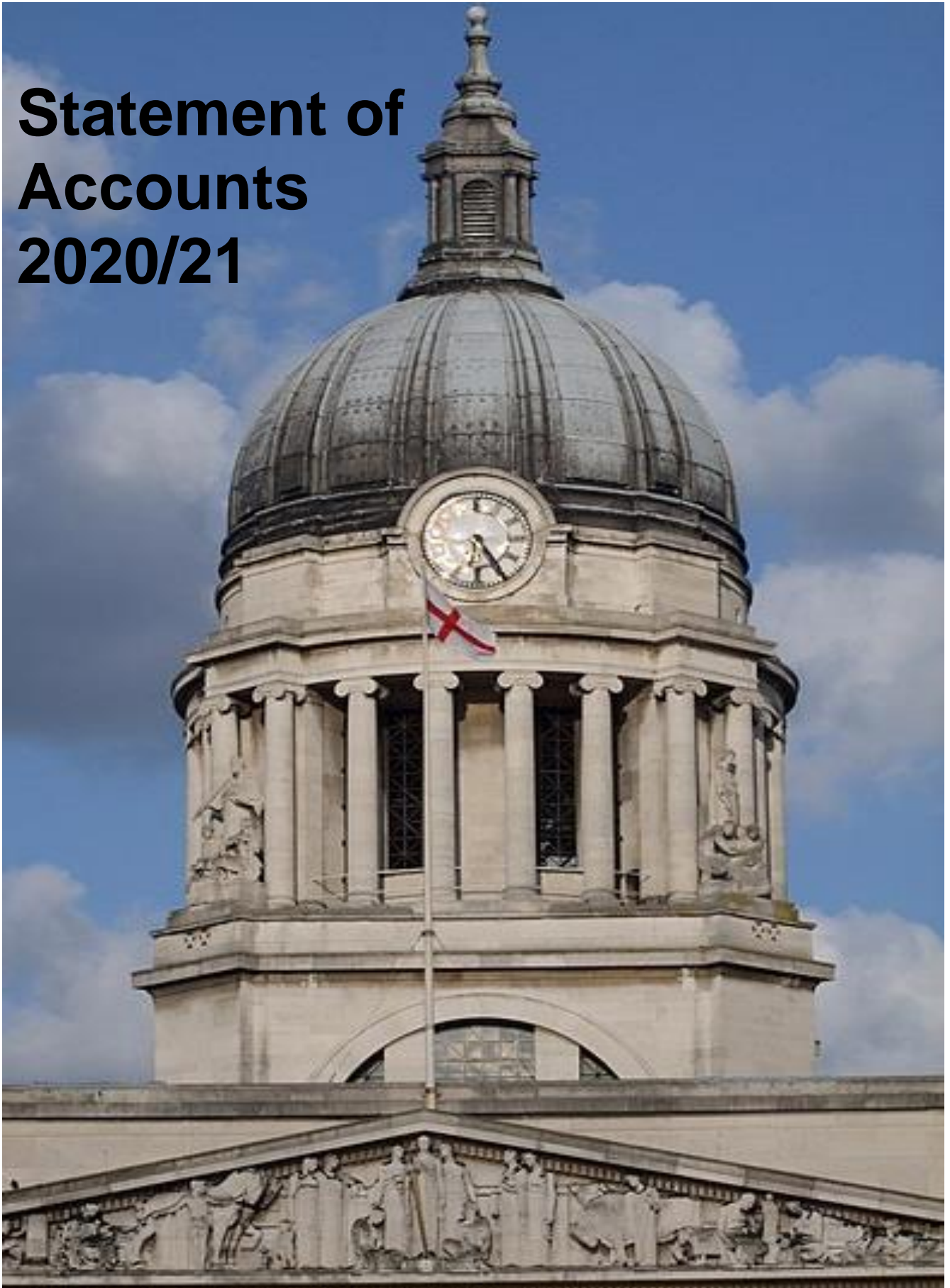


Statement of Accounts 2020/21



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Section 1

Narrative Report

1.1 Overview of Nottingham City Council

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

The Council provides a diverse range of services including social care, education, waste collection and leisure centres that impact positively on the day to day lives of citizens. It delivers regulatory functions to ensure the health & safety of citizens and visitors through the licensing of premises and taxis, enforcement of environmental health legislation and ensuring compliance with planning and building regulations. In 2019-20 before the pandemic there were

- 8.5million domestic waste collections;
- 774km of carriageway maintained;
- 1,848 ha of parks maintained;
- 2.7million visitors to Council organised events;
- 145,000 tonnes of waste diverted from landfill;
- 2.6million visitors to NCC Leisure Centres;
- 6,400 adults supported with social care packages;
- 3,000 food premises regulated;
- 6,000 businesses supported;
- 2,000 hackney carriage and private hire licences issued;
- 688 children in care; and
- 737 children in need supported.

The Council takes a strategic lead in the life of the city of Nottingham, assessing needs, determining local priorities and planning how those needs can be met within the funding constraints within which it operates. The Council works with local and national stakeholders within both the public and private sector to deliver these priorities.

The Council recognises its responsibilities to the environment and has developed a Carbon Action Plan setting out the actions it will take to deliver a resilient and Carbon Neutral Nottingham 2028. The Council has a national reputation as a leader in this field and continues to undertake innovative projects to improve the energy efficiency of its vehicles and estate. This includes innovative retrofitting projects to improve the energy efficiency of Council houses, installing energy efficiency measures on Council buildings and increasing the number of electric vehicles in the Council fleet.

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

- being the 11th most deprived area in UK;
- life expectancy up to 10 years below national average;
- having average earnings 75% of England average;
- 65% of properties in Council Tax Band A;
- 51% of people who work in the city are not residents; and
- entry level skills below national average.

Council Plans

Despite these challenges the Council remains ambitious for Nottingham and its citizens. The Council plan for 2019-23 was approved by the City council in November 2019 and set five key objectives.

1. Build or buy 1,000 council or social homes for rent.
2. Create 15,000 new jobs for Nottingham people.
3. Build a new Central Library, making it the best children's library in the UK.
4. Cut crime and reduce anti-social behaviour by a quarter.
5. Ensure Nottingham is the cleanest big city in England and keep neighbourhoods as clean as the city centre.

The Council experienced challenges during 2020/21, further details of which are provide below. As a result, a separate Recovery & Improvement Plan covering the period 2021 to 2024 was agreed by the City Council at an Extraordinary Meeting in January 2021. This confirmed that the City Council was committed to a continuing improvement journey, for the benefit of the citizens of Nottingham who rely on the Council to provide well planned, effective and value for money services.

Council Vision

The Council's vision for Nottingham as outlined in the Council Plan 2019-23 is:

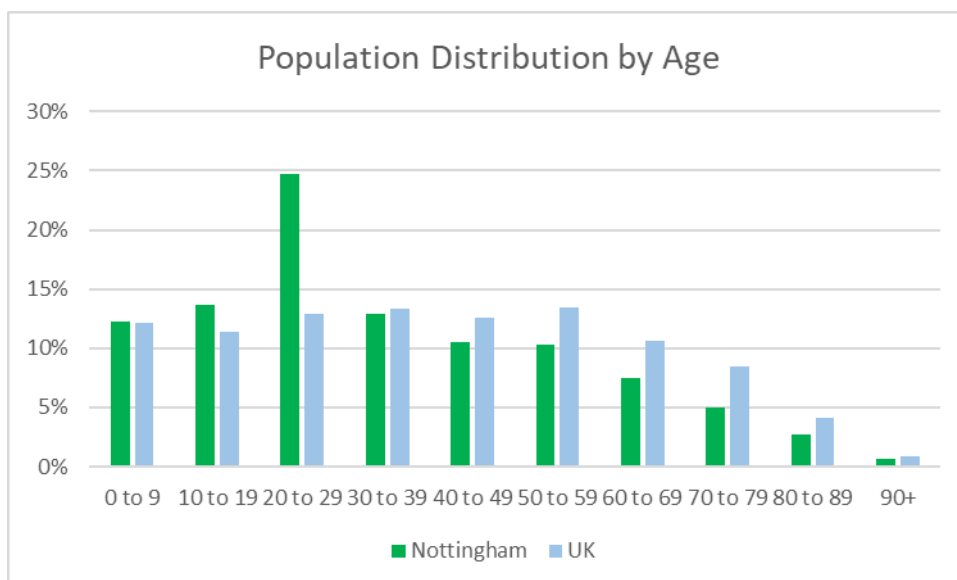
- A safer city;
- A cleaner city that we all take pride in;
- A diverse, vibrant and multicultural city;
- A city where there is lots to do for people of all ages;
- A healthy city, where people look after themselves and make healthy choices;
- A city that takes care of its residents;
- A place where there is dignity in getting older and care for those who need it;
- A city where there are opportunities for everyone and we're encouraged to prosper and be ambitious;
- A city where people from all walks of life get on well and respect each other;
- A city where everyone is able to reach their full potential; and
- An inclusive city where everyone is treated fairly, with dignity and respect.

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 means that the population distribution within Nottingham is noticeably different from that of the UK as a whole, as shown in the chart below.



1.1.2 Employees

At 31 March 2021 the Council employed 6,306 people, of which 3,708 were full time employees and 2,598 part time. In the latest gender pay gap report published in March 2021 the Council reported that the median pay gap between male and female employees was 0% whilst the mean pay gap was 2.9% in favour of male employees.

In the latest disability pay gap report published in May 2021 the Council reported that the median pay gap between disabled and non-disabled employees was 5.8% and the mean pay gap was 2% both in favour of disabled employees.

For the first time the Council has published an Ethnicity Pay Gap Report; this reported a median pay gap of 8.6% and a mean pay gap of 7.9% both in favour of white employees. The Council has identified some ways in which it can address this gap and has recently appointed 2 senior officers from BAME backgrounds.

The reports can be found on the Council’s website at:

[Collective Pay Gap Reports - Nottingham City Council](#)

1.1.3 Political and Management Framework

The City of Nottingham comprises 20 electoral wards from which 55 councillors are elected once every 4 years to represent citizens. The last election took place in May 2019 with the resulting composition of the Council as below.

Labour Party	50
Independent	3
Conservative Party	2

The Council is controlled by the party with the largest number of councillors, currently the Labour Party.

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

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

Section 1 – Narrative Report

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

The Executive Board of the Council consists of 10 Councillors, including the leader, each with specific areas of responsibility and is responsible for major decisions on service delivery. The Executive Councillors are also able to take decisions on service delivery within their areas of responsibility in accordance with the Council's constitution.

There are some decisions, known as non-executive decisions, that are taken by committees of Councillors as the law does not permit the Executive Councillors to make them. These include decisions on licensing and planning matters. In addition, there are some decisions relating to electoral ward matters that the Council has chosen to delegate to Area Committees.

The Council has an Overview and Scrutiny Committee which is made up of 12 non-executive councillors and is able to review the decisions made by the Executive Councillors collectively or individually and hold them to account for them.

The Audit Committee is made up of 9 non-executive councillors and is responsible for overseeing the financial reporting of the Council, including the production of the Financial Statements and ensuring that the Council has adequate control and risk management processes in place.

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

The most senior officer of the Council is the Chief Executive, they lead the Senior Management Team which includes 4 Corporate Directors each of whom has management responsibility for a range of services. Management responsibility within the Council is delegated to officers in accordance with the Council's constitution to ensure that decisions can be made in a timely and effective manner whilst ensuring that the Council fulfils its legal duties and ensures that public funds are properly managed.

1.1.4 Financial Objectives and Framework

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

The Medium-Term Financial Strategy (MTFS) sets the financial framework to deliver the aims and objectives of the Council. The MTFS is set on a rolling 3-year basis and is key to ensuring the ongoing financial stability of the Council.

The key objectives of the MTFS are:

- A balanced budget and sustainable Medium-Term Financial Plan on a rolling 3-year basis;
- To reduce the Council's exposure to commercial risk;
- To ensure that core services are affordable for the long term; and
- To ensure that Councillors and officers have oversight and accountability for the financial performance of the Council.

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

These strategies, for future years, were approved by Executive Board on 23 Feb 2021, details can be found on the Council website at:

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=8590&Ver=4>

The Council has adopted the CIPFA Financial Management Code. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The first full year of compliance with the code is 2021/22 but authorities are expected to demonstrate how they are working towards compliance in 2020/21. More details are included in the Annual Governance Statement.

1.2 Matters Arising in 2020/21

2020/21 was a challenging year for the Council in many ways, the global pandemic brought challenges in terms of supporting citizens and service delivery whilst also impacting the local and national economy. As a result of the effects of the pandemic the Council found itself in an extremely difficult financial position which required it to approve an interim budget in September 2020.

The Council was also the subject of a Public Interest Report by its external auditors which resulted in a non-statutory review by MHCLG.

1.2.1 COVID-19 Related Matters

COVID-19 Public Health Emergency

The Government declared a public health emergency on 16th March 2020 and enacted legislation to regulate society and help the country weather the impact of the pandemic and lead to recovery. This legislation was in place for the whole of 2020/21 in various forms with measures changing in line with the scale and effects of the pandemic.

The Council responded to the pandemic to support citizens, employees and business by ensuring:

- Essential services continued to be provided;
- Protective measures were put into place for citizens and staff;
- Financial assistance was provided to businesses;
- Partnership working was continued.

Essential Services continued to be provided

The Council redeployed 230 staff from services closed due to restrictions to front line services to maintain essential services to citizens and to provide emergency and ongoing support to citizens and partner organisations across the city. This 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 were put into place for citizens and staff

Where possible Council staff have been working at home throughout 2020/21, this required staff to develop new ways of working to deliver services such as conducting social care assessments over the telephone and the creation of neighbourhood resilience teams. For those delivering essential services to citizens additional measures such as the provision of additional Personal Protective Equipment were put in place so that service delivery could be maintained. Many staff are employed in services such as Leisure Centres and the Royal Centre that were required to remain closed for much of the year, some were redeployed to other service areas but were on furlough for much of the year.

Financial assistance was provided to businesses

The Council paid out over £52m of Business Support Grants, £65m of Business Rates Relief and £3.3m of Additional Support to local businesses. The Council also established the Nottingham Economic Recovery Unit to support Nottingham businesses emerge from the COVID-19 pandemic. Support was provided to local businesses through Nottingham Jobs and the Skills Access Hub to help them engage with initiatives including the Government's Kickstart scheme to help with recruitment.

Effective Partnership working with stakeholders continued

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.

Conclusion

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.

1.2.2 Non-COVID-19 Related Matters

Broadmarsh Shopping Centre

Intu, the Council's partner in the redevelopment of the Broadmarsh Shopping Centre went into administration in June 2020 with work ceasing on the site. Intu surrendered their lease of the site to the Council who now have full control and responsibility for

the site. The Council is currently considering development options for the site and has established a panel of independent experts to assist with this.

Public Interest Report

A Report in the Public Interest (PIR) 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 report stated that:

- There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in RHE; and
- There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information.

The Council has fully accepted the findings of the report and will implement all the recommendations made including reviewing the Council's company governance practices. The Council has engaged with bodies such as CIPFA and the Local Government Association (LGA) to assist in the identification of best practice in this area and the delivery of the required improvements.

Following publication of the PIR the Council undertook a strategic review to consider the future options for RHE. Following this review, the decision was made to sell the customer base of the company, comprising 112,000 domestic and 2,600 business customers to Centrica in September 2020.

Robin Hood Energy went into administration in January 2021.

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 \(nottinghamcity.gov.uk\)](#)

Non-Statutory Rapid Review

Following the publication of the Public Interest Report into the Council a non-statutory review into the Council was carried out in November 2020 by Max Caller on behalf of MHCLG.

The review considered whether the Council would be able to set a balanced budget for 2021/22 and into the medium term and raised several issues. These included:

- The Council would not be able to set a balanced budget for 2021/22 without significant external support;
- The Council had failed to manage its budget on a 3-year rolling basis or bring forward savings proposals that reduced core expenditure or transform services instead relying on one off measures and increased commercialisation and income generation to balance the budget; and
- Capital expenditure had been unconstrained resulting in reduced revenue flexibility due to the level of debt repayments.

Section 1 – Narrative Report

The report was published on 17 December 2020 and can be found on the Council's website or by following the link below:

<https://committee.nottinghamcity.gov.uk/documents/s114567/11.2%20Enc.%201%20for%20Nottingham%20City%20Council%20Recovery%20and%20Improvement%20Plan.pdf>

Recovery & Improvement Plan

As a result of the non-statutory rapid review the Council was required to produce a Recovery & Improvement Plan to demonstrate how it would address the issues raised. This plan was approved at an extraordinary meeting of the City Council on 25 January 2021. Details of the plan can be found on the Council's website or by following the link below:

<https://committee.nottinghamcity.gov.uk/documents/s114569/11.4%20Enc.%203%20for%20Nottingham%20City%20Council%20Recovery%20and%20Improvement%20Plan.pdf>

In response to this the Secretary of State established an Improvement and Assurance Board to support the Council in delivering its recovery. The purpose of the board from its establishment in January 2021 is:

- To provide external advice, challenge and expertise to Nottingham City Council in driving forward the development and delivery of its three-year Recovery Plan;
- To provide assurance to the Secretary of State on Nottingham City Council's progress in delivering this Plan.

Capitalisation Direction

The Council submitted a capitalisation direction request to the Secretary of State for Housing, Communities and Local Government in December 2020 for £35m, £20m to maintain financial resilience and £15m to fund a comprehensive change programme.

Capitalisation is a process that allows the Council to treat certain revenue costs as capital expenditure and spread them over a number of years.

In March 2021 the Secretary of State approved a capitalisation direction of up to £20m for 2020/21 and advised the Council that he was minded to approve a direction of up to £15m for 2021/22, both subject to certain conditions being met.

The conditions for capitalisation in 20/21 were

- The Authority may only capitalise expenditure when it is incurred;
- Where expenditure is capitalised, that the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- Where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing; and

- The Authority continues to make good progress against its Recovery Plan, as assessed by the Improvement and Assurance Board in their regular reports to the Secretary of State.

1.2.3 Achievements in 2020/21

Despite the impact of the COVID-19 pandemic and the other issues identified above the Council still managed a number of significant achievements in 2020/21.

These included:

- Nottingham Castle – The redevelopment works at Nottingham Castle, restoring and redesigning the Castle and grounds, were completed ahead of the opening in June 2021.
- Electric Vehicles – The Council opened the first local authority run service centre for Ultra Low Emission Vehicles and securing funding for a scheme to enable local businesses to try low emission vehicles before buying them. The Council also introduced the first purpose built electric refuse collection vehicles in the world into its fleet.
- Regeneration – Work continued on regeneration schemes on the southern entrance to the City Centre including construction of a new car park and library on the Broadmarsh site This included a Solar PV installation on the roof of the car park which will provide electricity to the car park, library and bus station.
- Council teams won 2 Best Service Teams awards for Parks, Grounds and Horticultural Services and Transport and Fleet Maintenance Association for Public Service Excellence (APSE) service awards for 2020.
- Employment Support & Business Growth – The Council has engaged over 2,000 people in employment support, placed over 900 into work and provided business support to over 6,000 businesses within Nottingham. It has also secured over £14m of external funding to support employment and business growth in the city.
- Decarbonisation – The Council secured over £14m of funding for energy efficiency projects within Nottingham. This will include retrofitting energy efficiency measures to over 1,000 social houses.
- Midlands Energy Hub – The Midlands Energy Hub has continued securing a range of funding and delivering key pieces of work such as the Parish Carbon Calculator; Social Housing Decarbonisation Technical Assistance Pilot; Low Carbon Transport Hubs; report on Low Carbon and Environmental Goods and Services Sector; Green Homes Grant Local Authority Delivery Scheme (GHG LAD) Phase 2 set up with all D2N2 local authorities notified of their grant allocation and 9 completed and 7 ongoing Stage 1 Rural Community Energy Fund projects with 3 Stage 2 projects in progress.
- Events – The Council ran a successful COVID-19 secure Christmas lights event at Wollaton Park which attracted over 100,000 visitors.

1.3 Financial Strategy and Performance

1.3.1 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 services notably Adult Social Care and Children in Care. In the period 2010/11 to 2020/21, the Council has had to make cumulative savings totalling £287m, a further £16.9m of savings are included within the 2021/22 budget.

This challenging budget position has resulted in the Council having overspend outturn positions in most years since 2016/17. The positions from previous years are shown in the following table:

Revenue Outturn 2016/17 - 2019/20				
	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Over/(under)spend	2.522	4.215	1.681	(4.768)

The Medium-Term Financial Outlook for the authority is expected to continue to be challenging for the Council with uncertainties over the ongoing impact of the COVID-19 pandemic and anticipated increases in demand for services.

By 2020 it was expected that additional savings of £22.478m and £24.987m will be required in 2022/23 and 2023/24 to balance the Council's budget.

Medium Term Financial Outlook 2022/23 - 2023/24		
	2022/23	2023/24
	£m	£m
2020/21 Budget requirement	248.059	248.059
Forecast cost pressures	47.343	56.951
Forecast Budget Requirement	295.402	305.010
Forecast funding requirement	(252.486)	(259.648)
2021/22 Budget savings	(20.438)	(20.376)
Budget Gap	22.478	24.987

The table does not sum exactly due to roundings.

1.3.2 Revenue Outturn

As a result of the financial effects of the COVID-19 pandemic the Council approved an interim budget in October 2021 to enable it to address a forecast budget gap of £71.224m arising from the net impact of COVID-19, Robin Hood Energy and other risks. This gap was to be addressed through additional savings proposals, permanently releasing £38.713m of reserves and borrowing £31.3m from reserves on the basis that they would be replenished over the next 5 years.

The Council's 2020/21 initial revenue outturn position was a net underspend of £38.650m against a budget of £248.059m, this position included capitalising £20m of expenditure in line with the capitalisation direction the Council obtained in March 2021 resulting in a pre-capitalisation underspend of £18.650m. This is summarised in the following table.

	Revenue Outturn 2020/21				
	Budget		Outturn	Variance to Budget	
	Original £m	Interim £m	£m	Original £m	Interim £m
Services	200.205	220.432	192.718	(7.486)	(27.714)
Corporate Items	53.601	29.329	34.305	(19.296)	4.976
Companies	(5.747)	(1.702)	2.386	8.133	4.088
Total	248.059	248.059	229.409	(18.650)	(18.650)
Capitalisation	-	-	(20.000)	(20.000)	(20.000)
Total	248.059	248.059	209.409	(38.650)	(38.650)

The table does not sum exactly due to roundings.

The main reasons for the budget variances on services were:

- Underspends on Care Purchasing for adults
- Better than expected footfall at Leisure Centres and Museums
- Property rental income exceeding interim budget forecasts
- Maintenance of vacancies and reduced running costs

The Corporate Items variance was driven by £9.4m of redundancy and pension strain costs arising from the Voluntary Redundancy Program whilst the Companies variance arose as a result of the impact of COVID-19 on the performance of the companies in the Council group.

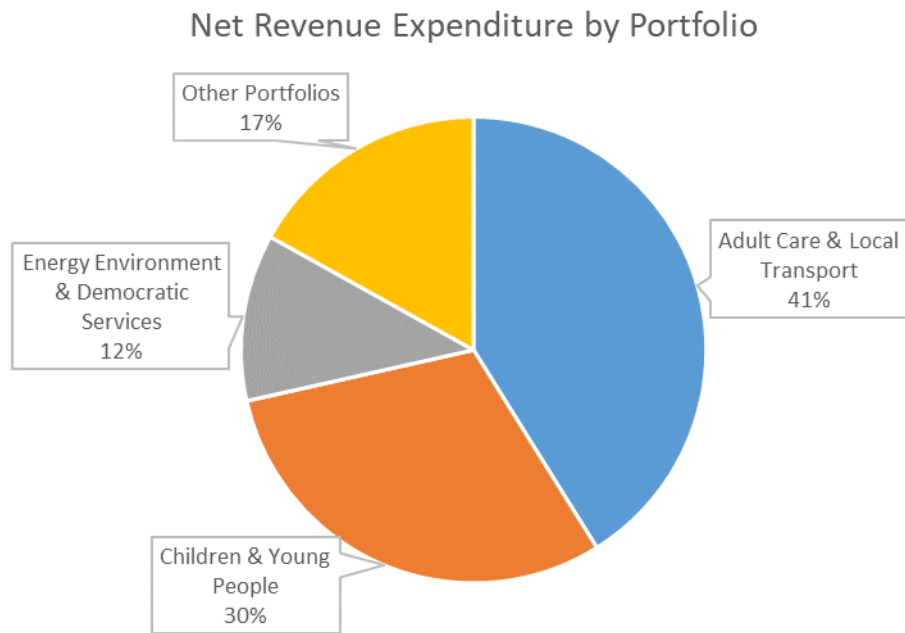
The underspend was used to repay amounts borrowed from reserves to support in-year expenditure and to create a transformation and resilience reserve to support the Council in delivering the changes identified in the Recovery & Improvement Plan.

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 20 July 2021, was shown on this basis.

Over 80% of the net revenue expenditure on services was incurred within 3 portfolios, namely:

- Adult Care & Local Transport
- Children & Young People
- Energy, Environment & Democratic Services

These portfolios provide services such as social care for adults and children, safeguarding and other services for children, domestic waste collection and disposal and highways maintenance.



Further information on the Council’s draft Revenue Financial Outturn for 2020/21 can be found in the report presented to Executive Board on 20 July 21 at:

<https://committee.nottinghamcity.gov.uk/ieListDocuments.aspx?CId=177&MId=9108>

Following the audit of the 2019-20 accounts, various adjustments have been made that decrease the underspend / increase the General Fund position by £6.279m, mainly as a result of an adjustment to Adult Social Care creditors.

