 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

The final DSG for 2019 to 2020 before the academy recoupment figure includes a provision for the early years block. This figure is derived from the 2018 to 2019 data. The final allocation for the 2019 to 2020 early years block will be made in June 2020 using the January 2020 census figures and any adjustments to be treated as an 'in year adjustment' for 2020 to 2021.

### 4.7.7 Related Parties

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

#### **Central Government**

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the CIES note 4.3.5. Capital grants and Revenue grants received in advance as at 31 March 2020 are shown in note 4.4.12.

#### **Councillors/Officers**

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2019/20 is shown in the Councillors' allowances note 4.7.3.

During 2019/20 payments, receipts and balances outstanding for works and services to other organisations (the majority being transactions with the Council's subsidiaries) in which Councillors or relevant officers had an interest were as follows:

## Section 4 – Notes to the Financial Statements

	2018/19 £m	2019/20 £m
Payments	102.603	125.872
Receivables	(37.554)	(40.755)
Debtors	19.241	12.477
Creditors	(5.878)	(2.090)

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

### Other Public Bodies

The Council has pooled budget arrangements with Integrated Community Equipment and Loan Services (ICELS), Better Care Fund, and the Adult's and Children's Safeguarding Board. There were no significant transactions with ICELS and Adult Safeguarding Partnership Board in 2019/20. Transactions for the Better Care Fund are detailed in note 4.7.8.

The Council paid £0.077m in 2019/20 (£0.075m 2018/19) 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.

	2018/19		2019/20	
	Payments	Receipts	Payments	Receipts
	£m	£m	£m	£m
Enviroenergy Ltd	0.825	(6.100)	0.931	(7.317)
Futures Advice, Skills and Employment Ltd	1.504	(1.039)	2.063	(0.192)
Inspired Spaces	10.063	-	8.357	-
Nottingham City Homes (NCH) Ltd	64.978	(13.569)	69.621	(14.662)
Nottingham City Transport	6.709	(1.666)	10.233	(0.670)
Nottingham Revenues & Benefits Ltd	-	(5.997)	0.065	(5.688)
Robin Hood Energy Ltd	17.020	(4.441)	21.930	(6.032)
Thomas Bow Ltd	-	-	2.467	(0.006)
Other Related Parties	3.431	(4.726)	2.582	(8.068)

	2018/19		2019/20	
	Debtors	Creditors	Debtors	Creditors
	£m	£m	£m	£m
Enviroenergy Ltd	15.839	(0.159)	14.176	(0.108)
Futures Advice, Skills and Employment Ltd	-	(0.565)	0.120	(0.449)
Nottingham City Homes (NCH) Ltd	32.293	(10.356)	31.080	(5.247)
Nottingham City Transport	0.078	(0.075)	0.078	(0.272)
Nottingham Revenues and Benefits Ltd	1.114	(2.000)	1.108	(2.008)
Robin Hood Energy Ltd	26.686	(2.050)	37.229	(0.720)
Thomas Bow Ltd	-	-	0.002	(0.419)
Other Related Parties	4.097	(0.335)	5.035	(0.441)

## Section 4 – Notes to the Financial Statements

### 4.7.8 Pooled Budgets

The Better Care Fund (BCF) is a local single pooled budget. The BCF is a partnership scheme under Section 75 of the National Health Service Act 2006 which allows budgets to be pooled between NHS organisations and local authorities. This is a partnership of equal control between the Council and NHS Nottingham City Clinical Commissioning Group (CCG). The Council is acting as 'host' in relation to the Partnership Agreement to manage the delegated functions and pooled budgets, however both partners remain equally responsible and accountable for those functions being carried out in a suitable manner. Overall strategic oversight responsibility sits with the Nottingham City Health and Wellbeing Board. However, a Commissioning Sub-Committee has been formally established to take strategic funding decisions relevant to the pooled budgets, which has equal voting rights between the two partners. Performance in relation to the BCF indicators is also monitored by the Greater Nottingham CCG's Quality and Performance Committee and updates from the Nottingham City Health and Wellbeing Board are routinely presented to the CCG's Governing Body.

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

	2019/20 £m
<b><u>Funding</u></b>	
NHS Nottingham City Clinical Commissioning Group	(23.462)
Nottingham City Council (Capital)	(2.440)
Nottingham City Council (Improved Better Care Fund)	(14.565)
<b>Total Funding</b>	<b>(40.467)</b>
<b><u>Expenditure</u></b>	
Access & Navigation	1.921
Integrated Care	15.467
Facilitating Discharge	2.393
Primary Care	2.422
Assistive Technology	0.467
Carers	0.714
Capital Grants	2.440
Programme Costs	0.025
Co-ordinated Care	13.271
Independence Pathway	1.270
Housing Health - Housing Related Schemes	0.077
<b>Total Expenditure</b>	<b>40.467</b>
<b>BALANCE OF POOLED FUND</b>	<b>-</b>

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

The Council introduced the workplace parking levy on 1 April 2012 charged under section 178-190 of the Transport Act 2000 (the Act). As per section 180 and 181 of the Act, all monies which are raised by the levy are to be re-invested in the City Councils Transport Plan. The figures for the year ending 31 March 2020 are as follows:

	2018/19 £m	2019/20 £m
Income	(10.114)	(10.271)
Expenditure	0.577	0.235
<b>NET INCOME</b>	<b>(9.537)</b>	<b>(10.036)</b>

#### 4.7.10 Leases

##### Council as Lessee

##### Finance Leases

The assets acquired under finance leases are carried as PPE in the Balance Sheet within the classification of Other Land and Buildings. The net amount at 31 March 2020 was £43.809m (31 March 2019: £22.758m).

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 2019 £m	31 March 2020 £m
Finance lease liabilities*:		
current	0.001	0.002
non-current	2.200	2.199
Finance costs payable in future years	12.175	11.935
<b>MINIMUM LEASE PAYMENTS</b>	<b>14.376</b>	<b>14.136</b>

\* Net present value of minimum lease payments

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

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

## Section 4 – Notes to the Financial Statements

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£m	£m	£m	£m
Not later than one year	0.236	0.236	0.001	0.002
Between one and five years	0.945	0.944	0.007	0.008
Later than five years	13.195	12.956	2.193	2.191
<b>TOTAL</b>	<b>14.376</b>	<b>14.136</b>	<b>2.201</b>	<b>2.201</b>

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

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

### Operating Leases

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

	31 March 2019	31 March 2020
	£m	£m
Not later than one year	0.715	0.703
Between one and five years	2.490	2.732
Later than five years	8.140	9.274
<b>TOTAL</b>	<b>11.345</b>	<b>12.709</b>

The expenditure charged to the CIES during 2019/20 in relation to these leases was £0.891m (£0.912m in 2018/19).



**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 2019 £m	31 March 2020 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	50.314	46.118
Anticipated residual value of property	16.145	17.622
<b>GROSS INVESTMENT IN THE LEASE</b>	<b>67.481</b>	<b>64.762</b>

\* Net present value of minimum lease payments

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

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m
Not later than one year	0.116	0.101	0.113	0.098
Between one and five years	0.465	0.403	0.453	0.391
Later than five years	66.900	64.258	64.803	62.424
<b>TOTAL</b>	<b>67.481</b>	<b>64.762</b>	<b>65.369</b>	<b>62.913</b>

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

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

**Operating Leases**

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

## Section 4 – Notes to the Financial Statements

- 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:

	Restated	
	31 March 2019 £m	31 March 2020 £m
Not later than one year	16.554	19.642
Between one and five years	59.893	69.166
Later than five years	232.410	210.449
<b>TOTAL</b>	<b>308.857</b>	<b>299.257</b>

### Contingent Rents

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

- The level of sales achieved by the tenant.
- Rate of inflation.
- Usage.

For operating leases where the Council is lessor there were contingent rents receivable by the Authority in 2019/20 of £0.000m (2018/19 £0.240m). There were no contingent rents for any of the other types of lease arrangement.

### 4.7.11 Capital Expenditure and Capital Financing

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

	2018/19	2019/20
	£m	£m
Planning and Housing	44.613	45.772
Jobs, Growth and Transport	18.748	27.663
Strategic Regeneration	63.531	67.235
Other	21.104	31.071
<b>CAPITAL EXPENDITURE</b>	<b>147.996</b>	<b>171.741</b>

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

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

- Certain items of revenue expenditure which can be treated as capital under statute under the funding basis.
- Items of capital expenditure which are financed by a charge to revenue.

## Section 4 – Notes to the Financial Statements

- Capital grants which are used to finance capital expenditure rather than being credited to revenue.
- Making a revenue provision for repayment of borrowing (replacing depreciation) based on a calculation of the net capital financing requirement.

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

	2018/19 £m	2019/20 £m
<b>Capital Investment on IFRS Basis</b>		
Property, Plant and Equipment	84.274	141.889
Investment Properties	55.170	0.455
Intangible Assets	0.240	(0.017)
Long Term Debtors	3.745	19.564
Long Term Investments	-	6.671
<b>Total Additions to Assets on IFRS Basis</b>	<b>143.429</b>	<b>168.562</b>
Revenue Expenditure Funded from Capital under Statute	4.567	3.179
<b>Total Expenditure to be Financed from Capital Sources</b>	<b>147.996</b>	<b>171.741</b>
<b>Financing</b>		
Capital receipts	(23.376)	(15.874)
Government grants and other contributions	(31.307)	(69.546)
Sums set aside from revenue	(26.800)	(26.369)
<b>UNDERLYING BORROWING REQUIREMENT IN YEAR</b>	<b>66.513</b>	<b>59.952</b>

### 4.7.12 Capital Financing Requirement (CFR)

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

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

	2018/19 £m	2019/20 £m
<b>Opening Capital Financing Requirement</b>	<b>1,369.830</b>	<b>1,376.042</b>
Increase in underlying need to borrow:		
Unsupported by government financial assistance	66.513	59.952
Statutory Minimum Revenue Provision	(28.392)	(28.589)
Voluntary Revenue Provision	(7.851)	(1.505)
Voluntarily Set Aside Capital Receipts	(13.672)	(16.720)
PFI Liability Discharged	(7.017)	(9.640)
Other Items	(3.369)	2.435
<b>CLOSING CAPITAL FINANCING REQUIREMENT</b>	<b>1,376.042</b>	<b>1,381.975</b>

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### 4.7.13 Private Finance Initiatives and Similar Contracts

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

#### **NET**

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

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

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

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

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

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

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

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

The contract expiry and the asset treatment are as follows:

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

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

#### **Street Lighting Contract**

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

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

**Future Contractual Payments**

The next table shows the Council's future contractual payments. The future Service Charge payments are estimated using the Service Charge payments incurred during 2019/20, which are then inflated using the inflation rate implicit with each PFI arrangement:

	2020/21	2021/22 - 2024/25	2025/26 - 2029/30	2030/31 - 2034/35	2035/36 - 2039/40	Total
	£m	£m	£m	£m	£m	£m
<b>NET</b>						
Repayment of Liability	6.115	30.833	30.620	29.286	-	<b>96.854</b>
Interest Charges	11.691	37.781	27.144	5.887	-	<b>82.503</b>
Service Charges	20.978	89.288	124.756	111.509	-	<b>346.531</b>
<b>NET Unitary Charge</b>	<b>38.784</b>	<b>157.902</b>	<b>182.520</b>	<b>146.682</b>	<b>-</b>	<b>525.888</b>
<b>BSF</b>						
Repayment of Liability	1.706	8.109	13.469	16.605	4.632	<b>44.521</b>
Interest Charges	3.368	11.961	10.795	4.755	0.588	<b>31.467</b>
Service Charges	3.425	14.579	20.371	21.287	6.575	<b>66.237</b>
<b>BSF Unitary Charge</b>	<b>8.499</b>	<b>34.649</b>	<b>44.635</b>	<b>42.647</b>	<b>11.795</b>	<b>142.225</b>
<b>LIFT</b>						
Repayment of Liability	0.520	2.394	3.577	4.210	1.343	<b>12.044</b>
Interest Charges	1.022	3.646	3.388	1.765	0.187	<b>10.008</b>
Service Charges	1.198	5.099	7.125	6.564	1.532	<b>21.518</b>
<b>LIFT Unitary Charge</b>	<b>2.740</b>	<b>11.139</b>	<b>14.090</b>	<b>12.539</b>	<b>3.062</b>	<b>43.570</b>
<b>Street Lighting</b>						
Repayment of Liability	1.254	6.581	13.127	12.752	2.045	<b>35.759</b>
Interest Charges	3.762	13.475	11.741	5.371	0.055	<b>34.404</b>
Service Charges	2.153	8.894	12.049	22.989	2.594	<b>48.679</b>
<b>Street Lighting Unitary Charge</b>	<b>7.169</b>	<b>28.950</b>	<b>36.917</b>	<b>41.112</b>	<b>4.694</b>	<b>118.842</b>
<b>TOTAL CHARGES</b>	<b>57.192</b>	<b>232.640</b>	<b>278.162</b>	<b>242.980</b>	<b>19.551</b>	<b>830.525</b>

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

**Liabilities resulting from PFI arrangements**

The following table shows the value of liabilities resulting from PFI arrangements and the in year movements.

	2018/19		2019/20			
	Total £m	BSF £m	NET £m	LIFT £m	Street Lighting £m	Total £m
<b>Opening balance at 1 April</b>	<b>205.841</b>	45.955	103.452	12.529	36.888	<b>198.824</b>
Repayment of Liability	<b>(7.017)</b>	(1.433)	(6.598)	(0.484)	(1.128)	<b>(9.643)</b>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>198.824</b>	<b>44.522</b>	<b>96.854</b>	<b>12.045</b>	<b>35.760</b>	<b>189.181</b>

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### 4.7.14 Trust Funds

The Council acts as sole trustee for a number of trust funds. The funds do not represent assets of the Council and, therefore, have not been included in the Council's single entity accounts. However, as the Council acts as sole trustee for the Bridge Estate Trust their accounts are consolidated into the Council's group accounts (section 6). The Bridge Estate Trust holds net assets of £29.515m (£29.085m at 31 March 2019) with a turnover of £2.391m (£2.260m 2018/19), primarily from the rental of investment properties. The Trust was established for the repair and maintenance of Trent Bridge and the construction of new bridges over the River Trent.

The Council is also sole trustee for a number of other Trusts whose net assets total £1.211m (£1.216m as at 31 March 2019) with a turnover of £0.411m (£0.407m 2018/19). These Trusts are not consolidated into the Council's group accounts on the basis of materiality. They include:

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

### 4.7.15 Contingent Liabilities

At 31 March 2020, the Council has the following contingent liability that could exceed a materiality level of £5m:

#### Insurance Claims

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

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

### 4.7.16 Nature and Extent of Risks arising from Financial Instruments

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet commitments to make payments.

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

### Overall Procedures for Managing Risk

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

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

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

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

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

### COVID 19

There will be numerous issues that will impact on local authorities as a result of the COVID-19 pandemic. Local authorities began to see the most substantial impacts of COVID-19 in March 2020 and therefore before the end of the reporting period. The paragraphs below will cover how risks to financial instruments are managed and how the effects of COVID-19 have been considered. As at 31 March 2020 these were particularly relevant to the council's exposure to credit risk and liquidity risk.

### Credit Risk

Credit risk arises from the Council's financial investments with banks and other financial institutions, as well as credit exposures to non-financial investments such as loans to third party organisations and credit exposures to the Council's customers. The credit risk exposure on financial investments is minimised through the principles set out in the Annual Investment Strategy. These state that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long term credit rating,

## Section 4 – Notes to the Financial Statements

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the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council takes other factors into account including credit default swap and equity prices when selecting commercial entities for investment.

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

The adopted credit criteria in respect of financial assets held by the Council in 2019/20 are:

- Minimum credit ratings – a minimum long-term credit rating of A- (or equivalent) except for UK local authorities.
- Individual cash limits on unsecured investments – a limit of £10m per eligible counterparty except the UK Central Government.
- Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds Bank), individual limits will also apply to the group as a whole.
- Country limits – other than UK institutions, a total investment limit for all counterparties in a particular country. No more than £20m will be placed with any one country.
- Money Market Funds – individual cash limit of £10m with any one fund and an overall limit of £75m for all Money Market Funds.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £129.189m at 31 March 2020 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, and the balance held was increased for liquidity reasons due to COVID 19, but as at 31 March 2020 the council's investments are deposited with either other local authorities or in highly liquid deposit accounts or money market funds so as the COVID-19 economic uncertainty on banks and other financial institutions develop the council's deposits with exposure to increased credit risk exposure can be recalled to reduce the likelihood of investment losses to crystallise. Deposits with other local authorities are judged to remain as low risk due to the legal framework around local authorities.

