Nottinghamshire County Council

Governance and Ethics Committee

Wednesday, 27 September 2017 at 13:00

County Hall, County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

None

Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

(3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Keith Ford (Tel. 0115 977 2590) or a colleague in Democratic Services prior to the meeting.

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	GOVERNANCE AND ETHICS COMMITTEE
Date	Wednesday 19 July 2017

membership
Persons absent are marked with `A'

COUNCILLORS

Bruce Laughton (Chairman)

	Nicki Brooks	Tony Harper
A	Steve Carr	Errol Henry JP
	Kate Foale	Rachel Madden
	Stephen Garner	Phil Rostance
	John Handley	Mike Quigley MBE

OFFICERS IN ATTENDANCE

Rob Disney Keith Ford Jayne Francis-Ward Nigel Stevenson James Ward Clare Winter	Resources
Caroline Baria Cherry Dunk	Adult Social Care, Health & Public Protection
Tony Crawley	KPMG External Auditors

MINUTES

The Minutes of the last meeting held on 15 June 2017, having been previously circulated, were confirmed and signed by the Chairman.

APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Steve Carr.

The following temporary changes of membership, for this meeting only, were reported:-

- Councillor Stephen Garner had replaced Councillor Andy Sissons.

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None.

INTERNAL AUDIT PLAN PROCESS

Rob Disney (Head of Internal Audit) gave a presentation outlining the processes involved in the Internal Audit Plan process, including risk assessment, prioritisation, resource allocation and consultation.

RESOLVED: 2017/009

That the contents of the presentation be noted.

ANNUAL FRAUD REPORT 2016-17

Rob Disney introduced the report and Caroline Baria (Service Director, Commissioning, Access & Safeguarding) and Cherry Dunk (Group Manager, Quality & Market Management) highlighted the anti-fraud work undertaken by Adult Care Financial Services. During discussions, Members requested a further update on the issue of deprivation of assets to a future meeting.

RESOLVED: 2017/010

1) That the Committee notes the content of the Annual Fraud Report 2016-17.

INTERNAL AUDIT ANNUAL REPORT – 2016-17

RESOLVED: 2017/011

That the Head of Internal Audit's Annual Report for 2016-17 be noted.

FINANCIAL REGULATIONS WAIVERS 2016-17

RESOLVED: 2017/012

That the Financial Regulations Waivers 2016-17 and the continued progress in keeping waivers to a minimum be noted.

CHANGES TO DEMOCRATIC SERVICES STAFFING STRUCTURE

RESOLVED: 2017/013

1) That the revised staffing structure for Democratic Services, attached at Appendix 2, be approved.

2) That the revised staffing structure be reviewed after six months to ensure business needs are being appropriately met.

WORK PROGRAMME

RESOLVED: 2017/014

That the work programme be noted.

The meeting closed at 2.05 pm.

CHAIRMAN

Nottinghamshire County Council

Report to Governance and Ethics Committee

27 September 2017

Agenda Item: 4

REPORT OF CHAIRMAN OF FINANCE AND PROPERTY COMMITTEE

STATEMENT OF ACCOUNTS 2016/17

Purpose of the Report

1. To inform the Governance and Ethics Committee of the results of the external audit of the Statement of Accounts 2016/17.

2. To present the Audited Statement of Accounts 2016/17 for approval by the Governance and Ethics Committee (**Appendix A**).

3. To inform the Governance and Ethics Committee of the contents of the auditor's External Audit Report 2016/17 (**Appendix B**).

4. To present the letter of representation to be issued in relation to the audit for approval by the Governance and Ethics Committee (**Appendix C**).

Audit Results

5. The statutory audit of the Statement of Accounts 2016/17 was undertaken by KPMG. The audit was completed satisfactorily and the audit report to be issued will include an unqualified opinion on the financial statements.

6. No material adjustments were identified within the financial statements.

7. The audit did not identify any significant weaknesses in internal control and there were no significant difficulties or matters identified during the audit.

8. The auditor will issue an unqualified value for money conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

9. Due to an outstanding objection to the 2015/16 Statement of Accounts, the external auditors are not able to issue the formal 2016/17 Statement of Accounts Notice of Completion alongside their opinion and Value for Money conclusion. It is expected that the objection to the accounts will be resolved prior to the end of 2017.

10. The statement of accounts is one of the key documents prepared by the Council to demonstrate good governance and value for money. This provides information about the County Council's financial position, performance and cash flows and consequently, shows

the results of the stewardship and accountability of elected members and management for the resources entrusted to them, which is of paramount importance in the use of public funds.

11. The results of this year's audit are a continued positive reflection of the Council's performance, particularly in the context of the continuing changes and complexities arising from International Financial Reporting Standards.

12. As required by The Accounts and Audit (England) Regulations 2015, the Council's S151 Officer will recertify the accounts following completion of the audit, the Chairman of the Governance and Ethics Committee will sign the Statement of Approval and the Section 151 Officer will sign the letter of representation.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

14. That

a) The contents of the External Audit Report 2016/17 are commented upon.

b) The letter of representation is approved.

c) The Statement of Accounts 2016/17 is approved and authority is delegated that the Section 151 Officer, in consultation with the Chairman of the Committee, may make further minor amendments to the Statement of Accounts 2016/17 if necessary.

Councillor Bruce Laughton
Chairman of Governance and Ethics Committee

For any enquiries about this report please contact:
Nigel Stevenson
Service Director (Finance, Procurement and Improvement)

Constitutional Comments (KK 14/09/2017)

15. The proposals in this report are within the remit of the Governance and Ethics Committee

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Annual Governance Report 2016/17

Electoral Division(s) and Member(s) Affected

All

NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL FINANCIAL REPORT 2016/17

Contents **Page**

NARRATIVE REPORT

Introduction

1. The Authority's Statement of Accounts for the year 2016/17 is set out on the following pages. It is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) issued by CIPFA. The statements also comply with appropriate guidance notes issued by CIPFA covering International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) and IFRS Interpretations Committee (IFRIC) as they apply to local authorities.