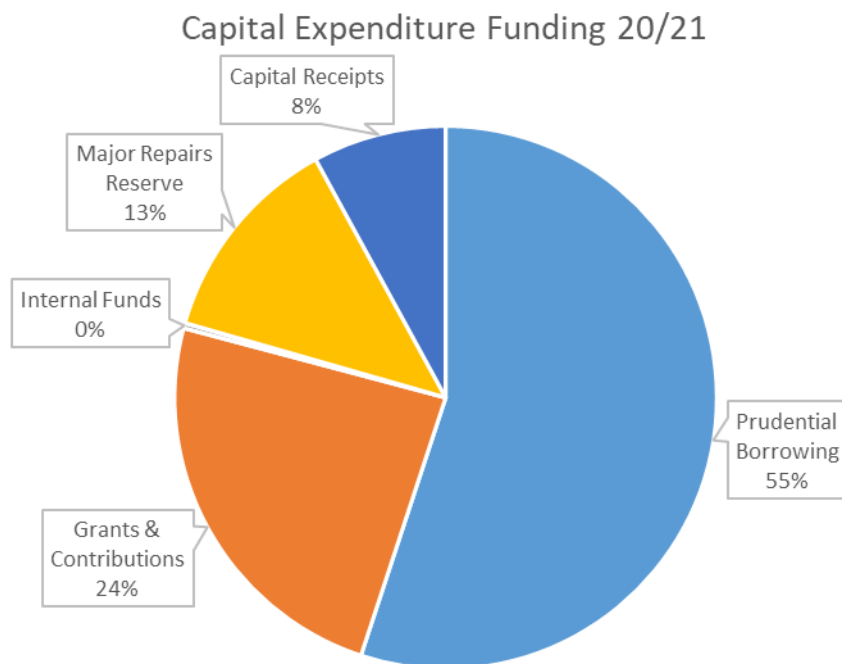
1.3.3 Capital Outturn

Capital expenditure in 2020/21 was £148.383m, the latest approved capital program for 2020/21 was £175.958m. A summary of this expenditure by scheme category is shown in the following table.

	Approved Program £m	Expenditure 2020/21 £m	Variance £m
Transport	24.843	16.118	(8.725)
Education	4.407	3.882	(0.525)
Other Services	100.089	90.890	(9.199)
Total General Fund	129.339	110.890	(18.449)
Public Sector Housing	46.619	37.493	(9.126)
Total Capital Expenditure	175.958	148.383	(27.575)

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

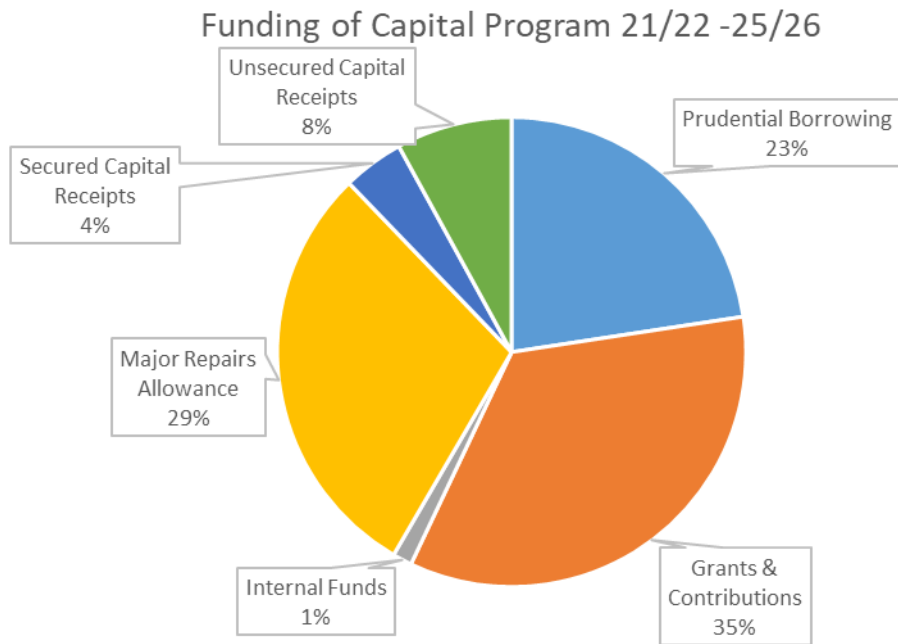
The main source of funding of capital expenditure in 2020/21 was Prudential Borrowing which funded over 55% of total expenditure with a further 24% funded by grants and contributions. This balance will change in future years as the Council looks to reduce its level of indebtedness in line with the requirements of the Recovery & Improvement Plan.



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

The draft 5-year capital program for 2021/22 to 2025/26 was approved at Executive Board on 23 February 2021. The program contains schemes with a total value of £665m; £380m on General Fund schemes and £285m of Public Sector Housing Schemes. This is a reduction of £40m from the program approved in Feb 2020.

Over the life of the program the Council will be reducing the use of Prudential Borrowing and Unsecured Capital Receipts to fund capital expenditure to ensure that the program is sustainable and affordable. This can be seen by comparing the chart showing how capital expenditure in 2020/21 was funded with the chart showing how the 2021/22 – 2025/26 program will be funded. The proportion of expenditure funded by Prudential Borrowing will reduce from over 50% in 2020/21 to less than 25% over the following 5 years.



1.3.4 Addressing Risk and Future Challenges

Increased Demand for Services

The MTFP was updated in February 2021 and reflects the fact that the Council expects demand for services to increase, particularly those that support children and the older population.

Collection Fund

The impact of COVID-19 reduced the Council's income from Council Tax and Business Rates. This negative impact on the Collection Fund will materialise in 2021/22 and will be 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 because of COVID-19 and the added uncertainties of Brexit, it is difficult to predict the future or whether investments will be adversely affected. Investments are made following sound business cases from the outset, which are checked and challenged, and robust and rigorous monthly monitoring.

The Council suffered substantial losses in commercial income raised from parking, commercial waste, leisure centres and other services because of the lockdown restrictions in place for most of 2020/21; this was partly but not fully mitigated by Government grants and other actions. As the restrictions are eased in 2021/22 it is anticipated that these losses will reduce, however this will be dependent on how and when the restrictions are lifted. Budget pressures to reflect an estimate of the performance in future years was included in the MTFP for 2021/22 – 2023/4. This will

be monitored and managed through the Council's financial monitoring processes and reported to Executive Board on a quarterly basis.

Group Companies

The Council has material financial interests in several 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. The Recovery & Improvement Plan includes a theme dedicated to the Council's companies which will seek to reach a clear determination of the future and direction of each company and provide greater visibility of their financial performance and any risks to the wider Council group.

The group companies are facing significant financial challenges because of COVID-19. Many were affected by lockdown restrictions either because of being forced to close or by people not accessing the City. The extent to which the financial performance will recover as restrictions are eased is unclear however it is unlikely that it will return to pre-COVID-19 levels in the short-term. This has been reflected in the MTFP for 2021/22 – 2023/24; the Council will keep the position under review through its ongoing monitoring reports.

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).

Reserves

As a result of the financial pressures caused by COVID-19, overspends, unachieved savings and issues with companies, the Council used a significant amount of its reserves to support service delivery costs in 2020/21. These reserves will need to be replenished in future years to ensure the financial stability of the Council: this is reflected in the MTFP.

Future Outlook

In February 2021, the Council approved a budget for 2021/22 and a Medium-Term Financial Outlook. The level of ongoing uncertainty in the financial environment arising from COVID-19 combined with the actions from the Recovery and Improvement Plan make forecasting beyond a 12 month period unrealistic; therefore, it is prudent to produce a 1 year budget alongside a commitment to tackle the financial issues that the Council faces.

The outlook for the period to March 2024 remains uncertain. The long-term impacts of COVID-19 both in terms of additional costs and lost income are difficult to predict but will impact both the Council and the trading prospects of the companies in which it has interests. Service pressures are expected in several key areas but in particular in Children's Services.

The Council will at the same time be embarking on an ambitious transformation programme to reform and modernise its services to live within a smaller funding envelope with less reliance on commercial and trading income to fund core services. The Recovery and Improvement Plan and the Transformation Programme will form the vehicle for delivering change and this in turn will feed into medium term financial forecasts.

A key part of the Recovery and Improvement Plan is that the Council takes a medium-term approach to financial planning aligned with a refreshed Council Plan. A revised process will be put in place for 2022/23 which will link the Council's ambitions to the

resources available to fulfill them and enable a robust 4 year Medium-Term Financial Strategy to be developed.

The need to transform services was another of the key outcomes of the Non-Statutory Review. The Council was granted a capitalisation direction of up to £35m, of which £15m related to 2021/22; this will enable it, if necessary, to finance the transformation activities required without further depleting reserves.

The Council will also be reviewing its asset portfolio to release capital, reducing its overall level of debt, and increasing revenue budget flexibility and developing a coherent and effective commercial strategy within which the companies in the group will operate.

The Council will be reducing its capital program to put it on a sustainable footing moving forward and reduce the level of debt. Historically the Council has relied on borrowing to finance the capital program; in 2021/22 new borrowing will be restricted to the amount of debt repaid in year and from 2022/23 – 2025/26 the Council will incur no net new borrowing to finance capital expenditure.

1.4 COVID-19 and the Impact on Nottingham

1.4.1 Financial Impact of COVID-19 for Nottingham City Council

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.

The gross financial impact of COVID-19 on the Council in 2020/21 was estimated at £66.545m; this was a combination of

- additional expenditure on goods and services,
- a loss of income from activities such as car parks and leisure centres and
- unachieved savings from the 2020/21 budget.

The Council received £34.258m in tranche 1-4 COVID-19 funding and £15.819m in Income Compensation Funding from central government resulting in a net impact of COVID-19 in 2020/21 of £16.469m. The Council implemented an emergency budget in September 2020, introducing further savings proposals and utilising reserves to address the position.

The impact of COVID-19 on the Council's financial position will not be restricted to 2020/21 but continue into the future as the longer-term impacts on income and ongoing extra costs are realised within both the Council and its group of companies. The ongoing budgetary pressures of COVID-19 included in the Council budget and MTFP for 2021/22 – 2023/4 are shown in the following table.

COVID-19 Budget Pressures 2021/22 - 2023/24			
	2021/22	2022/23	2023/24
	£m	£m	£m
Income reductions	16.793	12.091	8.453
Additional expenditure	10.217	9.159	8.748
Companies	4.734	5.891	5.485
Total	31.744	27.141	22.686

The impact of COVID-19 in future years will depend on progress in managing the pandemic and the extent of the economic recovery once restrictions are lifted and activities return to the new normal state.

1.4.2 Economic Impact of COVID-19

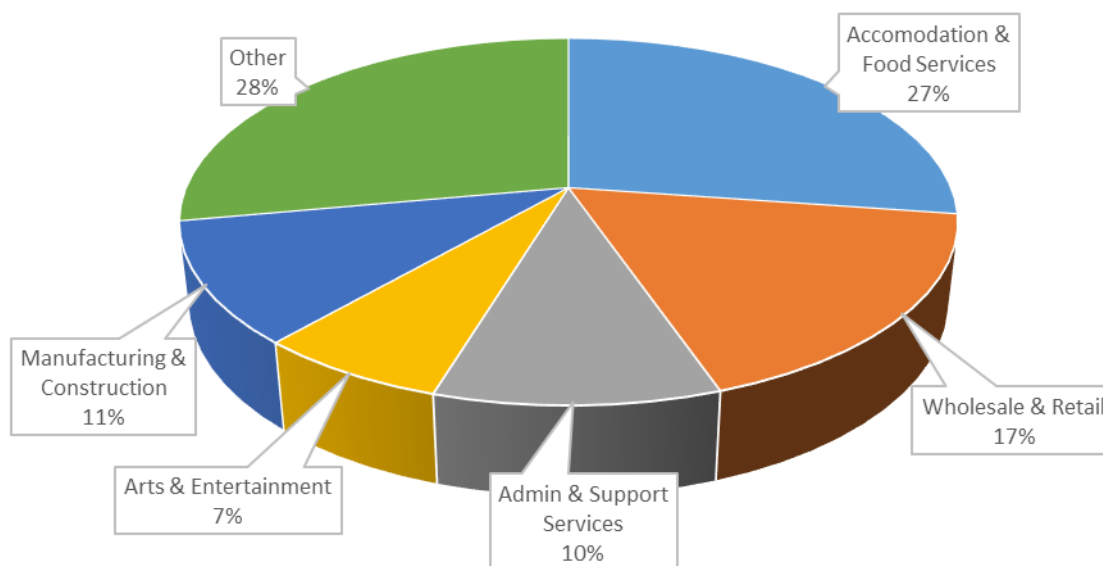
In the past 18 months, the economic outlook has changed beyond recognition of anything experienced in modern times. COVID-19 is a unique situation and when combined with Brexit presents unprecedented long-term financial challenges. In line with the rest of the UK, the pandemic has had a significant impact on Nottingham's economy. The scale of the impact will be affected by how the economy recovers once restrictions are lifted and whether any further periods of restrictions are required to deal with new virus variants or surges in case numbers particularly over the winter.

The main sources of employment in Nottingham are in the customer-focused service sector so lockdown restrictions had an immediate and significant impact. The full consequences of the restrictions will only be seen once they have been fully lifted and the support from the Coronavirus Job Retention Scheme has ceased but it is anticipated that there will be further job losses later this year once businesses adjust to the new economic reality.

In February 2021 there were 18,100 employments claiming support from the Coronavirus Job Retention Scheme, equating to 13.7% of total eligible employments, slightly below the England average of 15%. This is significantly lower than the July figure of 39,100 (29.7%) furloughed employments.

The chart below shows the distribution of the furloughed employments within the Council boundary by sector.

Furloughed Employments by Sector Feb 21



The number of people claiming Universal Credit or Jobseekers Allowance and seeking work in Nottingham in February 2021 was 18,410 or 7.8% of the population aged between 16 and 64; this is higher than both the national and regional figures of 6.4% and 5.6% respectively. The number of claimants has increased by 8,125 since February 2020, this is due to the pandemic and changes in the benefits system resulting in increased numbers of claimants having to look for work to maintain their entitlement to benefits. This figure is likely to increase as the employment support measures implemented by the government are removed once restrictions are eased.

The pandemic has resulted in fundamental business, operating and social changes, which may never return to the way they were pre-COVID-19. 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.

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.

1.5 Explanation of Accounting Statements for 2020/21

The Statement of Accounts sets out the Council's financial performance for 2020/2021. 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 2020/21 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:

1.5.1 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.

1.5.2 Movement in Reserves Statement (MIRS)

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

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

Surpluses and deficits from previous financial years are reflected in the reserve figures brought forward in the Movement in Reserves Statement - see section 3.3 Core Financial Statements in the Statement of Accounts. The following table summarises the movements in reserves during 2020/21:

	31 March 2020 £m	Movement 2020/21 £m	31 March 2021 £m
General Fund	13.761	41.610	55.371
Earmarked General Fund Reserves	154.510	1.955	156.465
Other Usable Reserves	82.320	(0.894)	81.426
Unusable Reserves	898.589	(238.306)	660.283
TOTAL AUTHORITY RESERVES	1,149.180	(195.635)	953.545

1.5.3 Balance Sheet

The Balance Sheet is a snapshot of the Council's assets, liabilities, cash balances and reserves as at 31 March 2021.

The following table is a summary of the balance sheet:

	31 March 2020 £m	31 March 2021 £m
Long Term Assets	3,102.390	3,206.773
Net Current Assets / (Liabilities)	(24.519)	29.808
Long Term Liabilities	(1,928.691)	(2,283.036)
NET ASSETS	1,149.180	953.545
Usable Reserves	250.591	293.262
Unusable Reserves	898.589	660.283
TOTAL RESERVES	1,149.180	953.545

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The 2020/21 increase in Long Term Assets is mainly due to:

- A net increase in Property Plant & Equipment of £116.288m. Further details regarding movements in Property Plant and Equipment can be found in note 4.4.1,
- A decrease in Investment properties of £18.762m from £256.161m as at 31 March 2020 to £237.399m as at 31 March 2021. The fall in Investment Property value from 31st March 2020 to 31st March 2021 is as a result of in year disposals and reductions in the value of properties due to the impact of COVID-19 on the property market, particularly in the retail and leisure sectors.
- Increase in Debtors of £6.540m due to the Council making long term loans to subsidiaries to support their investments in their business activities.

The Council had three material provisions (greater than £5m) carried within the balance sheet at 1 April 2020, the details of which are summarised below:

- Compulsory Purchases for NET (Short Term Provision) – The carrying value at 31 March 2021 (£4.349m) 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 2021 (£14.622m) 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.
- Financial Guarantees for Robin Hood Energy Ltd (Long Term Provision) – This provision was to meet the cost of financial guarantees supporting RHE. This provision was fully utilised in 2020/21 and has a carrying amount at 31 March 2021 of zero.

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 2021, the Council's fund was in deficit by £1,066.517m which (£777.847m as at 31 March 2020). Actuarial valuations are undertaken every three years and a deficit recovery plan is in place to reduce the liability to zero within 20 years.

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

1.5.4 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.

1.5.5 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:

[draft-annual-governance-statement-2020-21.pdf \(nottinghamcity.gov.uk\)](#)

An addendum to the initial draft Annual Governance Statement, which incorporates all changes since the document was published, can be viewed here:

[draft-ags-2020-21-addendum-v9.pdf \(nottinghamcity.gov.uk\)](#)

- 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.

1.6 Post Balance Sheet Update as at April 2024

1.6.1 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.

1.6.2 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

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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.

1.6.3 Significant Event Updates

The information in this Narrative Report sets out the position for the 2020/21 financial year. The following bullet points provide an update on significant events for the Council since 2020/21 up until the time of writing:

- 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 the 2020/21 financial year.

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/EXECUTIVE%20BOARD%202004)
- 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 \(nottinghamcity.gov.uk\)](#)

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 29 November 2024.

Signed:

Date: 29 November 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 08 November 2024. The auditors had previously raised concerns about the preparation of and evidence to support the Statement of Accounts for 2019/20, particularly in relation to specialist Property Plant & Equipment valuations. The Narrative Report and Annual Governance Statement included with these Accounts provide more detail on the Council's historic issues. In addition, a previous Section 151 Officer had issued a Section 114 Part 2 Report following concerns regarding the misappropriation of resources between the General Fund and Housing Revenue Account, an independent external review confirmed the misappropriations.

Section 2 – Statement of Responsibilities

In response to these findings, a previous S151 Officer commissioned an independent external review by EY which identified significant weaknesses in financial management, financial processes and systems of internal control.

Based on the detailed work undertaken prior to my appointment, the statement of accounts for 2020/21 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 materially support the overall Balance Sheet and the overall year-end position on General Fund balances and reserves.

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

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

Subject to my comments above, I certify that these financial statements give a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.

Signed:

Date: 29 November 2024

Stuart Fair

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

Section 3

Core Financial Statements

3.1 Comprehensive Income and Expenditure Statement (CIES)

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

As outlined in note 4.3.1 Prior Year Reclassifications, the 2019/20 CIES has been restated to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

Notes	Restated 2019/20			2020/21		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure £m	Income £m	£m	Expenditure £m	Income £m	£m
Adult Care and Local Transport	180.146	(82.806)	97.340	201.870	(108.027)	93.843
Children and Young People	120.929	(30.463)	90.466	111.324	(39.932)	71.392
Communities, Highways and Strategic Transport	62.233	(26.879)	35.354	56.442	(23.976)	32.466
Employment and Community Protection	19.290	(10.123)	9.167	17.437	(9.524)	7.913
Energy, Environment and Democratic Services	52.242	(23.122)	29.120	53.777	(24.876)	28.901
Finance, Growth and the City Centre	42.037	(34.563)	7.474	54.111	(31.588)	22.523
Health, HR and Equalities	20.352	(27.133)	(6.781)	20.771	(27.952)	(7.181)
Housing, Planning and Heritage	98.779	(120.544)	(21.765)	98.960	(123.581)	(24.621)
Leisure, Culture and IT	44.120	(39.737)	4.383	56.461	(21.611)	34.850
Regeneration, Schools and Communications	137.805	(138.822)	(1.017)	158.911	(149.260)	9.651
Corporate Items	154.803	(178.940)	(24.137)	171.976	(190.728)	(18.752)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	15.102	-	15.102	(52.501)	-	(52.501)
4.3.1 &						
4.3.2 Cost of Services	947.838	(713.132)	234.706	949.539	(751.055)	198.484
4.3.3 Other operating expenditure			1.283			2.062
4.3.4 Financing and investment income and expenditure:						
Capitalisation Directive - Exceptional revenue pressures and income losses (REFCUS)			-			20.000
Other financing and investment income and expenditure			72.981			87.289
4.3.5 Taxation and non-specific grant income			(314.594)			(271.062)
4.3.6 (Surplus)/Deficit on Provision of Services			(5.624)			36.773
4.3.8 Revaluation of PPE/Heritage assets			(69.191)			(69.717)
4.3.9 Re-measurement of pension assets/liabilities			(48.277)			228.579
Other Comprehensive Income and Expenditure			(117.468)			158.862
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(123.092)			195.635

3.2 Balance Sheet

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

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

Notes	31 March 2020 £m	31 March 2021 £m
4.4.1 Property, Plant & Equipment	2,642.404	2,758.692
4.4.2 Heritage Assets	60.961	61.450
4.4.3 Investment Property	256.161	237.399
Intangible Assets	2.773	1.526
4.4.14 Long Term Investments	29.530	30.605
4.4.14 Long Term Debtors	110.561	117.101
Long Term assets	3,102.390	3,206.773
Assets Held for Sale (current)	4.042	3.660
4.4.14 Short Term Investments	45.189	105.094
4.4.4 Inventories	1.928	1.562
4.4.5 Short Term Debtors	150.274	176.890
4.3.7 Contract Assets	0.175	0.006
4.4.7 Cash and Cash Equivalents	97.125	44.237
Current Assets	298.733	331.449
4.4.14 Short Term Borrowing	(158.175)	(42.034)
4.4.8 Short Term Creditors	(122.307)	(185.679)
4.4.12 Revenue Grants Received in Advance	(25.646)	(55.424)
4.3.7 Contract Liabilities	(8.743)	(11.197)
4.4.9 Provisions (current provisions)	(8.381)	(7.307)
Current Liabilities	(323.252)	(301.641)
4.4.14 Long Term Borrowing	(925.526)	(899.628)
4.3.7 Long Term Contract Liabilities	(2.257)	(2.493)
4.4.14 Other Long Term Liabilities	(185.835)	(173.805)
4.4.9 Provisions (non-current)	(26.081)	(22.032)
4.4.12 Capital Grants Receipts in Advance	(11.145)	(118.561)
4.4.13 Defined Benefit Pension Scheme	(777.847)	(1,066.517)
Long Term Liabilities	(1,928.691)	(2,283.036)
NET ASSETS	1,149.180	953.545
4.4.10 Usable Reserves	250.591	293.262
4.4.11 Unusable Reserves	898.589	660.283
TOTAL RESERVES	1,149.180	953.545

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Usable Reserves includes £30.802m Business Rate Relief S31 Grant received from government for the cost of reliefs. This falls outside the scope of the reserves earmarked for service requirements and does not represent additional spending power for services taken forward into 2021/22.

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.

On 3 August 2022 the Minister for Local Government formally signed an Item 9 Credit determination that required 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. On an accounting basis the statements have already been corrected for these ineligible costs, however on a statutory basis the correction can only be made in line with the determination in the financial year beginning on 1 April 2022. Therefore, the Movement in Reserves Statement includes an adjustment between the General Fund and the HRA to revert the balances to the statutory position as at 31 March 2021.

2020/21	General Fund	Earmarked General Fund	General Fund Total	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	£m
Actual ledger Balance at 31 March 2020	13.761	154.510	168.271	8.191	26.819	20.628	26.682	250.591	898.589	1,149.180
Outstanding Statutory (Item 9) Adjustments:										
1st Item 9 Credit Direction	-	(24.474)	(24.474)	24.474	-	-	-	-	-	-
2nd Item 9 Credit Application	-	(2.340)	(2.340)	2.340	-	-	-	-	-	-
Corrected Balance at 31 March 2020	13.761	127.696	141.457	35.005	26.819	20.628	26.682	250.591	898.589	1,149.180
Movement in 2020/21:										
Total CIE* (Table 3.1)	(105.977)	-	(105.977)	69.204	-	-	-	(36.773)	(158.862)	(195.635)
Funding basis adjustments (Note 4.5.1)	145.181	-	145.181	(63.104)	0.726	10.793	(14.152)	79.444	(79.444)	-
Net increase/decrease before transfers to earmarked reserves	39.204	-	39.204	6.100	0.726	10.793	(14.152)	42.671	(238.306)	(195.635)
Transfers to/from earmarked reserves	2.406	(2.406)	-	-	-	-	-	-	-	-
Movement in Year	41.610	(2.406)	39.204	6.100	0.726	10.793	(14.152)	42.671	(238.306)	(195.635)
BALANCE AT 31 MARCH 2021	55.371	125.290	180.661	41.105	27.545	31.421	12.530	293.262	660.283	953.545
Outstanding Statutory (Item 9) Adjustments:										
1st Item 9 Credit Direction	-	27.703	27.703	(27.703)	-	-	-	-	-	-
2nd Item 9 Credit Application	-	3.472	3.472	(3.472)	-	-	-	-	-	-
ACTUAL LEDGER BALANCE AT 31 MARCH 2021	55.371	156.465	211.836	9.930	27.545	31.421	12.530	293.262	660.283	953.545

* CIE - Comprehensive Income and Expenditure

Section 3 – Core Financial Statements

Earmarked General Fund Reserves includes £30.802m Business Rate Relief S31 Grant received from government for the cost of reliefs. This falls outside the scope of the reserves earmarked for service requirements and does not represent additional spending power for services taken forward into 2021/22.