### **Credit Risk Exposure**

The following table summarises the value of the Council's financial investment portfolio and the exposure to non-financial investments and debtors at 31 March 2020. This confirms that all financial investments were made in line with the approved credit rating criteria:



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Credit Rating	Credit Rating	Gross Carrying Amount £m
12-month expected credit losses	AAA	74.000
	AA	-
	A	20.000
	BBB	-
	Unrated local authorities	35.000
	Unrated loans to 3rd parties	56.260
Significant increase in credit risk since initial recognition	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	35.224
Credit impaired	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	-
Simplified approach*	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated other	169.483

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

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

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

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

The credit risk and impairment review on debtors and loans to 3rd parties have been assessed at 31 March 2020 with estimations of the COVID-19 impact on the entities ability to make repayments when they become due. This where relevant include loan agreements and any security in place, the latest financial information available and a judgement as to the likely effect on the sector in which it operates.

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### **Amounts Arising from Expected Credit Losses**

From the above credit risk exposures the expected loss allowance as at 1 April 2019 was £10.808m and at 31 March 2020 the Council has £17.580m on loans to third parties using the Lifetime Expected Credit Loss assessment. Assessments on other debtors using the simplified Lifetime Expected Credit Loss method shows an increase of £3.473m to £15.875m at 31 March 2020.

### **Collateral**

The Council initiates a legal charge on property or company assets, for instance, as part of a loan agreement. The total collateral at 31 March 2020 was £44.802m.

### **Liquidity Risk**

The Council has ready access to borrowings from the Money Markets and other local authorities to cover day to day cash flow need. Whilst PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Although COVID-19 poses significant budget challenges the Council anticipates being able to raise finance to meet its commitments under financial instruments.

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

The Council's deposits with financial institutions such as banks, money market funds and deposits with other local authorities total £129.000m at 31 March 2020. All none local authority balances are held with maturity dates of less than 12 months. There is £10m deposited with a local authority which has a maturity date of over 12 months.

As a response to COVID-19 the level of highly liquid investments was increased with £74.000m in same day access money market funds as part of the Council's liquidity risk mitigation. These funds are highly diversified and highly liquid with credit ratings equivalent to AAAM so were judged to have minimal credit risk.

### **Refinancing and Maturity Risk**

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

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

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

The maturity analysis of the principal element of financial liabilities at 31 March 2020 is:

## Section 4 – Notes to the Financial Statements

	31 March 2019 £m	31 March 2020 £m
Less than 1 year	76.451	149.895
1 to 2 years	26.224	25.892
2 to 5 years	73.301	83.890
5 to 10 years	128.242	144.637
10 – 25 years	130.350	90.522
25 – 40 years	169.672	250.672
40 – 70 years	349.000	329.000
<b>TOTAL</b>	<b>953.240</b>	<b>1,074.508</b>

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

The loans due within 1 year as at 31 March 2020 were temporarily increased to secure short term liquidity until post COVID-19 cash flow requirements could be more accurately forecast.

### Interest Rate Risk

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

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

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

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

The 2019/20 strategy allowed for a maximum exposure to variable interest rates of £300m.

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

## Section 4 – Notes to the Financial Statements

	31 March 2020 £m
Increase in interest payable on variable rate borrowings	1.327
Increase in interest receivable on variable rate investments	(0.940)
Impact on Surplus or Deficit on the Provision of Services	0.387
Share of overall impact debited to the HRA	0.021
<b>IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>0.408</b>

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

### Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £19.529m in a number of joint ventures and in local industry, as at 31 March 2020. These holdings are generally illiquid and are shown in the balance sheet at cost less impairment. The main equity holdings are in Nottingham City Transport Ltd, Robin Hood Energy Ltd, Blueprint (General Partner) Ltd and Thomas Bow Ltd which are all shown at cost less impairment within the Council's group accounts. The Council is exposed to losses arising from movements in the value of these holdings. As the holdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The value of shares held in Robin Hood Energy Ltd was impaired by £7.500m to nil in 2018/19.

## 4.8 Accounting Standards issued but not adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2019/20 Code.

The following amendments to IFRS Standards are not implemented in the 2019/20 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. The amendments clarify that an organisation applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. These changes are not anticipated to have a material impact on the financial statements of the Council.
- Annual Improvements to IFRS Standards 2015-2017 Cycle introduces four changes.
  - IFRS 3 Business Combinations - An organisation should remeasure its previously held interest in a joint operation when it obtains control of it.
  - IFRS 11 Joint Arrangements – An organisation should not remeasure its previously held interest in a joint operation when it obtains joint control of it.
  - IAS 12 Income Taxes – An organisation should account for all income tax consequences of dividend payments in the same way.

- IAS 23 Borrowing Costs – An organisation should treat as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above changes are not applicable to the Council.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. Amendments on the treatment of curtailment or settlements for defined pension obligation schemes. The effect of these amendments will depend on future actuarial assessments so it is not possible to determine if there will be a material impact on the Council's accounts.
- Amendments to References to the Conceptual Framework in IFRS Standards. The International Accounting Standards Board (IASB) decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing 'Amendments to References to the Conceptual Framework in IFRS Standards'. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. This is not applicable to the Council.
- Amendment to line item specifications for the net assets statement as detailed in Section 6.5, paragraph 6.5.3.6 b of the 2020/21 CIPFA Code. This is in relation to Pension Funds and is therefore not applicable to the Council.

In addition, the 2021/22 Code is adopting IFRS 16 Leases, which will apply from 1 April 2021. This was originally to be introduced in 2020/21 but has been deferred by CIPFA in line with the government's Financial Reporting Advisory Board's proposals for central government departments.

This will be a substantial change in accounting policy affecting the treatment of leases. In summary the current distinction between operating and finance leases will no longer apply for lessees; all assets used under leases will be recognised on the Balance Sheet under a new category of "Right of Use Assets", together with a related lease liability, with certain limited exceptions. CIPFA is proposing for this change in accounting policy to be applied retrospectively but without restating prior years, achieved by adjusting carrying values at 1 April 2021 via an opening adjustment to reserves. As such, the balance sheet values at 31 March 2020 will be unaffected. It is not yet possible to determine the adjustments that will apply at 1 April 2021 as this will be based on the leases in place at that date.

### 4.9 Critical Judgements in applying Accounting Policies

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

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

The critical judgements made in the Statement of Accounts are:

- There are two types of schools in Nottingham. The Council recognises schools in line with the provisions of the Code and consequently, schools are recognised on the balance sheet only if the future economic benefits or service

## Section 4 – Notes to the Financial Statements

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
LEA Maintained	On
Academy	Off

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

### 4.10 Assumptions about the Future and other Major Sources of Estimation

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

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

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results of the Actuary report at the last accounting date and therefore is already included in the starting position for the 2019/20 Actuary report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities. See note 7.2.1 for further details.

There was a triennial valuation of the fund by the scheme actuary in March 2019. The purpose of this was to set the level of employer contributions

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necessary for the next three years (1 April 2020 to 31 March 2023) to make good any fund deficit over the remaining working life of the employees..

- The Council's internal valuers within Strategic Assets and Property Management section issued a valuation report and certificate for valuations at 31 March 2020 in respect of Investment Properties, PPE operational valuations, PPE surplus valuations and Assets Held for Sale. At the time of publication of the report the valuers were unable to fully estimate the level of change expected in the next financial year.

The ongoing effects relating to preventing the spread of COVID-19 and the fallout resulting there from are continually changing from week to week and there are too many factors to be able to confidently give an estimation of the expected changes.

It is likely that effects will be felt across all markets, with some potentially harder hit than others but the valuers would reiterate that it would not be prudent at this time to comment further.

- The 2019/20 accounts include expenditure of £122.4m committed and paid via the Councils Liquid Logic/ContrOCC care management and contracting systems. This includes creditor accruals totalling £1.7m in respect of payments made in subsequent years relating to 2019/20.

The year-end care accrual for 2019/20 has been calculated as part of an exercise completed in May 2023 to restate prior years creditor accruals for 2019/20, 2020/21 and 2021/22. The exercise completed has been based on a review of all payments made via ContrOCC from April 2018 to April 2023 to identify the date to which payments relate and then recalculate the accruals due at the end of each financial year based on subsequent payments made.

This has been done to address historic issues in estimating actual payments outstanding against care commitments and work is now planned as part of the Finance Improvement Programme to address this during 2023/24.

However, in line with Cabinet Office Guidance on responsible contracting behaviour during Covid-19 issued in May 2020, the Council made a number of "off system" payments to care providers in the first six months of 2020/21. These payments were part of a short term policy intended to support provider cashflow and ensure sustainability of the care market. Payments were calculated based upon average totals paid to each provider over preceding periods and were made directly from the Fusion Ledger with no requirement for subsequent detailed reconciliation. As payments were not made via ContrOCC there is no detailed breakdown of the payments by client, by period. This means that it is not possible to quantify the period to which the payments relate and any proportion of the average used that would relate to prior years.

This will mean that the 2019/20 accruals may be understated by any payments in respect of previous years built into the calculation of monthly average payments made but with no detailed reconciliation to ContrOCC commitments it is not possible to quantify this.

Off system payments totalled £13.0m in 2020/21 and related primarily to home care and supported living. The care payments made via ContrOCC during 2020/21 relating to prior years is £1.7m compared to an average of £4.1m in the years 2018/19 to 2022/23

### 4.11 Events after the Reporting Date

The Corporate Director for Finance and Resources authorised the Statement of Accounts on 08 November 2023. Events taking place after this date are not reflected in the financial statements or notes.

Adjusting Post Balance Sheet Events:

For any material events after the balance sheet date of 31 March 2020 that provide additional evidence of conditions existing at the balance sheet date, the figures in the financial statements and notes have been adjusted to reflect the impact of this information.

Non-adjusting Post Balance Sheet Events:

The financial statements and notes have not been adjusted for the following events that took place after 31 March 2020, as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- A Report in the Public Interest into the Council's governance of Robin Hood Energy Ltd (RHE) was published on 11 August 2020 by the Council's external auditor Grant Thornton.

RHE is the wholly owned not-for-profit company set up by the Council to tackle fuel poverty in the city.

The Council has fully accepted the findings of the report and will implement all the recommendations made.

The report makes a number of recommendations to review our current practice of company governance which we are fully committed to carrying out. Some of the recommendations have already started to be put into place while a review of future options for RHE will be completed shortly.

Estimations of any financial effect of the recommendations in the report cannot yet be made.

A copy of the Report in the Public Interest can be read here along with additional background information:

[Agenda for City Council \(Extraordinary\) on Thursday, 27th August, 2020, 2.00 pm - Nottingham City Council](#)

[Microsoft Word - RHE final draft 050820 \(nottinghamcity.gov.uk\)](#)

As a result of the strategic review of RHE, the decision was made to sell the customer base of the company to Centrica in September 2020. There is an agreed timetable to complete the sale process which is estimated to take approximately 3 months.

The sale price is dependent on customers successfully migrating to Centrica over this time period, during which time the company continues to service its suppliers, meet its financial obligations and provide 112,000 domestic and 2,600 business customers with heat and electricity supplies in line with contractual requirements.

The Public Interest Report identified £59.6m of financial liabilities for the Council. It is important to note that 'financial liabilities' do not equate to overall loss to the Council and that the final cost to the Council will only be known once the sale process is fully completed. It should be noted that the £59.6m includes



## Section 4 – Notes to the Financial Statements

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Parent Company Guarantees (PGCs) which are an insurance provision which has not arisen and will be unwound as part of the customer migration to Centrica. Also included in the figure are prepayments made by the Council, for which energy supplies to provide heat, light and power to its offices and buildings has already been received.

- The Council's internal valuers within Strategic Assets and Property Management section issued a valuation report and certificate for valuations at 31 March 2020 in respect of Investment Properties, PPE operational valuations, PPE surplus valuations and Assets Held for Sale. It is confirmed that there is confidence that value of the assets reported in the certificate are materially correct as at the valuation date, but it is also acknowledged that there is significant movement in the macroeconomic and political landscapes to reasonably assume, and therefore warn that, the carrying amounts of assets and liabilities may shift significantly in the next financial year.

This is however felt to be a non-adjusting event, as the time period between the COVID-19 related lockdown being enforced in the UK, and the valuation date is so short as for its effects to not be measurable.

The valuers are not aware of any comparable evidence being made available after the reporting period that would have an impact on the assets at their valuation date.

- The Council approved its 2020/21 budget in March 2020, prior to the start of the COVID-19 pandemic. The Council, prior COVID-19, was operating in a very challenging financial environment and the 2020/21 budget included savings of £15.623m. The COVID-19 pandemic has since added to this financial pressure and it is expected that the Government funding will not be sufficient to cover the increased costs and lost income. Assessing the financial impact of the pandemic and the impact on the 2020/21 budget is now a key priority for the organisation.

Whilst a number of measures have recently been implemented to reduce in-year spending, including pausing and reviewing all current recruitment activity so that only the most business critical roles are recruited to, the scale of the savings required means that proposals to further reduce our operating costs will be required; this is likely to mean reductions in our workforce.

The Council is currently using a voluntary redundancy (VR) approach, which was approved on Friday 19 June by ACOS, our Appointments and Conditions of Service committee. The scheme opened to employees on 29<sup>th</sup> June, the amount of savings that will be achieved through the scheme are not yet known.

- On 15th December 2021, the Corporate Director of Finance and Resources (the Section 151 Officer) issued a report under section 114 of the Local Government Finance Act 1988 to all Councillors of the Council. This report detailed acts of unlawfulness regarding the treatment of the annual management fee rebate from Nottingham City Homes (NCH) since 2014/15. The unlawful position appeared to be the result of a systematic and planned approach between the Council and its wholly owned subsidiary company, NCH, whereby the Council received an annual 'management fee rebate' from NCH in breach of its Articles of Association which the Council subsequently treated unlawfully as General Fund income breaching the HRA ringfence.

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As a result, the Council commissioned a report from CIPFA which confirmed that funds from the Housing Revenue Accounts had been incorrectly used by the Council for other council services since 2014/15. Following receipt of the CIPFA report, the Council wrote to the Department for Levelling Up, Housing and Communities in June 2022 to formally request a Ministerial Direction under item 9 (Credit Direction) Schedule 4, Part 1 of Local Government & Housing Act 1989, to enable the General Fund to transfer to the HRA the monies identified in the CIPFA review as being attributable to it. That letter identified that further work was required on a further provisional sum of £17m. That work was completed during 2022-23 and in November 2022 a formal written request was made to the council's subsidiary company, Nottingham City Homes, to repay £17.27m with the debt to be formally raised in the 2022-23 accounts.

Links to the section 114 notice and the CIPFA review can be found below.

[Agenda for City Council \(Extraordinary\) on Tuesday, 4th January, 2022, 5.00 pm - Nottingham City Council](#)

Full details of all other amounts, including further amounts needing adjusted between the General Fund and the Housing Revenue Account are included in the Prior Period Adjustment note.

### 4.12 Prior Period Adjustments

#### Housing Revenue Account (HRA)

The Council has made a material adjustment to restate figures previously reported in 2018/19. The adjustment is explained below. The impact on the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Housing Revenue Account, Statement in Movement in Housing Revenue Account and Note 4.4.10 (Usable Reserves), are outlined in the tables that follow the detailed explanations.

On 15th December 2021, the Corporate Director of Finance and Resources (the Section 151 Officer) issued a report under section 114 of the Local Government Finance Act 1988 to all Councillors of the Council. This report detailed acts of unlawfulness regarding the treatment of the annual management fee rebate from Nottingham City Homes (NCH) since 2014/15. The unlawful position appeared to be the result of a systematic and planned approach between the Council and its wholly owned subsidiary company, NCH, whereby the Council received an annual 'management fee rebate' from NCH in breach of its Articles of Association which the Council subsequently treated unlawfully as General Fund income breaching the HRA ringfence.