2. The Statement of Accounts aims to provide information so that interested parties can:

   - Understand the overarching financial position of the Authority and the outturn for 2016/17;
   - Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
   - Be assured that the financial position of the Authority is sound and secure.

   The style and format of the accounts complies with CIPFA standards and has been updated from previous years to include additional / revised statements (Expenditure and Funding Analysis and Movement in Reserves Statement). In order to assist users the content has been reviewed and improved where possible.

3. **Narrative Report**
   This Narrative Report provides information on key issues affecting the County Council and its' accounts.

4. **Annual Governance Statement**
   Alongside the Statement of Accounts the Authority publishes an Annual Governance Statement which sets out the Authority's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The Statement also summarises the Authority's review of the effectiveness of internal control and highlights significant internal control issues and the actions to be taken in order to address these. The 2016/17 Statement has been reported to Governance and Ethics Committee.

5. **Other Statements**
   The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies and the Notes which follow the core financial statements. In addition, the Authority publishes the Pension Fund Accounts and a glossary of financial terms.

6. **Expenditure and Funding Analysis**
   The Expenditure and Funding Analysis (EFA) brings together Local Authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund. The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget.

7. **Movement in Reserves Statement**
   This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The surplus / deficit on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and

Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes.

8. **Comprehensive Income and Expenditure Statement**
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 regulations; this may be different from the accounting cost. The taxation position is shown in the EFA and Movement in Reserves Statement.

9. **Balance Sheet**
The Balance Sheet shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are unusable reserves with which the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulation'.

10. **Cash Flow Statement**
The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's 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) to the Authority.

11. **Pension Fund Accounts**
This Statement shows the income and expenditure relating to the Local Government Pension Scheme (LGPS) administered by Nottinghamshire County Council.

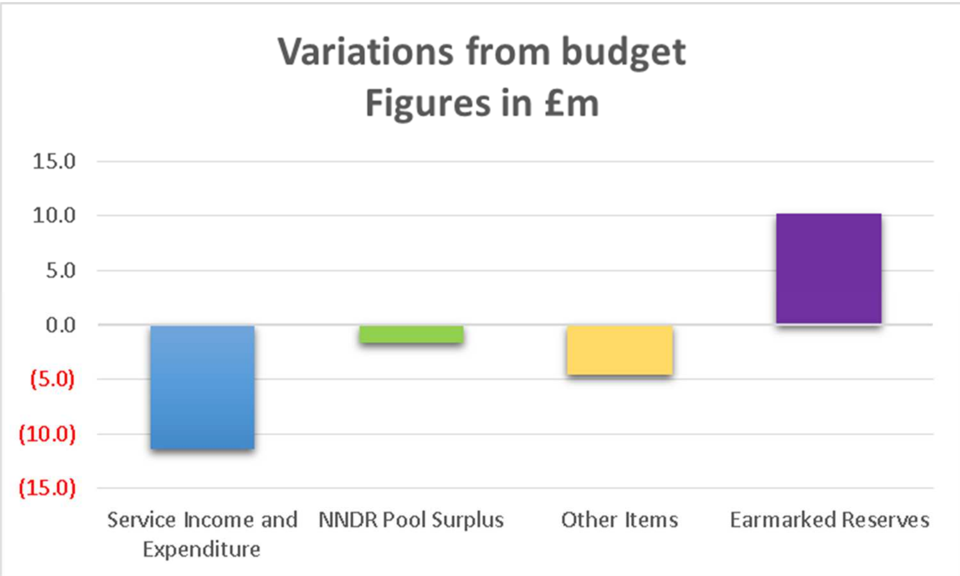
12. **Pension Net Assets Statement**
This Statement shows the net current assets and liabilities arising from the operation of the Authority's Pension Scheme (LGPS). This Statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the Balance Sheet.

Revenue Expenditure

13. The original budget estimated that there would be a £3.7 million contribution from General Fund balances. The final accounts show that there was an increase of £3.7 million in balances.

	Original Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	(314.7)	(314.7)	-
Non Domestic Rate Income	(101.0)	(102.5)	(1.5)
Revenue Support Grant	(63.2)	(63.2)	-
	(478.9)	(480.4)	(1.5)
NET EXPENDITURE (inc appropriations)	**482.6**	**476.7**	**(5.9)**
Contribution (to)/from General Fund Balances	**3.7**	**(3.7)**	**(7.4)**

The main variations to net expenditure were:



14. The Authority's Medium Term Financial Strategy (MTFS) has identified the need for further significant savings. Budget reductions of £14.9 million were approved in February 2017 with a further £62.9 million required by 2020/21. All savings are monitored with a status update included in the monthly report to Finance and Property Committee. Detailed quarterly monitoring is reported to Policy Committee.

Capital Expenditure and Financing

15. The Authority's capital expenditure in 2016/17 was £83.2 million including amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £34.7 million, which included interest on PFI schemes.

16. The Authority's borrowings, used to finance the past acquisitions of assets, were £573.2 million at 31 March 2017. This includes long term borrowings, loans to be repaid within

one year, deferred liabilities and finance leases related to PFI schemes. The Authority makes use of financial instruments called Lenders' Option Borrowers' Option (LOBOs) which offer attractive borrowing rates of interest as well as greater flexibility. At 31 March 2017 the amount owed of these type of borrowings was £105.0 million.

17. The Authority has entered into Private Finance Initiative (PFI) partnerships. The major schemes are as follows:

- The provision of schools at East Leake. Service commenced during 2003/04
- The provision of schools and leisure facilities in Bassetlaw which commenced during 2007/08
- Waste recycling and energy recovery facilities. The waste recycling facility became operational in 2007/08.