2019/20	General Fund £m	Earmarked General Fund £m	General Fund Total £m	Housing Revenue Account £m	Capital Receipts £m	Major Repairs £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Actual ledger Balance at 31 March 2019	7.994	140.814	148.808	8.096	24.163	17.201	29.238	227.506	798.582	1,026.088
Outstanding Statutory (Item 9) Adjustments:										
1st Item 9 Credit Direction	-	(20.226)	(20.226)	20.226	-	-	-	-	-	-
2nd Item 9 Credit Application	-	(1.178)	(1.178)	1.178	-	-	-	-	-	-
Corrected Balance at 31 March 2019	7.994	119.410	127.404	29.500	24.163	17.201	29.238	227.506	798.582	1,026.088
Movement in 2019/20:										
Total CIE* (Table 3.1)	3.602	-	3.602	2.022	-	-	-	5.624	117.468	123.092
Funding basis adjustments (Note 4.5.1)	10.451	-	10.451	3.483	2.656	3.427	(2.556)	17.461	(17.461)	-
Net increase/decrease before transfers to earmarked reserves	14.053	-	14.053	5.505	2.656	3.427	(2.556)	23.085	100.007	123.092
Transfers to/from earmarked reserves	(8.286)	8.286	-	-	-	-	-	-	-	-
Movement in Year	5.767	8.286	14.053	5.505	2.656	3.427	(2.556)	23.085	100.007	123.092
BALANCE AT 31 MARCH 2020	13.761	127.696	141.457	35.005	26.819	20.628	26.682	250.591	898.589	1,149.180
Outstanding Statutory (Item 9) Adjustments:										
1st Item 9 Credit Direction	-	24.474	24.474	(24.474)	-	-	-	-	-	-
2nd Item 9 Credit Application	-	2.340	2.340	(2.340)	-	-	-	-	-	-
ACTUAL LEDGER BALANCE AT 31 MARCH 2020	13.761	154.510	168.271	8.191	26.819	20.628	26.682	250.591	898.589	1,149.180

* CIE - Comprehensive Income and Expenditure

3.4 Cash Flow Statement

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

Notes	2019/20 £m	2020/21 £m
Net Surplus/(Deficit) on the provision of Services	5.624	(36.773)
Adjustments to net surplus or deficit on the provision of services for		
4.6.1 non-cash movements	107.311	123.846
Adjustments for items included in the net surplus or deficit on the		
4.6.2 provision of services that are investing and financing activities	(92.845)	(6.076)
4.6.3 Net Cash Flows from Operating Activities	20.090	80.997
4.6.4 Investing activities		
6.5.1 Obtaining control of a subsidiary	(4.724)	-
Other investing activities	(69.715)	(31.612)
4.6.5 Financing activities	105.647	(102.273)
Net Increase or (Decrease) in Cash and Cash Equivalents	51.298	(52.888)
Cash and cash equivalents at the beginning of the reporting period	45.827	97.125
CASH AND CASH EQUIVALENTS AT 31 MARCH	97.125	44.237

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 2020/21 financial year and its position at the year end of 31 March 2021. 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 2020/21 (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 2020/21

The following accounting standards have been introduced by the Code for 2020/21:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material. This amendment is not anticipated to have a material impact on the Council's Statement of Accounts.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. This amendment is not anticipated to have a material impact on the Council's Statement of Accounts
- Annual Improvements to IFRS Standards 2015-2017 Cycle affecting:
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation. This is not applicable to the Council.

Section 4 – Notes to the Financial Statements

IAS 12 Income Taxes – Income Tax consequences of Payments on Financial Instruments Classed as Equity. This is not applicable to the Council.

IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation. This is not applicable to the Council.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. 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 Statement of Accounts.
- Amendments to References to the Conceptual Framework in IFRS Standards. This is not applicable to the Council.

The application date and initial adoption date of the above standards is 1 April 2020.

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.

Section 4 – Notes to the Financial Statements

- Supplies are recorded as expenditure in the period during which they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Expenses for goods or services are recorded as expenditure when the goods or services are received by the Council rather than when payments are made.
- Where income and expenditure has been recognised but cash has not been received or paid, an appropriate class of asset or liability for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance or contract liability) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made against the loss allowance or to revenue (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

Section 4 – Notes to the Financial Statements

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, unless otherwise stated:

- Buildings, dwellings, vehicles, plant, furniture and equipment.
- Infrastructure and Community are depreciated over 25 years.
- Intangible assets are depreciated over 5 years.

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.

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 relevant 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.

Section 4 – Notes to the Financial Statements

Defined Benefit Schemes (Local Government Pension Scheme)

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

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

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

The CIES shows the re-measurements comprising:

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

Discretionary Benefits

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

4.1.2.5 Charges to Service Revenue Accounts for Non-Current Assets

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

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

4.1.2.6 Financing and Investment

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

- Income, expenditure and changes in the fair value of investment properties – comprising of upward and downward movements in the value of properties, together with any gains and losses arising on disposal and rentals receivable and expenses incurred in relation to properties.
- Gains and losses of financial instruments including:
 - Interest revenue calculated using the effective interest method.
 - Gains and losses arising from de-recognition of financial assets measured at amortised cost.
 - Impairment losses (including reversals of impairment losses or impairment gains).
- Net interest on Defined Benefit Pension Schemes.

4.1.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

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

4.1.2.8 Overheads and Support Services

Overheads and support services are reported within 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.

Section 4 – Notes to the Financial Statements

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.

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.

Section 4 – Notes to the Financial Statements

- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2016 based on a desktop revaluation of beacon properties by the Council's internal valuers.
- Other land and buildings are valued at current value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of current value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at present value of the minimum lease payments.
- Heritage assets are reported in the Balance Sheet at 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 freehold land, Heritage Assets, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

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

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

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

Componentisation

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

Fair Value Measurement

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

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

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

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

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

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

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

Level 3 – unobservable inputs

Disposal

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

4.1.3.2 Investment Property

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

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

4.1.3.3 Interests in Companies and Other Entities

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

4.1.3.4 PPE Assets Held for Sale

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

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

4.1.3.5 Inventories

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

4.1.3.6 Financial Assets

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

- amortised cost,

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

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

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

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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.

4.1.3.7 Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the CIES, 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,

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financial instruments, retirement, and employee benefits and are not usable resources for the Council.

4.1.4 Policies affecting the Cash Flow Statement

4.1.4.1 Cash and Cash Equivalents

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

4.1.5 Policies used to account on a Funding Basis

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

4.1.5.1 Depreciation, amortisation, revaluation gains and losses and impairment

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

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

4.1.5.2 Gains and Losses on Sale of Assets

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

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

4.1.5.3 Capital grants

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

4.1.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

4.1.5.5 Employee Benefits

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

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

4.1.5.6 Termination Benefits - Pension Enhancements

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

4.1.5.7 Financial Liabilities

Where premiums and discounts have been charged to the CIES, 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

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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 2019/20 EFA and associated notes have been restated to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

	2020/21				
	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 and Local Transport	79.229	5.346	84.575	9.268	93.843
Children and Young People	58.549	(0.008)	58.541	12.851	71.392
Communities, Highways and Strategic Transport	6.104	2.846	8.950	23.516	32.466
Employment and Community Protection	6.667	-	6.667	1.246	7.913
Energy, Environment and Democratic Services	22.307	(0.272)	22.035	6.866	28.901
Finance, Growth and the City Centre	20.300	(1.256)	19.044	3.479	22.523
Health, HR and Equalities	(7.982)	-	(7.982)	0.801	(7.181)
Housing, Planning and Heritage	4.779	(51.101)	(46.322)	21.701	(24.621)
Leisure, Culture and IT	14.210	(0.195)	14.015	20.835	34.850
Regeneration, Schools and Communications	(11.445)	11.781	0.336	9.315	9.651
Corporate Items	16.691	(56.501)	(39.810)	21.058	(18.752)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	(52.501)	(52.501)
Net Cost of Services	209.409	(89.360)	120.049	78.435	198.484
Other income and expenditure	-	(165.353)	(165.353)	3.642	(161.711)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	209.409	(254.713)	(45.304)	82.077	36.773
		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			(176.462)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			(45.304)		
Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*			(221.766)		

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

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	Restated 2019/20				
	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 and Local Transport	99.633	(12.398)	87.235	10.105	97.340
Children and Young People	57.567	(0.007)	57.560	32.906	90.466
Communities, Highways and Strategic Transport	3.780	1.491	5.271	30.083	35.354
Employment and Community Protection	8.240	-	8.240	0.927	9.167
Energy, Environment and Democratic Services	22.932	0.135	23.067	6.053	29.120
Finance, Growth and the City Centre	14.984	(10.043)	4.941	2.533	7.474
Health, HR and Equalities	(7.203)	(0.095)	(7.298)	0.517	(6.781)
Housing, Planning and Heritage	6.604	(49.785)	(43.181)	21.416	(21.765)
Leisure, Culture and IT	12.935	0.028	12.963	(8.580)	4.383
Regeneration, Schools and Communications	(16.499)	17.189	0.690	(1.707)	(1.017)
Corporate Items	43.567	(74.091)	(30.524)	6.387	(24.137)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	15.102	15.102
Net Cost of Services	246.540	(127.576)	118.964	115.742	234.706
Other income and expenditure	-	(138.522)	(138.522)	(101.808)	(240.330)
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	246.540	(266.098)	(19.558)	13.934	(5.624)
		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			<u>(19.558)</u>		
Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*			<u>(176.462)</u>		

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

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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 2019/20				2020/21			
	Adjustments for Capital Purposes £m	Net Change			Adjustments for Capital Purposes £m	Net Change		
		for the Pension Adjustments £m	Other Differences £m	Total Adjustments £m		for the Pension Adjustments £m	Other Differences £m	Total Adjustments £m
Adult Care and Local Transport	6.815	3.290	-	10.105	4.324	4.944	-	9.268
Children and Young People	29.019	3.887	-	32.906	5.735	7.116	-	12.851
Communities, Highways and Strategic Transport	27.877	2.206	-	30.083	20.455	3.061	-	23.516
Employment and Community Protection	0.062	0.865	-	0.927	0.068	1.178	-	1.246
Energy, Environment and Democratic Services	3.521	2.532	-	6.053	3.166	3.700	-	6.866
Finance, Growth and the City Centre	0.401	2.132	-	2.533	0.374	3.105	-	3.479
Health, HR and Equalities	-	0.517	-	0.517	-	0.801	-	0.801
Housing, Planning and Heritage	20.491	0.925	-	21.416	20.375	1.326	-	21.701
Leisure, Culture and IT	(11.066)	2.486	-	(8.580)	17.401	3.434	-	20.835
Regeneration, Schools and Communications	(2.831)	1.124	-	(1.707)	7.664	1.651	-	9.315
Corporate Items	6.179	(0.302)	0.510	6.387	7.124	10.982	2.952	21.058
Exceptional revaluation (gain) / loss on HRA Council Dwellings	15.102	-	-	15.102	(52.501)	-	-	(52.501)
Net Cost of Services	95.570	19.662	0.510	115.742	34.185	41.298	2.952	78.435
Other Income and Expenditure from the Expenditure and Funding Analysis	(122.532)	18.444	2.280	(101.808)	(55.772)	18.793	40.621	3.642
DIFFERENCE BETWEEN GENERAL FUND SURPLUS OR DEFICIT AND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	(26.962)	38.106	2.790	13.934	(21.587)	60.091	43.573	82.077

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.

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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.

2020/21	Adult Care and Local Transport	Children and Young People	Communities, Highways and Strategic Transport	Employment and Community Protection	Energy, Environment and Democratic Services	Finance, Growth and the City Centre	Health, HR and Equalities	Housing, Planning and Heritage	Leisure, Culture and IT	Regeneration, Schools and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income																	
Council Tax and NNDR Fees, charges, other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(218.290)	(218.290)	(218.290)
Government Grants and Contributions	(22.074)	(0.769)	(13.165)	(0.456)	(16.664)	(10.511)	(0.447)	(119.325)	(12.643)	(19.231)	(0.821)	(216.106)	-	(21.439)	-	(21.439)	(237.545)
Interest and investment income	(85.952)	(39.163)	(10.811)	(9.068)	(8.212)	(21.077)	(27.504)	(4.256)	(8.968)	(130.019)	(189.905)	(534.935)	-	(0.051)	(76.599)	(76.650)	(611.585)
	-	-	-	-	-	-	-	-	-	(0.010)	(0.002)	(0.012)	-	(8.436)	-	(8.436)	(8.448)
Total Income	(108.026)	(39.932)	(23.976)	(9.524)	(24.876)	(31.588)	(27.951)	(123.581)	(21.611)	(149.260)	(190.728)	(751.053)	-	(29.926)	(294.889)	(324.815)	(1,075.868)
Expenditure																	
Employee expenses	33.490	41.402	20.168	9.039	24.689	17.523	5.315	10.326	22.771	72.140	18.068	274.931	-	0.909	-	0.909	275.840
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-	-	58.449	-	58.449	58.449
Levies	-	-	-	-	-	-	-	-	-	-	-	-	0.078	-	-	0.078	0.078
Other service expenses	159.111	57.071	12.758	7.152	22.222	33.109	14.654	66.933	12.855	77.456	132.850	596.171	-	28.434	3.664	32.098	628.269
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	71.773	-	71.773	71.773
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.180	(4.025)	(3.845)	(3.845)
Total Expenditure	192.601	98.473	32.926	16.191	46.911	50.632	19.969	77.259	35.626	149.596	150.918	871.102	0.078	159.745	(0.361)	159.462	1,030.564
TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES	84.575	58.541	8.950	6.667	22.035	19.044	(7.982)	(46.322)	14.015	0.336	(39.810)	120.049	0.078	129.819	(295.250)	(165.353)	(45.304)

Section 4 – Notes to the Financial Statements

Restated 2019/20	Adult Care and Local Transport	Children and Young People	Communities, Highways and Strategic Transport	Employment and Community Protection	Energy, Environment and Democratic Services	Finance, Growth and the City Centre	Health, HR and Equalities	Housing, Planning and Heritage	Leisure, Culture and IT	Regeneration, Schools and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income																	
Council Tax and NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(211.731)	(211.731)	(211.731)
Fees, charges, other income	(31.475)	(0.834)	(21.412)	(1.795)	(20.741)	(13.312)	(0.670)	(117.833)	(38.730)	(21.322)	0.816	(267.308)	-	(24.753)	-	(24.753)	(292.061)
Government Grants and Contributions	(51.331)	(29.628)	(5.467)	(8.328)	(2.381)	(21.251)	(26.463)	(2.707)	(1.008)	(117.475)	(179.756)	(445.795)	-	-	(38.545)	(38.545)	(484.340)
Interest and investment income	-	(0.001)	-	-	-	-	-	(0.004)	-	(0.025)	-	(0.030)	-	(6.419)	-	(6.419)	(6.449)
Total Income	(82.806)	(30.463)	(26.879)	(10.123)	(23.122)	(34.563)	(27.133)	(120.544)	(39.738)	(138.822)	(178.940)	(713.133)	-	(31.172)	(250.276)	(281.448)	(994.581)
Expenditure																	
Employee expenses	30.937	37.442	19.394	8.502	24.122	15.434	5.333	9.714	23.644	72.020	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	139.104	50.581	12.756	9.861	22.067	24.070	14.502	67.649	29.057	67.492	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)
Total Expenditure	170.041	88.023	32.150	18.363	46.189	39.504	19.835	77.363	52.701	139.512	148.416	832.097	0.077	145.565	(2.716)	142.926	975.023
TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES	87.235	57.560	5.271	8.240	23.067	4.941	(7.298)	(43.181)	12.963	0.690	(30.524)	118.964	0.077	114.393	(252.992)	(138.522)	(19.558)

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

	2020/21									
	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 NNDR)	Revenue Support Grant	Other	Prior Period Adjustments					£m
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Adult Care and Local Transport	-	-	-	-	-	-	(0.392)	5.738	5.346	
Children and Young People	-	-	-	-	-	-	(0.007)	(0.001)	(0.008)	
Communities, Highways and Strategic Transport	-	-	-	-	1.748	-	(0.305)	1.403	2.846	
Employment and Community Protection	-	-	-	-	-	-	-	-	-	
Energy, Environment and Democratic Services	-	-	-	-	-	-	(0.337)	0.065	(0.272)	
Finance, Growth and the City Centre	-	-	-	-	0.785	-	(1.186)	(0.855)	(1.256)	
Health, HR and Equalities	-	-	-	-	-	-	-	-	-	
Housing, Planning and Heritage	(47.923)	-	-	-	(3.178)	-	-	-	(51.101)	
Leisure, Culture and IT	-	-	-	-	-	-	(0.201)	0.006	(0.195)	
Regeneration, Schools and Communications	-	-	-	-	-	-	13.022	(1.241)	11.781	
Corporate Items	-	-	-	-	0.645	-	(51.616)	(5.530)	(56.501)	
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	-	-	-	-	-	-	
Net Cost of Services	(47.923)	-	-	-	-	-	(41.022)	(0.415)	(89.360)	
Other income and expenditure	46.184	(222.314)	(25.745)	0.063	-	(11.713)	41.022	7.150	(165.353)	
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	(1.739)	(222.314)	(25.745)	0.063	-	(11.713)	-	6.735	(254.713)	

Section 4 – Notes to the Financial Statements

Restated 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			
	HRA £m	Collection Fund (Council Tax and NDR) £m	Revenue Support Grant £m	Other £m	Prior Period Adjustments £m					£m	£m	£m
Adult Care and Local Transport	-	-	-	-	-	-	-	(0.876)	(11.522)	(12.398)		
Children and Young People	-	-	-	-	-	-	-	(0.007)	-	(0.007)		
Communities, Highways and Strategic Transport	-	-	-	-	1.447	-	-	0.044	-	1.491		
Employment and Community Protection	-	-	-	-	-	-	-	-	-	-		
Energy, Environment and Democratic Services	-	-	-	-	-	-	-	0.135	-	0.135		
Finance, Growth and the City Centre	-	-	-	-	0.784	(10.678)	-	(0.149)	-	(10.043)		
Health, HR and Equalities	-	-	-	-	-	-	-	(0.095)	-	(0.095)		
Housing, Planning and Heritage	(45.589)	-	-	-	(4.196)	-	-	-	-	(49.785)		
Leisure, Culture and IT	-	-	-	-	-	-	-	0.028	-	0.028		
Regeneration, Schools and Communications	-	-	-	-	-	-	-	17.189	-	17.189		
Corporate Items	-	-	-	-	1.965	(3.264)	-	(64.731)	(8.061)	(74.091)		
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	-	-	-	-	-	-	-		
Net Cost of Services	(45.589)	-	-	-	-	(13.942)	-	(48.462)	(19.583)	(127.576)		
Other income and expenditure	45.495	(214.448)	(25.332)	0.067	-	-	-	48.462	7.234	(138.522)		
(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	(0.094)	(214.448)	(25.332)	0.067	-	(13.942)	-	-	(12.349)	(266.098)		

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 2019/20 CIES and associated notes have been restated where required to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

The following table analyses the reclassification of portfolios within the CIES Cost of Services with regards to 2019/20 and the restated figures:

Portfolios as shown in the 2019/20 Statement of Accounts	Reclassification movements of 2019/20 to align with the 2020/21 Portfolios		Restated 2019/20	
	£m	£m	£m	£m
Adult Care and Local Transport	108.865	Adult Care and Local Transport Communities, Highways and Strategic Transport - Highways and Energy Infrastructure, Street Lighting, Traffic Safety, Parking, Transport and Fleet	97.340 11.525 108.865	Adult Care and Local Transport Children and Young People Children and Young People - Inclusive Learning, School Improvement 0.023 97.340
Children and Young People	90.490	Children and Young People	90.489	Children and Young People 90.466
Communities	24.022	Communities, Highways and Strategic Transport	24.021	Communities, Highways and Strategic Transport - Highways and Energy Infrastructure, Street Lighting, Traffic Safety, Parking, Transport and Fleet 11.525 Communities, Highways and Strategic Transport 24.021
Early Years, Education and Employment	2.367	Children and Young People - Inclusive Learning, School Improvement Regeneration, Schools and Communications - Schools, Education	(0.023) 2.390 2.367	Communities, Highways and Strategic Transport 35.354 Employment and Community Protection - Human Resources 0.583 Employment and Community Protection - Anti Social Behaviour, Community Protection, Crime and Drugs Partnership, Security and Logistics, Uniformed Services 8.584 Employment and Community Protection 9.167
Energy, Environment and Democratic Services	29.100	Energy, Environment and Democratic Services	29.100	Energy, Environment and Democratic Services Energy, Environment and Democratic Services - Human Resources 0.020 Energy, Environment and Democratic Services 29.120
Finance, Growth and the City Centre	2.472	Finance, Growth and the City Centre Regeneration, Schools and Communications - Access to Services, Joint Service Centres	7.474 (5.001) 2.473	Energy, Environment and Democratic Services 29.100 Energy, Environment and Democratic Services - Human Resources 0.020 Energy, Environment and Democratic Services 29.120
Health, HR and Equalities	(6.178)	Health, HR and Equalities Employment and Community Protection - Human Resources Energy, Environment and Democratic Services - Human Resources	(6.781) 0.583 0.020 (6.178)	Finance, Growth and the City Centre 7.474 Health, HR and Equalities (6.781)
Housing, Planning and Heritage	(21.765)	Housing, Planning and Heritage	(21.765)	Housing, Planning and Heritage (21.765)
Leisure, Culture and IT	4.383	Leisure, Culture and IT	4.383	Leisure, Culture and IT 4.383
Regeneration, Safety and Communications	9.985	Regeneration, Schools and Communications - Property, Planned Maintenance, Marketing and Communications, Other Development and Growth services Communities, Highways and Strategic Transport - Uniformed Services, Transport Strategy Employment and Community Protection - Anti Social Behaviour, Community Protection, Crime and Drugs Partnership, Security and Logistics, Uniformed Services	1.594 (0.192) 8.584 9.986	Regeneration, Schools and Communications - Schools, Education 2.390 Regeneration, Schools and Communications - Access to Services, Joint Service Centres (5.001) Regeneration, Schools and Communications - Property, Planned Maintenance, Marketing and Communications, Other Development and Growth services 1.594 Regeneration, Schools and Communications (1.017)
Corporate Items	(24.137)	Corporate Items	(24.137)	Corporate Items (24.137)
Exceptional revaluation loss on HRA Council Dwellings	15.102	Exceptional revaluation loss on HRA Council Dwellings	15.102	Exceptional revaluation gain on HRA Council Dwellings 15.102
COST OF SERVICES	234.706		234.706	234.706

Differences in reclassifications due to roundings

Section 4 – Notes to the Financial Statements

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

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:

	2019/20 £m	2020/21 £m
Revenue Grants		
Ministry of Housing, Communities and Local Government: PFI Grant	(2.898)	(2.898)
Department for Education: Dedicated School Grant	(109.544)	(115.569)
Department for Education: PFI Grant	(5.620)	(5.620)
Department for Education: Universal Free School Meals	(1.467)	(1.410)
Department of Transport: PFI Grants	(61.491)	(61.491)
Department for Work & Pensions: Housing Benefit Admin	(1.405)	(1.380)
Improved Better Care Fund	(14.565)	(16.115)
Mandatory Rent Allowances: Subsidy	(71.267)	(67.163)
Public Health	(32.937)	(34.171)
Pupil Premium Grant	(6.204)	(6.331)
Rent Rebates Granted to HRA Tenants	(50.208)	(45.527)
Social Care Grant	-	(9.793)
Covid 19 - LA Support Grant	(10.678)	(23.580)
Covid 19 - Business Grants Discretionary Element	-	(3.350)
Covid 19 - Job Retention Scheme	-	(2.985)
Covid 19 - Light Rail Grant	-	(18.494)
Covid 19 - Income Compensation Grant	-	(15.768)
Covid 19 - Infection Prevention Control	-	(5.808)
Covid 19 - Winter Grant	-	(1.320)
<i>Other Revenue Grants</i>	(34.431)	(43.284)
Contributions	(43.080)	(52.878)
TOTAL	(445.795)	(534.935)

4.3.3 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2019/20 £m	2020/21 £m
Write out of asset values due to replacement and demolition	4.798	3.549
Payments to the Government Housing Capital Receipts Pool	2.084	2.085
Levies	0.077	0.078
Net Gain/Loss on the disposal of non-current assets	(5.676)	(3.650)
TOTAL	1.283	2.062

Section 4 – Notes to the Financial Statements

4.3.4 Financing and Investment Income and Expenditure

	2019/20			2020/21		
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m
Capitalisation Directive - Exceptional revenue pressures and income losses (REFCUS)	-	-	-	20.000	-	20.000
Net Interest on Pension Fund	18.407	-	18.407	18.731	-	18.731
Interest and similar charges and income	20.673	(0.359)	20.314	25.535	(0.440)	25.095
Interest revenue/costs calculated using the effective interest rate method	33.114	(5.826)	27.288	32.672	(6.760)	25.912
Impairment Losses	12.146	-	12.146	24.556	-	24.556
Trading Operations	1.641	(2.237)	(0.596)	1.842	(2.399)	(0.557)
Income and expenditure in relation to investment properties and changes in their fair value	18.172	(20.456)	(2.284)	13.053	(19.127)	(6.074)
Other Finance and Investment items	-	(2.294)	(2.294)	0.826	(1.200)	(0.374)
TOTAL	104.153	(31.172)	72.981	137.215	(29.926)	107.289

4.3.5 Taxation and Non-Specific Grant Income

	2019/20 £m	2020/21 £m
Revenue:		
<i>Council Tax income</i>		
Demand on the Collection Fund	(116.101)	(121.808)
Apportionment of Collection Fund Surplus/Deficit	(0.318)	1.993
Taxation - Loss of Income Compensation Grant	-	(0.035)
Hardship Fund Grant	-	(3.664)
Hardship Fund Grant applied to Council Tax accounts		3.664
<i>National Non Domestic Rates (NNDR)</i>		
Demand on the Collection Fund	(67.014)	(67.417)
Top Up Grant	(28.125)	(28.584)
Apportionment of Collection Fund Surplus/Deficit *	0.157	34.784
NNDR Section 31 Grant *	(9.145)	(40.032)
Taxation - Loss of Income Compensation Grant	-	(2.690)
Other	(0.490)	(0.482)
<i>Non-ringfenced government grants</i>		
Revenue Support Grant	(25.332)	(25.745)
New Homes Bonus	(4.067)	(4.433)
Capital:		
<i>Government Departments</i>	(39.464)	(7.493)
<i>Other</i>	(24.695)	(9.120)
TOTAL	(314.594)	(271.062)

* The large deficit is in respect of the loss of NNDR income in 2020/21 due to COVID-19. The deficit is offset by the increase in NNDR Section 31 grant received from Central Government.