As a result, the Council commissioned a report from CIPFA which confirmed that funds from the Housing Revenue Account had been incorrectly used by the Council for other council services since 2014/15. Following receipt of the CIPFA report, the Council wrote to the Department for Levelling Up, Housing and Communities in June 2022 to formally request a Ministerial Direction under item 9 (Credit Direction) Schedule 4, Part 1 of Local Government & Housing Act 1989, to enable the General Fund to transfer to the HRA the monies identified in the CIPFA review as being attributable to it. The amount requested under the direction was for £27.703m covering the period 2014/15 to 2020/21 and was made up of £24.270m in respect of transactions identified by

CIPFA and a further £3.433m to recognise the opportunity cost to the HRA of the sums not being available for its use.

The Minister for Local Government formally signed the Item 9 Credit determination on 3 August 2022. This formally requires the Council to carry to the HRA from its General Fund £27.703m as the repayment of sums debited from the HRA to meet ineligible costs in its General Fund during the period 1 April 2014 to 31 March 2021. The direction is formally the Item 9 Credit (Nottingham City Council) Direction 2022 and applies in relation to the financial year beginning on 1 April 2022.

Further work was subsequently undertaken by the Council which led to the identification of two staffing teams which were 100% charged to the HRA, when an estimated 55% of their time was on Housing General Fund work. Correcting the impact of this will form part of a planned section Item 9 Credit application which has yet to be made to Government. The total sum involved covering the period 1 April 2018 to 31 March 2022 is £4.4m and further £0.2m to recognise the opportunity cost to the HRA of the sums not be available for its use.

Consequently, the balance on the Housing Revenue Account at 31 March 2018 was understated by £13.682m, matched by an overstatement of Earmarked Reserves by the same amount. During 2018/19 a further £7.222m was included in the General Fund as income or incorrectly charged to the HRA as expenditure, resulting in the Housing Revenue Account being understated by £21.404m at 31 March 2019.

### **Value of Building Assets (Non-Current Assets)**

The Council has made a material adjustment to restate figures previously reported in 2018/19 related to the carrying value of building assets, as explained below. The core statements are affected, namely the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cash Flow, together with various notes to the financial statements that relate to non-current assets.

During the production and subsequent audit of the 2019/20 Statement of Accounts, it was discovered that the building areas previously used in the valuation of a number of assets could not be verified. As a result, revised valuations were provided using more up to date building areas where necessary. However, as the same areas had been used in the compilation of the 2018/19 revaluations, the carrying value of Property, Plant and Equipment on the balance sheet was found to be materially overstated by £20.284m as at 31 March 2019. In consequence, the balance sheet as at 31 March 2019 has been amended, together with the opening position as at 1 April 2018.

## Section 4 – Notes to the Financial Statements

### Effect on the Comprehensive Income and Expenditure Statement 2018/19

	As Previously Stated 2018/19 £m	Adjustments HRA £m	Non-Current Assets £m	Restated 2018/19 £m
<b>Gross Expenditure</b>				
Adult Care and Local Transport	219.206	-	(0.007)	219.199
Children and Young People	84.289	-	6.913	91.202
Communities	18.564	-	0.381	18.945
Energy, Environment and Democratic Services	47.000	-	(0.203)	46.797
Finance, Growth and the City Centre	40.542	-	0.006	40.548
Housing, Planning and Heritage	94.999	0.052	-	95.051
Leisure, Culture and IT	64.256	-	0.734	64.990
Corporate Items	206.628	-	0.003	206.631
Lines not impacted	161.931	-	-	161.931
<b>Gross Income</b>				
Adult Care and Local Transport	(96.384)	0.355	-	(96.029)
Communities	(7.013)	1.426	-	(5.587)
Housing, Planning and Heritage	(117.851)	(6.546)	-	(124.397)
Corporate Items	(208.713)	4.713	-	(204.000)
Lines not impacted	(285.551)	-	-	(285.551)
<b>Net Cost of Services</b>	<b>221.903</b>	<b>-</b>	<b>7.827</b>	<b>229.730</b>
Lines not impacted	(153.147)		-	(153.147)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>68.756</b>		<b>7.827</b>	<b>76.583</b>
Revaluation of PPE/Heritage assets	(102.903)		16.790	(86.113)
Lines not impacted	(85.683)		-	(85.683)
<b>Other Comprehensive Income and Expenditure</b>	<b>(188.586)</b>		<b>16.790</b>	<b>(171.796)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(119.830)</b>		<b>24.617</b>	<b>(95.213)</b>

Effect on the Movement in Reserves Statement 2018/19

	As Previously Stated 2018/19 £m	Adjustments HRA £m	Non-Current Assets £m	Restated 2018/19 £m
<b>Balance Brought Forward</b>				
<b>Usable Reserves</b>				
General Fund	5.465	-	-	5.465
Earmarked Reserves	154.584	(13.682)	-	140.902
Housing Revenue Account	4.402	13.682	-	18.084
Other Usable Reserves	70.115	-	-	70.115
<b>Total Usable Reserves Brought Forward</b>	<b>234.566</b>	<b>-</b>	<b>-</b>	<b>234.566</b>
<b>Unusable Reserves</b>	<b>691.976</b>	<b>-</b>	<b>4.333</b>	<b>696.309</b>
<b>Total Reserves Brought Forward</b>	<b>926.542</b>	<b>-</b>	<b>4.333</b>	<b>930.875</b>
<b>Comprehensive Income &amp; Expenditure</b>				
General Fund	(126.102)	(7.722)	(7.827)	(141.651)
Housing Revenue Account	57.346	7.722	-	65.068
<b>Total CIE - Usable Reserves</b>	<b>(68.756)</b>	<b>-</b>	<b>(7.827)</b>	<b>(76.583)</b>
<b>Unusable Reserves</b>	<b>188.586</b>	<b>-</b>	<b>(16.790)</b>	<b>171.796</b>
<b>Total CIE Impact</b>	<b>119.830</b>	<b>-</b>	<b>(24.617)</b>	<b>95.213</b>
<b>Funding Basis Adjustments</b>				
General Fund	114.861	-	7.827	122.688
Housing Revenue Account	(53.652)	-	-	(53.652)
Other Usable Reserves	0.487	-	-	0.487
<b>Total Usable Reserve Adjustments</b>	<b>61.696</b>	<b>-</b>	<b>7.827</b>	<b>69.523</b>
<b>Unusable Reserves</b>	<b>(61.696)</b>	<b>-</b>	<b>(7.827)</b>	<b>(69.523)</b>
<b>Reserves Movements</b>				
General Fund	13.770	7.722	-	21.492
Earmarked Reserves	(13.770)	(7.722)	-	(21.492)
<b>Total Reserves Movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balances Carried Forward</b>				
<b>Usable Reserves</b>				
General Fund	7.994	-	-	7.994
Earmarked Reserves	140.814	(21.404)	-	119.410
Housing Revenue Account	8.096	21.404	-	29.500
Other Usable Reserves	70.602	-	-	70.602
<b>Total Usable Reserve Balances Carried Forward</b>	<b>227.506</b>	<b>-</b>	<b>-</b>	<b>227.506</b>
<b>Unusable Reserves</b>	<b>818.866</b>	<b>-</b>	<b>(20.284)</b>	<b>798.582</b>
<b>Total Reserves Carried Forward</b>	<b>1,046.372</b>	<b>-</b>	<b>(20.284)</b>	<b>1,026.088</b>

## Section 4 – Notes to the Financial Statements

### Effect on Balance Sheet as at 1 April 2018

Notes	Original Opening Balance at 1 April 2018 £m	Adjustment 1 April 2018 Non-Current Assets £m	Restated Opening Balance at 1 April 2018 £m
4.4.1	Property, Plant & Equipment	2,496.157	2,500.490
	Lines not impacted	414.415	414.415
	<b>Total Long Term Assets</b>	<b>2,910.572</b>	<b>2,914.905</b>
	<b>Net Assets</b>	<b>926.542</b>	<b>930.875</b>
	Balanced by:		
4.4.10	Usable Reserves	234.566	234.566
4.4.11	Unusable Reserves	691.976	696.309
	<b>Total Reserves</b>	<b>926.542</b>	<b>930.875</b>

### Effect of Balance Sheet as at 31 March 2019

Notes	Original Opening Balance at 31 March 2019 £m	Adjustment Non-Current Assets £m	Restated Closing Balance at 31 March 2019 £m
4.4.1	Property, Plant & Equipment	2,558.079	2,537.795
	Lines not impacted	438.655	438.655
	<b>Total Long Term Assets</b>	<b>2,996.734</b>	<b>2,976.450</b>
	<b>Net Assets</b>	<b>1,046.372</b>	<b>1,026.088</b>
	Balanced by:		
4.4.10	Usable Reserves	227.506	227.506
4.4.11	Unusable Reserves	818.866	798.582
	<b>Total Reserves</b>	<b>1,046.372</b>	<b>1,026.088</b>

**Effect on the Cash Flow Statement 2018/19**

Notes	As Previously Stated 2018/19 £m	Adjustment Non-Current Assets £m	Restated 2018/19 £m
<b>Net Surplus (Deficit) on the Provision of Services</b>	<b>(68.756)</b>	<b>(7.827)</b>	<b>(76.583)</b>
4.6.1 Adjustments to net surplus or deficit on the provision of services for non-cash movements	189.012	7.827	196.839
4.6.2 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(57.091)	-	(57.091)
4.6.3 <b>Net Cash Flows from Operating Activities</b>	<b>63.165</b>	<b>-</b>	<b>63.165</b>
4.6.4 Investing activities			
Obtaining control of a subsidiary	-	-	-
Other investing activities	(126.163)	-	(126.163)
Financing activities	82.662	-	82.662
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>19.664</b>	<b>-</b>	<b>19.664</b>
Cash and cash equivalents at the beginning of the reporting period	26.163	-	26.163
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>45.827</b>	<b>-</b>	<b>45.827</b>

**Effect on the Housing Revenue Account & HRA Balance 2018/19**

	As Previously Stated 2018-19 £m	Adjustment HRA £m	Restated 2018-19 £m
<b>Income</b>			
Other Income	(107.640)	-	(107.640)
Contributions Towards Expenditure	(0.001)	(6.546)	(6.547)
<b>Total Income</b>	<b>(107.641)</b>	<b>(6.546)</b>	<b>(114.187)</b>
Expenditure & other Items	50.295	(1.176)	49.119
<b>SURPLUS/(DEFICIT) FOR THE YEAR ON HRA SERVICES</b>	<b>57.346</b>	<b>7.722</b>	<b>65.068</b>
Balance on HRA at the start of the Year	4.402	13.682	18.084
Adjustments between accounting basis and funding basis	(53.652)	-	(53.652)
<b>BALANCE ON THE HRA AT THE END OF THE YEAR</b>	<b>8.096</b>	<b>21.404</b>	<b>29.500</b>

**Effect on Earmarked Reserves Note**

	As Previously Stated 2018-19 £m	Adjustment HRA £m	Restated 2018-19 £m
<b>Balance Brought Forward</b>			
Contingency and Risk	20.523	(13.682)	6.841
Other Earmarked Reserves	134.061	-	134.061
<b>Total Balance Brought Forward</b>	<b>154.584</b>	<b>(13.682)</b>	<b>140.902</b>
<b>Net Movements in 2018-19</b>			
Contingency and Risk	8.957	(7.722)	1.235
Other Earmarked Reserves	(22.727)	-	(22.727)
<b>Total Net Movements</b>	<b>(13.770)</b>	<b>(7.722)</b>	<b>(21.492)</b>
<b>Balance Carried Forward</b>			
Contingency and Risk	29.480	(21.404)	8.076
Other Earmarked Reserves	111.334	-	111.334
<b>Total Balance Carried Forward</b>	<b>140.814</b>	<b>(21.404)</b>	<b>119.410</b>



# Section 5

# SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

## 5.1 Housing Revenue Account (HRA)

### 5.1.1 Housing Revenue Income and Expenditure Account

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

This note has been updated to include the prior period adjustments as outlined in note 4.12.

	2018/19 £m	2019/20 £m
<b>Expenditure</b>		
Repairs and maintenance	30.164	30.046
Supervision and Management	28.800	29.410
Rents, rates, taxes and other charges	0.194	0.226
Depreciation and impairment of non-current assets	19.170	20.367
Debt management costs	0.052	0.056
Exceptional revaluation (gain) / loss on HRA Council dwellings	(43.541)	15.100
<b>Total Expenditure</b>	<b>34.839</b>	<b>95.204</b>
<b>Income</b>		
Dwelling Rents	(96.357)	(94.271)
Non Dwelling Rents	(3.391)	(1.841)
Charges for Services and Facilities	(7.892)	(10.178)
Contributions Towards Expenditure	(6.547)	(4.481)
<b>Total Income</b>	<b>(114.187)</b>	<b>(110.771)</b>
<b>Net Cost of HRA Services as included in the CIES</b>	<b>(79.348)</b>	<b>(15.567)</b>
HRA services' share of Corporate and Democratic Core	0.035	0.035
<b>NET COST FOR HRA SERVICES</b>	<b>(79.313)</b>	<b>(15.532)</b>
<b>HRA Share of the Operating Income and Expenditure included in the CIES</b>		
Fixed Asset Derecognition	4.033	2.436
Gain or (loss) on sale of HRA non-current assets	(3.059)	(3.010)
Interest payable and similar charges	13.577	14.428
Interest and Investment Income	(0.306)	(0.344)
<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>(65.068)</b>	<b>(2.022)</b>

## Section 5 - Supplementary Financial Statements and Notes

### 5.1.2 Movement on the HRA Statement

This note has been updated to include the prior period adjustments as outlined in note 4.12.

	2018/19 £m	2019/20 £m
<b>Actual Ledger Balance on HRA at the start of the Year</b>	<b>4.402</b>	<b>8.096</b>
<b>Outstanding Statutory (Item 9) Adjustment</b>	<b>13.682</b>	<b>21.404</b>
<b>Corrected Balance on HRA at the start of the Year</b>	<b>18.084</b>	<b>29.500</b>
Surplus or (deficit) for the year	65.068	2.022
Adjustments between accounting basis and funding basis	(53.652)	3.483
<b>Increase or (Decrease) in Year on the HRA</b>	<b>11.416</b>	<b>5.505</b>
<b>BALANCE ON THE HRA AT THE END OF THE YEAR</b>	<b>29.500</b>	<b>35.005</b>
<b>Outstanding Statutory Adjustment</b>	<b>(21.404)</b>	<b>(26.814)</b>
<b>ACTUAL LEDGER BALANCE ON THE HRA AT THE END OF THE YEAR</b>	<b>8.096</b>	<b>8.191</b>

### 5.1.3 Notes to the HRA Financial Statements

#### 5.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

	31 March 2019 Number	31 March 2020 Number
<b>Houses and Bungalows</b>		
1 Bedroom	1,047	1,047
2 Bedroom	5,756	5,748
3 Bedroom	9,443	9,326
4 or more Bedrooms	491	483
<b>Flats</b>		
1 Bedroom	7,535	7,525
2 Bedroom	1,138	1,138
3 or more Bedrooms	125	121
<b>TOTAL</b>	<b>25,535</b>	<b>25,388</b>

### 5.1.3.2 Valuation of Housing Assets

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

	Value at 31 March 2019 £m	Value at 31 March 2020 £m
<b>Operational Assets</b>		
Council Dwellings	1,000.216	1,002.178
Other Land and Buildings	10.206	10.118
Assets Under Construction	7.658	5.206
Surplus Assets not held for sale	0.633	0.409
Investment Properties	0.992	1.123
Infrastructure	28.461	29.474
<b>TOTAL VALUE OF ASSETS</b>	<b>1,048.166</b>	<b>1,048.508</b>

### 5.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2020 was £2,386.137m (1 April 2019 £2,381.467m). The Balance Sheet value of dwellings was £1,002.178m. The difference of £1,383.959m between the vacant possession valuation and the balance sheet value reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. Operational assets in a commercial environment are required to earn a rate of return. The value placed on such assets will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for this purpose will be reduced.

The valuation of the Council's housing stock as at 31st March 2020 was co-ordinated by the Council's Property Services team, with around half of the valuations completed by Council officers and the other half by Rex Gooding Estate Agents and Chartered Surveyors of West Bridgford, Nottingham.