Further details of all PFI contracts are set out in Note 13 to the Accounts.

Trends

18. People living in Nottinghamshire today are fortunate to be living in a peaceful, prosperous and safe environment. They are wealthier, healthier, better educated and living longer lives than at any previous point in history with significant improvements over the last few decades.

- Nottinghamshire is a large county covering 805 square miles (2,085 sq. km). There are three distinct areas: the relatively affluent suburbs surrounding the City of Nottingham; the towns and villages in the north-west which grew out of the textile and coal industries; and the rural areas to the east and south characterised by prosperous market towns and villages in the Trent Valley.

- Towns and villages in the north and west that were the heartland of heavy industry now offer opportunities for service and manufacturing sector industries, with a major concentration of logistics and distribution companies on the M1 and A1 corridors.

- Rural communities to the east and south, outside of the main market towns, act largely as commuter belt for conurbations including Nottingham, Lincoln, Leicester and London. These also have significant agricultural economies with market towns such as Newark and Retford offering more diverse opportunities.

- The population of Nottinghamshire increased by 5% between the census in 2001 and that in 2011 and currently stands at 805,800. The total population of Nottinghamshire is expected to increase by 76,600 over the next 15 years to 2032 and will then be 882,400. Projections estimate that this is due primarily to an increase in net migration of people from both other areas of the UK and abroad, and an increase in life expectancy.

- The population of Nottinghamshire is slightly older than the national average, with 19% aged 65+ in 2011 compared with 17% in England and this is due to continue over the next 15 years with the number of 65-84 year olds increasing by more than 32% to reach 187,500 by 2032.

- The health of the average person in Nottinghamshire has improved greatly over the last fifty years with people now living longer and healthier lives. We are lucky to live in a period when life expectancy has increased to 79.5 years for men and 83 years for women and the average Nottinghamshire resident is expected to live in good health until the age of almost 63 which is more than 75% of their lives.

- It is anticipated that the number of older people in Nottinghamshire who will in future live alone will increase by 41% by 2030 and our aging and increasingly isolated population has implications for future planning and delivery of services in order to meet their health and wellbeing needs.

- Whilst the average annual earnings of full-time workers in Nottinghamshire at £33,344 are below the national level of £35,002 house prices are much more affordable with the average house price in Nottinghamshire in 2016 being £185,400 compared to £281,800 in England & Wales.

- At Key Stage 4, Nottinghamshire children and young people do as well or better than those in similar places elsewhere. Educational attainment levels in Nottinghamshire's schools have improved considerably with children and young people achieving levels that are higher than the national average.

- People in Nottinghamshire generally feel safe within their communities with 79% of respondents in the 2016 Residents Survey stating they were satisfied with their local area as a place to live.

- In Nottinghamshire just under 90% of households are within 15 minutes travel time of a GP Surgery/health centre by public transport and 98% of households within 30 minutes travelling time.

- Nottinghamshire is on track to have one of the best digital infrastructures in the country. As at March 2016, more than 95% of premises in Nottinghamshire have access to superfast broadband. By March 2018, this figure is expected to exceed 98%, with some districts in the county reaching near 100% coverage.

- Important visitor hubs include Rufford Abbey, the National Civil War Centre in Newark and Sherwood Forest. Plans are well advanced for a new visitor centre at Sherwood Forest and for further historical interpretation facilities to recognise the County's place in the history of the Pilgrim Fathers.

Risks and Uncertainties

19. The Risk, Safety and Emergency Management Board (RSEMB) has the lead role in creating and maintaining the County Council's capacity to respond to emergencies in the community and for internal resilience to the effects of significant business interruptions. The RSEMB is chaired by the Adult Social Care Health and Public Protection Service Director for South Nottinghamshire and Public Protection and comprises of departmental representatives plus specialist officers from emergency planning, health and safety, risk and insurance, facilities management, property and ICT.

20. The Corporate Risk Register provides a summary scorecard of the main risks to the County Council at a strategic level, and assesses these in terms of their likelihood and potential impact were they to occur. It identifies measures in place to mitigate these risks and further measures that are planned for the future. Progress is monitored as part of the regular meetings of the RSEMB.

Environmental

21. Nottinghamshire is a unique county with a heritage and countryside that we all want to protect and promote. We will ensure our environment is well managed and our countryside is protected. We need road and transport systems that are fit for purpose and help companies to invest in Nottinghamshire. We will provide a reliable transport system which supports a growing economy whilst encouraging sustainable and healthy

travel. We will ensure we are well prepared during severe weather by gritting major roads and bus routes to help both residents and businesses carry on as normal. In addition the Authority will:-

- Work with partners to act as a champion protecting the environment within Nottinghamshire
- Work in partnership with district councils and the private sector to provide waste management facilities and encourage changes in behaviour
- Act as a community leader, by using the resources and expertise of the Authority to reduce our environmental impact
- Deliver a road and transport infrastructure that seeks to meet the needs of our residents and businesses
- Work in partnership with bus companies and community transport providers to improve usage of public transport

People

22. The Authority is the largest employer in the County with a headcount of 7,528 directly employed permanent and temporary staff, as at 31st December 2016 (excluding those in schools), a significant proportion of whom directly provide a range of around 440 statutory and discretionary services to the people of Nottinghamshire.

23. Detailed workforce profile information is produced annually by the County Council and the most recent published information for 2016 is available here:

Social and Community

24. Our vision is to make Nottinghamshire a better place to live, work and visit.

Our Values

25. To deliver our plan we want to help staff utilise their skills and experience to find innovative and creative approaches and new ways of working.