4.3.6 Expenditure and Income analysed by Nature

	2019/20 £m	2020/21 £m
Income		
Council Tax and NNDR	(211.891)	(181.514)
Fees, charges, other income	(292.061)	(237.545)
Government grants and contributions	(548.498)	(628.200)
Interest and investment income	(6.449)	(8.448)
Disposal of assets - loss / (gain)	(0.422)	(2.821)
Total Income	(1,059.321)	(1,058.528)
Expenditure		
Employee expenses	279.998	320.153
Interest payments	72.443	77.180
Levies	0.077	0.078
Other service expenses	592.026	648.708
Capital charges including depreciation, amortisation, impairment, revaluations	107.069	47.097
Payments to Housing Capital Receipts Pool	2.084	2.085
Total Expenditure	1,053.697	1,095.301
(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES	(5.624)	36.773

4.3.7 Revenue from Contracts with Service Recipients

Revenue included in the CIES for contracts with service recipients:

	Restated 2019/20				2020/21			
	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	-	(0.393)	(31.082)	(31.475)	-	(0.307)	(21.218)	(21.525)
Children and Young People	-	(0.001)	(0.807)	(0.808)	-	-	(0.755)	(0.755)
Communities, Highways and Strategic Transport	(2.042)	(0.072)	(15.049)	(17.163)	(2.082)	(0.050)	(9.352)	(11.484)
Employment and Community Protection	(0.032)	-	(1.764)	(1.796)	-	-	(0.456)	(0.456)
Energy, Environment and Democratic Services	-	(0.024)	(20.555)	(20.579)	-	(0.011)	(16.485)	(16.496)
Finance, Growth and the City Centre	(1.314)	(4.083)	(7.336)	(12.733)	(1.124)	(3.959)	(5.116)	(10.199)
Health, HR and Equalities	-	-	(0.670)	(0.670)	-	-	(0.448)	(0.448)
Housing, Planning and Heritage	(6.725)	-	(10.535)	(17.260)	(104.165)	-	(9.822)	(113.987)
Leisure, Culture and IT	(0.108)	(1.952)	(34.753)	(36.813)	(0.124)	(1.129)	(11.142)	(12.395)
Regeneration, Schools and Communications	-	(0.023)	(12.851)	(12.874)	-	(0.011)	(15.476)	(15.487)
Corporate Items	-	-	(1.149)	(1.149)	-	-	(1.466)	(1.466)
Financing and Investment Income and Expenditure	-	(0.426)	(5.033)	(5.459)	-	(0.392)	(20.367)	(20.759)
Revenue from contracts with service recipients	(10.221)	(6.974)	(141.584)	(158.779)	(107.495)	(5.859)	(112.103)	(225.457)
Impairment of receivables				1.752				8.090
TOTAL INCLUDED IN THE CIES				(157.027)				(217.367)

As outlined in note 4.3.1 Prior Year Reclassifications, 2019/20 has been restated to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

In line with the 2020/21 Code, Housing, Planning and Heritage income now includes HRA Rent (£96.806m).

Section 4 – Notes to the Financial Statements

The Council suffered substantial losses in income as a result of the lockdown restrictions in place for most of 2020/21; this was partly but not fully mitigated by Government grants and other actions – see Section 1 for further details.

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	2019/20		2020/21	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(9.452)	(0.769)	(107.067)	(0.428)
Sale of goods	-	(6.974)	-	(5.859)
Charges for services	(101.179)	(40.405)	(92.821)	(19.282)
TOTAL	(110.631)	(48.148)	(199.888)	(25.569)

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

	31 March 2020 £m	31 March 2021 £m
Receivables included in debtors	41.981	53.474
Contract assets	0.175	0.006
Contract liabilities	(11.000)	(13.690)
TOTAL	31.156	39.790

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

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

For Planning and Building Control Fees income is recognised in the CIES when the application is approved or the inspection regime is completed. For advance ticket sales, income is recognised when the show has been performed and for Licensing

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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:

	2019/20		2020/21	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
Balances at 1 April	0.061	(10.649)	0.175	(11.000)
Reversal for amounts recognised in the CIES in year	(0.061)	10.649	(0.175)	11.000
Increases (decreases) due to cash received (paid)	0.175	(11.000)	0.006	(13.690)
BALANCE AT 31 MARCH	0.175	(11.000)	0.006	(13.690)

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

	31 March 2020 £m	31 March 2021 £m
Not later than one year	(8.743)	(11.197)
Later than one year	(2.257)	(2.493)
TOTAL	(11.000)	(13.690)

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

During 2020/21 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £69.228m for PPE assets (see note 4.4.1) and £0.489m 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 2020/21.

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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			
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
Cost of Services:				
Service cost	55.575	84.863	-	-
Administration expenses	0.465	0.518	-	-
Financing and Investment Income and Expenditure:				
Net interest on the defined liability (asset)	17.620	18.042	0.787	0.689
Total Charged to (Surplus)/Deficit on Provision of Services	73.660	103.423	0.787	0.689
Other Comprehensive Income and Expenditure (OCIE):				
Re-measurements of the net defined benefit liability (asset):				
Return on Fund assets in excess of interest	106.132	(213.140)	-	-
Other actuarial (gains)/losses on assets	2.834	-	-	-
Change in financial assumptions	(187.009)	482.992	(2.059)	4.135
Change in demographic assumptions	(33.056)	(20.239)	(0.827)	(0.367)
Experience (gain)/loss on defined benefit obligation	66.553	(24.396)	(0.845)	(0.406)
Total Charged to OCIE	(44.546)	225.217	(3.731)	3.362
TOTAL CHARGED TO THE CIES	29.114	328.640	(2.944)	4.051

These transactions are summarised in the following table:

	2019/20	2020/21
	£m	£m
Comprehensive Income and Expenditure Statement:		
Cost of services	56.040	85.381
Financing and Investment income and expenditure	18.407	18.731
Other Comprehensive Income and Expenditure	(48.277)	228.579
TOTAL	26.170	332.691

4.4 Balance Sheet Notes

4.4.1 Property Plant and Equipment

2020/21	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m
Gross Book Value b/f	1,002.178	901.439	97.856		23.259	43.826	79.302	2,147.860 **
Accumulated Depreciation b/f	-	(1.738)	(50.854)		(9.771)	-	(0.006)	(62.369) **
Accumulated Impairment b/f	-	-	-		(0.200)	-	-	(0.200) **
Net Book Value at 1st April 2020	1,002.178	899.701	47.002	557.113	13.288	43.826	79.296	2,642.404
Additions - Capital Expenditure	28.102	1.508	7.225	18.938	0.714	(0.141)	34.339	90.685
Additions - PFI	-	0.322	-	1.446	-	-	-	1.768
Depreciation Charge	(18.235)	(28.698)	(9.877)	(26.004)	(0.831)	(0.045)	-	(83.690)
Revaluations - Recognised in Revaluation Reserve	69.934	(12.236)	-	-	-	11.530	-	69.228
Revaluations - Recognised in the CIES	52.501	(1.945)	-	-	-	0.906	-	51.462
Derecognition - Disposals	(7.334)	(0.785)	(0.061)	-	-	(1.835)	-	(10.015)
Derecognition - Other	(1.842)	(1.642)	-	-	-	(0.066)	-	(3.550)
Other Movements - Transfers to Held for Sale	6.789	6.759	-	-	-	3.469	(16.617)	0.400
Other Movements - Other	-	-	-	-	-	-	-	-
Net Book Value at 31st March 2021	1,132.093	862.984	44.289	551.493	13.171	57.644	97.018	2,758.692
Gross Book Value c/f	1,132.098	865.196	99.399		23.974	57.644	97.018	2,275.329 **
Accumulated Depreciation c/f	(0.005)	(2.212)	(55.110)		(10.603)	-	-	(67.930) **
Accumulated Impairment c/f	-	-	-		(0.200)	-	-	(0.200) **
Net Book Value at 31 March 2021	1,132.093	862.984	44.289	551.493	13.171	57.644	97.018	2,758.692

** 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

2020/21 PFI Asset Value		Other Land and Buildings £m	Infrastructure Assets £m
Gross Book Value b/f	23.870		
Accumulated Depreciation b/f	(0.209)		
Accumulated Impairment b/f	-		
Net Book Value at 1st April 2020	23.661		238.598
Additions - Capital Expenditure	-		-
Additions - PFI	0.322		1.446
Depreciation Charge	(0.699)		(7.010)
Revaluations - Recognised in Revaluation Reserve	(0.457)		-
Revaluations - Recognised in the CIES	0.839		-
Derecognition - Disposals	-		-
Derecognition - Other	-		-
Other Movements - Transfers to Held for Sale	-		-
Other Movements - Other	-		-
Net Book Value at 31st March 2021	23.666		233.034
Gross Book Value c/f	23.743		
Accumulated Depreciation c/f	(0.077)		
Accumulated Impairment c/f	-		
Net Book Value at 31 March 2021	23.666		233.034

2019/20	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m
Gross Book Value b/f	1,000.216	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) **
Net Book Value at 1st April 2019	1,000.216	873.300	108.016	479.448	22.131	29.532	25.152	2,537.795
Additions - Capital Expenditure	34.577	2.468	11.653	25.339	1.009	0.297	63.849	139.192
Additions - Donations	-	-	-	-	-	-	-	-
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)
Impairments - Recognised in Revaluation Reserve	-	-	-	-	-	-	-	-
Impairments - Recognised in the CIES	-	-	-	-	-	-	-	-
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)
Net Book Value at 31st March 2020	1,002.178	899.701	47.002	557.113	13.288	43.826	79.296	2,642.404
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) **
Net Book Value at 31 March 2020	1,002.178	899.701	47.002	557.113	13.288	43.826	79.296	2,642.404

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

PFI Assets included in PPE

2019/20 PFI Asset Value	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	-	-	
Net Book Value at 1st April 2019	22.729	48.647	189.667
Additions - Capital Expenditure	-	-	-
Additions - Donations	-	-	-
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	-	-	-
Impairments - Recognised in Revaluation Reserve	-	-	-
Impairments - Recognised in the CIES	-	-	-
Other Movements - Transfers to Held for Sale	-	-	-
Other Movements - Other	-	(48.647)	48.647
Net Book Value at 31st March 2020	23.661	-	238.598
Gross Book Value c/f	23.870	-	
Accumulated Depreciation c/f	(0.209)	-	
Accumulated Impairment c/f	-	-	
Net Book Value at 31 March 2020	23.661	-	238.598

Depreciation

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

	Overall Range
Council Dwellings – Existing Use Value - Social Housing	Up to 65 years
Other Land and Buildings	Up to 65 years
Furniture & Equipment	Up to 20 years
Vehicles	Up to 10 years
Infrastructure 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

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of vehicles, plant, furniture, and equipment are based on depreciated historical cost as a proxy for current value.

During 2020/21, the Council's internal valuers completed asset valuations for operational properties in compliance with the 5-year requirement. 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.

A desktop beacon valuation of Council Dwelling beacon properties by the Council's internal valuers was also completed in 2020/21.

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 increase of £122.435m for Council Dwellings. This included £52.501m gains posted to the Housing Revenue Account, reversing previous years revaluation losses posted to the HRA.

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 2020/21.

Valuation at 31 March 2021

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			44.289	551.493	13.171		97.018	705.971
Valued at depreciated current value as at:								
2016/17	-	25.364						25.364
2017/18	-	14.596						14.596
2018/19	-	15.326						15.326
2019/20	-	30.133						30.133
2020-21	1,132.093	777.565				57.644		1,967.302
NET BOOK VALUE AT 31 MARCH 2021	1,132.093	862.984	44.289	551.493	13.171	57.644	97.018	2,758.692

Surplus Assets

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2019 £m
Land	-	22.271	-	22.271
Leisure / Other	-	5.649	-	5.649
Offices	-	29.638	-	29.638
Retail	-	0.087	-	0.087
Services	-	-	-	-
Total	-	57.644	-	57.644

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

Capital Commitments

At 31 March 2021, the Council had entered into a number of contracts for the construction or enhancement of PPE with future costs estimated as £48.150m. The equivalent figure as at 31 March 2020 was £153.828m. The commitments have increased due to a number of additional schemes being approved as at the 31 March 2021. The major commitments are summarised below:

Capital Programme Element	Major Schemes	31 March 2021 £m
Other Services	Third Party Loans	17.875
Other Services	Broadmarsh - Car Park	1.674
Other Services	Vehicle Acquisitions	1.271
Other Services	Nottingham Castle	0.649
Other Services	ULEV for Nottingham Businesses	0.598
Other Services	Schemes Under (£0.500m)	1.672
Transport Schemes	Broadmarsh - Public Realm	5.119
Transport Schemes	Transforming Cities	0.946
Transport Schemes	Schemes Under (£0.500m)	0.392
Public Sector Housing	Eastglade New Build	10.966
Public Sector Housing	Building a Better Nottingham Other	1.191
Public Sector Housing	Decent Homes - Safe	0.658
Public Sector Housing	Decent Homes - Warm & Modern	3.043
Public Sector Housing	Energy Schemes	0.983
Public Sector Housing	Other Public Sector Housing Schemes	1.113
TOTAL		48.150

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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 2019	15.264	0.606	4.198	36.991	0.692	0.015	1.429	0.662	-	59.857
Transfer	-	-	-	-	-	-	-	-	0.507	0.507
Revaluations	0.229	(0.001)	0.063	0.555	0.010	-	0.031	(0.290)	-	0.597
31 March 2020	15.493	0.605	4.261	37.546	0.702	0.015	1.460	0.372	0.507	60.961
Revaluations	0.108	0.004	0.035	0.327	0.005	-	0.010	-	-	0.489
31 MARCH 2021	15.601	0.609	4.296	37.873	0.707	0.015	1.470	0.372	0.507	61.450

Preservation and Management

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

4.4.3 Investment Property

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

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

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	2019/20 £m	2020/21 £m
Balance at 1 April	284.624	256.161
Additions	0.455	0.038
Disposals	(14.391)	(5.170)
Net gains/(losses) from fair value adjustments	(14.502)	(13.230)
Transfers to / from Property Plant and Equipment	(0.025)	(0.400)
BALANCE AT 31 MARCH	256.161	237.399

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 2021 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 2021 £m
Industrial	-	45.764	-	45.764
Land	-	39.965	-	39.965
Leisure / Other	-	21.097	-	21.097
Office	-	55.860	-	55.860
Retail	-	60.051	-	60.051
Services	-	14.662	-	14.662
Total	-	237.399	-	237.399

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 2020/21 for investment properties.

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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

	2019/20				2020/21			
	Consumable Stores	Maintenance Materials	Client services work in progress	Total	Consumable Stores	Maintenance Materials	Client services work in progress	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April	0.599	0.138	2.542	3.279	0.583	0.150	1.195	1.928
Purchases	4.608	0.310	6.079	10.997	4.664	0.040	8.501	13.205
Recognised as an expense in the year	(4.630)	(0.298)	(7.426)	(12.354)	(4.623)	(0.123)	(8.413)	(13.159)
Written off balances	0.006	-	-	0.006	(0.077)	(0.032)	(0.303)	(0.412)
BALANCE AT 31 MARCH	0.583	0.150	1.195	1.928	0.547	0.035	0.980	1.562

4.4.5 Short Term Debtors

	31 March 2020 £m	31 March 2021 £m
Prepayments	13.023	17.863
Local Taxation	8.275	8.960
Trade	41.981	53.474
Other receivable amounts	86.995	96.593
TOTAL	150.274	176.890

4.4.6 Debtors for Local Taxation

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

	2019/20			2020/21		
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
	£m	£m	£m	£m	£m	£m
Up to 1 year	10.078	3.245	13.323	9.475	8.480	17.955
1 to 3 years	8.054	2.543	10.597	9.543	3.802	13.345
Over 3 years	7.452	2.218	9.670	7.974	2.859	10.833
TOTAL	25.584	8.006	33.590	26.992	15.141	42.133

4.4.7 Cash and Cash Equivalents

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

	31 March 2020 £m	31 March 2021 £m
Cash held by the Authority	0.275	0.279
Bank current accounts	22.850	8.358
Short-term deposits	74.000	35.600
TOTAL	97.125	44.237

The Council has offset overdrafts of £1.883m (£16.585m in 2019/20) against credit balances held within its bank current accounts.

4.4.8 Short Term Creditors

	31 March 2020 £m	31 March 2021 £m
Receipts in Advance	(24.708)	(29.278)
Trade	(52.790)	(56.073)
Other payables	(44.809)	(100.328)
TOTAL	(122.307)	(185.679)

4.4.9 Provisions

Current Provisions

These are amounts set aside to meet specific expenditure in 2021/22.

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

	Compulsory Purchases for NET2 £m	Job Evaluation £m	Other £m	Total £m
Balance at 1 April 2020	(6.958)	-	(1.423)	(8.381)
Additional provisions made	-	-	(1.608)	(1.608)
Amounts used	2.609	-	0.073	2.682
BALANCE AT 31 MARCH 2021	(4.349)	-	(2.958)	(7.307)

Non-Current Provisions

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

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	Injury and Damage Compensation Claims	NNDR Appeals	Financial Guarantees	Employment	Total
	£m	£m	£m		£m
Balance at 1 April 2020	(13.454)	(4.377)	(8.250)	-	(26.081)
Additional provisions made	(4.339)	-	-	(4.872)	(9.211)
Amounts used	3.171	1.805	-	-	4.976
Reduction in provision	-	0.034	-	-	0.034
Unused amounts reversed	-	-	8.250	-	8.250
BALANCE AT 31 MARCH 2021	(14.622)	(2.538)	-	(4.872)	(22.032)

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, £0.114m and £0.361m 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 2020/21 policy year were £4.7m for liability claims, £1.030m 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.

National Non-Domestic Rates (NNDR)

This represents the Council's share of NNDR appeals provision. The Council bears a risk of non-collection of NNDR following appeals. £3.684m is the value of successful appeals charged against the provision in 2020/21. A decrease of £0.070m in the provision has been made as a result of the assessment of outstanding appeals at 31st March 2021.

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 guarantees have now been extinguished.

The provision recognising these financial guarantees in the accounts has been removed as the guarantees can no longer be called.

Employment

A provision of £4.872m has been established in 2020/21 to meet the potential cost of settlements arising from an ongoing employment tribunal case.

4.4.10 Usable Reserves

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

Details of the Earmarked General Fund reserves are shown below:

	2019/2020		2020/21		
	Balance at 1 April 2019 £m	Net Movements £m	Balance at 31 March 2020 £m	Net Movements £m	Balance at 31 March 2021 £m
Restricted Reserves:					
Capital	11.485	(1.504)	9.981	(7.030)	2.951
Schools	15.863	(1.711)	14.152	4.192	18.344
Other Reserves:					
Asset Maintenance	4.045	0.837	4.882	(2.346)	2.536
Contingency and Risk	8.076	13.414	21.490	(3.067)	18.423
Information Technology	6.570	0.011	6.581	0.518	7.099
Local Economy	6.128	(1.946)	4.182	(1.830)	2.352
Private Finance Initiatives	48.420	0.945	49.365	(16.660)	32.705
Services	7.712	(0.716)	6.996	1.925	8.921
Transformation	(0.948)	(1.348)	(2.296)	1.844	(0.452)
Treasury Management	(3.113)	(1.390)	(4.503)	30.419	25.916
Workforce	15.172	1.694	16.866	(10.371)	6.495
TOTAL	119.410	8.286	127.696	(2.406)	125.290

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.

Section 4 – Notes to the Financial Statements

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 Business Rate Relief Grants in advance to assist with cash flow and to allow the Council to help the businesses of Nottingham. Although these amounts were received in 2020/21, they primarily relate to the 2021/22 financial year and, where appropriate, were transferred to an earmarked reserve. £30.802m Business Rate Relief Grant is included within Contingency and Risk reserves. This falls outside the scope of the reserves earmarked for service requirements and does not represent additional spending power for services taken forward into 2021/22. This grant will be discharged against the Collection Fund deficit in 2021/22.

The Council also received 75% Tax Income Guarantee Compensation Grant from Government. This is compensation from Government for 75% of irrecoverable losses in Business Rates and Council Tax income. The balance of this unspent grant is £2.725m which is included within Contingency and Risk reserves.

Information Technology

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

Local Economy

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

Private Finance Initiatives

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

Services

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

Transformation

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

Treasury Management

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

Workforce

This reserve is primarily available to fund pension costs.

4.4.11 Unusable Reserves

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

	2019/20 £m	2020/21 £m
Revaluation Reserve	617.492	669.193
Capital Adjustment Account	1,066.125	1,108.360
Financial Instruments Adjustment Account	(5.578)	(5.398)
Pensions Reserve	(777.847)	(1,066.517)
Deferred Capital Receipts Reserve	1.042	1.042
Collection Fund Adjustment Account	2.028	(38.773)
Accumulated Absences Account	(4.673)	(7.624)
TOTAL UNUSABLE RESERVES	898.589	660.283

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.

	2019/20 £m	2020/21 £m
Balance at 1 April	564.417	617.492
Upward revaluation of assets	240.628	97.044
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(171.437)	(27.327)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	69.191	69.717
Difference between fair value depreciation and historical cost depreciation	(14.282)	(15.977)
Accumulated gains on assets sold or scrapped	(1.834)	(2.039)
Amount written off to the Capital Adjustment Account	(16.116)	(18.016)
BALANCE AT 31 MARCH	617.492	669.193

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.

	2019/20	2020/21
	£m	£m
Balance at 1 April	1,025.472	1,066.125
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(1.780)	(1.519)
Charges for depreciation of non-current assets	(74.281)	(83.690)
Revaluation losses on Property, Plant and Equipment	(16.507)	51.341
Movements in the market value of Investment Properties	(14.502)	(13.230)
Revenue expenditure funded from capital under statute (REFCUS)	(5.714)	(25.375)
REFCUS expenditure funded by grants	2.831	4.936
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(32.598)	(18.995)
Adjusting amounts written out of the Revaluation Reserve	16.116	18.016
	<u>(126.435)</u>	<u>(68.516)</u>
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	15.874	11.813
Use of Capital Receipts Reserve to repay debt	16.719	9.870
Use of the Major Repairs Reserve to finance new capital expenditure	25.902	18.706
Application of grants to fund capital expenditure	66.716	30.765
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	28.589	30.249
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	1.505	1.756
Adjustment to MRP as a result of PFI Projects	14.528	9.806
Capital expenditure charged against the General Fund and HRA balances	0.467	0.463
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Principal Repayment of Capital Loans	(3.212)	(2.677)
	<u>167.088</u>	<u>110.751</u>
BALANCE AT 31 MARCH	<u>1,066.125</u>	<u>1,108.360</u>

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).

	2019/20 £m	2020/21 £m
Balance at 1 April	(5.854)	(5.578)
Premiums incurred in the year	0.363	0.363
Discounts incurred in the year	(0.007)	-
Lenders Option Borrowers Option Loans	0.008	0.005
Soft Loans	(0.088)	(0.188)
BALANCE AT 31 MARCH	(5.578)	(5.398)

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.

	2019/20 £m	2020/21 £m
Balance at 1 April	(788.018)	(777.847)
Remeasurements of the net defined benefit liability/asset	48.277	(228.579)
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(74.447)	(104.112)
Employer's pensions contributions and direct payments to the pensioners payable in the year	36.341	44.021
BALANCE AT 31 MARCH	(777.847)	(1,066.517)

Section 4 – Notes to the Financial Statements

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.

	2019/20 £m	2020/21 £m
Balance at 1 April	2.143	1.042
Transfer to the Capital Receipts Reserve upon receipt of cash	(1.101)	-
BALANCE AT 31 MARCH	1.042	1.042

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.

	2019/20 £m	2020/21 £m
Balance at 1 April	4.585	2.028
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	(2.557)	(40.801)
BALANCE AT 31 MARCH	2.028	(38.773)

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.