### 5.1.3.4 The Major Repairs Reserve

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

	2018/19 £m	2019/20 £m
<b>Balance Brought Forward</b>	<b>(13.962)</b>	<b>(17.201)</b>
Credits - Depreciation on HRA Assets	(18.765)	(20.367)
Credits - Amortisation on HRA Assets	-	(0.004)
Credits - Additional credit to the MRR	(10.813)	(8.958)
Debits - Capital Expenditure	26.339	25.902
<b>BALANCE AT END OF YEAR</b>	<b>(17.201)</b>	<b>(20.628)</b>

## Section 5 - Supplementary Financial Statements and Notes

### 5.1.3.5 Capital Expenditure

Capital expenditure of £43.805m (£42.116m in 2018/19) in respect of HRA assets was financed from a range of sources in 2019/20. This is set out below:

	2018/19 £m	2019/20 £m
<b>CAPITAL EXPENDITURE</b>	<b>42.116</b>	<b>43.805</b>
<b>Financed By:</b>		
Capital Receipts Reserve	10.354	5.054
Major Repairs Reserve (MRR)	26.339	25.902
Direct Revenue Financing*	-	0.400
Other Capital Grants and Contributions	0.608	2.410
Borrowing	4.815	10.039
<b>TOTAL FINANCING</b>	<b>42.116</b>	<b>43.805</b>

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

### 5.1.3.6 Capital Receipts

Capital receipts of £14.679m (£16.961m in 2018/19) arose from the sale of land, houses and other property within the HRA in 2019/20. Of this total, £12.345m (£16.579m in 2018/19) related to the disposal of houses and flats under the right to buy scheme and £1.698m (£0.090m in 2018/19) from the sale of vacant non-purpose built Council houses.

	2018/19 £m	2019/20 £m
Land	0.292	0.636
Houses	16.669	14.043
<b>TOTAL</b>	<b>16.961</b>	<b>14.679</b>

### 5.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2019/20 as follows:

	2018/19 £m	2019/20 £m
Dwellings	16.999	18.442
Other Operational HRA Assets:		
Other Land and Buildings	0.124	0.183
Vehicles, Plant, Furniture and Equipment	(0.017)	(0.024)
Infrastructure and Community Assets	1.659	1.764
Surplus Assets not Held for Sale	-	0.002
<b>TOTAL</b>	<b>18.765</b>	<b>20.367</b>

In addition a debit of £0.004m (£0.004m in 2018/19) for amortisation was charged in the year.

### 5.1.3.8 Revaluations and Impairments during the Financial Year

£15.100m in respect of revaluation losses have been debited to the HRA during the year (£43.141m gains credited in 2018/19). This amount related to a revaluation loss on Council Dwellings, as a result of the full beacon revaluation undertaken during the year which includes revaluation from cost to existing use value for new build properties.

There were no donated assets within the year.

A de-recognition write out of £2.435m (£4.033m in 2018/19) was made to reflect the residual value of assets replaced.

The revaluation of investment properties has resulted in a credit of £0.179m (£0.016m debit in 2018/19).

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

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £6.410m at 31 March 2020 (£4.967m at 31 March 2019). A total loss allowance (previously called bad debt provision) of £5.615m has been established at 31 March 2020 (£4.384m at 31 March 2019).

### 5.1.3.10 Average Rent for HRA Dwellings

Year	Average Rent £
2009/10	57.98
2010/11	59.39
2011/12	63.73
2012/13	67.37
2013/14	71.13
2014/15	76.46
2015/16	77.72
2016/17	76.96
2017/18	76.43
2018/19	75.52
2019/20	74.75

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

## Section 5 - Supplementary Financial Statements and Notes

### 5.2 Collection Fund

#### 5.2.1 Collection Fund Statement

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

	2018/19		2019/20	
	Total £m	NNDR £m	Council Tax £m	Total £m
<b>INCOME</b>				
Council Tax Receivable	(132.742)	-	(139.738)	(139.738)
Business Rates Receivable	(143.604)	(140.054)	-	(140.054)
<b>TOTAL INCOME</b>	<b>(276.346)</b>	<b>(140.054)</b>	<b>(139.738)</b>	<b>(279.792)</b>
<b>EXPENDITURE</b>				
<b>Precepts, Demands and Shares</b>				
Central Government	68.328	68.381	-	68.381
Police Authority	12.776	-	14.644	14.644
Fire Authority	6.435	1.368	5.328	6.696
Nottingham City Council	177.368	67.014	116.101	183.115
<b>Charges to Collection Fund</b>				
Write offs of uncollectable amounts	2.481	0.746	1.427	2.173
Increase /Decrease (-) in allowance for non-collection	2.483	2.586	1.874	4.460
Increase /Decrease (-) in Provision for Appeals	(4.661)	(0.210)	-	(0.210)
Cost of Collection	0.493	0.490	-	0.490
<b>Apportionment of previous year's estimated Collection Fund Surplus</b>				
Police & Crime Commissioner	0.371	-	0.092	0.092
Central Government	1.747	1.962	-	1.962
Nottinghamshire Fire & Rescue Service	0.187	0.039	0.037	0.076
Nottingham City Council	4.932	1.923	0.799	2.722
<b>TOTAL EXPENDITURE</b>	<b>272.940</b>	<b>144.299</b>	<b>140.302</b>	<b>284.601</b>
Movement on the Collection Fund Balance	(3.406)	4.245	0.564	4.809
(Surplus)/Deficit Brought Forward	(4.802)	(5.900)	(1.991)	(7.891)
Adjustment to (Surplus/Deficit Brought Forward)	0.317	-	-	-
<b>(SURPLUS)/DEFICIT CARRIED FORWARD</b>	<b>(7.891)</b>	<b>(1.655)</b>	<b>(1.427)</b>	<b>(3.082)</b>

## Section 5 – Supplementary Financial Statements and Notes

### 5.2.2 Notes to Collection Fund Statement

#### 5.2.2.1 National Non-Domestic Rates (NNDR)

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

	2018/19 £m	2019/20 £m
Rate in the pound	49.3p	50.4p
Total non-domestic rateable value per NNDR system	365.544	361.801
Gross Debit	180.213	182.348
Net debit after adjustments and reliefs	141.709	141.622

#### 5.2.2.2 Council Tax

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

	2018/19	2019/20
<b>Council Tax Base</b>	<b>65,389</b>	<b>66,766</b>
<b>Council Tax (Band D) Property</b>	<b>£1,961.35</b>	<b>£2,038.06</b>

Band	Average Number of Properties	Taxable Properties after discounts, exemptions and adjustments	Conversion Factor to Band D	Band D Equivalents
A	87,308	51,862	6/9	34,575
B	24,131	14,754	7/9	11,475
C	16,294	11,666	8/9	10,370
D	7,018	5,315	9/9	5,315
E	2,467	2,040	11/9	2,493
F	1,074	934	13/9	1,349
G	722	628	15/9	1,046
H	114	71	18/9	143

## Section 5 - Supplementary Financial Statements and Notes

### 5.2.2.3 Apportionment of Collection Fund Surplus/Deficit

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

	2018/19		2019/20	
	Total £m	Council Tax £m	NNDR £m	Total £m
Nottingham City Council	(4.590)	(1.218)	(0.811)	(2.029)
Nottinghamshire Police Authority	(0.214)	(0.154)	-	(0.154)
Nottinghamshire Fire and Rescue Authority	(0.137)	(0.055)	(0.017)	(0.072)
Central Government	(2.950)	-	(0.827)	(0.827)
<b>TOTAL</b>	<b>(7.891)</b>	<b>(1.427)</b>	<b>(1.655)</b>	<b>(3.082)</b>



# Section 6

# GROUP FINANCIAL STATEMENTS AND NOTES

## 6.1 Introduction

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

The following pages include:

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

## 6.2 Significant Judgements and Assumptions

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

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

## Section 6 – Group Financial Statements and Notes

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

For 2019/20 the financial details of these organisations have been consolidated within the group accounts where it is considered that those details have a material effect upon those accounts.

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

The Council's Group includes Bridge Estate Trust, Enviroenergy Ltd, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Nottingham Revenues and Benefits Ltd, Robin Hood Energy Ltd, Thomas Bow Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd. The Group core statements have been completed using the audited accounts of these organisations, except for Robin Hood Energy Ltd whose unaudited accounts are included. The accounts of Futures Advice, Skills and Employment Ltd show an accumulated net liability which has not been recognised in the Group core statements in accordance with IAS 28 'Investments in Associates and Joint Ventures' (see note 6.5.2).

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

	Restated 2018/19		2019/20	
	Single Entity Accounts £m	Group Accounts £m	Single Entity Accounts £m	Group Accounts £m
<b>Comprehensive Income and Expenditure (CIES):</b>				
(Surplus)/Deficit on Provision of Services	76.583	104.860	(5.624)	15.378
Other CIES	(171.796)	(186.001)	(117.468)	(131.656)
Total CIES (Surplus)/Deficit	(95.213)	(81.141)	(123.092)	(116.278)
<b>Balance Sheet:</b>				
Long Term Assets	2,976.450	3,051.251	3,102.390	3,173.604
Current Assets	232.540	253.966	298.733	335.898
Current Liabilities	(274.854)	(329.815)	(323.252)	(390.255)
Long Term Liabilities	(1,908.048)	(2,033.984)	(1,928.691)	(2,061.733)
Nets Assets	1,026.088	941.418	1,149.180	1,057.514
Usable Reserves	227.506	230.147	250.591	250.591
Unusable Reserves	798.582	711.271	898.589	806.923
	1,026.088	941.418	1,149.180	1,057.514
<b>Cash Flow Statement:</b>				
Net Cash Flows from Operating Activities	63.165	69.859	20.090	15.022
Investing Activities	(126.163)	(133.723)	(74.439)	(65.432)
Financing Activities	82.662	76.297	105.647	99.271
Net Increase (Decrease) in Cash and Cash Equivalents	19.664	12.433	51.298	48.861
Cash and Cash Equivalents at the beginning of the reporting period	26.163	45.382	45.827	57.815
Cash and Cash Equivalents at 31 March	45.827	57.815	97.125	106.676

### 6.3 Accounting policies used in preparing the Group Financial Statements

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

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

## Section 6 – Group Financial Statements and Notes

### 6.4 Core Group Financial Statements

#### 6.4.1 Group Comprehensive Income and Expenditure Statement (Group CIES)

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

As outlined in note 4.3.1 Prior Year Reclassifications, the Council's 2018/19 CIES has been restated to align with the 2019/20 portfolio position of the Council. The Group 2018/19 CIES has also been restated. This restatement only alters the classification of the portfolios of the Council and overall the total value is unchanged. The group organisations are not included within the portfolios but are shown on a separate line of the CIES.

The prior period adjustments detailed in note 4.12 are also included in the Group CIES.

Notes	Restated 2018/19			2019/20		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	212.490	(95.685)	116.805	198.016	(101.218)	96.798
Children and Young People	91.202	(15.725)	75.477	109.579	(19.089)	90.490
Communities	18.945	(5.587)	13.358	28.353	(3.368)	24.985
Early Years, Education and Employment	135.769	(134.602)	1.167	136.190	(133.823)	2.367
Energy, Environment and Democratic Services	38.364	(12.371)	25.993	41.497	(11.384)	30.113
Finance, Growth and the City Centre	40.548	(18.617)	21.931	41.085	(31.856)	9.229
Health, HR and Equalities	21.684	(28.269)	(6.585)	21.199	(27.323)	(6.124)
Housing, Planning and Heritage	31.665	(115.707)	(84.042)	35.066	(119.702)	(84.636)
Leisure, Culture and IT	64.979	(38.251)	26.728	44.068	(37.867)	6.201
Regeneration, Safety and Communications	48.019	(22.849)	25.170	35.625	(23.084)	12.541
Corporate Items	206.631	(204.000)	2.631	154.803	(178.938)	(24.135)
Exceptional revaluation (gain) / loss on HRA						
Council Dwellings	(43.541)	-	(43.541)	15.102	-	15.102
Group Organisations	247.208	(173.449)	73.759	284.723	(212.052)	72.671
<b>Cost of Services</b>	<b>1,113.963</b>	<b>(865.112)</b>	<b>248.851</b>	<b>1,145.306</b>	<b>(899.704)</b>	<b>245.602</b>
Other operating expenditure			59.382			1.283
6.7.1.1 Financing and investment income and expenditure			83.885			82.029
Taxation and non-specific grant income			(287.976)			(314.594)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>104.142</b>			<b>14.320</b>
Share of the surplus or deficit on the provision of services by associates			(0.160)			(0.057)
Tax expenses of subsidiaries			0.878			1.115
<b>Group (Surplus)/Deficit</b>			<b>104.860</b>			<b>15.378</b>
Revaluation of PPE/Heritage assets			(86.113)			(69.191)
Re-measurement of pension assets/liabilities			(100.049)			(63.708)
Share of other comprehensive income and expenditure of associates and joint ventures			0.161			1.243
<b>Other Comprehensive Income and Expenditure</b>			<b>(186.001)</b>			<b>(131.656)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(81.141)</b>			<b>(116.278)</b>

## Section 6 – Group Financial Statements and Notes

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

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

	Restated 2018/19			2019/20		
	Authority	Minority Interest	Total	Authority	Minority Interest	Total
	£m	£m	£m	£m	£m	£m
Group (surplus) / Deficit	104.839	0.021	104.860	15.595	(0.217)	15.378
Other CIES	(186.054)	0.053	(186.001)	(131.646)	(0.010)	(131.656)
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(81.215)</b>	<b>0.074</b>	<b>(81.141)</b>	<b>(116.051)</b>	<b>(0.227)</b>	<b>(116.278)</b>

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

	Restated 2018/19	2019/20
	£m	£m
Total comprehensive income and expenditure on the authority's single entity CIES	(95.213)	(123.092)
Add (surplus)/deficit arising from group entities:		
Subsidiaries	15.481	6.086
Joint Ventures	0.001	1.157
Trust Funds	(1.410)	(0.429)
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE ON THE GROUP CIES</b>	<b>(81.141)</b>	<b>(116.278)</b>

## Section 6 – Group Financial Statements and Notes

### 6.4.2 Group Balance Sheet

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

Notes	Restated 1 April 2018	Restated	31 March	
		2019	2020	
		£m	£m	
6.7.2.1	Property, Plant & Equipment	2,583.527	2,619.512	2,741.910
	Heritage Assets	58.469	59.857	60.961
6.7.2.2	Investment Property	264.914	326.356	306.192
	Intangible Assets	7.354	6.538	5.716
6.5.1	Intangible Asset - Goodwill	-	-	1.360
	Long Term Investments	1.286	1.342	11.304
	Long Term Debtors	48.969	29.518	39.190
	Investments in Associates and Joint Ventures	8.129	8.128	6.971
	Deferred Tax Asset	0.772	-	-
	<b>Long Term Assets</b>	<b>2,973.420</b>	<b>3,051.251</b>	<b>3,173.604</b>
	Assets Held for Sale	3.800	3.725	4.042
	Short Term Investments	12.027	59.576	45.189
	Inventories	5.356	5.478	4.671
6.7.2.3	Short Term Debtors	98.800	127.185	174.822
6.7.1.2	Contract Assets	-	0.187	0.448
6.7.2.4	Cash and Cash Equivalents	45.382	57.815	106.676
	Current Tax Asset	0.215	-	0.050
	<b>Current Assets</b>	<b>165.580</b>	<b>253.966</b>	<b>335.898</b>
	Short Term Borrowing	(72.465)	(84.394)	(156.175)
6.7.2.5	Short Term Creditors	(188.359)	(201.644)	(181.019)
	Revenue Grants Received in Advance	-	(10.222)	(25.646)
6.7.1.2	Contract Liabilities	-	(17.638)	(16.885)
	Provisions	(16.352)	(15.138)	(10.309)
	Current Tax Liability	(0.567)	(0.779)	(0.221)
	<b>Current Liabilities</b>	<b>(277.743)</b>	<b>(329.815)</b>	<b>(390.255)</b>
	Long Term Borrowing	(802.137)	(877.710)	(925.526)
6.7.1.2	Long Term Contract Liabilities	-	(0.675)	(2.257)
	Long Term Creditors	(13.935)	(0.041)	(0.042)
	Other Long Term Liabilities	(211.045)	(212.975)	(210.687)
	Provisions	(19.817)	(24.137)	(26.081)
	Capital Grants Receipts in Advance	(22.830)	(20.346)	(16.146)
	Defined Benefit Pension Scheme	(934.191)	(896.574)	(878.148)
	Deferred Tax Liability	(2.189)	(1.526)	(2.846)
	<b>Long Term Liabilities</b>	<b>(2,006.144)</b>	<b>(2,033.984)</b>	<b>(2,061.733)</b>
	<b>NET ASSETS</b>	<b>855.113</b>	<b>941.418</b>	<b>1,057.514</b>
6.7.2.6	Usable Reserves	237.550	230.147	250.591
6.7.2.7	Unusable Reserves	617.563	711.271	806.923
	<b>TOTAL RESERVES</b>	<b>855.113</b>	<b>941.418</b>	<b>1,057.514</b>

Balances as at 31 March 2019 have been restated to show separately the Revenue Grants Received in Advance. These were previously included in Short Term Creditors. This restatement only alters the classification of balances and overall the total value is unchanged.