26. Our plan will be built on the three values as follows:-

Treating people fairly

27. We will:

- create a culture which treats people fairly and where resources are targeted to meet the needs of the most vulnerable and disadvantaged
- make sure that we focus on improving the lives of those least able to help themselves – the most vulnerable children, young people and adults in our communities
- make sure that those who need the most support get it so that everyone gets the opportunity to fulfil their potential
- deliver high standards of customer care and respond to what we hear from our customers.

Value for money

28. The amount of money we have to spend will reduce considerably. In order to protect front-line services as much as we can, we will need to make sure that we:

- spend every penny wisely and effectively
- live within our means
- continue to make sure that all spend is cost effective.

Working together

29. We act as a community leader for Nottinghamshire and we will work with our partners and residents to ensure we:

- prioritise resources to get the best for our communities
- make choices only once we have listened to what communities want and need.

30. To be more efficient we will work more closely with our partners across the public, business and voluntary sector. By joining forces with others we can make sure we deliver improved outcomes.

We will use these values to guide our decision making through the years ahead.

Performance

31. The Strategic Plan 2014 - 2018 was agreed by County Council in January 2014 and provides a clear statement of the Authority's vision, values and priorities. The five priorities set out a number of outcomes that the Authority is seeking to achieve or influence over the four years of the Plan. These outcomes as well as measures of service quality provide the framework that the Authority's performance is assessed against.

32. Nottinghamshire continues to be a high performing Authority comparing well with statistical neighbours across a range of these benchmarked measures. The Authority proactively manages performance with Members and senior officers regularly reviewing performance information to identify and manage emerging challenges.

33. Key highlights from across the strategic priorities in 2016/17 include:

- Better Broadband for Nottinghamshire (BBfN) continues to deliver with 10,514 additional premises passed by fibre optic broadband this financial year, taking the total to over 70,000 for the lifetime of the programme.

- The number of people killed or seriously injured in road traffic accidents remains low with a 38% reduction compared with the 2005-9 average. This is consistent with performance in 2015/16.The Authority continues to be on target to meet the 40% reduction required by 2020.

- The introduction of a cluster model and care co-ordinators in Nottinghamshire hospitals has resulted in a reduction in the number of delayed transfers of care attributable or partially attributable to Nottinghamshire County Council adult social care. In December 2016, Nottinghamshire was responsible for just 65 days delay compared to 456 days average nationally.

- Nottinghamshire continues to ensure stability for children in care with 78.1% of looked after children remaining in a long term placements this financial year. This is ten percentage points higher than the latest National average and is due to

Nottinghamshire having a higher rate of children placed for adoption and long-term fostering placements compared to other local authorities.

- Headline measures for Key Stage 4 (for pupils typically aged 16) show that 65.9% of Nottinghamshire pupils achieved A*- C in English and Mathematics which is better than the 63.3% average in state funded schools nationally.

34. The Authority has also identified a number of key challenges and pressures that may affect performance over 2017/18 and will seek to assess and pro-actively manage these through the coming year.

Summary

35. The Authority will continue to seek savings and, as an example, has developed a number of Alternative Service Delivery Models (ASDMs) with the aim of maintaining or improving service delivery whilst reducing the costs to the Authority. Three of these commenced early in 2016/17 as follows:

- **Culture, Leisure & Libraries (Midlands) (Inspire)** – A community benefit society, with charitable status, giving people a greater stake in the running of their local Library and other cultural and learning services, which commenced operations on 1 April 2016. Inspire delivers public libraries, archives, arts, Instrumental Music Teaching in schools, Community Learning and Skills Service, Nottinghamshire Music Hub and the Education Library Service on behalf of the Authority.
- **Arc Property Services Partnership Ltd – (Arc)** – A partnership with Scape Group to deliver property design and operations functions to the Authority commenced on 1 June 2016.
- **Via East Midlands Ltd (Via)** - Set up through a partnership between the Authority and Corserv (Cornwall Council), which provides highways and fleet management services in Nottinghamshire and became operational in July 2016.

36. Overall the financial position remains challenging, however the Authority continues to deliver good financial and non-financial performance. The Authority will continue to respond to change and to deliver the savings required to meet the budget requirements. Robust financial management and ongoing risk management processes will ensure the Authority continues to deliver good value to the people of Nottinghamshire and ensure we make Nottinghamshire a better place to live, work and visit.

Nigel Stevenson
Service Director (Finance, Procurement & Improvement), Resources Department

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE COUNTY COUNCIL

We have audited the financial statements of Nottinghamshire County Council for the year ended 31 March 2017 on pages 14 to 107. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Service Director (Finance, Procurement & Improvement), Resources Department and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Service Director (Finance, Procurement & Improvement), Resources Department; and the overall presentation of the financial statements.

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement and the content of the Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Nottinghamshire County Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.
We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Nottinghamshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Nottinghamshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Nottinghamshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2015/16. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Tony Crawley
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

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 ensure that one of its officers has the responsibility for the administration of those affairs. The Service Director (Finance, Procurement & Improvement) is the responsible officer;

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- to prepare and publish a Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015 ("the Regulations").

Responsibilities of the Service Director (Finance, Procurement & Improvement)

The Service Director (Finance, Procurement & Improvement) is responsible for the preparation of the Authority's Statement of Accounts, in accordance with the appropriate CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Service Director (Finance, Procurement & Improvement) has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code and the Regulations.

The Service Director (Finance, Procurement & Improvement) has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the accounts present a true and fair view of the financial position at the accounting date and its income and expenditure for the year ended on that date.

Nigel Stevenson
Service Director (Finance, Procurement & Improvement), Resources Department
01 June 2017

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts were approved by a meeting of the Governance and Ethics Committee on 27 September 2017. The Service Director (Finance, Procurement & Improvement) is satisfied with the position set out in the Statement of Accounts. As Chairman of the Governance and Ethics Committee, I am satisfied that the approval process for the Statement of Accounts has now been completed satisfactorily and that the Statement of Accounts may now be issued.