	2019/20 £m	2020/21 £m
Balance at 1 April	(4.163)	(4.673)
Settlement or cancellation of accrual made at the end of the preceding year	4.163	4.673
Amounts accrued at the end of the current year	(4.673)	(7.624)
Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis	(0.510)	(2.951)
BALANCE AT 31 MARCH	(4.673)	(7.624)

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 2020 £m	31 March 2021 £m
Department for Education	(0.998)	(3.196)
Department of Health and Social Care	(4.113)	(12.216)
Department for Environment, Food and Rural Affairs	(0.192)	(0.381)
Ministry of Housing, Communities and Local Government	(11.648)	(16.252)
Department for Business, Energy and Industrial Strategy	(1.684)	(16.378)
Department for Transport	-	(0.638)
Department for Work and Pensions	-	(0.242)
Home Office	(0.269)	(0.796)
Sport England	(0.296)	(0.160)
Arts Council England	(0.255)	(0.595)
Other Government Grants	(5.270)	(3.165)
Other Non Government Grants and Contributions	(0.921)	(1.405)
TOTAL	(25.646)	(55.424)

Capital Grants Received in Advance

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

The balances at the year-end are as follows:

	31 March 2020 £m	31 March 2021 £m
Department for Education	(0.077)	(3.285)
Department for Transport	(0.087)	(33.773)
Ministry of Housing, Communities and Local Government	(0.149)	(2.039)
Department for Business, Energy & Industrial Strategy	-	(69.433)
Office for Low Emission Vehicles	(2.690)	(0.839)
S106 Contributions - Affordable Housing	(2.758)	(1.615)
S106 Contributions - Open Space	(2.289)	(2.471)
S106 Contributions - Education	(2.872)	(3.221)
S106 Contributions - Transport / Public Realm / Training	(0.173)	(1.184)
Other Grants and Contributions	(0.050)	(0.701)
TOTAL	(11.145)	(118.561)

Section 4 – Notes to the Financial Statements

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	
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
Opening balance at 1 April	(1,912.851)	(1,815.054)	(36.029)	(30.975)
Current service cost	(56.342)	(74.399)	-	-
Interest cost	(45.339)	(35.199)	(0.787)	(0.689)
Change in financial assumptions	187.009	(482.992)	2.059	(4.135)
Change in demographic assumptions	33.056	20.239	0.827	0.367
Experience loss/(gain) on defined benefit obligation	(66.553)	24.396	0.845	0.406
Liabilities assumed/extinguished on settlements	1.966	0.154	-	-
Estimated benefits paid net of transfers in	53.042	55.465	-	-
Past Service costs including curtailments	(0.335)	(10.538)	-	-
Contributions by scheme participants and other employers	(9.709)	(9.904)	-	-
Unfunded pension payments	1.002	0.943	2.110	2.085
CLOSING BALANCE AT 31 MARCH	(1,815.054)	(2,326.889)	(30.975)	(32.941)

The change in financial assumptions item includes the impact of the change in derivation of future assumed RPI and CPI inflation as noted in Appendix A – Section 7. These changes have resulted in a loss of £65.313m on the defined benefit obligation; comprising a gain of £104.677m from the change in assumed IRP and a loss of £169.990m from the change in the assumed gap between RPI and CPI inflation.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2019/20 £m	2020/21 £m
Opening balance at 1 April	1,160.862	1,068.182
Interest on assets	27.719	17.157
Return on assets less interest	(106.132)	213.140
Other actuarial gains/losses	(2.834)	-
Administration expenses	(0.465)	(0.518)
Contributions by the employer including unfunded	34.231	41.936
Contributions by scheme participants and other employers	9.709	9.904
Estimated benefits paid plus unfunded net of transfers in	(54.044)	(56.408)
Settlement prices received/paid	(0.864)	(0.080)
CLOSING BALANCE AT 31 MARCH	1,068.182	1,293.313

The total return on the fund assets for the year to 31 March 2021 is £230.297m.

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

	Local Government Pension Scheme		Teachers Benefits	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£m	£m	£m	£m
Present value of the defined benefit obligation	(1,803.377)	(2,315.206)	-	-
Fair value of Fund assets (bid value)	1,068.182	1,293.313	-	-
Net Liability	(735.195)	(1,021.893)	-	-
Present value of unfunded obligation	(11.677)	(11.683)	(30.975)	(32.941)
NET DEFINED BENEFIT LIABILITY IN BALANCE SHEET	(746.872)	(1,033.576)	(30.975)	(32.941)

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 £1,066.517m 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.

Section 4 – Notes to the Financial Statements

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 2020/21 requires disclosure of information pertaining to the scope, significance and risk associated with the Council's financial instruments.

Categories of Financial Instruments

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

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

Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March	31 March	31 March	31 March	31 March	31 March	31 March	31 March
	2020	2021	2020	2021	2020	2021	2020	2021
	£m	£m	£m	£m	£m	£m	£m	£m
Amortised Cost								
Principal	10.776	10.750	110.561	117.101	45.000	105.000	113.015	58.321
Cash & Cash Equivalents	-	-	-	-	97.125	44.237	-	-
Investment accrued Interest	-	-	-	-	0.189	0.094	-	-
Amortised Cost Total	10.776	10.750	110.561	117.101	142.314	149.331	113.015	58.321
TOTAL FINANCIAL ASSETS	10.776	10.750	110.561	117.101	142.314	149.331	113.015	58.321
Non-financial Instrument	18.753	19.855	-	-	-	-	37.259	118.569
TOTAL	29.529	30.605	110.561	117.101	142.314	149.331	150.274	176.890

The restatement of 2019/20 figures for current debtors is in relation to a change in the split between financial instruments and non-financial instruments – the total figure is unchanged.

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

Long Term Debtors

Long Term Debtors by type	31 March	New Loans	Loan	Expected	Other	31 March
	2020	Issued	Repayments	Loss	Movements	2021
	£m	£m	£m	Allowance	£m	£m
				Movements		
				£m	£m	£m
Loans to Council Group Company	43.465	31.401	(3.067)	(17.356)	1.911	56.354
Loans to 3rd Party Organisations	25.893	6.157	(1.326)	(0.561)	(0.940)	29.223
PFI Related Debtor	30.537	-	-	-	(2.349)	28.188
Housing Debtors	1.043	-	-	-	(0.034)	1.009
Other Debtors	9.623	-	-	(6.800)	(0.496)	2.327
TOTAL	110.561	37.558	(4.393)	(24.717)	(1.908)	117.101

The new loans issued to Council Group Companies includes £23.9m to the Nottingham City Homes Group and £2.5m to Blueprint both for related housing

Section 4 – Notes to the Financial Statements

projects and £5.0m to support the Nottingham Ice Centre. 3rd party loans included £5.5m to the Nottingham College for the Skills Hub project and £0.7m to the Nottingham Castle Trust. Further details on the expected loss allowances against long term debtors can be found in section 4.7.16.

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

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

Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
Amortised Cost								
Principal	(924.613)	(898.720)	-	-	(149.895)	(34.062)	(73.401)	(56.073)
Loans Accrued Interest	-	-	-	-	(8.280)	(7.972)	-	-
Market Loan Effective Interest Rate Adjustment	(0.913)	(0.908)	-	-	-	-	-	-
PFI and finance lease liabilities	(181.785)	(170.222)	-	-	(9.597)	(11.114)	-	-
Other	-	-	(4.050)	(3.583)	-	-	-	-
TOTAL FINANCIAL LIABILITIES	(1,107.311)	(1,069.850)	(4.050)	(3.583)	(167.772)	(53.148)	(73.401)	(56.073)
Non-financial Instrument	-	-	-	-	-	-	(48.906)	(118.492)
TOTAL	(1,107.311)	(1,069.850)	(4.050)	(3.583)	(167.772)	(53.148)	(122.307)	(174.565)

The restatement of 2019/20 figures for current creditors is in relation to a change in the split between financial instruments and non-financial instruments – the total figure is unchanged.

Notes:

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

	Long-term		Current	
	Borrowings		Creditors	
	31 March 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
PWLB	(875.598)	(849.706)	(24.869)	(24.297)
Market Loans	(49.913)	(49.908)	(0.500)	(0.495)
Temporary Debt & Other	(0.015)	(0.014)	(132.806)	(17.242)
Total Borrowings	(925.526)	(899.628)	(158.175)	(42.034)

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

Market Loans are long term loans all of which are at a fixed interest rate taken from Banks, £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

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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):

	2019/20 £m	2020/21 £m
Net gains/losses on:		
- financial assets measured at amortised cost	12.147	23.742
Total net (gains)/losses in (Surplus)/Deficit on Provision of Services	12.147	23.742
Interest expense	53.647	58.334
Total Expense in (Surplus)/Deficit on Provision of Services	53.647	58.334
Interest income on financial assets measured at amortised cost	(4.972)	(5.969)
Other income	(1.575)	(1.161)
Dividend Income	(0.232)	(1.244)
Total Income in (Surplus)/Deficit on Provision of Services	(6.779)	(8.374)
NET GAIN/(LOSS) FOR THE YEAR	59.015	73.702

The interest expense figures above include £12.839 in 2019/20 and £13.397m in 2020/21 that relate to the HRA which gets recharged accordingly.

The interest income figures above include £0.353m in 2019/20 and £0.011m in 2020/21 that relate to the HRA which gets recharged accordingly.

Financial Instruments – Fair Values

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

All of the council's financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

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

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- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- Where appropriate the fair value for long term debtors has been estimated using a PWLB equivalent discount rate for new fixed rate loans with the most appropriate maturity and repayment profile as at 31st March 2021. The fair value on the remaining long term debtors is deemed to be the balance outstanding at 31st March 2021.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.

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

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

The fair values calculated are as follows:

	Fair value level	Restated 31 March 2020		31 March 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
		£m	£m	£m	£m
PWLB debt	2	(900.468)	(1,004.839)	(874.003)	(1,042.590)
Market loans	2	(50.413)	(76.814)	(50.403)	(82.458)
PFI and finance leases	2	(191.384)	(266.948)	(181.336)	(263.338)
Other debt	*	(132.820)	(132.869)	(20.839)	(20.839)
Trade creditors	*	(92.739)	(92.739)	(56.073)	(56.073)
TOTAL FINANCIAL LIABILITIES		(1,367.824)	(1,574.209)	(1,182.654)	(1,465.298)
Cash & Cash Equivalents	*	74.000	74.000	44.237	44.237
Other Investments (< 1 year)	*	45.189	45.189	105.094	105.094
Investments (> 1 year)	2	10.000	10.086	10.750	10.839
Debtors	*	130.073	130.073	58.321	58.321
Long-term debtors	***2	110.561	149.056	117.101	153.881
TOTAL FINANCIAL ASSETS		369.823	408.404	335.503	372.372

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

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

Values at 31 March 2020 have been restated due to changes in the trade creditors and debtors.

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 2021) 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 £874.003m would be valued at £1,042.590m. 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 £1,235.934m.

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 2021) arising from a commitment to receive interest from lenders above current market rates.

The long term debtors as at 31 March 2021 show a carrying amount of £117.101m. The main debtor's sub-categories include £28.188m Nottingham Express Transit (NET), £56.354m loans to subsidiaries, £29.223m other third party loans and £3.336m 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, £0.345m issued in 2019/20 and £0.700 issued in 2020/21 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:

	2019/20 £m	2020/21 £m
Opening balance	0.453	0.711
Nominal value of new loans granted in year	0.345	0.700
Fair Value adjustment on initial recognition	(0.126)	(0.241)
Other changes	0.039	0.053
Closing balance at end of year	0.711	1.223
Nominal value	0.910	1.659

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4.5 Movement in Reserves Statement Notes

4.5.1 Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
Non Current Assets						
• Amortisation of Intangible Fixed Assets	1.519	-	-	-	-	(1.519)
• Depreciation	63.394	20.296	-	-	-	(83.690)
• Revaluation Losses	1.039	(52.501)	-	-	-	51.462
• Investment Property Movement	13.273	(0.043)	-	-	-	(13.230)
• Assets Held for Sale Movement	0.120	-	-	-	-	(0.120)
• Derecognition of Fixed Assets	1.404	2.145	-	-	-	(3.549)
• (Loss)/Gain on Sale of Fixed Assets	(5.024)	(1.347)	21.817	-	-	(15.446)
	75.725	(31.450)	21.817	-	-	(66.092)
Capital Financing						
• Revenue Expenditure Funded From Capital Under Statute (REFCUS)	0.439	-	-	-	-	(0.439)
• REFCUS - Capitalisation Directive - Exceptional CIES Item	20.000	-	-	-	-	(20.000)
• Statutory Minimum Revenue Provision for Capital Financing	(30.249)	-	-	-	-	30.249
• Voluntary Revenue Provision for Capital Financing	-	(1.756)	-	-	-	1.756
• PFI Minimum Revenue Provision	(9.807)	-	-	-	-	9.807
• Capital Expenditure charged in year to General Fund Balance	(0.063)	(0.398)	-	-	-	0.461
• Transfer to/from Major Repairs Reserve	-	(29.499)	-	10.793	-	18.706
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	2.085	-	(2.085)	-	-	-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(11.813)	-	-	11.813
• Use of Capital Receipts Reserve to repay debt	-	-	(9.870)	-	-	9.870
• Capital grants & contributions to be applied in future years	0.592	-	-	-	(0.592)	-
• Capital grants applied in year	(17.205)	-	-	-	(13.560)	30.765
• Other Items (long term debtors)	-	-	2.677	-	-	(2.677)
	(34.208)	(31.653)	(21.091)	10.793	(14.152)	90.311

Continued on the next page

2020/21	Usable Reserves					Unusable Reserves £m
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
Other Movements						
• Pension Fund:						
- Net charges made for Retirement Benefits in accordance with IAS19	104.112	-	-	-	-	(104.112)
- Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners	(44.021)	-	-	-	-	44.021
• Financial Instrument Adjustment Account	(0.179)	(0.001)	-	-	-	0.180
• Transfer to/(from) Collection Fund Adjustment Account	40.801	-	-	-	-	(40.801)
• Employee Benefits	2.951	-	-	-	-	(2.951)
	103.664	(0.001)	-	-	-	(103.663)
TOTAL ADJUSTMENTS	145.181	(63.104)	0.726	10.793	(14.152)	(79.444)

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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	
Non Current Assets						
• 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)
Capital Financing						
• 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

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2019/20	Usable Reserves					Unusable Reserves £m
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
Other Movements						
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)
TOTAL ADJUSTMENTS	10.451	3.483	2.656	3.427	(2.556)	(17.461)

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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	
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(73.660)	(103.423)	(0.787)	(0.689)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	34.231	41.936	-	-
Retirement benefits payable to pensioners	-	-	2.110	2.085

These transactions can be summarised as follows:

	2019/20	2020/21
	£m	£m
Movement in Reserves Statement:		
Reversal of Charges made in accordance with the Code	(74.447)	(104.112)
Charges to General Fund made on a funding basis	36.341	44.021
TOTAL	(38.106)	(60.091)

4.6 Cash Flow Statement Notes

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

	2019/20 £m	2020/21 £m
Depreciation	74.281	83.690
Impairment and movement in asset valuations	16.507	(51.341)
Amortisation	1.780	1.519
Soft Loans (non Subsidiary)-Interest adjustment credited to I&E		
Account during year	(0.039)	(0.053)
Adjustment for effective interest rates	0.119	0.235
Increase/decrease in expected loss allowance		
impairments/doubtful debts re: Loans & Advances	6.773	24.716
Financial Guarantee Adjustments	1.902	(8.250)
Increase/Decrease in Interest Creditors	(3.328)	(0.616)
Increase/Decrease in Creditors	(38.323)	(63.372)
Increase/Decrease in Interest and Dividend Debtors	(0.945)	0.937
Increase/Decrease in Debtors	(32.162)	32.219
Increase/Decrease in Contract Assets	0.114	0.169
Increase/Decrease in Inventories	1.351	0.366
Movement in Pension Liability	38.106	60.091
Other non cash adjustment	(0.628)	(0.950)
Contributions to/(from) Provisions	(5.178)	5.737
Carrying amount of non-current assets and non-current assets		
held for sale, sold or derecognised & Profit or Loss	32.479	25.519
Movement in Investment Property Values	14.502	13.230
TOTAL	107.311	123.846

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

	2019/20 £m	2020/21 £m
Capital Grants credited to surplus or deficit on the provision of services	(56.613)	16.388
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(36.232)	(22.464)
TOTAL	(92.845)	(6.076)

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4.6.3 Operating Activities

The cash flows for operating activities include the following items:

	2019/20	2020/21
	£m	£m
Interest received	5.515	0.359
Interest paid	(56.983)	(39.000)
Dividends received	0.407	2.406
	(51.061)	(36.235)

4.6.4 Investing Activities

	2019/20	2020/21
	£m	£m
Purchase of property, plant and equipment, investment property and intangible assets	(143.334)	(90.957)
Purchase of short-term and long-term investments	(61.671)	(22.581)
Other payments for investing activities	(39.932)	-
Proceeds from short-term and long-term investments	57.537	57.056
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	34.121	22.464
Other receipts from investing activities	78.840	2.406
NET CASH FLOWS FROM INVESTING ACTIVITIES	(74.439)	(31.612)

4.6.5 Financing Activities

	2019/20	2020/21
	£m	£m
Cash receipts of short and long-term borrowing	197.500	25.898
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7.296)	(12.030)
Repayments of short and long-term borrowing	(84.557)	(116.141)
NET CASH FLOWS FROM FINANCING ACTIVITIES	105.647	(102.273)

4.6.6 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2020 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2021 £m
Long-term borrowings	(925.526)	26.224	(0.326)	(899.628)
Short-term borrowings	(158.175)	123.781	(7.640)	(42.034)
Lease liabilities	(2.199)	0.453	(0.003)	(1.749)
On balance sheet PFI liabilities	(189.181)	9.595	-	(179.586)
Other	(4.050)	(0.097)	2.671	(1.476)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	(1,279.131)	159.956	(5.298)	(1,124.473)

	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)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	(1,183.243)	(105.647)	9.759	(1,279.131)

4.7 Other Notes

4.7.1 Agency Services

As part of the COVID-19 response, the government announced two grant schemes to support businesses to be administered by local authorities:

- the Small Business Grant Fund, which awards businesses with properties, in receipt of small business rates relief or rural rate relief a grant of £10,000.
- Retail, Hospitality and Leisure Grant Fund, this fund awards a grant to businesses with a property being used for a qualifying purpose a grant of £10,000 where the rateable value is up to and including £15,000 or £25,000 where the rateable value is over £15,000 and less than £51,000.47.

The eligibility criteria for these two schemes are set out in government guidance and the Council which acts as billing authority is required to use their business rates information system to identify the properties that meet the eligibility criteria. The Council is also responsible for paying over the grants to the businesses. The Council is acting as an agent for the distribution of these grants and has no control over the amount of grant allocated to a recipient.

The Council received £67m of grant during 2020/21 in relation to the two schemes detailed above and as at 31 March 2021 there is £12.568m unallocated grant included within creditors on the Council's balance sheet.

The Council also administered a number of other grants (shown in the table below) on behalf of the Government through the Covid-19 pandemic. These grants are non-discretionary and have been treated as an agency transaction. Any income not paid out as at 31 March 2021 has been treated as a creditor in the balance sheet.

Scheme	Funding Received from Government £m	Net Expenditure £m
Additional Restrictions Grant (ARG)	(9.615)	4.445
Local Restrictions Support Grant	(26.646)	19.616
Closed Business Lockdown Payment	(17.100)	11.434
	(53.361)	35.495

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 58.51%.

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

	Total EMSS		Amounts included within NCC Accounts	
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
Income:				
Direct external income - LCC	(1.510)	(1.355)	-	-
Direct external income - NCC	(0.545)	(0.502)	(0.545)	(0.502)
Total Income	(2.055)	(1.857)	(0.545)	(0.502)
Expenditure:				
Direct costs incurred by LCC	5.610	5.910	-	-
Direct costs incurred by NCC	0.276	0.045	0.276	0.045
Third party payments to LCC	-	-	2.658	3.000
Total Expenditure	5.886	5.955	2.934	3.045
NET EXPENDITURE	3.831	4.098	2.389	2.543

4.7.3 Councillors' Allowances

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

	2019/20 £m	2020/21 £m
Allowances	1.080	1.108
Expenses	0.002	-
TOTAL	1.082	1.108

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4.7.4 Officers Remuneration

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

POST HOLDER	2019/20 £	2020/21 £
Chief Executive - Ian Curryer ¹		
- Salary, Fees & Allowances	163,424	17,590
- Pension Contributions	-	-
	163,424	17,590
Interim Chief Executive - Katherine Kerswell ²		
- Salary, Fees & Allowances	-	81,387
- Pension Contributions	-	-
	-	81,387
Chief Executive - Mel Barrett ³		
- Salary, Fees & Allowances	-	104,891
- Pension Contributions	-	18,775
	-	123,666
Corporate Director - Children and Adults ⁴		
- Salary, Fees & Allowances	82,740	-
- Pension Contributions	11,335	-
	94,075	-
Corporate Director - People ⁵		
- Salary, Fees & Allowances	70,063	143,850
- Pension Contributions	9,590	-
	79,653	143,850
Corporate Director for Strategy and Resources ⁶		
- Salary, Fees & Allowances	122,472	30,407
- Pension Contributions	16,779	4,815
	139,251	35,222
Corporate Director - Commercial and Operations ⁷		
- Salary, Fees & Allowances	127,357	38,679
- Exit Package	-	88,170
- Pension Contributions	17,448	5,699
	144,805	132,548
Corporate Director - Covid Response and Recovery ⁸		
- Salary, Fees & Allowances	-	123,042
- Pension Contributions	-	22,024
	-	145,066
Corporate Director - Development and Growth		
- Salary, Fees & Allowances	127,357	130,859
- Pension Contributions	17,448	23,424
	144,805	154,283
Programme Director - Midland Engine ⁹		
- Salary, Fees & Allowances	16,051	-
- Pension Contributions	2,043	-
	18,094	-
Strategic Director of Finance and Section 151 Officer ¹⁰		
- Salary, Fees & Allowances	100,676	71,188
- Pension Contributions	13,793	12,743
	114,469	83,931
Strategic Director of Development (and Deputy Chief Executive) ¹¹		
- Salary, Fees & Allowances	6,402	-
- Pension Contributions	-	-
	6,402	-
Director for Legal and Governance and Monitoring Officer		
- Salary, Fees & Allowances	100,676	103,445
- Pension Contributions	13,793	18,517
	114,469	121,962
Director of Public Health		
- Salary, Fees & Allowances	104,489	107,362
- Pension Contributions	15,026	15,439
	119,515	122,801

Notes to table:

1. Post holder left April 2020
2. Post holder from April 2020 left August 2020
3. New Post holder from September 2020
4. Post holder left October 2019
5. New Post holder from October 2019
6. Post holder left June 2020
7. Post holder left June 2020
8. New post in structure in 2020/21 to manage Covid-19 response
9. Fully funded post through Midlands Engine grant. Post holder left May 2019 Change to structure in 19/20 so new postholder no longer meets criteria of senior officer.
10. Post holder left November 2020
11. Post holder left April 2019

Fees Paid to individuals engaged on an interim basis

Interim Strategic Director of Finance & Section 151 Officer from November 2020 at a cost to the Council of £108,290. This represents the cost of securing the individual's services via an agency, not the amount the individual will have received, which will have been lower.

A total of 274 employees (excluding senior employees) received remuneration of more than £0.050m, of which 75 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	
	2019/20	2020/21
50,000 - 54,999	60	127
55,000 - 59,999	31	38
60,000 - 64,999	29	31
65,000 -69,999	32	38
70,000 - 74,999	11	16
75,000 - 79,999	7	8
80,000 - 84,999	3	4
85,000 - 89,999	10	2
90,000 - 94,999	2	3
95,000 - 99,999	-	5
100,000 - 104,999	1	-
110,000 - 114,999	-	1
130,000 - 134,999	1	-
195,000 - 199,999	-	1
TOTAL	187	274
GRAND TOTAL	187	274

The increase in employees in the £50,000-£54,999 band is due to a large number of exit packages agreed during 2020/21. Further detail can be found in the following exit packages note.

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

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Voluntary Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Up to £20,000	20	19	-	165	-	-	20	184	140,642	1,633,795
£20,001 to £40,000	3	1	-	77	-	1	3	79	104,943	2,223,657
£40,001 to £60,000	-	2	-	35	-	-	-	37	-	1,886,498
£60,001 to £80,000	-	2	-	24	-	-	-	26	-	1,798,184
£80,001 to £100,000	1	-	-	13	-	-	1	13	83,542	1,116,638
£100,001 to £150,000	-	-	-	14	-	-	-	14	-	1,639,488
£150,001 to £200,000	-	-	-	2	-	-	-	2	-	334,207
TOTAL	24	24	-	330	-	1	24	355	329,127	10,632,467

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:

	2019/20	2020/21
	£m	£m
Statutory audit	0.225	0.133
Certification of Housing Benefit grant claim	-	-
Certification of other grant claims and returns	0.005	0.005
Fees payable in respect of other services provided by the external auditors during the year	0.010	0.010
TOTAL	0.240	0.148

The 2019/20 and 2020/21 audits are not yet concluded and therefore further variations in the fees are likely.