The prior period adjustments detailed in note 4.12 are also included in the Group Balance Sheet.

### 6.4.3 Group Movement in Reserves Statement

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

The prior period adjustments detailed in note 4.12 are also included in the Group Movement in Reserves Statement.

2019/20	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Actual ledger Balance at 31 March 2019</b>	7.994	140.814	8.096	24.163	17.201	29.238	227.506	798.582	1,026.088	(85.242)	0.572	941.418
<b>Outstanding Statutory (Item 9) Adjustment</b>	-	(21.404)	21.404	-	-	-	-	-	-	-	-	-
<b>Corrected Balance at 31 March 2019</b>	7.994	119.410	29.500	24.163	17.201	29.238	227.506	798.582	1,026.088	(85.242)	0.572	941.418
<b>Movement in 2019/20:</b>												
Total CIE* (Table 6.4.1)	59.126	-	2.022	-	-	-	61.148	117.468	178.616	(62.565)	0.227	116.278
Adjustments between group accounts and authority accounts (Note 6.7.3)	(55.524)	-	-	-	-	-	(55.524)	-	(55.524)	55.342	-	(0.182)
<b>Net Increase/Decrease before transfers</b>	<b>3.602</b>	<b>-</b>	<b>2.022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.624</b>	<b>117.468</b>	<b>123.092</b>	<b>(7.223)</b>	<b>0.227</b>	<b>116.096</b>
Funding basis adjustments	10.451	-	3.483	2.656	3.427	(2.556)	17.461	(17.461)	-	-	-	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>14.053</b>	<b>-</b>	<b>5.505</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>23.085</b>	<b>100.007</b>	<b>123.092</b>	<b>(7.223)</b>	<b>0.227</b>	<b>116.096</b>
Transfers to/from earmarked reserves	(8.286)	8.286	-	-	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>5.767</b>	<b>8.286</b>	<b>5.505</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>23.085</b>	<b>100.007</b>	<b>123.092</b>	<b>(7.223)</b>	<b>0.227</b>	<b>116.096</b>
<b>BALANCE AT 31 MARCH 2020</b>	<b>13.761</b>	<b>127.696</b>	<b>35.005</b>	<b>26.819</b>	<b>20.628</b>	<b>26.682</b>	<b>250.591</b>	<b>898.589</b>	<b>1,149.180</b>	<b>(92.465)</b>	<b>0.799</b>	<b>1,057.514</b>
<b>Outstanding Statutory (Item 9) Adjustment</b>	<b>-</b>	<b>26.814</b>	<b>(26.814)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ACTUAL LEDGER BALANCE AT 31 MARCH 2020</b>	<b>13.761</b>	<b>154.510</b>	<b>8.191</b>	<b>26.819</b>	<b>20.628</b>	<b>26.682</b>	<b>250.591</b>	<b>898.589</b>	<b>1,149.180</b>	<b>(92.465)</b>	<b>0.799</b>	<b>1,057.514</b>

\* CIE - Comprehensive Income and Expenditure

## Section 6 – Group Financial Statements and Notes

Restated 2018/19	General Fund	Earmarked General Fund	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Actual ledger Balance at 31 March 2018	5.465	154.584	4.402	37.161	13.962	18.992	234.566	691.976	926.542	(76.408)	0.646	850.780
Outstanding Statutory (Item 9) Adjustment	-	(13.682)	13.682	-	-	-	-	-	-	-	-	-
Prior Period Adjustment - Property, Plant and Equipment	-	-	-	-	-	-	-	4.333	4.333	-	-	4.333
Corrected Balance at 31 March 2018	5.465	140.902	18.084	37.161	13.962	18.992	234.566	696.309	930.875	(76.408)	0.646	855.113
Opening balance restatement (Note 6.7.3)	-	-	-	-	-	-	-	-	-	(2.431)	-	(2.431)
<b>Movement in 2018/19:</b>												
Total CIE* (Table 6.4.1)	(93.680)	-	65.068	-	-	-	(28.612)	171.796	143.184	(61.969)	(0.074)	81.141
Adjustments between group accounts and authority accounts (Note 6.7.3)	(40.144)	-	-	-	-	-	(40.144)	(7.827)	(47.971)	55.566	-	7.595
<b>Net Increase/Decrease before transfers</b>	<b>(133.824)</b>	<b>-</b>	<b>65.068</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68.756)</b>	<b>163.969</b>	<b>95.213</b>	<b>(6.403)</b>	<b>(0.074)</b>	<b>88.736</b>
Funding basis adjustments	114.861	-	(53.652)	(12.998)	3.239	10.246	61.696	(61.696)	-	-	-	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>(18.963)</b>	<b>-</b>	<b>11.416</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>102.273</b>	<b>95.213</b>	<b>(6.403)</b>	<b>(0.074)</b>	<b>88.736</b>
Transfers to/from earmarked reserves	21.492	(21.492)	-	-	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>2.529</b>	<b>(21.492)</b>	<b>11.416</b>	<b>(12.998)</b>	<b>3.239</b>	<b>10.246</b>	<b>(7.060)</b>	<b>102.273</b>	<b>95.213</b>	<b>(6.403)</b>	<b>(0.074)</b>	<b>88.736</b>
<b>BALANCE AT 31 MARCH 2019</b>	<b>7.994</b>	<b>119.410</b>	<b>29.500</b>	<b>24.163</b>	<b>17.201</b>	<b>29.238</b>	<b>227.506</b>	<b>798.582</b>	<b>1,026.088</b>	<b>(85.242)</b>	<b>0.572</b>	<b>941.418</b>
Outstanding Statutory (Item 9) Adjustment	-	21.404	(21.404)	-	-	-	-	-	-	-	-	-
<b>ACTUAL LEDGER BALANCE AT 31 MARCH 2019</b>	<b>7.994</b>	<b>140.814</b>	<b>8.096</b>	<b>24.163</b>	<b>17.201</b>	<b>29.238</b>	<b>227.506</b>	<b>798.582</b>	<b>1,026.088</b>	<b>(85.242)</b>	<b>0.572</b>	<b>941.418</b>

\* CIE - Comprehensive Income and Expenditure



#### 6.4.4 Group Cash Flow Statement

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

The prior period adjustments detailed in note 4.12 are also included in the Group Cash Flow Statement.

Notes	Restated 2018/19 £m	2019/20 £m
<b>Net (Surplus)/Deficit on the provision of Services</b>	<b>(104.142)</b>	<b>(14.320)</b>
Adjustments to net surplus or deficit on the provision of services for non-cash movements	231.777	124.013
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(57.776)	(94.671)
<b>6.7.4.1 Net Cash Flows from Operating Activities</b>	<b>69.859</b>	<b>15.022</b>
Investing activities:		
<b>6.5.1</b> Obtaining control of a subsidiary	-	(4.724)
Other investing activities	(133.723)	(60.708)
<b>6.7.4.2</b> Total Investing Activities	<b>(133.723)</b>	<b>(65.432)</b>
<b>6.7.4.3</b> Financing activities	<b>76.297</b>	<b>99.271</b>
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>12.433</b>	<b>48.861</b>
Cash and cash equivalents at the beginning of the reporting period	45.382	57.815
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>57.815</b>	<b>106.676</b>

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

The accounts used to produce the 2019/20 group accounts are audited, except for Robin Hood Energy Ltd whose unaudited accounts are included.

Copies of the accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ unless otherwise stated in sections 6.5.1 to 6.5.3 below.

### **6.5.1 Subsidiaries:**

#### **Enviroenergy Ltd (Registered Company Number: 04131345)**

##### *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*

Enviroenergy Ltd is a private company limited by shares and is a wholly owned subsidiary of the Council. The Council acquired the business and associated assets of the company on 28 June 2001.

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 2020 is £11.333m (31 March 2019 £11.682m)

#### **Nottingham City Homes Ltd (Registered Company Number: 05292636)**

##### *Nature of the business*

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

The Group comprises Nottingham City Homes Ltd (NCH), Nottingham City Homes Registered Provider Ltd and Nottingham City Homes Enterprises Ltd.

##### *Relationship with the Council*

NCH is incorporated as a private company limited by guarantee under the Companies Act 1985. The company's sole member is the Council.

The Council has a management agreement with NCH and pays an annual management fee. The fee paid to NCH in 2019/20 was £22.374m (2018/19 £22.996m).

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

The Council has a NCH debtor balance of £31.080m at 31 March 2020 (£32.293m at 31 March 2019), this is made up of a loan and a short term debtor balance.

Since 1 April 2020 there have been no further loans provided to NCH.

**Nottingham City Transport Ltd (Registered Company Number: 02004967)**

*Nature of Business*

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

*Relationship with the Council*

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

The company has the following shares in issue:

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

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

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

*Period of Accounts*

The financial statements used in the preparation of the group accounts are for the 52 week period ending 28 March 2020 (as this is the last week ending date for NCT’s internal group reporting purposes).

*Summarised Financial Information of Nottingham City Transport Ltd showing Minority Interest*

	2018/19		2019/20	
	NCT £m	5% Minority Interest £m	NCT £m	5% Minority Interest £m
Profit for the period attributable to equity shareholders	(0.642)	(0.032)	(4.338)	(0.217)
Ordinary Dividends Paid	1.053	0.053	-	-
Other Comprehensive Income and Expenditure	1.055	0.053	(0.187)	(0.010)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>1.466</b>	<b>0.074</b>	<b>(4.525)</b>	<b>(0.227)</b>
Non-current Assets	40.892	2.045	56.190	2.808
Current Assets	11.349	0.567	11.736	0.588
Current Liabilities	(17.811)	(0.891)	(18.354)	(0.917)
Non-current Liabilities	(22.980)	(1.149)	(33.597)	(1.680)
<b>NET ASSETS</b>	<b>11.450</b>	<b>0.572</b>	<b>15.975</b>	<b>0.799</b>

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### **Nottingham Ice Centre Ltd (Registered Company Number: 03563341)**

#### *Nature of the business*

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

#### *Relationship with the Council*

Nottingham Ice centre Ltd (NIC) is a wholly owned subsidiary of the Council.

NIC have a loan facility with an annual review of requirements. At 31 March 2020 the balance was £2.385m (£0.818m at 31 March 2019).

Further support has been provided since April 2020 in respect of Covid-19 cash flow pressures. The balance at 31 July 2020 was £6.884m.

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

#### *Nature of the business*

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

#### *Relationship with the Council*

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

### **Robin Hood Energy Ltd (Registered Company Number: 08053212)**

#### *Nature of the business*

Robin Hood Energy Ltd (RHE) is a company limited by shares run on a not for profit basis, set up to tackle fuel poverty. It supplies gas and electricity to residential and business customers. The company started trading in a controlled manner (Controlled Market Entry) in July 2015 and started trading nationally in September 2015.

#### *Relationship with the Council*

RHE is a wholly owned subsidiary of the Council with an issued share capital of 7,500,000 ordinary shares at £1 each.

RHE unaudited accounts for the year ended 31 March 2020 showed a loss of £17.599m (8.9% of turnover). This compares to a loss of £23.075m (23.6% of turnover) in 2018/19.

In 2019/20, the Council approved loans to RHE totalling £12.136m (£9.436m in October 2019 to support RHE's payment to Ofgem for Receivable Obligation Certificates and £2.700m in February 2020 to assist with cash flows). The total loans balance as at 31 March 2020 was £31.371m (31 March 2019 was £20.203m).

The RHE loans were impaired by £6.008m during 2019/20, with the expected loss allowance balance being £16.535m at 31 March 2020.

An advance payment of £3.882m for 80% of the Council's 2019/20 contract value for electricity and gas was made during 2018/19. This enabled RHE to deliver its hedging strategy and benefitted the Council by protecting it from any price rises in 2019/20.

The Council provided financial guarantees in respect of Robin Hood Energy Ltd (RHE), a wholly owned subsidiary of the Council, to a maximum total value of £16.5m, which is 80% of the liability to its wholesale energy suppliers. These energy suppliers require companies such as RHE to either lodge cash or require a financial guarantee to cover advance purchases of energy.

#### *Events after the Balance Sheet Date*

Since 31 March 2020, the Council has not given any further loans to RHE.

### **Thomas Bow Ltd (Registered Company Number: 04503934)**

#### *Acquisition of the business*

On 11 September 2019 the Council acquired 100% of the issued ordinary share capital of Thomas Bow Ltd (1,000 ordinary shares with a nominal value of £1 each). Thomas Bow Ltd is now a wholly owned subsidiary of the Council.

#### *About the company*

Lawrence Bow set up his company in 1867 and now Thomas Bow Ltd has developed into one of Nottingham's major Building & Civil Engineering contractors. The firm completed many landmark buildings and superior residential properties in and around the city including Wilford Power Station, the Raleigh Factory and Barclays Bank (Market Square, Nottingham).

From 2002, the company's focus was very much aimed at the provision of Civil Engineering services to the Public and Commercial sectors until 2005, when Thomas Bow joined forces with City Asphalt Ltd. Working closely together as sister companies, they have been able to provide their clients with a more comprehensive in-house Civil Engineering and Surfacing package. Moving forward the two companies continued to develop many long term partnerships with Local Authorities across the UK, which included the securing of numerous long term and Framework Contracts for the provision of Highways Maintenance and Repairs.

Both companies have become very strong brands in their own right and in August 2010, following five years of combined working as an integrated unit, it was decided that the timing was right to re-brand the two companies and so Thomas Bow City Asphalt Group was born. In joining forces, the two companies have now become a major player in the Highways Maintenance arena.

In the final quarter of 2019 Nottingham City Council and Thomas Bow, joined together through acquisition to continue the development of Thomas Bow as a leading civil engineering and highways contractor. As part of the acquisition the Council purchased all shares of Thomas Bow, to enable Thomas Bow to form a new operating group alongside Nottingham City Highway Services.

The benefits to the Council from this acquisition include:

- The complementary skill sets of the Council's in-house Highways service and Thomas Bow Ltd
- The opportunity to create a regionally significant highways construction company by joining forces
- The opportunity to realise efficiency and synergy savings
- The opportunity to make a significant financial contribution to the Council's medium Term Financial Plan
- The opportunity to trade both regionally and nationally
- An opportunity to see further re-investment in the City's highways network

The fair value of the identifiable assets acquired and liabilities recognised at the date of acquisition are summarised in the following table:

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	Fair Value on Acquisition £m
Goodwill	0.034
Property, Plant & Equipment	0.641
Loans to Joint Venture	0.033
<b>Long Term assets</b>	<b>0.708</b>
Stocks	0.029
Trade Debtors	3.673
Amount recoverable on Contract	0.300
Other Debtors	0.058
Prepayments	0.186
Cash at Bank and In Hand	1.947
Corporation Tax	0.187
Contractual Relationships	0.909
Non Contractual Relationships	2.137
Intellectual Property	0.588
<b>Current Assets</b>	<b>10.014</b>
Short Term Creditors	(4.348)
Corporation Tax	(0.047)
Deferred Tax Liability	(0.690)
<b>Current Liabilities</b>	<b>(5.085)</b>
Long Term Liabilities	(0.199)
Deferred Tax Liability	(0.100)
<b>Long Term Liabilities</b>	<b>(0.299)</b>
<b>NET ASSETS</b>	<b>5.338</b>

The Trade Debtors, Amounts recoverable on Contract & Other Debtors included above are gross amounts. There are no loss allowances provided for in the Thomas Bow balance sheet.