Councillor Bruce Laughton
Chairman of the Governance and Ethics Committee
27 September 2017

STATEMENT OF ACCOUNTING POLICIES

1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them 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 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS).

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.

2. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

3. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. 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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. Costs of Support Services

The Code no longer requires main statements to be prepared in accordance with the Service Reporting Code of Practice (SERCOP). There is no absolute requirement therefore to apportion support service overheads to services. The treatment of overheads within the main statements will be consistent with the Authority's arrangements for reporting accountability and financial performance.

6. Employee Benefits and Pensions

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or discontinued operations) in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

Post-Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Nottinghamshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' 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. The Children and Young People and Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme (LGPS)

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. In assessing these liabilities at 31 March 2017 for the 2016/17 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include a change in the assumed pensions increases and inflation. Application of these revised assumptions has resulted in an increase in liabilities measured at the balance sheet date of £1,248.0 million (£1,137.0 million LGPS, £111.0 million Teachers).

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into several components:
  - current service cost / gain – the change in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on scheme assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - 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 – credited/debited to the Pensions Reserve
  - 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.

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 Movement in Reserves Statement, this means that there are appropriations 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.

Discretionary Benefits

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

7. Revenue Expenditure Financed from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Capital grants made to other bodies are written off to the appropriate Service revenue account during the financial year because they do not represent value for money to the Authority beyond the end of the financial year. This includes grants made to bodies for which the Authority is the accountable body and exercises control over grant distribution.

8. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are, however, only recognised when they exceed the de-minimus levels for 2016/17 set out below:

Asset Type	De minimus
Land and Buildings	£0
Community Assets	£10,000
Infrastructure Assets	£0
Assets under Construction	£0
Heritage Assets	£10,000
Vehicles, Plant, Furniture and Equipment	£6,000
Other assets	£6,000

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets under Construction – depreciated historical cost
- Heritage Assets - held at valuation or, under certain conditions, historical cost (depreciated where appropriate)
- Operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Non-Operational Assets (i.e. not providing service potential to the Authority) – fair value as per the requirements of IFRS13 using the principle of “highest and best use” from a market participants perspective.

Where there is no market-based evidence of current value because of the specialist nature of an asset (e.g. school buildings), depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2017 issued by Mr I Brearley MRICS, Team Manager – Property and Strategy Management from the Authority’s Property Division on 25th May 2017. A rolling 5 year revaluation programme is in place to maintain the accuracy of the valuations. When significant changes occur in any year they are included in the revaluation schedule undertaken during that year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Assets are assessed at each year-end as to whether there is any indication that they 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 by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged in the year after acquisition or construction. Where depreciation is provided for, assets are depreciated using the straight line method. The lives of the assets vary and fall within the following ranges:

Asset Type	**Useful Life (In Years)**
Buildings	1 – 50
Vehicles and plant	1 – 20
Infrastructure	40
IT and other equipment	3 – 5
Intangibles	3 – 5
Furniture and Fittings	5 - 15

Where an item of Property, Plant and Equipment has major components whose costs are at least 20% of the total cost of the item, the components are depreciated separately. A review was carried out for all items over a de-minimus of £0.5 million. For the 2016/17 Statement of Accounts, the Authority has not identified any components to be depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current 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. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are required to be credited to the Capital Receipts Reserve and can then be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Also, from April 2016 for a three year period, there is greater flexibility for local authorities to use capital receipts to fund the revenue costs of business transformation. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

9. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority 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 Comprehensive Income and Expenditure Statement 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 loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority, for policy reasons, can make loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement 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 in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available for Sale Assets

Available for Sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that fixed or determinable payments due under the contract will not be made, or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10. Cash and Cash Equivalents

Amounts held in call accounts or money market funds are highly liquid and readily convertible. These can be held for relatively long periods as call account rates are currently attractive. However, these accounts are used to cover short-term cash flow needs and so will be classed as cash equivalents.

Fixed term investments, of whatever duration, are not readily convertible to known amounts of cash. Fixed deals can be broken but only through negotiation with the borrower and at a penalty depending on the fair value of the loan at the time of break. All fixed term investments will not therefore be classed as cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

11. Other Assets

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Investment Property

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value as per the requirements of IFRS13. Fair value is based on the amount at which the asset could be sold in an orderly transaction between knowledgeable market participants at the measurement date. As a non-financial asset, an investment property will be measured at its highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

12. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability

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

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

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the authority's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability

13. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

14. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Supplies are recorded as expenditure when 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
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

- Where significant debtors or creditors arise from such items as government grants and pay awards that are not yet finalised, estimates are made on the basis of best information that is currently available.

Accounting instructions require accruals to be raised where amounts are in excess of £5,000. Schools are asked to take responsibility for accruing for employee costs where individual amounts owing are in excess of £5,000.

15. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority 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 Comprehensive Income and Expenditure Statement 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.

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment 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.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower), where the fair value exceeds the de-minimus limit. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Where material, contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants 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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17. Private Finance Initiative (PFI) and Similar Contracts

The Authority has entered into a number of Private Finance Initiative contracts. PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Bassetlaw Schools PFI scheme and East Leake Schools PFI scheme, the liability was written down by initial capital contributions of £9.0 million and £2.9 million respectively.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – charges for ongoing maintenance of the Property, Plant and Equipment debited to the relevant scheme.

18. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and

- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where the grant has yet to be used to fund the revenue expenditure in relation to the purpose of the grant, it is appropriated into a specific revenue grants reserve. Once the expenditure has been incurred it is appropriated out of the specific revenue grants reserve.

19. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

20. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

21. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

No contingent assets have been identified for the Authority at 31 March 2017.

22. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

23. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

24. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

25. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

26. The Carbon Reduction Scheme

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its second phase, which ends on 31 March 2019. The Authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the

Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

27. Heritage Assets

Tangible and Intangible Heritage Assets

The Authority's Heritage Assets are held at County Hall or at the Nottinghamshire Archives. Nottinghamshire Archives has a number of architectural drawings and records relating to Rufford Abbey and the Savile of Rufford Estate. These collections are held in support of the primary objective of the Authority's Archives. In addition, the Authority retains a number of important ceremonial regalia and paintings that are also retained for increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. The Authority's collections of Heritage Assets are accounted for as follows:

Ceremonial Regalia and Art Collection

The ceremonial regalia and art collection includes ceremonial items, paintings (both oil and watercolour), sketches, sculptures, glass and silverware and is reported in the Balance Sheet at market value. There is an annual programme of valuations and the items in the collection are valued by an external valuer. These assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Architectural Drawings and Records

The architectural drawings and records relating to the Savile of Rufford Estate are held at Nottinghamshire Archives and are reported in the Balance Sheet at historical cost. Valuation of these items is not readily available and the Authority believes that the benefits of obtaining annual valuations for these items would not justify the cost. These assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation if appropriate with valuations provided by external valuers. Nottinghamshire Archives holds a number of other records (e.g. Lothian of Melbourne records) that are valued at less than £10,000. Consequently, the Authority does not recognise these assets on the Balance Sheet.

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where assets are disposed of, the proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

28. Schools

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

Accounting for Schools Property, Plant and Equipment

The Authority has made detailed judgements regarding the control exercised over schools run in a wide variety of ways to determine whether non-current assets should be treated as on or off Balance Sheet. The treatment of all schools has been considered by analysis predicated on the application of tests inherent within the following IFRS adopted by the CIPFA Code (Module 4 – Non Current Assets) – IAS16 – Property, Plant and Equipment, IAS17 – Leases and IFRIC12 – Service Concession Arrangements. This has resulted in the following treatment:

- Academy schools - off-Balance Sheet
- Foundation schools - on-Balance Sheet
- Voluntary Aided schools – off-Balance Sheet
- Voluntary Controlled schools – off-Balance Sheet
- Community schools – on-Balance Sheet

The assets of those Schools that convert to Academy status are derecognised from the Authority's Balance Sheet at nil proceeds. No impairment is recognised by the Authority prior to disposal.

29. Interests in Companies and Other Entities

An assessment of the Authority's interests has been carried out during the year in accordance with the Code of Practice to determine the group relationships that exist. Inclusion in the group is dependent upon the extent of the Authority's control over the entity demonstrated through ownership, such as a shareholding in an entity or representation on an entity's board of directors.

Joint operations are arrangements where the parties that have joint control have the rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises, where material:

- its assets, including share of assets held jointly;
- its liabilities, including share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

Expenditure and Funding Analysis 2016/17

	Net Expenditure Chargeable to the General Fund £000	Total Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children & Young People	119,762	22,977	142,739
Schools	5,440	(199)	5,241
Adult Social Care & Health	205,395	3,573	208,968
Transport & Highways	40,757	18,689	59,446
Environment & Sustainability	30,349	1,118	31,467
Community Safety	3,189	179	3,368
Culture	11,658	1,774	13,432
Policy	20,961	1,850	22,811
Finance & Property	24,879	5,004	29,883
Personnel	10,615	535	11,150
Economic Development	1,401	20	1,421
Public Health	1,166	30	1,196
Cost of Services	**475,572**	**55,550**	**531,122**
Other Income and Expenditure	(465,304)	(30,638)	(495,942)
(Surplus) or Deficit on Provision of Services	**10,268**	**24,912**	**35,180**
Opening Usable Revenue Reserves	**191,997**		
Surplus or (Deficit) on Provision of Services	(10,268)		
Closing Usable Revenue Reserves	**181,729**		

Expenditure and Funding Analysis 2015/16

	Net Expenditure Chargeable to the General Fund £000	Total Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children & Young People	126,016	10,074	136,090
Schools	(691)	114	(577)
Adult Social Care & Health	192,059	4,162	196,221
Transport & Highways	42,640	17,249	59,889
Environment & Sustainability	28,528	6,495	35,023
Community Safety	3,074	280	3,354
Culture	11,535	4,350	15,885
Policy	21,457	3,403	24,860
Finance & Property	29,318	6,911	36,229
Personnel	2,572	218	2,790
Economic Development	1,220	1,155	2,375
Public Health	2,796	47	2,843
Cost of Services	**460,524**	**54,458**	**514,982**
Other Income and Expenditure	(456,214)	(24,935)	(481,149)
(Surplus) or Deficit on Provision of Services	**4,310**	**29,523**	**33,833**
Opening Usable Revenue Reserves	**196,307**		
Surplus or (Deficit) on Provision of Services	(4,310)		
Closing Usable Revenue Reserves	**191,997**		

Movement in Reserves Statement 2016/17

	Usable Revenue Reserves Balance £000	Capital Receipts and Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2016	**191,997**	**2,984**	**194,981**	**(375,607)**	**(180,626)**
Movement in Reserves during 2016/17					
Total Comprehensive Income and Expenditure	(35,182)	1	(35,181)	(315,099)	(350,280)

Adjustments between accounting and funding basis under regulations

Adjustments to Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.