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 2020/21 are as follows:

Notes	Central Expenditure £m	ISB £m	Total £m
A Final DSG for 2020/21 before Academy recoupment			288.192
B Academy figure recouped for 2020/21			172.623
C Total DSG after Academy recoupment for 2020/21			115.569
D Plus: Brought forward from 2019/20			7.244
E Carry forward to 2021/22 agreed in advance			5.443
F Agreed initial budgeted distribution in 2020/21	38.821	78.549	117.370
G In year Adjustments			-
H Final Distribution for 2020/21	38.821	78.549	117.370
I Less Actual central expenditure	36.504		36.504
J Less ISB deployed to schools		76.825	76.825
K Plus Local Authority contribution 2020/21			-
L Carry forward to 2021/22 agreed in advance	2.317	1.725	9.485

Notes to DSG:

- A Figure as announced by the Department for Education (DfE) in March 2021.
- B Figure recouped from the Council in 2020/21 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recoupment for 2020/21.
- D Figure brought forward from 2019/20 as agreed with the DfE.
- E The amount which the Council planned after consultation with the schools forum to carry forward to 2021/22, rather than distribute in 2020/21.
- 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 2020/21.
- 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 2020/21 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2021/22. The total figure is the carry forward to 2021/22 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

The final DSG for 2020 to 2021 before the academy recoupment figure includes a provision for the early years block. This figure is derived from the 2019 to 2020 data. Due to the outbreak of Coronavirus (COVID-19) the approach for funding early years has changed in the financial year 2020 to 2021. The final allocation for the 2020 to 2021 early years block will be based upon the January 2020 census count (to cover the period April 2020 to December 2020) and the January 2021 census count (to cover January 2021 to March 2021). In addition, local authorities may also receive top up funding for the spring term in their early years DSG funding allocation for the 2020 to 2021 financial year. All local authorities are eligible for top-up funding for any of the

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government's 2, 3 and 4-year old entitlements (except the Disability Access Fund) if the take up of any of those entitlements, at the time of the January census, are lower than 85% of their January 2020 census in childcare attendance hours, and this take up has increased over the course of the term. Nottingham City Council will be applying for the top-up funding. The final allocation for the 2020 to 2021 early years block will be made in November 2021 and any adjustments to be treated as an 'in year adjustment' for 2021 to 2022.

There is no 'In year adjustment' for early years for the financial year 2019 to 2020 due to the adjustment being included in the 2019 to 2020 note to the accounts table due to the timing of the submission of the table. The brought forward from 2019/20 figure of £7.244m includes the early years adjustment for 2019 to 2020.

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 2021 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 2020/21 is shown in the Councillors' allowances note 4.7.3.

During 2020/21 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:

	2019/20 £m	2020/21 £m
Payments	125.872	142.063
Receivables	(40.755)	(37.379)
Debtors	12.477	27.629
Creditors	(2.090)	(7.180)

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 2020/21. Transactions for the Better Care Fund are detailed in note 4.7.8.

The Council paid £0.078m in 2020/21 (£0.077m 2019/20) 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.

	2019/20		2020/21	
	Payments	Receipts	Payments	Receipts
	£m	£m	£m	£m
Enviroenergy Ltd	0.931	(7.317)	0.926	(8.253)
Futures Advice, Skills and Employment Ltd	2.063	(0.192)	3.011	(0.191)
Inspired Spaces	8.357	-	8.369	-
Nottingham City Homes (NCH) Ltd	69.621	(14.662)	87.881	(14.049)
Nottingham City Transport	10.233	(0.670)	6.649	(0.338)
Nottingham Revenues & Benefits Ltd	0.065	(5.688)	0.096	(5.930)
Robin Hood Energy Ltd	21.930	(6.032)	3.435	(3.718)
Thomas Bow Ltd	2.467	(0.006)	5.669	(0.872)
Other Related Parties	2.582	(8.068)	9.620	(2.917)

	2019/20		2020/21	
	Debtors	Creditors	Debtors	Creditors
	£m	£m	£m	£m
Enviroenergy Ltd	14.176	(0.108)	16.375	(0.624)
Futures Advice, Skills and Employment Ltd	0.120	(0.449)	0.005	(0.509)
Nottingham City Homes (NCH) Ltd	31.080	(5.247)	60.466	(11.325)
Nottingham City Transport	0.078	(0.272)	0.068	(0.037)
Nottingham Revenues and Benefits Ltd	1.108	(2.008)	0.720	(2.019)
Robin Hood Energy Ltd	37.229	(0.720)	37.485	(0.001)
Thomas Bow Ltd	0.002	(0.419)	0.014	(0.876)
Other Related Parties	5.035	(0.441)	12.792	(0.472)

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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:

	2020/21 £m
<u>Funding</u>	
NHS Nottingham City Clinical Commissioning Group	(24.734)
Nottingham City Council (Capital)	(2.768)
Nottingham City Council (Improved Better Care Fund)	(16.115)
Total Funding	(43.617)
<u>Expenditure</u>	
Access & Navigation	2.004
Integrated Care	16.333
Facilitating Discharge	2.577
Primary Care	2.554
Assistive Technology	0.468
Carers	0.714
Capital Grants	2.768
Programme Costs	0.027
Co-ordinated Care	13.271
Independence Pathway	1.270
Housing Health - Housing Related Schemes	0.081
Winter Pressures	1.550
Total Expenditure	43.617
BALANCE OF POOLED FUND	-

4.7.9 Road Charging Schemes under the Transport Act 2000

The Council introduced the workplace parking levy on 1 April 2012 charged under section 178-190 of the Transport Act 2000 (the Act). As per section 180 and 181 of the Act, all monies which are raised by the levy are to be re-invested in the City Councils Transport Plan. The figures for the year ending 31 March 2021 are as follows:

	2019/20 £m	2020/21 £m
Income	(10.271)	(8.794)
Expenditure	0.235	0.468
NET INCOME	(10.036)	(8.326)

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 2021 was £16.098m (31 March 2020 £43.809m).

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 2020 £m	31 March 2021 £m
Finance lease liabilities*:		
current	0.002	0.002
non-current	2.199	0.010
Finance costs payable in future years	11.935	9.126
MINIMUM LEASE PAYMENTS	14.136	9.138

* 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:

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	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£m	£m	£m	£m
Not later than one year	0.236	0.177	0.002	0.002
Between one and five years	0.944	0.706	0.008	0.008
Later than five years	12.956	8.255	2.191	1.740
TOTAL	14.136	9.138	2.201	1.750

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 2020	31 March 2021
	£m	£m
Not later than one year	0.703	0.608
Between one and five years	2.732	2.099
Later than five years	9.274	8.812
TOTAL	12.709	11.519

The expenditure charged to the CIES during 2020/21 in relation to these leases was £0.787m (£0.891m in 2019/20).

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 2020 £m	31 March 2021 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	46.118	60.357
Anticipated residual value of property	17.622	5.286
GROSS INVESTMENT IN THE LEASE	64.762	66.665

* 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 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
Not later than one year	0.101	0.141	0.098	0.138
Between one and five years	0.403	0.564	0.391	0.551
Later than five years	64.258	65.960	62.424	64.061
TOTAL	64.762	66.665	62.913	64.750

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:

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

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

	31 March 2020 £m	31 March 2021 £m
Not later than one year	19.642	19.381
Between one and five years	69.166	68.197
Later than five years	210.449	203.398
TOTAL	299.257	290.976

Contingent Rents

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

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

For operating leases where the Council is lessor there were no contingent rents receivable by the Authority in 2020/21 of £0.000m (2019/20 £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:

	2019/20 £m	2020/21 £m
Planning and Housing	45.772	39.068
Jobs, Growth and Transport	27.663	17.440
Strategic Regeneration	67.235	72.220
Other	31.071	19.656
Capital Expenditure	171.741	148.384
REFCUS Assets within PFI Contracts	-	0.341
Assets acquired under PFI Contracts	-	1.768
CUMULATIVE ASSET ADDITIONS	171.741	150.493

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

The treatment of capital expenditure and financing generates some of the main differences between the funding basis and IFRS basis. The capital focus of the funding

basis is to ensure that sufficient cash is raised to finance capital expenditure. The major differences are:

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

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

	2019/20 £m	2020/21 £m
Capital Investment on IFRS Basis		
Property, Plant and Equipment	141.889	92.453
Investment Properties	0.455	0.038
Intangible Assets	(0.017)	0.272
Long Term Debtors	19.564	31.253
Long Term Investments	6.671	1.102
Total Additions to Assets on IFRS Basis	168.562	125.118
Revenue Expenditure Funded from Capital under Statute	3.179	5.375
Capitalisation Directive (REFCUS)	-	20.000
Total Expenditure to be Financed from Capital Sources	171.741	150.493
Financing		
Capital receipts	(15.874)	(11.813)
Government grants and other contributions	(69.546)	(35.704)
Sums set aside from revenue	(26.369)	(19.168)
Funded within PFI Contracts	-	(2.109)
UNDERLYING BORROWING REQUIREMENT IN YEAR	59.952	81.699

4.7.12 Capital Financing Requirement (CFR)

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

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

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	2019/20 £m	2020/21 £m
Opening Capital Financing Requirement	1,376.042	1,381.975
Increase in underlying need to borrow:		
Unsupported by government financial assistance	59.952	81.699
Statutory Minimum Revenue Provision	(28.589)	(30.249)
Voluntary Revenue Provision	(1.505)	(1.756)
Voluntarily Set Aside Capital Receipts	(16.720)	(9.870)
Net PFI Liability Discharged	(9.640)	(9.807)
Other Items	2.435	(0.945)
CLOSING CAPITAL FINANCING REQUIREMENT	1,381.975	1,411.047

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:

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- 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 2020/21, which are then inflated using the inflation rate implicit with each PFI arrangement:

	2021/22	2022/23 - 2025/26	2026/27 - 2030/31	2031/32 - 2035/36	2036/37 - 2040/41	Total
	£m	£m	£m	£m	£m	£m
NET						
Repayment of Liability	7.216	31.948	31.644	19.931	-	90.739
Interest Charges	10.869	33.880	23.275	2.788	-	70.812
Service Charges	15.984	68.093	99.467	69.578	-	253.122
NET Unitary Charge	34.069	133.921	154.386	92.297	-	414.673
BSF						
Repayment of Liability	1.951	8.606	14.234	14.585	3.440	42.816
Interest Charges	3.227	11.311	9.721	3.533	0.308	28.100
Service Charges	2.764	12.995	18.570	16.609	3.570	54.508
BSF Unitary Charge	7.942	32.912	42.525	34.727	7.318	125.424
LIFT						
Repayment of Liability	0.558	2.482	3.784	4.182	0.519	11.525
Interest Charges	0.980	3.455	3.097	1.402	0.052	8.986
Service Charges	0.640	3.239	5.317	4.905	0.450	14.551
LIFT Unitary Charge	2.178	9.176	12.198	10.489	1.021	35.062
Street Lighting						
Repayment of Liability	1.387	7.329	12.560	13.230	-	34.506
Interest Charges	3.621	12.736	10.365	3.920	-	30.642
Service Charges	2.056	9.911	14.154	14.055	-	40.176
Street Lighting Unitary Charge	7.064	29.976	37.079	31.205	-	105.324
TOTAL CHARGES	51.253	205.985	246.188	168.718	8.339	680.483

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

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Liabilities resulting from PFI arrangements

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

	2019/20			2020/21		
	Total £m	BSF £m	NET £m	LIFT £m	Street Lighting £m	Total £m
Opening balance at 1 April	198.824	44.522	96.854	12.045	35.760	189.181
Repayment of Liability	(9.643)	(1.706)	(6.115)	(0.520)	(1.254)	(9.595)
CLOSING BALANCE AT 31 MARCH	189.181	42.816	90.739	11.525	34.506	179.586

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 £28.783m (£29.515m at 31 March 2020) with a turnover of £2.147m (£2.391m 2019/20), 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 £1.281m (£1.211m as at 31 March 2020) with a turnover of £0.324m (£0.411m 2019/20). 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 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 2021, 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.

Robin Hood Energy Ltd

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

Following publication of the PIR the Council undertook a strategic review to consider the future options for RHE. Following this review, the decision was made to sell the customer base of the company, comprising 112,000 domestic and 2,600 business customers to Centrica in September 2020.

The Council experienced significant financial exposure in respect of its interest in Robin Hood Energy which will crystallise late in 2021 following the company entering into administration in January 2021.

4.7.16 Nature and Extent of Risks arising from Financial Instruments

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

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

Overall Procedures for Managing Risk

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

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

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

Section 4 – Notes to the Financial Statements

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

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

COVID-19

There will be numerous issues that will impact on local authorities as a result of the ongoing COVID-19 pandemic. 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 2021 these were particularly relevant to the council's financial instrument exposure to credit risk.

Recovery and Improvement Plan

As a result of the non-statutory rapid review the Council was required to produce a Recovery and Improvement Plan to demonstrate how it would address the issues raised. This plan was approved at a meeting of the City Council on 25 January 2021. Details of the plan can be found via the Recovery and Improvement Plan section in the Narrative Report (section 1). As at 31 March 2021 the financial implications of the plan are beginning to be shown within the financial Instruments held by the Council including an aim to reduce the level of external debt held.

Credit Risk

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

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

The adopted credit criteria in respect of financial assets held by the Council in 2020/21 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 £150.694m at 31 March 2021 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, and balances held for liquidity reasons since the outbreak of COVID-19 have remained higher than in recent years. As at 31 March 2021 the council's investments are deposited with either other local authorities or in short term notice accounts or highly liquid and diverse money market funds so should the economic uncertainty on banks and other financial institutions develop the council's deposits with exposure to increased credit risk exposure can be recalled to reduce the likelihood of investment losses to crystallise. Deposits with other local authorities are judged to remain as low risk due to the legal framework around local authorities.

Credit Risk Exposure

The following table summarises the value of the Council's financial investment portfolio and the exposure to non-financial investments and debtors at 31 March 2021. 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	35.600
	AA	-
	A	28.637
	BBB	-
	Unrated local authorities	95.000
	Unrated loans to 3rd parties	85.074
Significant increase in credit risk since initial recognition	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	39.281
Credit impaired	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	-
Simplified approach*	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated other	89.845

* For short and long term debtors not included elsewhere

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 2021 with estimations of the COVID-19 impact on the entities ability to make repayments when they become due. This where relevant includes 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.

Amounts Arising from Expected Credit Losses

From the above credit risk exposures, the expected loss allowance as at 1 April 2020 was £17.580m this increased by £17.917m in 2020/21 to £35.497m at 31 March 2021 for 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 £14.890m to £30.192m at 31 March 2021.

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 2021 was £71.777m.

Liquidity Risk

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

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

The Council's deposits with financial institutions such as banks, money market funds and deposits with other local authorities total £150.600m at 31 March 2021. There was £95m of deposits with local authorities with maturity dates of less than 12 months and £10m deposited with a local authority which has a maturity date of over 12 months.

The council continues to use highly liquid investments including same day access money market funds as part of the Council's liquidity risk mitigation. At 31 March 2021 the council balances of £35.600m across 4 money market funds. These funds are highly diversified and highly liquid with credit ratings equivalent to AAAM so were judged to have minimal credit risk.

Refinancing and Maturity Risk

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

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

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

The maturity analysis of the principal element of financial liabilities at 31 March 2021 is:

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	31 March 2020 £m	31 March 2021 £m
Less than 1 year	149.895	34.062
1 to 2 years	25.892	25.032
2 to 5 years	83.890	77.787
5 to 10 years	144.637	152.075
10 – 25 years	90.522	64.154
25 – 40 years	250.672	290.672
40 – 70 years	329.000	289.000
TOTAL	1,074.508	932.782

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

Interest Rate Risk

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

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

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

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

The 2020/21 strategy allowed for a maximum exposure to variable interest rates of £350m.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	31 March 2021 £m
Increase in interest payable on variable rate borrowings	0.172
Increase in interest receivable on variable rate investments	(0.656)
Impact on Surplus or Deficit on the Provision of Services	(0.484)
Share of overall impact debited to the HRA	0.054
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	(0.430)

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

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £20.605m in a number of joint ventures and in local industry, as at 31 March 2021. 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, but as described in the Narrative Report (see section Recovery & Improvement Plan) the Council has published a Recovery and Improvement Plan, which includes a plan to evaluate its interests and to take appropriate action to limit exposure to price risk. Measures being considered include the potential sale or the bringing in house of group interests.

The value of shares held in Robin Hood Energy Ltd was impaired by £7.500m to nil in 2018/19 and the company went into administration in January 2021.

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 2020/21 Code.

The following new standards and amendments to existing standards are not implemented in the 2020/21 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations – provides clarity on the definition of a business. The amendments will help determine whether an acquisition made is of a business or a group of assets. We are not expecting this to affect the Council's accounts when this is implemented from 1 April 2021.
- Interest Rate Benchmark Reform phase 1 and phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Interest rate benchmark reform is

Section 4 – Notes to the Financial Statements

expected to affect hedge accounting and therefore we are not expecting this to affect the Council's accounts when this is implemented from 1st April 2021.

4.9 Critical Judgements in applying Accounting Policies

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

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

The critical judgements made in the Statement of Accounts are:

- There are two types of schools in Nottingham. The Council recognises schools in line with the provisions of the Code and consequently, schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. As a result, each type of school has been separately assessed for inclusion on the Council's Balance Sheet. The following table summarises the treatment for each type of school:

School Type	Balance Sheet Treatment
LEA Maintained	On
Academy	Off

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

4.10 Assumptions about the Future and other Major Sources of Estimation

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

estimates and assumptions which have a significant effect on amounts recognised in the financial statements are as follows:

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

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results of the Actuary report at the last accounting date and therefore is already included in the starting position for the 2020/21 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.

The impact of COVID-19 on post-retirement benefits is detailed in note 7.2.1.

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 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 the Strategic Assets and Property Management section issued a valuation report and certificate for valuations at 31 March 2021 in respect of Investment Properties, PPE operational valuations, PPE surplus valuations and Assets Held for Sale.

At the previous valuation date (31st March 2020) there was a high degree of uncertainty, and justified caution surrounding the property markets, due to the effects of the COVID-19 Pandemic that caused market transactions to come to a halt. During 2020/21 market activity has increased and previous warnings issued by the Royal Institution of Chartered Surveyors regarding market uncertainty have been withdrawn.

Where areas of the property market are experiencing slower recoveries, including the retail and leisure sectors, additional assurance has been sought through external valuations from agents that have access to wider market intelligence.

4.11 Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Corporate Director of Finance and Resources on 12 September 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were a number of significant events between the balance sheet date and the approval of these financial statements. These are detailed in the Narrative Report at Section 1.6. No additional disclosure or adjustment has been made of the 2020/21 statements has been made in relation to these events.

Section 5

SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

5.1 Housing Revenue Account (HRA)

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

5.1.1 Housing Revenue Income and Expenditure Account

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

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	2019/20 £m	2020/21 £m
Expenditure		
Repairs and maintenance	30.046	30.075
Supervision and Management	29.410	28.716
Rents, rates, taxes and other charges	0.226	0.247
Depreciation and impairment of non-current assets	20.367	20.296
Debt management costs	0.056	0.028
Exceptional revaluation (gain) / loss on HRA Council dwellings	15.100	(52.501)
Total Expenditure	95.204	26.861
Income		
Dwelling Rents	(94.271)	(96.841)
Non Dwelling Rents	(1.841)	(2.620)
Charges for Services and Facilities	(10.178)	(8.624)
Contributions Towards Expenditure	(4.481)	(3.229)
Total Income	(110.771)	(111.314)
Net Cost of HRA Services as included in the CIES	(15.567)	(84.453)
HRA services' share of Corporate and Democratic Core	0.035	(0.035)
NET COST FOR HRA SERVICES	(15.532)	(84.488)
HRA Share of the Operating Income and Expenditure included in the CIES		
Fixed Asset Derecognition	2.436	2.145
Gain or (loss) on sale of HRA non-current assets	(3.010)	(1.347)
Interest payable and similar charges	14.428	14.497
Interest and Investment Income	(0.344)	(0.011)
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	(2.022)	(69.204)

5.1.2 Movement on the HRA Statement

	2019/20 £m	2020/21 £m
Actual Ledger Balance on HRA at the start of the Year	8.096	8.191
Outstanding Statutory (Item 9) Adjustment	21.404	26.814
Corrected Balance on HRA at the start of the Year	29.500	35.005
Surplus or (deficit) for the year	2.022	69.204
Adjustments between accounting basis and funding basis	3.483	(63.104)
Increase or (Decrease) in Year on the HRA	5.505	6.100
BALANCE ON THE HRA AT THE END OF THE YEAR	35.005	41.105
Outstanding Statutory Adjustment	(26.814)	(31.175)
ACTUAL LEDGER BALANCE ON THE HRA AT THE END OF THE YEAR	8.191	9.930

Section 5 – Supplementary Financial Statements and Notes

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 2020 Number	31 March 2021 Number
Houses and Bungalows		
1 Bedroom	1,047	1,046
2 Bedroom	5,748	5,762
3 Bedroom	9,326	9,255
4 or more Bedrooms	483	487
Flats		
1 Bedroom	7,525	7,532
2 Bedroom	1,138	1,126
3 or more Bedrooms	121	120
TOTAL	25,388	25,328

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 2020 £m	Value at 31 March 2021 £m
Operational Assets		
Council Dwellings	1,002.178	1,132.093
Other Land and Buildings	10.118	9.911
Assets Under Construction	5.206	4.006
Surplus Assets not held for sale	0.409	0.680
Investment Properties	1.123	1.050
Infrastructure	29.474	29.139
Vehicles, IT and Other Equipment	-	0.086
TOTAL VALUE OF ASSETS	1,048.508	1,176.965

5.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2021 was £2,695.458m (1 April 2020 £2,386.137m). The Balance Sheet value of dwellings was £1,132.093m. The difference of £1,563.365m 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.

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The valuation of the Council's housing stock as at 31st March 2021 was completed by the Council's Property Services team.

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:

	2019/20 £m	2020/21 £m
Balance Brought Forward	(17.201)	(20.628)
Credits - Depreciation on HRA Assets	(20.367)	(20.296)
Credits - Amortisation on HRA Assets	(0.004)	(0.004)
Credits - Additional credit to the MRR	(8.958)	(9.199)
Debits - Capital Expenditure	25.902	18.706
BALANCE AT END OF YEAR	(20.628)	(31.421)

Further information on depreciation is shown in note 5.1.3.7.

5.1.3.5 Capital Expenditure

Capital expenditure of £37.493m (£43.805m in 2019/20) in respect of HRA assets was financed from a range of sources in 2020/1. This is set out below:

	2019/20 £m	2020/21 £m
CAPITAL EXPENDITURE	43.805	37.493
Financed By:		
Capital Receipts Reserve	5.054	5.076
Major Repairs Reserve (MRR)	25.902	18.706
Direct Revenue Financing*	0.400	0.400
Other Capital Grants and Contributions	2.410	3.013
Borrowing	10.039	10.298
TOTAL FINANCING	43.805	37.493

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

Section 5 – Supplementary Financial Statements and Notes

5.1.3.6 Capital Receipts

Capital receipts of £9.247m (£14.679m in 2019/20) arose from the sale of land, houses and other property within the HRA in 2020/21. Of this total, £8.876m (£12.345m in 2019/20) related to the disposal of houses and flats under the right to buy scheme and £0.195m (£1.698m in 2019/20) from the sale of vacant non-purpose built Council houses.

	2019/20 £m	2020/21 £m
Land	0.636	0.176
Houses	14.043	9.071
TOTAL	14.679	9.247

5.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2020/21 as follows:

	2019/20 £m	2020/21 £m
Dwellings	18.442	18.235
Other Operational HRA Assets:		
Other Land and Buildings	0.183	0.184
Vehicles, Plant, Furniture and Equipment	(0.024)	-
Infrastructure and Community Assets	1.764	1.877
Surplus Assets not Held for Sale	0.002	-
TOTAL	20.367	20.296

No amortisation was charged in the year (£0.004m was charged in 2019/20).

5.1.3.8 Revaluations and Impairments during the Financial Year

£52.501m in respect of revaluation gains have been credited to the HRA during the year (£15.100m losses debited in 2019/20). This amount related to Council Dwellings, as a result of a desktop beacon revaluation undertaken during the year.

There were no donated assets within the year.

A de-recognition write-out of £2.145m (£2.435m in 2019/20) was made to reflect the residual value of assets replaced.

The revaluation of investment properties has resulted in a credit of £0.042m (£0.179m credit in 2019/20).

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 £7.180m at 31 March 2021 (£6.410m at 31 March 2020). A total loss allowance (previously called bad debt provision) of £6.499m has been established at 31 March 2021 (£5.615m at 31 March 2020).

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).

	2019/20		2020/21	
	Total £m	NNDR £m	Council Tax £m	Total £m
INCOME				
Council Tax Receivable	(139.738)	-	(141.413)	(141.413)
Council Tax Hardship Fund	-	-	(3.664)	(3.664)
Business Rates Receivable	(140.054)	(73.619)	-	(73.619)
TOTAL INCOME	(279.792)	(73.619)	(145.077)	(218.696)
EXPENDITURE				
Precepts, Demands and Shares				
Central Government	68.381	68.793	-	68.793
Police Authority	14.644	-	15.447	15.447
Fire Authority	6.696	1.376	5.480	6.856
Nottingham City Council	183.115	67.417	121.807	189.224
Charges to Collection Fund				
Write offs of uncollectable amounts	2.173	0.162	1.271	1.433
Increase /Decrease (-) in allowance for non-collection	4.460	10.125	3.407	13.532
Increase /Decrease (-) in Provision for Appeals	(0.210)	(3.754)	-	(3.754)
Cost of Collection	0.490	0.482	-	0.482
Interest charged on Cost of Collection	-	0.006	-	0.006
Apportionment of previous year's estimated Collection Fund Surplus				
Police & Crime Commissioner	0.092	-	0.177	0.177
Central Government	1.962	2.676	-	2.676
Nottinghamshire Fire & Rescue Service	0.076	0.053	0.064	0.117
Nottingham City Council	2.722	2.622	1.402	4.024
TOTAL EXPENDITURE	284.601	149.958	149.055	299.013
Movement on the Collection Fund Balance (Surplus)/Deficit Brought Forward	4.809 (7.891)	76.339 (1.655)	3.978 (1.427)	80.317 (3.082)
(SURPLUS)/DEFICIT CARRIED FORWARD	(3.082)	74.684	2.551	77.235

The reduction in business rates receivable income in 2020/21 is due to the loss of rates income during the year following the Covid-19 pandemic.