The fair value of the consideration at the date of acquisition was £6.671m.

Goodwill arising on the acquisition is as follows:

	£m
Fair value of consideration at date of acquisition	6.671
Less: fair value of the net identifiable net assets acquired	(5.338)
<b>Goodwill arising on acquisition</b>	<b>1.333</b>

Goodwill represents expected synergies from the merger of operations and intangible assets that do not qualify for separate recognition or other factors.

The goodwill in the Group Balance sheet shows £1.360m. This consists of the £1.333m goodwill arising on acquisition of Thomas Bow, plus £0.027m goodwill that is part of the Thomas Bow company accounts that have been consolidated into the Group accounts.

Deferred consideration of £2.279m will be recognised as required in the years the expenditure is incurred.

## Section 6 – Group Financial Statements and Notes

The net cash outflow on acquisition of Thomas Bow Ltd was as follows:

	£m
Consideration paid in cash	6.671
Less: cash acquired in subsidiary	(1.947)
<b>Net cash outflow on acquisition of subsidiary</b>	<b>4.724</b>

The revenue and profit after tax of Thomas Bow Ltd since the date of acquisition to 31 March 2020 which is included in the consolidated Group CIES is as follows:

	7 months to 31.03.20 £m
Turnover	(12.569)
Cost of Sales	11.518
<b>Gross Profit</b>	<b>(1.051)</b>
Other Income	(0.009)
Other Expenses	0.615
Share of Operating Loss in Joint Venture	0.029
<b>Operating Profit</b>	<b>(0.416)</b>
Finance Costs	0.004
<b>Profit before Tax</b>	<b>(0.412)</b>
Taxation	0.082
<b>Profit after Tax</b>	<b>(0.330)</b>

Disclosure of information on revenue and profit and loss for the combined entity as though the acquisition of Thomas Bow Ltd had been completed on 1 April 2019 is impracticable as the accounting reference date of this company was previously 30 September.

### 6.5.2 Joint Ventures:

#### **Blueprint Limited Partnership (Registered Limited Partnership Number: LP010442)**

##### *Nature of the business*

The principal activities of the partnership are that of the purchase of interests in and redevelopment of property and the sale and interim rental of land and property. The 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 purchased its share on 9 March 2015. Places for People (PFPC1 LP) bought out the Igloo Regeneration Partnership share on 3 May 2018. The Council and PFPC1 LP each own 49.95%, with Blueprint (General Partner) Ltd owning the remaining 0.1% (the general partner being owned equally by the Council & PFPC1 LP). The Council in effect owns 50% of Blueprint Limited Partnership through a limited liability partnership agreement.

## Section 6 – Group Financial Statements and Notes

### Summarised Financial Information of Blueprint Limited Partnership

	2018/19 £m	2019/20 £m
Turnover	(3.582)	(5.905)
Cost of Sales	3.147	5.276
<b>Gross Profit</b>	<b>(0.435)</b>	<b>(0.629)</b>
Other Operating Income	(0.385)	(0.268)
Administrative Expenses	0.443	0.505
Net Impairment (Loss)/Fair Value Gain on Financial Assets	0.078	0.217
<b>Operating Profit</b>	<b>(0.299)</b>	<b>(0.175)</b>
Interest Receivable	(0.020)	(0.011)
Interest Payable	-	0.014
<b>Profit for the Year</b>	<b>(0.319)</b>	<b>(0.172)</b>
Other Comprehensive Income and Expenditure	-	-
<b>TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR</b>	<b>(0.319)</b>	<b>(0.172)</b>
Non-current Assets	-	0.022
Current Assets	17.337	15.341
Current Liabilities	(0.966)	(1.413)
Non-current Liabilities	(0.115)	(0.008)
<b>NET ASSETS AS AT 31 MARCH</b>	<b>16.256</b>	<b>13.942</b>
<b>INVESTMENT IN JOINT VENTURE INCLUDED IN THE COUNCIL'S GROUP ACCOUNTS (50% OF NET ASSETS)</b>	<b>8.128</b>	<b>6.971</b>
Amounts included in the above figures:		
Cash at Bank and In Hand (included in current assets)	1.973	0.699
Accruals and Deferred Income (included in Current Liabilities)	(0.643)	(0.720)

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

#### *Nature of the business*

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

#### *Relationship with the Council*

The company is jointly owned 50/50 by the Council and Nottinghamshire County Council. The Council's share of Futures accumulated net liability and profit / loss in year as at 31 March 2020, equating to £8.772m (2018/19 £6.002m) and £2.771m loss (2018/19 £1.346m profit) 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 £0.911m in 2020/21, being grant funding for the delivery of careers advice.



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### Summarised Financial Information of Futures group

	2018/19 £m	2019/20 £m
Revenue	(14.300)	(14.565)
Operating Charges	14.773	16.417
<b>Operating (Profit)/Loss</b>	<b>0.473</b>	<b>1.852</b>
Finance Costs	0.515	0.445
Investment Income	(0.020)	(0.009)
<b>(Profit)/Loss before Tax</b>	<b>0.968</b>	<b>2.288</b>
Income Tax Expense	0.057	(0.036)
<b>(Profit)/Loss for the Year</b>	<b>1.025</b>	<b>2.252</b>
Other Comprehensive Income and Expenditure	(3.718)	3.289
<b>TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR</b>	<b>(2.693)</b>	<b>5.541</b>
Non-current Assets	1.060	1.413
Current Assets	6.197	6.027
Current Liabilities	(1.222)	(1.814)
Non-current Liabilities	(18.039)	(23.170)
<b>NET LIABILITIES AS AT 31 MARCH</b>	<b>(12.004)</b>	<b>(17.544)</b>
<b>COUNCIL'S SHARE (50%) OF NET LIABILITY NOT RECOGNISED IN THE GROUP ACCOUNTS UNDER IAS 28</b>	<b>(6.002)</b>	<b>(8.772)</b>
<b>Amounts included in the above figures:</b>		
Depreciation (in Operating Charges)	0.074	0.309
Defined Benefit Pension Finance Costs (in Finance Costs)	0.515	0.426
Interest Earned on Loans and Deposits (in Investment Income)	(0.020)	(0.009)
Cash and Cash Equivalents (in Current Assets)	4.032	3.556
Accruals (in Current Liabilities)	(0.754)	(1.094)
Retirement Benefit Obligation (in Non-current Liabilities)	(17.967)	(22.730)

### 6.5.3 Trust Fund:

#### Bridge Estate (Registered Charity Number: 220716)

##### *Nature of the Trust Fund*

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

The objectives of the charity are as follows:

- Provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.
- In effect, to set up a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.

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- The residue of such income is to be applied as the Trustee thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

### *Relationship with the Council*

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

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

### *Accounts*

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

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

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

### 6.6.1 Associates

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

##### *Nature of the company*

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

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

##### *Relationship with the Council*

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

### 6.6.2 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 PFPC1 LP. The Council purchased the 50% share on 9 March 2015.

### **Creative Quarter Nottingham Ltd (Registered Company Number: 08336489)**

#### *Nature of Company*

Creative Quarter Nottingham Limited are an economic development agency, encouraging growth and productivity in Nottingham's creative and digital industries. Creative Quarter Nottingham Limited is a private company limited by guarantee.

#### *Relationship with the Council*

At the 31st March 2020 Creative Quarter Nottingham Limited was jointly owned by Nottingham City Council and Nottingham Trent University.

### **emPSN Services Ltd – formerly EMBC Procurement Ltd (Registered Company Number: 05882746)**

#### *Nature of the Company*

emPSN Service Ltd is a regional partnership formed to secure a regional network and services for schools and a service framework for the public sector.

#### *Relationship with the Council*

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

### **Inspired Spaces Nottingham Ltd - Local Education Partnership (Registered Company Number: 06506329)**

#### *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 Building Schools for the Future Investments LLP and 80% is held by Inspiredspaces Nottingham (PSP1) Limited, owned by Amber LEP Investments Limited, part of the Amber Group of companies.

### **6.6.3 Trust Funds**

#### **Harvey Hadden Stadium Trust (Registered Charity Number: 522271)**

##### *Nature of the Trust Fund*

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

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

##### *Relationship with the Council*

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

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

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### Highfields Leisure Park Trust (Registered Charity Number: 1006603)

#### *Nature of the Trust Fund*

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

#### *Relationship with the Council*

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

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

## 6.7 Notes to the Core Group Financial Statements

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

### 6.7.1 Group Comprehensive Income and Expenditure Statement Notes

#### 6.7.1.1 Financing and Investment Income and Expenditure

	Restated 2018/19			2019/20		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	23.232	-	23.232	20.851	-	20.851
Interest and similar charges and income	23.182	(0.443)	22.739	22.385	(0.055)	22.330
Interest revenue/costs calculated using the effective interest rate method	31.078	(2.236)	28.842	32.763	(0.272)	32.491
Change in value of financial assts held at fair value through profit and loss	-	(0.153)	(0.153)	0.002	-	0.002
Impairment Losses	19.107	(0.051)	19.056	12.214	-	12.214
Impairment of Equity Holding	7.500	-	7.500	-	-	-
Trading Operations	1.572	(1.939)	(0.367)	1.641	(1.607)	0.034
Income and expenditure in relation to investment properties and changes in their fair value	5.308	(22.540)	(17.232)	18.427	(22.314)	(3.887)
Other Finance and Investment items	1.948	(1.680)	0.268	0.288	(2.294)	(2.006)
<b>TOTAL</b>	<b>112.927</b>	<b>(29.042)</b>	<b>83.885</b>	<b>108.571</b>	<b>(26.542)</b>	<b>82.029</b>

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### 6.7.1.2 Revenue from Contracts with Service Recipients

Revenue included in the CIES for contracts with service recipients:

	Restated 2018/19				2019/20			
	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	(1.269)	(0.419)	(41.114)	(42.802)	(1.402)	(0.393)	(42.001)	(43.796)
Children and Young People	-	-	(1.376)	(1.376)	-	(0.001)	(0.763)	(0.764)
Communities	-	-	(4.053)	(4.053)	-	-	(2.492)	(2.492)
Early Years, Education and Employment	-	(0.023)	(9.569)	(9.592)	-	(0.023)	(9.528)	(9.551)
Energy, Environment and Democratic Services	-	(0.009)	(10.416)	(10.425)	-	(0.024)	(9.375)	(9.399)
Finance, Growth and the City Centre	(1.434)	(2.015)	(3.178)	(6.627)	(1.314)	(4.083)	(1.814)	(7.211)
Health, HR and Equalities	-	-	(0.662)	(0.662)	-	-	(0.616)	(0.616)
Housing, Planning and Heritage	(7.534)	-	(0.176)	(7.710)	(6.725)	-	(9.693)	(16.418)
Leisure, Culture and IT	(0.125)	(1.734)	(33.071)	(34.930)	(0.108)	(1.410)	(32.983)	(34.501)
Regeneration, Safety and Communications	(0.754)	(0.070)	(2.534)	(3.358)	(0.672)	(0.072)	(2.956)	(3.700)
Corporate Items	-	-	(6.400)	(6.400)	-	-	(1.147)	(1.147)
Group Organisations	-	(4.654)	(169.150)	(173.804)	-	(4.658)	(202.807)	(207.465)
Financing and Investment Income and Expenditure	-	(0.441)	(5.685)	(6.126)	-	(0.426)	(1.102)	(1.528)
<b>Revenue from contracts with service recipients</b>	<b>(11.116)</b>	<b>(9.365)</b>	<b>(287.384)</b>	<b>(307.865)</b>	<b>(10.221)</b>	<b>(11.090)</b>	<b>(317.277)</b>	<b>(338.588)</b>
Impairment of receivables				3.892				4.278
<b>TOTAL INCLUDED IN THE CIES</b>				<b>(303.973)</b>				<b>(334.310)</b>

As outlined in note 4.3.1 Prior Year Reclassifications, 2018/19 has been restated to align with the 2019/20 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged. The group organisations are not included within the portfolios but are shown on a separate line.

Revenue is recognised either over time or at a point in time. This is analysed in the table below:

Timing of revenue recognition	2018/19		2019/20	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(8.562)	(2.554)	(9.452)	(0.769)
Sale of goods	-	(9.365)	-	(11.090)
Charges for services	(120.815)	(166.569)	(119.485)	(197.792)
<b>TOTAL</b>	<b>(129.377)</b>	<b>(178.488)</b>	<b>(128.937)</b>	<b>(209.651)</b>

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

	31 March 2019 £m	31 March 2020 £m
Receivables included in debtors	69.386	55.793
Contract assets	0.187	0.448
Contract liabilities	(18.313)	(19.142)
<b>TOTAL</b>	<b>51.260</b>	<b>37.099</b>

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

	2018/19		2019/20	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
<b>Balances at 1 April</b>	<b>0.080</b>	<b>(16.463)</b>	<b>0.187</b>	<b>(18.313)</b>
Reversal for amounts recognised in the CIES in year	(0.080)	11.809	(0.404)	18.042
Increases (decreases) due to cash received (paid)	0.187	(13.659)	0.276	(18.871)
Changes as a result of changes in the measure of progress	-	-	0.089	-
Other Movements	-	-	0.300	-
<b>BALANCE AT 31 MARCH</b>	<b>0.187</b>	<b>(18.313)</b>	<b>0.448</b>	<b>(19.142)</b>

Other movements £0.300m in 2019/20 relate to Thomas Bow Ltd who became a subsidiary of the Council during 2019/20.

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

	31 March 2019 £m	31 March 2020 £m
Not later than one year	(17.344)	(16.885)
Later than one year	(0.969)	(2.257)
<b>TOTAL</b>	<b>(18.313)</b>	<b>(19.142)</b>

## 6.7.2 Group Balance Sheet Notes

## 6.7.2.1 Property, Plant and Equipment

2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	1,000.216	909.557	318.401		33.654	29.532	28.440	2,319.800 **
Accumulated Depreciation b/f	-	(5.727)	(162.480)		(11.323)	-	(0.006)	(179.536) **
Accumulated Impairment b/f	-	-	-		(0.200)	-	-	(0.200) **
<b>Net Book Value at 1 April 2019</b>	<b>1,000.216</b>	<b>903.830</b>	<b>155.921</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>28.434</b>	<b>2,619.512</b>
Additions - Capital Expenditure	34.577	7.667	36.314	25.339	1.009	0.297	65.520	170.723
Additions - PFI / VA School Recognition	-	-	-	7.234	-	-	-	7.234
Depreciation Charge	(18.441)	(25.792)	(15.813)	(22.003)	(0.791)	(0.022)	-	(82.862)
Revaluations - Recognised in Revaluation Reserve	4.018	49.924	-	-	-	14.652	-	68.594
Revaluations - Recognised in the CIES	(15.102)	(2.868)	-	-	-	1.197	-	(16.773)
Derecognition - Disposals	(11.052)	(0.330)	(1.881)	-	-	(0.506)	-	(13.769)
Derecognition - Other	(1.737)	(1.055)	(0.033)	(1.127)	(0.166)	(0.685)	-	(4.803)
Impairments - Recognised in Revaluation Reserve	-	-	-	-	-	-	-	-
Impairments - Recognised in the CIES	-	(0.146)	(0.870)	-	-	-	-	(1.016)
Other - Transfers to Held for Sale	-	(0.322)	-	-	-	(1.280)	-	(1.602)
Other Transfers	9.699	2.761	(61.750)	68.222	(8.895)	0.641	(14.006)	(3.328)
<b>Net Book Value at 31 March 2020</b>	<b>1,002.178</b>	<b>933.669</b>	<b>111.888</b>	<b>557.113</b>	<b>13.288</b>	<b>43.826</b>	<b>79.948</b>	<b>2,741.910</b>
Gross Book Value c/f	1,002.178	938.769	210.784		23.259	43.826	79.954	2,298.770 **
Accumulated Depreciation c/f	-	(5.100)	(98.405)		(9.771)	-	(0.006)	(113.282) **
Accumulated Impairment c/f	-	-	(0.491)		(0.200)	-	-	(0.691) **
<b>NET BOOK VALUE AT 31 MARCH 2020</b>	<b>1,002.178</b>	<b>933.669</b>	<b>111.888</b>	<b>557.113</b>	<b>13.288</b>	<b>43.826</b>	<b>79.948</b>	<b>2,741.910</b>

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

PFI assets of the Council are shown as a separate note (see note 4.4.1). There are no PFI assets within the Group organisations so the table is not shown here.