	Usable Revenue Reserves Balance £000	Capital Receipts and Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Pensions Costs	14,307	-	14,307	(14,307)	-
Financial Instruments	(17)	-	(17)	17	-
Collection Fund Adjustments (Council Tax and NNDR)	1,677	-	1,677	(1,677)	-
Employee Benefits	592	-	592	(592)	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	78,603	-	78,603	(78,603)	-
Total Adjustments to Revenue Resources	**95,162**	**-**	**95,162**	**(95,162)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(8,603)	-	(8,603)	8,603	-
Capital Expenditure Charged in the year to the General Fund	(6,917)	-	(6,917)	6,917	-
Total Adjustments between Revenue and Capital Resources	**(15,520)**	**-**	**(15,520)**	**15,520**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(54,728)	54,728	-	-	-
Application of grants to capital financing transferred to CAA	-	(53,507)	(53,507)	53,507	-
Movement in Deferred Capital Receipts	-	-	-	-	-
Total Adjustments to Capital Resources	**(54,728)**	**1,221**	**(53,507)**	**53,507**	**-**
Increase or (Decrease) in 2016/17	**(10,268)**	**1,222**	**(9,046)**	**(341,234)**	**(350,280)**
Balance at 31 March 2017	**181,729**	**4,206**	**185,935**	**(716,841)**	**(530,906)**

Movement in Reserves Statement 2015/16

	Usable Revenue Reserves Balance £000	Capital Receipts and Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2015	**196,307**	**1,547**	**197,854**	**(603,478)**	**(405,624)**
Movement in Reserves during 2015/16					
Total Comprehensive Income and Expenditure	(33,834)	-	(33,834)	258,832	224,998

Adjustments between accounting and funding basis under regulations

Adjustments to Revenue Resources

Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.

	Usable Revenue Reserves Balance £000	Capital Receipts and Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Pensions Costs	44,145	-	44,145	(44,145)	-
Financial Instruments	(20)	-	(20)	20	-
Collection Fund Adjustments (Council Tax and NNDR)	(2,537)	-	(2,537)	2,537	-
Employee Benefits	929	-	929	(929)	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	62,909	-	62,909	(62,909)	-
Total Adjustments to Revenue Resources	**105,426**	**-**	**105,426**	**(105,426)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(24,411)	-	(24,411)	24,411	-
Capital Expenditure Charged in the year to the General Fund	(5,989)	-	(5,989)	5,989	-
Total Adjustments between Revenue and Capital Resources	**(30,400)**	**-**	**(30,400)**	**30,400**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(43,747)	43,747	-	-	-
Application of grants to capital financing transferred to CAA	-	(42,310)	(42,310)	42,310	-
Movement in Deferred Capital Receipts	(1,755)	-	(1,755)	1,755	-
Total Adjustments to Capital Resources	**(45,502)**	**1,437**	**(44,065)**	**44,065**	**-**
Increase or (Decrease) in 2015/16	**(4,310)**	**1,437**	**(2,873)**	**227,871**	**224,998**
Balance at 31 March 2016	**191,997**	**2,984**	**194,981**	**(375,607)**	**(180,626)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
		2015/16 As Restated			2016/17		
		£000	£000	£000	£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations							
Children & Young People		172,863	(36,773)	136,090	169,357	(26,618)	142,739
Schools		364,942	(365,519)	(577)	360,384	(355,143)	5,241
Adult Social Care & Health		349,494	(153,273)	196,221	326,570	(117,602)	208,968
Transport & Highways		78,144	(18,255)	59,889	77,658	(18,212)	59,446
Environment & Sustainability		38,032	(3,009)	35,023	34,229	(2,762)	31,467
Community Safety		6,678	(3,324)	3,354	6,766	(3,398)	3,368
Culture		25,737	(9,852)	15,885	20,690	(7,258)	13,432
Policy		34,892	(10,032)	24,860	33,265	(10,454)	22,811
Finance & Property		54,088	(17,859)	36,229	45,337	(15,454)	29,883
Personnel		5,805	(3,015)	2,790	15,990	(4,840)	11,150
Economic Development		7,082	(4,707)	2,375	6,976	(5,555)	1,421
Public Health		44,848	(42,005)	2,843	46,716	(45,520)	1,196
Internal Recharges Adjustment		(51,831)	51,831	-	(40,314)	40,314	-
Cost of services		**1,130,774**	**(615,792)**	**514,982**	**1,103,624**	**(572,502)**	**531,122**
Other Operating Expenditure							
Loss on Disposal of non-current assets		14,320	-	14,320	39,255	-	39,255
Change in fair value of Assets Held for Sale	17	363	-	363	743	-	743
Other Operating Income and Expenditure		(1,079)	(165)	(1,244)	(17,035)	(346)	(17,381)
Financing and Investment Income and Expenditure							
Interest Payable	29	34,000	-	34,000	34,757	-	34,757
Net Interest on the defined liability/(asset)	22	34,529	-	34,529	31,653	-	31,653
Interest and Investment Income	29	-	(680)	(680)	-	(1,061)	(1,061)
Income and Expenditure in relation to Investment Properties and changes in their fair value	14	(3,206)	(585)	(3,791)	1,696	(488)	1,208
Net (Surplus)/Deficit of Trading Undertakings	33	36,994	(32,022)	4,972	51,678	(50,486)	1,192
Insurance Revenue	35	(1,750)	-	(1,750)	(3,437)	(1,287)	(4,724)
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27			(43,747)			(75,983)
Income from Council Tax				(298,667)			(312,551)
General Government Grants	27			(104,811)			(77,182)
National Non-Domestic Rates Distribution				(104,214)			(103,813)
New Homes Bonus Scheme				(3,291)			(3,774)
Transition Grant				-			(1,980)
Education Services Grant				(7,138)			(6,301)
(Surplus)/Deficit on Provision of Services				33,833			35,180
(Surplus)/Deficit on Revaluation of non current assets				(61,516)			15,890
Actuarial (gains) / losses on pensions assets / liabilities	22			(198,015)			298,509
Any other (gains) and losses				700			701
Total Comprehensive Income and Expenditure				**(224,998)**			**350,280**