Additional business rates reliefs were provided by Central Government during 2020/21. The Council has been compensated for this via Section 31 grant.

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%).

	2019/20 £m	2020/21 £m
Rate in the pound	50.4p	51.2p
Total non-domestic rateable value per NNDR system	361.801	358.859
Gross Debit	182.348	183.736
Net debit after adjustments and reliefs	141.622	79.437

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.

	2019/20	2020/21
Council Tax Base	66,766	67,360
Council Tax (Band D) Property	£2,038.06	£2,118.99

Band	Average Number of Properties	Taxable Properties after discounts, exemptions and adjustments	Conversion Factor to Band D	Band D Equivalents
A	87,967	52,551	6/9	35,034
B	24,425	14,793	7/9	11,506
C	16,401	11,687	8/9	10,388
D	7,158	5,365	9/9	5,365
E	2,503	2,057	11/9	2,514
F	1,086	942	13/9	1,361
G	728	630	15/9	1,050
H	116	71	18/9	142

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:

	2019/20		2020/21	
	Total £m	Council Tax £m	NNDR £m	Total £m
Nottingham City Council	(2.029)	2.178	36.595	38.773
Nottinghamshire Police Authority	(0.154)	0.275	-	0.275
Nottinghamshire Fire and Rescue Authority	(0.072)	0.098	0.747	0.845
Central Government	(0.827)	-	37.342	37.342
TOTAL	(3.082)	2.551	74.684	77.235

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 2020/21 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 which is in administration.

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:

	2019/20		2020/21	
	Single Entity Accounts £m	Group Accounts £m	Single Entity Accounts £m	Group Accounts £m
Comprehensive Income and Expenditure (CIES):				
(Surplus)/Deficit on Provision of Services	(5.624)	15.378	36.773	(2.765)
Other CIES	(117.468)	(131.656)	158.862	222.583
Total CIES (Surplus)/Deficit	(123.092)	(116.278)	195.635	219.818
Balance Sheet:				
Long Term Assets	3,102.390	3,173.604	3,206.773	3,282.166
Current Assets	298.733	335.898	331.449	369.716
Current Liabilities	(323.252)	(390.255)	(301.641)	(332.742)
Long Term Liabilities	(1,928.691)	(2,061.733)	(2,283.036)	(2,481.498)
Nets Assets	1,149.180	1,057.514	953.545	837.642
Usable Reserves	250.591	250.591	293.262	293.262
Unusable Reserves	898.589	806.923	660.283	544.380
	1,149.180	1,057.514	953.545	837.642
Cash Flow Statement:				
Net Cash Flows from Operating Activities	20.090	15.022	80.997	118.942
Investing Activities	(74.439)	(65.432)	(31.612)	(40.784)
Financing Activities	105.647	99.271	(102.273)	(108.022)
Net Increase (Decrease) in Cash and Cash Equivalents	51.298	48.861	(52.888)	(29.864)
Cash and Cash Equivalents at the beginning of the reporting period	45.827	57.815	97.125	106.676
Cash and Cash Equivalents at 31 March	97.125	106.676	44.237	76.812

6.3 Accounting policies used in preparing the Group Financial Statements

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

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

6.4 Core Group Financial Statements

6.4.1 Group Comprehensive Income and Expenditure Statement (Group CIES)

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

As outlined in note 4.3.1 Prior Year Reclassifications, the Council's 2019/20 CIES has been restated to align with the 2020/21 portfolio position of the Council. The group 2019/20 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.

Notes	Restated 2019/20			2020/21		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure £m	Income £m	£m	Expenditure £m	Income £m	£m
Adult Care and Local Transport	167.446	(82.173)	85.273	189.552	(107.802)	81.750
Children and Young People	120.929	(30.463)	90.466	111.324	(39.932)	71.392
Communities, Highways and Strategic Transport	62.233	(25.916)	36.317	56.442	(22.790)	33.652
Employment and Community Protection	19.290	(10.123)	9.167	17.437	(9.512)	7.925
Energy, Environment and Democratic Services	41.517	(11.484)	30.033	52.851	(16.637)	36.214
Finance, Growth and the City Centre	41.972	(27.741)	14.231	54.015	(29.884)	24.131
Health, HR and Equalities	20.352	(27.079)	(6.727)	20.771	(27.915)	(7.144)
Housing, Planning and Heritage	35.066	(119.702)	(84.636)	34.544	(122.771)	(88.227)
Leisure, Culture and IT	44.068	(37.867)	6.201	56.350	(20.071)	36.279
Regeneration, Schools and Communications	137.805	(136.166)	1.639	158.911	(146.337)	12.574
Corporate Items	154.803	(178.938)	(24.135)	171.976	(190.727)	(18.751)
Exceptional revaluation (gain) / loss on HRA						
Council Dwellings	15.102	-	15.102	(52.501)	-	(52.501)
Group Organisations	284.723	(212.052)	72.671	152.563	(136.092)	16.471
Cost of Services	1,145.306	(899.704)	245.602	1,024.235	(870.470)	153.765
Other operating expenditure			1.283			2.062
6.7.1.1 Financing and investment income and expenditure			82.029			112.563
Taxation and non-specific grant income			(314.594)			(271.062)
(Surplus)/Deficit on Provision of Services			14.320			(2.672)
Share of the surplus or deficit on the provision of services by associates			(0.057)			(0.654)
Tax expenses of subsidiaries			1.115			0.561
Group (Surplus)/Deficit			15.378			(2.765)
Revaluation of PPE/Heritage assets			(69.191)			(69.717)
Re-measurement of pension assets/liabilities			(63.708)			292.195
Share of other comprehensive income and expenditure of associates and joint ventures			1.243			0.105
Other Comprehensive Income and Expenditure			(131.656)			222.583
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(116.278)			219.818

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.

	2019/20			2020/21		
	Authority £m	Minority Interest £m	Total £m	Authority £m	Minority Interest £m	Total £m
Group (surplus) / Deficit	15.595	(0.217)	15.378	(2.554)	(0.211)	(2.765)
Other CIES	(131.646)	(0.010)	(131.656)	221.883	0.700	222.583
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	(116.051)	(0.227)	(116.278)	219.329	0.489	219.818

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

	2019/20 £m	2020/21 £m
Total comprehensive income and expenditure on the authority's single entity CIES	(123.092)	195.635
Add (surplus)/deficit arising from group entities:		
Subsidiaries	6.086	23.752
Joint Ventures	1.157	(0.299)
Trust Funds	(0.429)	0.730
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE ON THE GROUP CIES	(116.278)	219.818

6.4.2 Group Balance Sheet

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

Notes		31 March 2020 £m	31 March 2021 £m
6.7.2.1	Property, Plant & Equipment	2,741.910	2,854.412
	Heritage Assets	60.961	61.450
6.7.2.2	Investment Property	306.192	292.321
	Intangible Assets	5.716	4.469
6.5.1	Intangible Asset - Goodwill	1.360	1.347
	Long Term Investments	11.304	11.582
	Long Term Debtors	39.190	48.031
	Investments in Associates and Joint Ventures	6.971	8.554
	Long Term Assets	3,173.604	3,282.166
	Assets Held for Sale	4.042	3.660
	Short Term Investments	45.189	105.094
	Inventories	4.671	4.253
6.7.2.3	Short Term Debtors	174.822	179.448
6.7.1.2	Contract Assets	0.448	0.399
6.7.2.4	Cash and Cash Equivalents	106.676	76.812
	Current Tax Asset	0.050	0.050
	Current Assets	335.898	369.716
	Short Term Borrowing	(156.175)	(40.034)
6.7.2.5	Short Term Creditors	(181.019)	(211.204)
	Revenue Grants Received in Advance	(25.646)	(55.424)
6.7.1.2	Contract Liabilities	(16.885)	(17.281)
	Provisions	(10.309)	(8.799)
	Current Tax Liability	(0.221)	-
	Current Liabilities	(390.255)	(332.742)
	Long Term Borrowing	(925.526)	(899.628)
6.7.1.2	Long Term Contract Liabilities	(2.257)	(2.493)
	Long Term Creditors	(0.042)	(0.041)
	Other Long Term Liabilities	(210.687)	(195.630)
	Provisions	(26.081)	(22.032)
	Capital Grants Receipts in Advance	(16.146)	(123.586)
	Defined Benefit Pension Scheme	(878.148)	(1,237.488)
	Deferred Tax Liability	(2.846)	(0.600)
	Long Term Liabilities	(2,061.733)	(2,481.498)
	NET ASSETS	1,057.514	837.642
6.7.2.6	Usable Reserves	250.591	293.262
6.7.2.7	Unusable Reserves	806.923	544.380
	TOTAL RESERVES	1,057.514	837.642

Section 6 – Group Financial Statements and Notes

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.

2020/21	General Fund	Earmarked General Fund	General Fund Total	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	£m
Actual ledger Balance at 31 March 2020	13.761	154.510	168.271	8.191	26.819	20.628	26.682	250.591	898.589	1,149.180	(92.465)	0.799	1,057.514
Outstanding Statutory (Item 9) Adjustment	-	(26.814)	(26.814)	26.814	-	-	-	-	-	-	-	-	-
Corrected Balance at 31 March 2020	13.761	127.696	141.457	35.005	26.819	20.628	26.682	250.591	898.589	1,149.180	(92.465)	0.799	1,057.514
Movement in 2020/21:													
Total CIE* (Table 6.4.1)	(48.812)	-	(48.812)	69.204	-	-	-	20.392	(158.862)	(138.470)	(80.859)	(0.489)	(219.818)
Adjustments between group accounts and authority accounts (Note 6.7.3)	(57.165)	-	(57.165)	-	-	-	-	(57.165)	-	(57.165)	57.111	-	(0.054)
Net Increase/Decrease before transfers	(105.977)	-	(105.977)	69.204	-	-	-	(36.773)	(158.862)	(195.635)	(23.748)	(0.489)	(219.872)
Funding basis adjustments	145.181	-	145.181	(63.104)	0.726	10.793	(14.152)	79.444	(79.444)	-	-	-	-
Net increase/decrease before transfers to earmarked reserves	39.204	-	39.204	6.100	0.726	10.793	(14.152)	42.671	(238.306)	(195.635)	(23.748)	(0.489)	(219.872)
Transfers to/from earmarked reserves	2.406	(2.406)	-	-	-	-	-	-	-	-	-	-	-
Movement in Year	41.610	(2.406)	39.204	6.100	0.726	10.793	(14.152)	42.671	(238.306)	(195.635)	(23.748)	(0.489)	(219.872)
BALANCE AT 31 MARCH 2021	55.371	125.290	180.661	41.105	27.545	31.421	12.530	293.262	660.283	953.545	(116.213)	0.310	837.642
Outstanding Statutory (Item 9) Adjustment	-	31.175	31.175	(31.175)	-	-	-	-	-	-	-	-	-
ACTUAL LEDGER BALANCE AT 31 MARCH 2021	55.371	156.465	211.836	9.930	27.545	31.421	12.530	293.262	660.283	953.545	(116.213)	0.310	837.642

* CIE - Comprehensive Income and Expenditure

Section 6 – Group Financial Statements and Notes

2019/20	General Fund	Earmarked General Fund	General Fund Total	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	£m
Actual ledger Balance at 31 March 2019	7.994	140.814	148.808	8.096	24.163	17.201	29.238	227.506	798.582	1,026.088	(85.242)	0.572	941.418
Outstanding Statutory (Item 9) Adjustment	-	(21.404)	(21.404)	21.404	-	-	-	-	-	-	-	-	-
Corrected Balance at 31 March 2019	7.994	119.410	127.404	29.500	24.163	17.201	29.238	227.506	798.582	1,026.088	(85.242)	0.572	941.418
Movement in 2019/20:			-					-					
Total CIE* (Table 6.4.1)	59.126	-	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)	-	(55.524)	55.342	-	(0.182)
Net Increase/Decrease before transfers	3.602	-	3.602	2.022	-	-	-	5.624	117.468	123.092	(7.223)	0.227	116.096
Funding basis adjustments	10.451	-	10.451	3.483	2.656	3.427	(2.556)	17.461	(17.461)	-	-	-	-
Net increase/decrease before transfers to earmarked reserves	14.053	-	14.053	5.505	2.656	3.427	(2.556)	23.085	100.007	123.092	(7.223)	0.227	116.096
Transfers to/from earmarked reserves	(8.286)	8.286	-	-	-	-	-	-	-	-	-	-	-
Movement in Year	5.767	8.286	14.053	5.505	2.656	3.427	(2.556)	23.085	100.007	123.092	(7.223)	0.227	116.096
BALANCE AT 31 MARCH 2020	13.761	127.696	141.457	35.005	26.819	20.628	26.682	250.591	898.589	1,149.180	(92.465)	0.799	1,057.514
Outstanding Statutory (Item 9) Adjustment	-	26.814	26.814	(26.814)	-	-	-	-	-	-	-	-	-
ACTUAL LEDGER BALANCE AT 31 MARCH 2020	13.761	154.510	168.271	8.191	26.819	20.628	26.682	250.591	898.589	1,149.180	(92.465)	0.799	1,057.514

* CIE - Comprehensive Income and Expenditure

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6.4.4 Group Cash Flow Statement

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

Notes	2019/20 £m	2020/21 £m
Net (Surplus)/Deficit on the provision of Services	(14.320)	2.672
Adjustments to net surplus or deficit on the provision of services for non-cash movements	124.013	168.011
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(94.671)	(51.741)
6.7.4.1 Net Cash Flows from Operating Activities	15.022	118.942
Investing activities:		
6.5.1 Obtaining control of a subsidiary	(4.724)	-
Other investing activities	(60.708)	(40.784)
6.7.4.2 Total Investing Activities	(65.432)	(40.784)
6.7.4.3 Financing activities	99.271	(108.022)
Net Increase or Decrease in Cash and Cash Equivalents	48.861	(29.864)
Cash and cash equivalents at the beginning of the reporting period	57.815	106.676
CASH AND CASH EQUIVALENTS AT 31 MARCH	106.676	76.812

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

The accounts used to produce the 2020/21 group accounts are audited, except for Robin Hood Energy Ltd which is in administration.

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 2021 is £10.987m (31 March 2020 £11.333m)

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 2020/21 was £22.649m (2019/20 £22.374m).

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 £60.466m at 31 March 2021 (£31.080m at 31 March 2020), this is made up of a loan and a short term debtor balance.

Since 1 April 2021 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

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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 27 March 2021 (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

	Restated 2019/20		2020/21	
	NCT £m	5% Minority Interest £m	NCT £m	5% Minority Interest £m
Profit for the period attributable to equity shareholders	(4.338)	(0.217)	(1.555)	(0.078)
Other Comprehensive Income and Expenditure	(0.187)	(0.010)	11.340	0.567
TOTAL COMPREHENSIVE INCOME	(4.525)	(0.227)	9.785	0.489
Non-current Assets	56.548	2.827	51.329	2.566
Current Assets	11.736	0.588	12.855	0.643
Current Liabilities	(18.712)	(0.936)	(16.653)	(0.832)
Non-current Liabilities	(33.597)	(1.680)	(41.341)	(2.067)
NET ASSETS	15.975	0.799	6.190	0.310

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 2021 the balance was £7.384m (£2.385m at 31 March 2020).

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) was a company limited by shares run on a not for profit basis, set up to tackle fuel poverty. It supplied gas and electricity to residential and business customers. 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 was a wholly owned subsidiary of the Council with an issued share capital of 7,500,000 ordinary shares at £1 each.

As at 31 March 2021 the Council's total balance of loans to RHE was £30.088m, with £1.642m of loan principal repayments invoiced in 2020/21 (loans balance at 31 March 2020 was £31.371m).

The RHE loans and outstanding invoices were impaired by £13.439m during 2020/21, with the expected loss allowance balance being £29.974m at 31 March 2021.

In 2020/21 the Council's financial liabilities relating to financial guarantees in respect of RHE were wound down as RHE ceased trading. These were previously provided, to a maximum total value of £16.5m, which was 80% of RHE's liability to its wholesale energy suppliers. These guarantees were required by energy suppliers to cover advance purchases of energy.

A Report in the Public Interest (PIR) into the Council's governance of RHE was published on 11 August 2020 by the Council's external auditor Grant Thornton. 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 \(nottinghamcity.gov.uk\)](#)

The report stated that:

- There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in RHE;
- There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information.

The Council has fully accepted the findings of the report and will implement all the recommendations made including reviewing the Council's company governance practices. The Council has engaged with bodies such as CIPFA and the Local Government Association (LGA) to assist in the identification of best practice in this area and the delivery of the required improvements.

Following publication of the PIR the Council undertook a strategic review to consider the future options for RHE. Following this review, the decision was made to sell the

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customer base of the company, comprising 112,000 domestic and 2,600 business customers to Centrica in September 2020.

RHE went into administration in January 2021. Information about the administration can be found on Companies House website using the following link:

<https://find-and-update.company-information.service.gov.uk/company/08053212/filing-history>

Thomas Bow Ltd (Registered Company Number: 04503934)

Nature of the business

The company is a civil engineering and road surfacing contractor. It is principally engaged in the provision of highway maintenance and repair services.

Relationship with the Council

Thomas Bow Ltd is a wholly owned subsidiary of the Council following the Council's acquisition of the business on 11 September 2019. The Council owns 100% of the issued ordinary share capital of Thomas Bow Ltd (1,000 ordinary shares with a nominal value of £1 each).

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)
Net cash outflow on acquisition of subsidiary	4.724

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.

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Summarised Financial Information of Blueprint Limited Partnership

	2019/20 £m	2020/21 £m
Turnover	(5.905)	(5.268)
Cost of Sales	5.276	4.628
Gross Profit	(0.629)	(0.640)
Other Operating Income	(0.268)	(0.336)
Administrative Expenses	0.505	0.428
Net Impairment (Loss)/Fair Value Gain on Financial Assets	0.217	(0.260)
Operating Profit	(0.175)	(0.808)
Interest Receivable	(0.011)	(0.001)
Interest Payable	0.014	0.001
Profit for the Year	(0.172)	(0.808)
Other Comprehensive Income and Expenditure	-	-
TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR	(0.172)	(0.808)
Non-current Assets	0.022	0.007
Current Assets	15.341	21.273
Current Liabilities	(1.413)	(4.538)
Non-current Liabilities	(0.008)	-
NET ASSETS AS AT 31 MARCH	13.942	16.742
INVESTMENT IN JOINT VENTURE INCLUDED IN THE COUNCIL'S GROUP ACCOUNTS (50% OF NET ASSETS)	6.971	8.371
Amounts included in the above figures:		
Cash at Bank and In Hand (included in current assets)	0.699	1.453
Accruals and Deferred Income (included in Current Liabilities)	(0.720)	(0.662)

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 2021, equating to £13.678m (2019/20 £8.772m) and £4.906m loss (2019/20 £2.770m loss) respectively, have not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Commitments

The Council is committed to paying Futures £0.861m in 2021/22, being grant funding for the delivery of careers advice.

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Summarised Financial Information of Futures group

	2019/20	2020/21
	£m	£m
Revenue	(14.565)	(15.695)
Other Operating Income	-	(0.791)
Other Operating Charges	16.417	16.702
Operating (Profit)/Loss	1.852	0.216
Finance Costs	0.445	0.583
Investment Income	(0.009)	(0.005)
(Profit)/Loss before Tax	2.288	0.794
Income Tax Expense	(0.036)	-
(Profit)/Loss for the Year	2.252	0.794
Other Comprehensive Income and Expenditure	3.289	9.017
TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR	5.541	9.811
Non-current Assets	1.413	1.736
Current Assets	6.027	12.956
Current Liabilities	(1.814)	(8.801)
Non-current Liabilities	(23.170)	(33.247)
NET LIABILITIES AS AT 31 MARCH	(17.544)	(27.356)
COUNCIL'S SHARE (50%) OF NET LIABILITY NOT RECOGNISED IN THE GROUP ACCOUNTS UNDER IAS 28	(8.772)	(13.678)
Amounts included in the above figures:		
Depreciation (in Operating Charges)	0.309	0.351
Defined Benefit Pension Finance Costs (in Finance Costs)	0.426	0.573
Interest Earned on Loans and Deposits (in Investment Income)	(0.009)	(0.005)
Cash and Cash Equivalents (in Current Assets)	3.556	3.726
Accruals (in Current Liabilities)	(1.094)	(1.396)
Retirement Benefit Obligation (in Non-current Liabilities)	(22.730)	(32.997)

6.5.3 Trust Fund:

Bridge Estate (Registered Charity Number: 220716)

Nature of the Trust Fund

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

The objectives of the charity are as follows:

- Provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.

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

Relationship with the Council

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

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

Accounts

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

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

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

6.6.1 Subsidiaries

Nottingham Science Park Management Ltd (Registered Company Number: 05977314)

Nature of the company

The company essentially functions to administer service charges at Nottingham Science Park through its property agent.

Relationship with the Council

Nottingham Science Park Management Ltd is a wholly owned subsidiary of the Council. The Council owns 100% of the issued share capital.

6.6.2 Associates

Ticketing Network East Midlands Ltd (Registered Company Number: 06623526)

Nature of the company

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

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

Relationship with the Council

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

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6.6.3 Joint Ventures

Blueprint (General Partner) Ltd (Registered Company Number: 05340186)

Nature of the Company

Blueprint (General Partner) Ltd manages the activity of the Blueprint Limited Partnership.

Relationship with the Council

The company is jointly owned by the Council and PFPC1 LP. The Council purchased the 50% share on 9 March 2015.

Creative Quarter Nottingham Ltd (Registered Company Number: 08336489)

Nature of Company

Creative Quarter Nottingham Limited are an economic development agency, encouraging growth and productivity in Nottingham's creative and digital industries. Creative Quarter Nottingham Limited is a private company limited by guarantee.

Relationship with the Council

At the 31 March 2021 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.

Inspiredspaces 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.

6.6.4 Trust Funds

Harvey Hadden Stadium Trust (Registered Charity Number: 522271)

Nature of the Trust Fund

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

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

Relationship with the Council

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

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

Highfields Leisure Park Trust (Registered Charity Number: 1006603)

Nature of the Trust Fund

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

Relationship with the Council

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

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

6.7 Notes to the Core Group Financial Statements

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

6.7.1 Group Comprehensive Income and Expenditure Statement Notes

6.7.1.1 Financing and Investment Income and Expenditure

	2019/20			2020/21		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	20.851	-	20.851	20.827	-	20.827
Capitalisation Directive	-	-	-	20.000	-	20.000
Interest and similar charges and income	22.385	(0.055)	22.330	27.684	(0.438)	27.246
Interest revenue/costs calculated using the effective interest rate method	32.763	(0.272)	32.491	32.661	(4.318)	28.343
Change in value of financial assts held at fair value through profit and loss	0.002	-	0.002	-	(0.124)	(0.124)
Impairment Losses	12.214	-	12.214	24.678	-	24.678
Trading Operations	1.641	(1.607)	0.034	1.842	(1.691)	0.151
Income and expenditure in relation to investment properties and changes in their fair value	18.427	(22.314)	(3.887)	13.552	(22.561)	(9.009)
Other Finance and Investment items	0.288	(2.294)	(2.006)	0.826	(0.375)	0.451
TOTAL	108.571	(26.542)	82.029	142.070	(29.507)	112.563

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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 2019/20				2020/21			
	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	-	(0.393)	(30.459)	(30.852)	-	(0.307)	(20.993)	(21.300)
Children and Young People	-	(0.001)	(0.807)	(0.808)	-	-	(0.755)	(0.755)
Communities, Highways and Strategic Transport	(2.042)	(0.072)	(14.086)	(16.200)	(2.082)	(0.050)	(8.166)	(10.298)
Employment and Community Protection	(0.032)	-	(1.764)	(1.796)	-	-	(0.444)	(0.444)
Energy, Environment and Democratic Services	-	(0.024)	(9.376)	(9.400)	-	(0.011)	(8.246)	(8.257)
Finance, Growth and the City Centre	(1.314)	(4.083)	(0.597)	(5.994)	(1.124)	(3.959)	(3.412)	(8.495)
Health, HR and Equalities	-	-	(0.616)	(0.616)	-	-	(0.411)	(0.411)
Housing, Planning and Heritage	(6.725)	-	(9.693)	(16.418)	(104.165)	-	(9.012)	(113.177)
Leisure, Culture and IT	(0.108)	(1.410)	(32.983)	(34.501)	(0.124)	(1.095)	(9.636)	(10.855)
Regeneration, Schools and Communications	-	(0.023)	(11.840)	(11.863)	-	(0.011)	(14.298)	(14.309)
Corporate Items	-	-	(1.147)	(1.147)	-	-	(1.465)	(1.465)
Group Organisations	-	(4.658)	(202.807)	(207.465)	-	(0.361)	(61.185)	(61.546)
Financing and Investment Income and Expenditure	-	(0.426)	(1.102)	(1.528)	-	(0.392)	(19.659)	(20.051)
Revenue from contracts with service recipients	(10.221)	(11.090)	(317.277)	(338.588)	(107.495)	(6.186)	(157.682)	(271.363)
Impairment of receivables				4.278				8.390
TOTAL INCLUDED IN THE CIES				(334.310)				(262.973)

As outlined in note 4.3.1 Prior Year Reclassifications, 2019/20 has been restated to align with the 2020/21 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.