See note 4.4.1 for further explanation in relation to Infrastructure Assets.

## Section 6 – Group Financial Statements and Notes

Restated 2018/19	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	921.179	938.524	308.457	700.755	33.050	24.996	28.690	<b>2,955.651</b>	<b>301.277</b>
Accumulated Depreciation b/f	-	(8.731)	(146.378)	(210.843)	(10.305)	-	-	<b>(376.257)</b>	<b>(28.181)</b>
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>Net Book Value at 1 April 2018</b>	<b>921.179</b>	<b>929.793</b>	<b>162.079</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.690</b>	<b>2,579.194</b>	<b>273.096</b>
<b>Adjustment to Opening Gross Book Value b/f</b>	-	<b>4.333</b>	-	-	-	-	-	<b>4.333</b>	<b>0.567</b>
<b>Restated Net Book Value at 1 April 2018</b>	<b>921.179</b>	<b>934.126</b>	<b>162.079</b>	<b>489.912</b>	<b>22.545</b>	<b>24.996</b>	<b>28.690</b>	<b>2,583.527</b>	<b>273.663</b>
Additions - Capital Expenditure	32.431	13.472	16.849	17.657	1.075	0.182	17.745	<b>99.411</b>	-
Depreciation Charge	(16.998)	(27.343)	(22.182)	(28.121)	(1.099)	(0.030)	-	<b>(95.773)</b>	(12.799)
Revaluations - Recognised in Revaluation Reserve	26.878	51.261	-	-	-	6.343	-	<b>84.482</b>	0.749
Revaluations - Recognised in the CIES	43.541	(8.903)	-	-	-	0.747	-	<b>35.385</b>	(0.571)
Derecognition - Disposals	(13.538)	(55.694)	(1.062)	-	-	(3.944)	-	<b>(74.238)</b>	-
Derecognition - Other	(2.470)	(0.395)	-	-	(0.390)	(1.612)	-	<b>(4.867)</b>	-
Impairments - Recognised in the CIES	-	-	0.025	-	-	-	-	<b>0.025</b>	-
Other - Transfers to Held for Sale	-	(0.159)	-	-	-	0.180	-	<b>0.021</b>	-
Other Transfers	9.193	(2.535)	0.212	-	-	2.670	(18.001)	<b>(8.461)</b>	-
<b>Net Book Value at 31 March 2019</b>	<b>1,000.216</b>	<b>903.830</b>	<b>155.921</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>28.434</b>	<b>2,619.512</b>	<b>261.042</b>
Gross Book Value c/f	1,000.216	909.557	318.401	718.412	33.654	29.532	28.440	<b>3,038.212</b>	301.091
Accumulated Depreciation c/f	-	(5.727)	(162.480)	(238.964)	(11.323)	-	(0.006)	<b>(418.500)</b>	(40.049)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2019</b>	<b>1,000.216</b>	<b>903.830</b>	<b>155.921</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>28.434</b>	<b>2,619.512</b>	<b>261.042</b>



### 6.7.2.2 Investment Properties

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

	2018/19 £m	2019/20 £m
Opening Balance At 1 April	264.914	326.356
Additions	67.061	5.842
Disposals	(2.694)	(14.391)
Net gains/losses from fair value adjustments	(2.985)	(14.391)
Transfers to / from Property Plant and Equipment	0.060	2.776
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>326.356</b>	<b>306.192</b>

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

### Fair Value Hierarchy

Details of the group's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2020 £m
Industrial	-	66.290	-	66.290
Land	-	48.388	-	48.388
Leisure / Other	-	44.480	-	44.480
Office	-	61.582	-	61.582
Retail	-	71.295	-	71.295
Services	-	14.157	-	14.157
<b>Total</b>	<b>-</b>	<b>306.192</b>	<b>-</b>	<b>306.192</b>

Details of the Fair Value hierarchy information are shown in note 4.4.3.

### 6.7.2.3 Short Term Debtors

	31 March 2019 £m	31 March 2020 £m
Prepayments	14.562	16.350
Local Taxation	7.041	8.275
Trade	58.814	60.514
Other receivable amounts	46.768	89.683
<b>TOTAL</b>	<b>127.185</b>	<b>174.822</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.2.4 Cash and Cash Equivalents

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

	31 March 2019 £m	31 March 2020 £m
Cash held by the Authority / Group Organisation	0.248	0.275
Bank current accounts	18.282	23.682
Short-term deposits with banks and building societies	39.285	82.719
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>57.815</b>	<b>106.676</b>

### 6.7.2.5 Short Term Creditors

	Restated 31 March 2019 £m	31 March 2020 £m
Receipts in Advance	(36.435)	(35.553)
Trade	(94.369)	(83.922)
Other payables	(70.840)	(61.544)
<b>TOTAL</b>	<b>(201.644)</b>	<b>(181.019)</b>

The figures for 2018/19 are shown as restated due to the Council's Revenue Grants Received in Advance of £10.222m now being shown separately on the Balance Sheet (they were previously included in Short Term Creditors).

### 6.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS (section 6.4.3).

### 6.7.2.7 Unusable Reserves

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

## Section 6 – Group Financial Statements and Notes

	Restated 31 March 2019 £m	31 March 2020 £m
Revaluation Reserve	562.967	616.042
Capital Adjustment Account	1,034.823	1,075.294
Financial Instruments Adjustment Account	(5.854)	(5.578)
Pensions Reserve	(788.018)	(777.847)
Deferred Capital Receipts Reserve	2.143	1.042
Collection Fund Adjustment Account	4.585	2.028
Accumulated Absences Account	(4.163)	(4.673)
Profit and Loss and Other Reserves of Group Entities	(96.362)	(99.605)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	0.578	(0.579)
Minority Interest - Equity	0.572	0.799
<b>TOTAL</b>	<b>711.271</b>	<b>806.923</b>

### Revaluation Reserve

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

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

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

	Restated 2018/19 £m	2019/20 £m
<b>Opening Balance at 1 April</b>	<b>527.860</b>	<b>562.967</b>
<b>Adjustments to opening balance</b>	<b>(7.444)</b>	<b>-</b>
<b>Adjusted balance at 1 April</b>	<b>520.416</b>	<b>562.967</b>
Upward revaluation of assets	98.241	240.628
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(12.372)	(171.437)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>85.869</b>	<b>69.191</b>
Difference between fair value depreciation and historical cost depreciation	(14.069)	(14.282)
Accumulated gains on assets sold or scrapped	(29.249)	(1.834)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(43.318)</b>	<b>(16.116)</b>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>562.967</b>	<b>616.042</b>

## Section 6 – Group Financial Statements and Notes

### Capital Adjustment Account

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

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

	Restated 2018/19 £m	2019/20 £m
<b>Opening Balance at 1 April</b>	<b>988.708</b>	<b>1,034.823</b>
<b>Adjustments to opening balance</b>	<b>11.777</b>	<b>-</b>
<b>Adjusted balance at 1 April</b>	<b>1,000.485</b>	<b>1,034.823</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Amortisation of intangible assets	(1.772)	(1.780)
Charges for depreciation of non-current assets	(88.101)	(74.278)
Revaluation losses on Property, Plant and Equipment	35.402	(16.507)
Movements in the market value of Investment Properties	(4.645)	(14.502)
Revenue expenditure funded from capital under statute (REFCUS)	(4.567)	(5.714)
REFCUS expenditure funded by grants	3.305	2.831
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(81.271)	(32.598)
Adjusting amounts written out of the Revaluation Reserve	43.340	16.084
	<u>(98.309)</u>	<u>(126.464)</u>
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	23.376	15.838
Use of Capital Receipts Reserve to repay debt	13.672	16.719
Use of the Major Repairs Reserve to finance new capital expenditure	26.339	25.902
Application of grants to fund capital expenditure	28.002	66.716
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	28.392	28.589
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	7.852	1.505
Adjustment to MRP as a result of PFI Projects	4.668	14.528
Capital expenditure charged against the General Fund and HRA balances	0.461	0.467
<b>Reduction in Liabilities &amp; Repayment of Long Term Debtors etc:</b>		
Principal Repayment of Capital Loans	(0.115)	(3.212)
Leasing and Compulsory Purchase Order repayments	-	(0.117)
	<u>132.647</u>	<u>166.935</u>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>1,034.823</b>	<b>1,075.294</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.3 Group Movement in Reserves Statement Notes

The 2017/18 financial statements of NCH and RHE have been restated. Opening balance adjustments of £0.115m (NCH) and -£2.546m (RHE) have been included in the 2018/19 Group MIRS.

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

2019/20	General	Total	Total	Authority's	Total
	Fund	Usable	Authority	Share of	Reserves
	Balance	Reserves	Reserves	Group	Reserves
	£m	£m	£m	Reserves	£m
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(87.542)	(87.542)	(87.542)	87.542	-
Grants and provisions for subsidiaries	(0.050)	(0.050)	(0.050)	0.050	-
Receipts in relation to goods and services provided to subsidiaries	27.866	27.866	27.866	(27.866)	-
Interest and investment income from/to subsidiaries	2.657	2.657	2.657	(2.657)	-
Contributions from subsidiaries	1.545	1.545	1.545	(1.545)	-
Other movements	-	-	-	(0.182)	(0.182)
<b>TOTAL ADJUSTMENTS</b>	<b>(55.524)</b>	<b>(55.524)</b>	<b>(55.524)</b>	<b>55.342</b>	<b>(0.182)</b>

2018/19	General	Total	Total	Authority's	Total
	Fund	Usable	Authority	Share of	Reserves
	Balance	Reserves	Reserves	Group	Reserves
	£m	£m	£m	Reserves	£m
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(78.754)	(78.754)	(78.754)	78.754	-
Receipts in relation to goods and services provided to subsidiaries	26.506	26.506	26.506	(26.506)	-
Interest and investment income from/to subsidiaries	2.732	2.732	2.732	(2.732)	-
Contributions from subsidiaries	1.545	1.545	1.545	(1.545)	-
Other movements	-	-	-	7.595	7.595
<b>TOTAL ADJUSTMENTS</b>	<b>(47.971)</b>	<b>(47.971)</b>	<b>(47.971)</b>	<b>55.566</b>	<b>7.595</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.4 Group Cash Flow Notes

#### 6.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2018/19 £m	2019/20 £m
Interest received	3.593	5.647
Interest paid	(47.889)	(61.639)
Dividends received	1.200	0.407
Dividends paid	(1.341)	(0.288)
Taxation	(0.002)	-

#### 6.7.4.2 Investing Activities

	2018/19 £m	2019/20 £m
Purchase of property, plant and equipment, investment property and intangible assets	(164.380)	(159.720)
Purchase of short-term and long-term investments	(57.500)	(55.000)
Obtaining control of a subsidiary - cash paid net of cash and cash equivalents acquired	-	(4.724)
Other payments for investing activities	(0.162)	(18.902)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	26.720	35.983
Proceeds from short-term and long-term investments	10.000	59.564
Other receipts from investing activities	51.599	77.367
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(133.723)</b>	<b>(65.432)</b>

#### 6.7.4.3 Financing Activities

	2018/19 £m	2019/20 £m
Cash receipts of short and long-term borrowing	150.525	197.500
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(11.034)	(13.672)
Repayments of short and long-term borrowing	(63.194)	(84.557)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>76.297</b>	<b>99.271</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.4.4 Reconciliation of Liabilities arising from Financing Activities

	Financing		Non-cash changes		31 March 2020
	1 April 2019	cash outflows (inflows)	Acquisition	Other	
	£m	£m			
Long-term borrowings	(877.710)	(65.000)	-	17.184	(925.526)
Short-term borrowings	(86.394)	(56.269)	-	(15.512)	(158.175)
Lease liabilities	(20.351)	6.378	(20.936)	(0.279)	(35.188)
On balance sheet PFI liabilities	(198.824)	7.294	-	2.349	(189.181)
Growing Places Fund and other	(18.114)	8.326	-	5.738	(4.050)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,201.393)</b>	<b>(99.271)</b>	<b>(20.936)</b>	<b>9.480</b>	<b>(1,312.120)</b>

	Financing		Non-cash changes		31 March 2019
	1 April 2018	cash outflows (inflows)	Acquisition	Other	
	£m	£m			
Long-term borrowings	(802.145)	(75.570)	-	0.005	(877.710)
Short-term borrowings	(73.785)	(12.085)	-	(0.524)	(86.394)
Lease liabilities	(23.226)	6.366	(3.491)	-	(20.351)
On balance sheet PFI liabilities	(205.841)	4.668	-	2.349	(198.824)
Growing Places Fund and other	(18.526)	0.324	-	0.088	(18.114)
Other payments for financing activities	-	-	-	-	-
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,123.523)</b>	<b>(76.297)</b>	<b>(3.491)</b>	<b>1.918</b>	<b>(1,201.393)</b>

# Section 7 (Appendix A)

## PENSION SCHEMES

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

#### 7.1.1 Teachers' Pension Scheme

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

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

The scheme has more than of 11,200 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 2019/20, the Council paid £5.546m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.48% of pensionable pay for April 2019 to August 2019, and 23.68% of pensionable pay for September 2019 to March 2020. The figures for 2018/19 were £4.459m and 16.48%. The employer contribution includes a levy of 0.08% for administration.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Scheme. These costs are accounted for on a defined benefit basis and shown under past service costs/gains in section 7.2.1 below. The teacher's benefits arrangements have no assets to cover its liabilities.

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

#### 7.1.2 NHS Pension Scheme

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

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

The scheme is an unfunded defined benefit occupational scheme with the benefits underwritten by the Government. The scheme is not designed to be run in a way that



would enable NHS bodies / local authorities to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council is taken as equal to the contributions payable to the scheme for the accounting period.

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

The employer contribution rate for the period 1 April 2019 to 31 March 2023 is 20.6% of pensionable pay for both the 1995-2008 Scheme and the 2015 Scheme.

The employer contribution rate is set through a process known as the scheme valuation. A scheme valuation is carried out every four years and it measures the full cost of paying pension benefits (to current pensioners). The most recent 2016 scheme valuation identified the need to increase the employer contribution from 14.3% to 20.6% (6.3% increase) from 1 April 2019.

Employers are required to pay a scheme administration levy, in addition to the employer contribution rate, to cover the cost of the scheme administration. This levy is 0.08% of pensionable pay and is collected at the same time and in the same way as normal employer contributions. In practical terms, this means employers will pay 20.68% of pensionable pay.

For 2019/20 the Council was responsible for paying 14.38% of contributions. The Council also paid some of the increase in costs foreseen in Budget 2016 which equated to a 2.5% increase in employer contributions with the remaining 3.8% (together totalling the 6.3% increase) constituting unforeseen costs which were funded by the Government.

In 2019/20 the Council's contribution to the Scheme was £0.069m, representing 14.38% of pensionable pay (£0.483m). £0.012m was also paid by the Council, representing the 2.5% increase in costs.

The employee contributions are on a tiered scale from 5.0% to 14.5% of their pensionable pay.

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

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

## 7.2 Defined Benefit Pension Scheme

### 7.2.1 Local Government Pension Scheme

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

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

## Section 7 – Pension Schemes

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fund administration is undertaken by a team within the administering authority. Some functions are delegated to the Fund's professional advisers where appropriate.

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 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. Whilst these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

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

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

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

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

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

### **Court of Appeal Judgement in Relation to the McCloud and Sargeant Cases**

#### *Context*

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination.

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. We still have to wait for a remedy to be either imposed by the Employment Tribunal or negotiated and applied to all public service schemes, so it is not yet clear how this judgement may affect LGPS members' past or future service benefits. It has, however, been noted by Government in its 15 July 2019 statement that it expects to have to amend all public service schemes, including the LGPS.

### *Impact*

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, it may be that the underpin is to be applied to all members who were active at 31 March 2012 until their retirement. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012).

IAS19 requires the Actuary to place a best estimate value on liabilities and costs. Given the current uncertainty about the range of potential remedies, the best estimate is almost impossible to define and would require some judgement.