In line with the 2020/21 Code, the portfolio Housing, Planning and Heritage of the Council now includes HRA Rent income (£96.806m).

Revenue is recognised either over time or at a point in time. This is analysed in the following table:

Timing of revenue recognition	2019/20		2020/21	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(9.452)	(0.769)	(107.067)	(0.428)
Sale of goods	-	(11.090)	-	(6.186)
Charges for services	(119.485)	(197.792)	(106.492)	(51.190)
TOTAL	(128.937)	(209.651)	(213.559)	(57.804)

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

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	31 March 2020 £m	31 March 2021 £m
Receivables included in debtors	55.793	49.809
Contract assets	0.448	0.399
Contract liabilities	(19.142)	(19.774)
TOTAL	37.099	30.434

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

	2019/20		2020/21	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
Balances at 1 April	0.187	(18.313)	0.448	(19.142)
Reversal for amounts recognised in the CIES in	(0.404)	18.042	(0.373)	17.205
Increases (decreases) due to cash received (paid)	0.276	(18.871)	0.324	(17.837)
Changes as a result of changes in the measure of	0.089	-	-	-
Other Movements	0.300	-	-	-
BALANCE AT 31 MARCH	0.448	(19.142)	0.399	(19.774)

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 2020 £m	31 March 2021 £m
Not later than one year	(16.885)	(17.281)
Later than one year	(2.257)	(2.493)
TOTAL	(19.142)	(19.774)

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6.7.2 Group Balance Sheet Notes

6.7.2.1 Property, Plant and Equipment

2020/21	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	1,002.178	938.769	210.784		23.259	43.826	79.954	2,298.770	**
Accumulated Depreciation b/f	-	(5.100)	(98.405)		(9.771)	-	(0.006)	(113.282)	**
Accumulated Impairment b/f	-	-	(0.491)		(0.200)	-	-	(0.691)	**
Net Book Value at 1 April 2020	1,002.178	933.669	111.888	557.113	13.288	43.826	79.948	2,741.910	
Additions - Capital Expenditure	28.102	4.231	8.399	18.938	0.714	(0.141)	35.540	95.783	
Additions - PFI / VA School Recognition	-	0.322	-	1.446	-	-	-	1.768	
Depreciation Charge	(18.235)	(29.261)	(18.122)	(26.004)	(0.831)	(0.045)	-	(92.498)	
Revaluations - Recognised in Revaluation Reserve	69.934	(11.932)	-	-	-	11.530	-	69.532	
Revaluations - Recognised in the CIES	52.501	(2.208)	-	-	-	0.906	-	51.199	
Derecognition - Disposals	(7.334)	(0.718)	(0.094)	-	-	(1.835)	(0.097)	(10.078)	
Derecognition - Other	(1.842)	(1.642)	-	-	-	(0.066)	-	(3.550)	
Impairments - Recognised in the CIES	-	-	(0.054)	-	-	-	-	(0.054)	
Other - Transfers to Held for Sale	6.789	6.759	-	-	-	3.469	(16.617)	0.400	
Other Transfers	-	-	1.719	-	-	-	(1.719)	-	
Net Book Value at 31 March 2021	1,132.093	899.220	103.736	551.493	13.171	57.644	97.055	2,854.412	
Gross Book Value c/f	1,132.098	905.358	213.363		23.974	57.644	97.055	2,429.492	**
Accumulated Depreciation c/f	(0.005)	(6.138)	(109.627)		(10.603)	-	-	(126.373)	**
Accumulated Impairment c/f	-	-	-		(0.200)	-	-	(0.200)	**
NET BOOK VALUE AT 31 MARCH 2021	1,132.093	899.220	103.736	551.493	13.171	57.644	97.055	2,854.412	

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

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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) **
Net Book Value at 1 April 2019	1,000.216	903.830	155.921	479.448	22.131	29.532	28.434	2,619.512
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 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)
Net Book Value at 31 March 2020	1,002.178	933.669	111.888	557.113	13.288	43.826	79.948	2,741.910
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) **
NET BOOK VALUE AT 31 MARCH 2020	1,002.178	933.669	111.888	557.113	13.288	43.826	79.948	2,741.910

** 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.

Section 6 – Group Financial Statements and Notes

6.7.2.2 Investment Properties

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

	2019/20 £m	2020/21 £m
Opening Balance At 1 April	326.356	306.192
Additions	5.842	3.483
Disposals	(14.391)	(5.170)
Net gains/losses from fair value adjustments	(14.391)	(11.784)
Transfers to / from Property Plant and Equipment	2.776	(0.400)
CLOSING BALANCE AT 31 MARCH	306.192	292.321

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 2021 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	-	64.226	-	64.226
Land	-	41.619	-	41.619
Leisure / Other	-	47.472	-	47.472
Office	-	61.131	-	61.131
Retail	-	63.211	-	63.211
Services	-	14.662	-	14.662
Total	-	292.321	-	292.321

Details of the Fair Value hierarchy information are shown in note 4.4.3.

6.7.2.3 Short Term Debtors

	31 March 2020 £m	31 March 2021 £m
Prepayments	16.350	24.120
Local Taxation	8.275	8.960
Trade	60.514	47.680
Other receivable amounts	89.683	98.688
TOTAL	174.822	179.448

6.7.2.4 Cash and Cash Equivalents

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

	31 March 2020 £m	31 March 2021 £m
Cash held by the Authority / Group Organisation	0.275	0.280
Bank current accounts	23.682	40.457
Short-term deposits with banks and building societies	82.719	36.075
TOTAL CASH AND CASH EQUIVALENTS	106.676	76.812

6.7.2.5 Short Term Creditors

	31 March 2020 £m	31 March 2021 £m
Receipts in Advance	(35.553)	(28.527)
Trade	(83.922)	(59.684)
Other payables	(61.544)	(122.993)
TOTAL	(181.019)	(211.204)

6.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS (section 6.4.3).

6.7.2.7 Unusable Reserves

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

	31 March 2020 £m	31 March 2021 £m
Revaluation Reserve	616.042	668.047
Capital Adjustment Account	1,075.294	1,109.671
Financial Instruments Adjustment Account	(5.578)	(5.398)
Pensions Reserve	(777.847)	(1,066.517)
Deferred Capital Receipts Reserve	1.042	1.042
Collection Fund Adjustment Account	2.028	(38.773)
Accumulated Absences Account	(4.673)	(7.624)
Profit and Loss and Other Reserves of Group Entities	(99.605)	(116.098)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	(0.579)	(0.280)
Minority Interest - Equity	0.799	0.310
TOTAL	806.923	544.380

Section 6 – Group Financial Statements and Notes

6.7.3 Group Movement in Reserves Statement Notes

The following tables detail the adjustments between group accounts and authority accounts in the Group Movement in Reserves Statement:

2020/21	General Fund Balance	Total Usable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(77.767)	(77.767)	(77.767)	77.767	-
Grants and provisions for subsidiaries	(0.111)	(0.111)	(0.111)	0.111	-
Receipts in relation to goods and services provided to subsidiaries	16.352	16.352	16.352	(16.352)	-
Interest and investment income from/to subsidiaries	2.816	2.816	2.816	(2.816)	-
Contributions from subsidiaries	1.545	1.545	1.545	(1.545)	-
Other movements	-	-	-	(0.054)	(0.054)
TOTAL ADJUSTMENTS	(57.165)	(57.165)	(57.165)	57.111	(0.054)

2019/20	General Fund Balance	Total Usable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(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)
TOTAL ADJUSTMENTS	(55.524)	(55.524)	(55.524)	55.342	(0.182)

6.7.4 Group Cash Flow Notes

6.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £m	2020/21 £m
Interest received	5.647	0.421
Interest paid	(61.639)	(43.035)
Dividends received	0.407	2.406
Dividends paid	(0.288)	(1.056)

6.7.4.2 Investing Activities

	2019/20 £m	2020/21 £m
Purchase of property, plant and equipment, investment property and intangible assets	(159.720)	(99.016)
Purchase of short-term and long-term investments	(55.000)	(22.581)
Obtaining control of a subsidiary - cash paid net of cash and cash equivalents acquired	(4.724)	-
Other payments for investing activities	(18.902)	(0.150)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	35.983	22.526
Proceeds from short-term and long-term investments	59.564	57.056
Other receipts from investing activities	77.367	1.381
NET CASH FLOWS FROM INVESTING ACTIVITIES	(65.432)	(40.784)

6.7.4.3 Financing Activities

	2019/20 £m	2020/21 £m
Cash receipts of short and long-term borrowing	197.500	25.898
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(13.672)	(15.062)
Repayments of short and long-term borrowing	(84.557)	(116.141)
Other payments for financing activities	-	(2.717)
NET CASH FLOWS FROM FINANCING ACTIVITIES	99.271	(108.022)

Section 6 – Group Financial Statements and Notes

6.7.4.4 Reconciliation of Liabilities arising from Financing Activities

	1 April 2020 £m	Financing cash outflows (inflows) £m	Non-cash changes Other £m	31 March 2021 £m
Long-term borrowings	(925.526)	26.224	(0.326)	(899.628)
Short-term borrowings	(158.175)	123.781	(7.640)	(42.034)
Lease liabilities	(35.188)	3.485	(0.003)	(31.706)
On balance sheet PFI liabilities	(189.181)	9.595	-	(179.586)
Other	(4.050)	(0.097)	2.671	(1.476)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	(1,312.120)	162.988	(5.298)	(1,154.430)

	1 April 2019 £m	Financing cash outflows (inflows) £m	Non-cash changes Acquisitions £m	Non-cash changes Other £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	(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)
TOTAL LIABILITIES FROM FINANCING ACTIVITIES	(1,201.393)	(99.271)	(20.936)	9.480	(1,312.120)

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 2020/21, the Council paid £6.561m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £5.546m 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 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

Section 7 – Pension Schemes

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 2020/21 the Council was responsible for paying 14.38% of contributions. The Council also paid some of the increase in costs foreseen in Budget 2016 which equated to a 2.5% increase in employer contributions with the remaining 3.8% (together totalling the 6.3% increase) constituting unforeseen costs which were funded by the Government. These contribution rates were unchanged from 2019/20.

In 2020/21 the Council's contribution to the Scheme was £0.078m (2019/20 £0.069m), representing 14.38% of pensionable pay £0.541m (2019/20 £0.483m). £0.014m 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. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to

LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result.

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The 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 but 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. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, the actuary has not included any further adjustment in light of the ongoing consultation.

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, the solution proposed by the Government would only apply the underpin to all members who were active on 31 March 2012. 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. Consistent with the approach the Actuary adopted for the McCloud impact estimates made last year, they have adjusted the GAD's estimate to include only members that were active on 31 March 2012. This is in line with that proposed in the Government's consultation.

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.

For the purposes of the impact estimate the actuary has made an allowance to reflect the Council's own salary increase assumption.

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 2020/21 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.

Public Sector Exit Cap

As in previous years, the actuary makes an allowance for the additional costs of unreduced early retirements that they are aware of having taken place over the year. These predominantly include early retirements on grounds of redundancy or business efficiency in respect of LGPS members who are aged 55 or over and will be treated as "curtailments" within the disclosures. On 4 November 2020, the Restriction of Public Sector Exit Payment Regulations 2020 came into effect which essentially capped the value of exit payments to £95,000 for certain public sector workers, including early retirement pension costs, except in particular cases where a waiver was deemed to apply. The effect is that some Funds may have applied a reduction to affected members' benefits in order to bring the costs of early payment of benefits to within the cap.

However, on 12 February 2021, HM Treasury (HMT) published the Exit Payment Cap Directions 2021 which effectively disapplied the exit cap for all exits taking place on or after that date. HMT has also issued guidance on these Directions, setting out their expectation that employers should pay the additional sums that would be paid had the cap not applied for employees who left between 4 November 2020 and 12 February 2021. Although the guidance is currently silent on the issue of pensions, it is likely that some Funds have, or will, put into payment the uncapped value of benefits for affected members who left during this period.

The disclosures allow for any additional costs to the extent they are notified to the actuary within the data they receive on early retirements and are included within the "curtailments" figure. Any additional costs not notified to the actuary at this stage will, as with all other types of membership experience, be assessed at the next triennial funding valuation and incorporated into the disclosures thereafter.

Section 7 – Pension Schemes

Assets and Liabilities in Relation to Post-Employment Benefits

The projected pension expenses for the year to 31 March 2022 are as follows:

	LGPS 31 March 2022 £m	Teachers Benefits £m
Service cost	77.138	-
Net interest on the defined liability (asset)	20.299	0.574
Administration expenses	0.628	-
TOTAL	98.065	0.574
Employer Contributions	36.459	-

Note that these figures exclude the capitalised cost of any early retirement or augmentations which may occur after 31 March 2021.

These projections are based on the assumptions as at 31 March 2021.

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 2020 IAS19 report which was carried out for accounting purposes.
- Estimated whole fund income and expenditure items for the period to 31 March 2021.
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019, 31 March 2020 and 31 March 2021, and Fund income and expenditure as noted above.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2021.
- Details of any new early retirements for the period to 31 March 2021 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 2021.

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

Employer Membership Statistics

The following table summarises the membership data, as at 31 March 2019 for members receiving funded benefits, and as at 31 March 2020 for any members receiving unfunded benefits.

	Local Government Pension Scheme		
	Number	Salaries / Pensions £m	Average Age
Actives	7,728	146.742	45
Deferred Pensioners	14,237	17.458	47
Pensioners	7,390	34.669	71
Unfunded Pensioners	686	0.653	81

	Teachers Benefits		
	Number	Salaries / Pensions £m	Average Age
Unfunded Pensioners	2,395	2.716	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
Pre-1998 Nottinghamshire County Council:			
Deferred pensioners	3,311	1.817	58
Pensioners	5,160	18.397	78
Unfunded Pensioners	1,114	1.393	84
Nottingham City Transport Limited:			
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 2021 is calculated using an estimate of the total pensionable payroll during the year of £155.375m. The projected service cost for the year ending 31 March 2022 has been calculated assuming the payroll remains at this level over the year.

There were 156 new early LGPS retirements in respect of the year ending 31 March 2020. The total annual pension that came into payment was £1.287m.

Section 7 – Pension Schemes

Scheduled Contributions

The following table 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 2021 is estimated to be 21.57%. The actual return on Fund assets over the year may be different.

The LGPS estimated asset allocation for the Council as at 31 March 2021 is as follows:

	Local Government Pension Scheme			
	31 March 2020		31 March 2021	
	£m	%	£m	%
Equities	616.484	58%	837.753	65%
Gilts	44.383	4%	43.453	3%
Other Bonds	98.148	9%	88.643	7%
Property	159.272	15%	132.124	10%
Cash	43.532	4%	58.808	5%
Inflation-linked pooled fund	39.907	4%	62.581	5%
Infrastructure	66.456	6%	69.951	5%
Unit trust	-	n/a	-	0%
TOTAL	1,068.182	100%	1,293.313	100%

The bid values have been estimated where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2021 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 21.19%.

The following information has been provided by the administering authority regarding the detail of the assets as at 31 March 2021. 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 2021	
	% Quoted	% Unquoted
Fixed Interest Government Securities:		
UK	3.4%	-
Corporate Bonds:		
UK	1.7%	-
Overseas	5.2%	-
Equities:		
UK	24.6%	0.0%
Overseas	36.2%	-
Property:		
All	-	10.2%
Others:		
Private Equity	-	3.0%
Infrastructure	-	5.4%
Unit Trust	-	1.0%
Inflation Linked Pooled Fund	-	4.8%
Credit	-	1.1%
Cash/Temporary Investments	-	3.4%
TOTAL	71.0%	29.0%

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

Valuation Approach

To assess the value of the Council’s liabilities at 31 March 2021, 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 2021 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 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.

As required under the IAS19 accounting standard, the projected unit credit method of valuation has been used.

Section 7 – Pension Schemes

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 necessary), contributions paid into, and estimated benefits paid from the fund by and in respect of the Council and its employees.

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. The actuary has allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021. 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". More information on the current method of equalisation of public service pension schemes can be found here:

[Consultation on indexation and equalisation of GMP in public service pension schemes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/consultation-on-indexation-and-equalisation-of-gmp-in-public-service-pension-schemes)

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here:

[Public Service Pensions: Guaranteed Minimum Pension Indexation consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation)

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 has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the actuary does not believe that they need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. 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_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the

latest version of the Continuous Mortality Investigation’s model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a “2020 weight parameter” for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The actuary’s view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks more negative than before as a result of the pandemic. Therefore, the actuary has updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the Employer’s liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in note 4.4.13, and the effect on the assumed life expectancies is demonstrated in the following table.

The assumed life expectations from age 65 are:

	Local Government Pension Scheme			Teachers Benefits		
	2019/20	2020/21 (before CMI_2020 update)	2020/21 (after CMI_2020 update)	2019/20	2020/21 (before CMI_2020 update)	2020/21 (after CMI_2020 update)
Mortality Assumptions (Years):						
Longevity at 65 retiring today:						
Males	21.8	21.9	21.6	21.8	21.9	21.6
Females	24.4	24.5	24.3	24.4	24.5	24.3
Longevity at 65 retiring in 20 years:						
Males	23.2	23.3	22.9	n/a	n/a	n/a
Females	25.8	25.9	25.7	n/a	n/a	n/a

The financial assumptions used for the purpose of IAS19 calculations are shown in the following table:

	Local Government Pension Scheme		Teachers Benefits	
	2019/20	2020/21	2019/20	2020/21
Financial Assumptions:				
RPI increase	SEIR approach	SEIR approach	SEIR approach	SEIR approach
CPI increase	1.90%	2.80%	1.90%	2.85%
Rate of increase in salaries	2.90%	3.80%	n/a	n/a
Rate of increase in pensions	1.90%	2.80%	1.90%	2.85%
Rate for discounting scheme liabilities	2.35%	2.00%	2.30%	1.80%
Estimate in years of duration of liabilities	20	20	10	10

The financial assumptions are set with reference to market conditions at 31 March 2021.

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

Section 7 – Pension Schemes

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 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.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, the actuary includes an Inflation Risk Premium (IRP) adjustment such that their assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value is shown in note 4.4.13.

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 0.40% p.a. below RPI i.e. 2.8%. 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 anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030. The impact of this change in derivation on the liability value is shown in note 4.4.13.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

The following assumptions have also been made:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- 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.

Special Events Dates

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.

As requested by the Council, the actuary has treated 161 events, which occurred over the accounting period, as material 'special events'.

The net defined benefit liability has been remeasured at each of these event dates using market statistics and the fair value of plan assets at the time of the event.

The following table sets out the dates of these 'special events' and the financial assumptions adopted for each period of remeasurement. The assumptions at special event dates have been derived consistently with the previous accounting date.

Event Date	Discount Rate	Pension Increases
31 Mar 2020	2.35%	1.90%
4 Apr 2020	2.15%	2.05%
15 Apr 2020	1.80%	2.00%
21 Apr 2020	1.70%	1.90%
31 Aug 2020	1.55%	2.35%
1 Sep 2020	1.55%	2.30%
30 Sep 2020	1.50%	2.25%
9 Oct 2020	1.55%	2.30%
16 Oct 2020	1.45%	2.30%
18 Oct 2020	1.45%	2.30%
21 Oct 2020	1.50%	2.35%
24 Oct 2020	1.55%	2.40%
31 Oct 2020	1.55%	2.35%
1 Nov 2020	1.55%	2.35%
30 Nov 2020	1.45%	2.40%
18 Dec 2020	1.35%	2.35%
31 Dec 2020	1.25%	2.30%
15 Jan 2021	1.35%	2.30%
31 Jan 2021	1.45%	2.30%
5 Feb 2021	1.60%	2.40%
31 Mar 2021	2.00%	2.80%

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 2021.

Section 7 – Pension Schemes

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 has only calculated the cost of curtailments which affect the Council's LGPS pension liabilities. The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, 156 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 £10.538m. This has been included within the service cost.

The cost of each material curtailment is calculated using assumptions derived based on market conditions at the date of exit. If not material, then the cost is calculated based on the assumptions applicable at the previous material 'special event' date (or at the previous accounting date if there are no previous material 'special events'). All curtailments of the Council have been treated as material 'special events'.

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 £0.074m. This figure has been included in the service cost.

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.

The value of the transferred defined benefit obligation for each settlement is calculated using assumptions derived based on market conditions at the date of transfer. If not material, then the cost is calculated based on the assumptions applicable at the previous material 'special event' date (or at the previous accounting date if there are no previous material 'special events'). All settlements of the Council have been treated as material 'special events'.

Settlements In and Settlements Out	Transfer Date	Assets Transferred £m	Liabilities Transferred £m	Report Date	Treated as special event?
Council transferred from:					
Nottinghamshire County Council (Stanhope Primary and Nursery, Woodland View Primary and Newstead Primary)	4 April 2020	0.064	0.125	n/a	Yes
TOTAL		0.064	0.125		
Council transferred to:					
Bulwell St Mary's C of E Primary and Nursery School	1 September 2020	0.025	0.047	n/a	Yes
Rosslyn Park Primary and Nursery School	1 September 2020	0.035	0.077	n/a	Yes
Highbank Primary School	1 September 2020	0.024	0.047	n/a	Yes
South Wilford Endowed C of E Primary	1 September 2020	0.060	0.108	n/a	Yes
TOTAL		0.144	0.279		

Sensitivity Analysis

The sensitivity analysis below focuses on four assumptions – discount rate, long term salary increase, inflation (which is used to determine pension increases and deferred revaluation) and mortality.

	Local Government Pension Scheme			Teachers Benefits		
	£m	£m	£m	£m	£m	£m
Adjustment to discount rate:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	2,280.623	2,326.889	2,374.140	32.616	32.941	33.270
Projected service cost	74.915	77.138	79.421	-	-	-
Adjustment to long term salary increase:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	2,330.818	2,326.889	2,322.992	-	-	-
Projected service cost	77.180	77.138	77.096	-	-	-
Adjustment to pension increases and deferred revaluation:	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	2,369.793	2,326.889	2,284.833	33.267	32.941	32.619
Projected service cost	79.397	77.138	74.936	-	-	-
Adjustment to life expectancy assumptions:	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	2,434.358	2,326.889	2,224.311	34.593	32.941	31.369
Projected service cost	80.614	77.138	73.796	-	-	-

COVID-19

Member mortality experience - the actuary's standard approach is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the Fund is complete. Consideration of the mortality assumption in light of COVID-19 is set out earlier in this note.

Any impact on service cost due to the Coronavirus Job Retention Scheme will be reflected in the report based on the payroll information that the actuary is provided with. The actuary request information relating to unreduced early retirements each year from the administering authority and any redundancies that they are made aware of as part of this are included as a curtailment where applicable.

Section 8

ABBREVIATIONS/GLOSSARY

8.1 Abbreviations

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

8.2 Glossary of Financial Terms

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

Accounting Period

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

Accounting Policies

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

Accrual

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

Actuarial gains and losses

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

Agency Services

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

Amortisation

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

Assets

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

Bad (and doubtful) Debts

Debts which may be uneconomical to collect or unrecoverable.

Balance Sheet

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

Business Rates – see National Non-Domestic Rates

Capital Adjustment Account

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

Capital Financing Requirement

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

Capital Receipt

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

Cash and Cash Equivalents

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Code of Practice on Local Authority Accounting (UK)

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

Collection Fund

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

Community Assets

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

Consolidated

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

Contingency

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

Contingent Liabilities

A contingent liability is defined as either:

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

Contingent Rents

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

Contract Assets

Debtors for goods or services provided by the Council where not all of the goods or services that the Council is required to provide in order to receive payment have been delivered by 31st March.

Contract Liabilities

Creditors for goods or services provided by the Council where the Council has received payment but not done everything that is required to retain the payment by 31st March.

Council Tax

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

Council Tax Benefit

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

Council Tax Discounts and Exemptions

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

Creditors

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

Current Service Cost

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

Current Value

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

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

Debtors

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

Dedicated Schools Grant

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

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the

Section 8 – Abbreviations/Glossary

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

National Non-Domestic Rates (NNDR)

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

Net Revenue Expenditure

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

Non-Cancellable Lease

A lease that is cancellable only:

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

Non-operational Assets

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

Operating Leases

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

Operational Assets

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

Outturn

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

Past Service Cost

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

PFI Credits

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

Post Balance Sheet Events

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

Precept

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

Prior Year Adjustments

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

of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Private Finance Initiative (PFI)

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

Provision

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

Prudential Code

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

Public Sector Audit Appointments (PSAA) Ltd

PSAA was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government has delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. Under these transitional arrangements, PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. Before 1 April 2015, these responsibilities were discharged by the Audit Commission. The Secretary of State has specified PSAA as an appointing person under provisions of the Local Audit and Accountability Act 2014. For audits of the accounts from 2018/19, PSAA has appointed auditors to relevant principal local government bodies that opt into its national scheme. Grant Thornton UK LLP are the external auditors for Nottingham City Council for 2020/21.

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

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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