GAD's analysis compared the cost of the old pre-2014 final salary scheme with the new CARE scheme. The key parameter in assessing this cost is the assumed level of future salary increases in excess of CPI. GAD considered the following two scenarios:

- Salaries increase at CPI plus 1.5% – on this scenario GAD assessed the average cost of implementing their worst-case scenario to be 3.2% of active liabilities at 31 March 2019 and the impact on service cost (i.e. the cost of benefits accruing) to be 3.0% of active payroll.
- Salaries increase at CPI plus 0% p.a. – on this scenario GAD assessed the average cost to be less than 0.1% of active liabilities at 31 March 2019 and the impact on service cost to be less than 0.1% of payroll.

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results of the Actuary report at the last accounting date and therefore is already included in the starting position for the 2019/20 Actuary report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

## Section 7 – Pension Schemes

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

The projected pension expenses for the year to 31 March 2021 are as follows:

	LGPS 31 March 2021 £m	Teachers Benefits £m
Service cost	53.421	-
Net interest on the defined liability (asset)	17.223	0.688
Administration expenses	0.428	-
<b>TOTAL</b>	<b>71.072</b>	<b>0.688</b>
<b>Employer Contributions</b>	<b>27.171</b>	<b>-</b>

Note that these figures exclude the capitalised cost of any early retirement or augmentations which may occur after 31 March 2020.

These projections are based on the assumptions as at 31 March 2020.

#### 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 2019 and using financial assumptions that comply with IAS19.

#### Valuation Data - Data Sources

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

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2019 IAS19 report which was carried out for accounting purposes.
- Estimated whole fund income and expenditure items for the period to 31 March 2020.
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019 and 31 March 2020, and Fund income and expenditure as noted above.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2020.
- Details of any new early retirements for the period to 31 March 2020 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.
- Details of any settlements for the period to 31 March 2020.

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

**Employer Membership Statistics**

The table below summarises the membership data, as at 31 March 2019 for members receiving funded benefits.

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Actives	7,728	146.742	45
Deferred Pensioners	14,237	17.458	47
Pensioners	7,390	34.669	71
Unfunded Pensioners	686	0.653	81

The table below summarises the membership data, as at 31 March 2020 for members receiving unfunded benefits.

	Teachers Benefits		
	Number	Salaries / Pensions £m	Average Age
Unfunded Pensioners	2,395	2.176	74

The Council also has a share of the responsibility for some of the historic Nottinghamshire County Council liabilities accrued prior to the reorganisation of local government 1 April 1998, and a responsibility for the liabilities of Nottingham City Transport Limited accrued prior to 26 October 1986. The data underlying the pre-1998 Nottinghamshire County Council and Nottingham City Transport Limited LGPS liabilities is as follows as at 31 March 2019:

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
<b>Pre-1998 Nottinghamshire County Council:</b>			
Deferred pensioners	3,311	1.817	58
Pensioners	5,160	18.397	78
Unfunded Pensioners	1,114	1.393	84
<b>Nottingham City Transport Limited:</b>			
Actives	42	0.982	61
Deferred pensioners	30	0.096	59
Pensioners	822	5.372	74

The service cost for the year ending 31 March 2020 is calculated using an estimate of the total pensionable payroll during the year of £151.800m. The projected service cost for the year ending 31 March 2021 has been calculated assuming the payroll remains at this level over the year.

There were 9 new early LGPS retirements in respect of the year ending 31 March 2020. The total annual pension that came into payment was £0.066m.

## Section 7 – Pension Schemes

### Scheduled Contributions

The table below summarises the minimum employer contributions due from the Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 17.9% of payroll p.a.

	Minimum employer contributions due for the period beginning		
	1 Apr 2020	1 Apr 2021	1 Apr 2022
Percent of Payroll	17.9%	17.9%	17.9%
plus monetary amounts £m	8.544	8.855	9.178

However, the Council have agreed with the administering authority that they will prepay their monetary contributions for the three years up to 31 March 2023 by making lump sum payments of £8.345m, £8.649m and £8.964m by 30 April 2020, 30 April 2021 and 30 April 2022 respectively. These lump sum payments have received an actuarially equivalent discount to the monetary rates above and the Council has been notified separately of these amounts. If the Council does not make these lump sum payments by 30 April each year, the contribution rates set out above will apply as normal.

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

### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2020 is estimated to be -7%. The actual return on Fund assets over the year may be different.

The LGPS estimated asset allocation for the Council as at 31 March 2020 is as follows:

	Local Government Pension Scheme			
	31 March 2019		31 March 2020	
	£m	%	£m	%
Equities	720.513	62%	616.484	58%
Gilts	37.804	3%	44.383	4%
Other Bonds	107.567	9%	98.148	9%
Property	157.087	14%	159.272	15%
Cash	28.047	2%	43.532	4%
Inflation-linked pooled fund	42.185	4%	39.907	4%
Infrastructure	55.885	5%	66.456	6%
Unit trust	11.774	1%	-	n/a
<b>TOTAL</b>	<b>1,160.862</b>	<b>100%</b>	<b>1,068.182</b>	<b>100%</b>

Note that unit trust assets are now included with equities.

The bid values have been estimated where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2020 is likely to be different from that shown due to estimation techniques.

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

The following information has been provided by the administering authority regarding the detail of the assets as at 31 March 2020. It represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset Breakdown	31 March 2020	
	% Quoted	% Unquoted
<b>Fixed Interest Government Securities:</b>		
UK	4.2%	-
<b>Corporate Bonds:</b>		
UK	3.5%	-
Overseas	5.7%	-
<b>Equities:</b>		
UK	21.6%	0.1%
Overseas	31.7%	-
<b>Property:</b>		
All	-	14.9%
<b>Others:</b>		
Private Equity	-	3.1%
Infrastructure	-	6.2%
Unit Trust	-	1.2%
Inflation Linked Pooled Fund	-	3.7%
Credit	-	1.0%
Cash/Temporary Investments	-	3.0%
<b>TOTAL</b>	<b>66.7%</b>	<b>33.3%</b>

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

### Valuation Approach

To assess the value of the Council’s liabilities at 31 March 2020, the value of the Council’s liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions compliant with IAS19.

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

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2020 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2020 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 2019 allowing for investment returns (estimated where

## Section 7 – Pension Schemes

necessary), contributions paid into, and estimated benefits paid from the fund by and in respect of the Council and its employees.

As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation to 31 March 2020. The effect of allowing for the actual experience is shown in section 4.4.13.

As a result of the High Courts' recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP) between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is the actuary's understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

The actuary's valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuary have assumed that the Fund will be required to pay the entire inflationary increase. Therefore the actuary do not believe that they need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

### Assumptions

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

	Local Government Pension Scheme		Teachers Benefits	
	2018/19	2019/20	2018/19	2019/20
<b>Mortality Assumptions (Years):</b>				
Longevity at 65 retiring today:				
Males	21.6	21.8	21.6	21.8
Females	24.4	24.4	24.4	24.4
Longevity at 65 retiring in 20 years:				
Males	23.3	23.2	n/a	n/a
Females	26.2	25.8	n/a	n/a
<b>Financial Assumptions:</b>				
	SEIR approach	SEIR approach	SEIR approach	SEIR approach
RPI increase	2.40%	1.90%	2.50%	1.90%
CPI increase	3.90%	2.90%	n/a	n/a
Rate of increase in salaries	2.40%	1.90%	2.50%	1.90%
Rate of increase in pensions	2.40%	2.35%	2.25%	2.30%
Rate for discounting scheme liabilities	19	20	11	10
Estimate in years of duration of liabilities				

The financial assumptions are set with reference to market conditions at 31 March 2020.



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

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

As future pension increases are expected to be based on the Consumer Price Index (CPI) rather than RPI, a further assumption about CPI is that it will be 0.8% p.a. below RPI i.e. 1.9%. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Council's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

Salaries are assumed to increase at 1.0% p.a. above. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

The following assumptions have also been made:

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

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

Past service costs or gains arise as a result of introduction or withdrawal of or changes to member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost. The actuary is not aware of any additional benefits which were granted over the year ending 31 March 2020.

### **Curtailments**

The cost of curtailments is calculated as a result of the payment of unreduced pensions on early retirement. The Council will also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, the actuary have only calculated the cost of curtailments which affect the Council's LGPS pension

## Section 7 – Pension Schemes

liabilities. The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, 9 former Council employees became entitled to unreduced early retirement benefits under the LGPS. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £0.335m. This has been included within the service cost.

### Settlements

As a result of some members transferring into / out of the Council over the year liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £1.102m.

A summary of the transfers into/out of the Council over the last year is set out below. This includes the value of the assets transferred to/from the Council in respect of any transfers and the value of the transferred defined benefit obligation. Where applicable, the date of the report provided to the Administering Authority in relation to the transfer which includes a summary of the membership data used to calculate the value of the assets and liabilities transferred has been provided. Assumptions used to calculate the value of transferring liabilities are consistent with those assumed at the previous accounting date.

Settlements In and Settlements Out	Transfer Date	Assets Transferred £m	Liabilities Transferred £m	Report Date
<b>Council transferred from:</b>				
Nottinghamshire County Council (Annesley Primary School)	7 April 2019	0.112	0.158	no report
<b>TOTAL</b>		<b>0.112</b>	<b>0.158</b>	
<b>Council transferred to:</b>				
Nottinghamshire County Council (Regional Adoption Agency)	1 April 2019	0.976	2.124	27 November 2018
<b>TOTAL</b>		<b>0.976</b>	<b>2.124</b>	

Amendments to the IAS19 standard now requires that, when determining any past service cost or gain or loss on settlement, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. The amendment does, however, note that the extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. This amendment to IAS 19 was included in the consultation for the 2019/20 CIPFA Code. However, formal EU endorsement did not take place until March 2019. This was too late for the amendment to be included in the final 2019/20 CIPFA Code. As requested by the Council, the actuary have therefore not treated any events as material 'special events' in 2019/20. The IAS 19 amendment has been adopted in the 2020/21 CIPFA Code and will therefore be applicable for the 2020/21 financial year reporting (and not for 2019/20).

### Demographics

The demographics used by the actuary are consistent with those used for the most recent Fund valuation, carried out at 31 March 2019. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5 and an initial addition to improvements of 0.5% p.a.

This has been updated since the last accounting date where the demographic assumptions were based on those adopted for the Fund's 31 March 2016 valuation,

other than updating mortality improvement projections in line with CMI\_2018 at the previous accounting date. The impact of updating the demographic assumptions is set out in the Change in demographic assumptions figure in note 4.4.13.

### Sensitivity Analysis

The sensitivity analysis below focuses on four assumptions – discount rate, salary increases, inflation (which is used to determine pension increases and deferred revaluation) and mortality.

	Local Government Pension Scheme			Teachers Benefits		
	£m	£m	£m	£m	£m	£m
<b>Adjustment to discount rate:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,779.087	1,815.054	1,851.784	30.670	30.975	31.283
Projected service cost	52.041	53.421	54.839	-	-	-
<b>Adjustment to long term salary increase:</b>	+0.1%	0.0%	-0.1%	-	-	-
Present value of total obligation	1,817.986	1,815.054	1,812.145	-	-	-
Projected service cost	53.447	53.421	53.395	-	-	-
<b>Adjustment to pension increases and deferred revaluation:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	1,848.979	1,815.054	1,781.803	31.284	30.975	30.669
Projected service cost	54.818	53.421	52.060	-	-	-
<b>Adjustment to life expectancy assumptions:</b>	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	1,886.010	1,815.054	1,746.932	32.279	30.975	29.724
Projected service cost	55.051	53.421	51.839	-	-	-

### Covid-19

The most likely impact of Covid-19 on employers' pension liabilities will be through mortality and ill-health experience. In addition, some employers may see increases in future redundancy / early retirement experience, or material changes in their payroll but this will vary significantly between employers.

In terms of the effect on mortality experience, this isn't something that the Actuary has sufficient data on to make a credible long-term assumption on at this time. For early retirement experience, they receive information on the members who became entitled to unreduced early retirement benefits over the accounting period and so these are already allowed for in the Council's accounting position.

The Actuary are therefore not proposing to make any adjustment to employers' IAS19 liabilities as at March 2020 as a result of Covid-19 at this time.

# Section 8

## ABBREVIATIONS/GLOSSARY

### 8.1 Abbreviations

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

## 8.2 Glossary of Financial Terms

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

### **Accounting Period**

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

### **Accounting Policies**

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

### **Accrual**

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

### **Actuarial gains and losses**

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

### **Agency Services**

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

### **Amortisation**

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

### **Assets**

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

### **Bad (and doubtful) Debts**

Debts which may be uneconomical to collect or unrecoverable.

### **Balance Sheet**

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

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

### **Capital Adjustment Account**

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

### **Capital Expenditure**

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

## Section 8 – Abbreviations/Glossary

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### **Capital Financing Requirement**

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

### **Capital Receipt**

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

### **Cash and Cash Equivalents**

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

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

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

### **Code of Practice on Local Authority Accounting (UK)**

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

### **Collection Fund**

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

### **Community Assets**

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

### **Consolidated**

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

### **Contingency**

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

### **Contingent Liabilities**

A contingent liability is defined as either:

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

### **Contingent Rents**

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

### **Contract Assets**

Debtors for goods or services provided by the Council where not all of the goods or services that the Council is required to provide in order to receive payment have been delivered by 31<sup>st</sup> March.

### **Contract Liabilities**

Creditors for goods or services provided by the Council where the Council has received payment but not done everything that is required to retain the payment by 31<sup>st</sup> March.

### **Council Tax**

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

### **Council Tax Benefit**

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

### **Council Tax Discounts and Exemptions**

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

### **Creditors**

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

### **Current Service Cost**

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

### **Current Value**

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

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

### **Debtors**

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

### **Dedicated Schools Grant**

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

### **Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the

## Section 8 – Abbreviations/Glossary

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contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

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

### **Direct Revenue Financing**

Capital expenditure funded from revenue budgets.

### **Exceptional Items**

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

### **External Audit**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instrument**

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

### **Fixed Assets**

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

### **Funding Basis**

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

### **General Fund**

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

### **Group Financial Statements**

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

### **Heritage Assets**

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



### **Historical Cost**

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

### **Housing Benefit**

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

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

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **International Financial Reporting Standards**

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

### **Investment Properties**

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

### **Joint Ventures**

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

### **Liability**

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

### **Loss Allowance**

An allowance provided for bad debts i.e. credit losses.

### **Medium Term Financial Plan (MTFP)**

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

### **Minimum Revenue Provision**

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

## Section 8 – Abbreviations/Glossary

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### **National Non-Domestic Rates (NNDR)**

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

### **Net Revenue Expenditure**

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

### **Non-Cancellable Lease**

A lease that is cancellable only:

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

### **Non-operational Assets**

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

### **Operating Leases**

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

### **Operational Assets**

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

### **Outturn**

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

### **Past Service Cost**

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

### **PFI Credits**

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

### **Post Balance Sheet Events**

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

### **Precept**

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

### **Prior Year Adjustments**

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

of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

### **Private Finance Initiative (PFI)**

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

### **Provision**

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

### **Prudential Code**

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

### **Public Sector Audit Appointments (PSAA) Ltd**

PSAA was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government has delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. Under these transitional arrangements, PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. Before 1 April 2015, these responsibilities were discharged by the Audit Commission. The Secretary of State has specified PSAA as an appointing person under provisions of the Local Audit and Accountability Act 2014. For audits of the accounts from 2018/19, PSAA has appointed auditors to relevant principal local government bodies that opt into its national scheme. Grant Thornton UK LLP are the external auditors for Nottingham City Council for 2019/20.

### **Public Works Loans Board (PWLB)**

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

### **Reserves**

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

### **Residual Value**

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

### **Revaluation Reserve**

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

### **Revenue Expenditure**

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

### **Revenue Expenditure Funded From Capital under Statute (REFCUS)**

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

## Section 8 – Abbreviations/Glossary

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### **Revenue Support Grant (RSG)**

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

### **Section 106 contributions**

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

### **Service Reporting Code of Practice**

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

### **Single Entity Financial Statements**

The main financial statements for the Council as shown in section 3. The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council.

### **Specific Grant**

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

### **Stocks**

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

### **Subsidiary and Associated Companies**

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

### **Trading Accounts**

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

### **Trust Funds**

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

### **Work in Progress**

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

# Section 9 Independent Auditor’s Report

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

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