BALANCE SHEET

	Note	31 March 2016 £000	31 March 2016 £000	31 March 2017 £000	31 March 2017 £000
Property, Plant and Equipment (PPE)	10				
Land and Buildings		630,252		606,279	
Vehicles, Plant, Furniture and Equipment		41,791		40,673	
Infrastructure Assets		506,110		523,585	
Community Assets		30		30	
Surplus Assets		72,109		53,854	
Assets Under Construction		3,919	1,254,211	10,612	1,235,033
Heritage Assets	16	481		481	
Investment Property	14	18,004		16,439	
Intangible Assets	15	7,319		5,698	
Long Term Advances	28	3,150		3,965	
Long Term Investments	28	4,520		2,516	
Long Term Debtors	20	729	34,203	511	29,610
Total Long Term Assets			**1,288,414**		**1,264,643**
Short Term Investments	28	30,039		32,036	
Inventories	19	2,740		1,571	
Short Term Debtors	20	68,639		53,427	
Less Bad Debts Provision	20	(5,976)		(6,246)	
Cash and Cash Equivalents	38	65,918		68,396	
Assets Held for Sale	17	1,523		1,105	
Total Current Assets			**162,883**		**150,289**
Short Term Creditors	23	(97,907)		(103,448)	
Short Term Provisions	24	(2,860)		(2,394)	
Loans to be repaid within 1 year	28, 31	(18,431)		(18,087)	
Short Term Finance Lease Liability	12, 13, 28	(5,688)	(124,886)	(4,517)	(128,446)
Total Assets less Current Liabilities			**1,326,411**		**1,286,486**
Long Term Provisions	24	(15,152)		(14,059)	
Long Term Borrowing	28, 31	(428,454)		(428,876)	
Long Term Finance Lease Liability	12, 13, 28	(120,402)		(120,600)	
Deferred Liability	29	(1,234)		(1,161)	
Capital Grants Receipts in Advance	27	(7,256)	(572,498)	(4,641)	(569,337)
IAS 19 Pensions Liability	22		(934,539)		(1,248,055)
Total Net Assets			**(180,626)**		**(530,906)**
Usable Reserves	34				
Capital Receipts and Grants Unapplied Reserve		2,984		4,206	
Other Earmarked Reserves		121,716		111,702	
General Insurance	35	11,884		16,285	
Schools Statutory Reserves	36	34,380		26,036	
General Fund Balance		24,017	194,981	27,706	185,935
Unusable Reserves	37				
Capital Adjustment Account		398,757		399,301	
Revaluation Reserve		167,531		143,275	
IAS 19 Pensions Reserves	22	(934,539)		(1,248,055)	
Deferred Capital Receipts		1,755		-	
Financial Instruments Adjustment Account		(88)		(70)	
Collection Fund Adjustment Account		5,262		3,585	
Employee Benefits Account		(14,285)	(375,607)	(14,877)	(716,841)
Net Worth / Total Reserves			**(180,626)**		**(530,906)**

CASH FLOW STATEMENT

	Note	2015/16 £000	2016/17 £000
Net (surplus) or deficit on the provision of services		33,833	35,180
Adjust for non-cash movements			
Depreciation and amortisation		(42,099)	(41,565)
Revaluation / Impairment of Property, Plant and Equipment		3,138	(10,634)
Donated Assets		-	21,254
Movement in current assets and liabilities		(1,703)	(20,213)
Movement in reserves and provisions		2,053	1,559
Adjustments in respect of pension charges		(44,145)	(14,307)
Grants applied		43,747	54,728
Carrying value of assets disposed of		(23,760)	(42,055)
Other		2,790	(2,354)
		(59,979)	**(53,587)**
Adjust for items included in investing or financing		7,683	2,798
Net cash flows from operating activities		**(18,463)**	**(15,609)**
Investing activities	40	19,818	14,062
Financing activities	41	(27,101)	(931)
Net (increase)/decrease in cash and cash equivalents		**(25,746)**	**(2,478)**
Cash and cash equivalents at beginning of period		**40,172**	**65,918**
Cash and cash equivalents at end of period		**65,918**	**68,396**

NOTES TO THE STATEMENT OF ACCOUNTS

1. Prior Period Adjustments: Changes in Accounting Policies

There are no prior period adjustments to report in the 2016/17 accounts.

2. Accounting Standards Issued but not yet Adopted

IAS8 - Accounting Policies, Changes in Accounting Estimates and Errors requires the Authority 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 Code for the relevant financial year.

There are a number of minor changes to the Code; however they will not have a material impact upon the financial statements of the Authority.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in the Statement of Accounting Policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Authority has made detailed assessment and applied judgement regarding the extent of control exercised over schools run under various arrangements to determine whether associated assets should and liabilities are consolidated into the single entity accounts. The outcome is as follows:

    - Community schools - on Balance Sheet
    - Academy schools - off Balance Sheet
    - Foundation schools - on Balance Sheet
    - Voluntary Aided schools - off Balance Sheet
    - Voluntary Controlled schools - off Balance Sheet

- The 2016/17 Code of Practice clarifies the requirements for valuing property, plant and equipment to ensure valuations are "sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period". To achieve this objective, the Authority has consulted its professional valuers who have affirmed that there is no such material deviation from current value at the Balance Sheet date for those assets not subject to a formal in-year valuation.

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Authority has considered in line with accounting standards and the Code of Practice on group accounts all significant relationships with regard to joint arrangements. The review considered all relationships for material interests that have the nature of subsidiaries, associates and jointly controlled entities. This included assessment of control by a single entity, joint control and materiality. There are no material interests and no group accounts. Refer to Note 32 for arrangements the Authority has with related parties.

- Arc Property Services Partnership Ltd and Via East Midlands Ltd are considered to be joint operations but they have not been fully consolidated into the Authority's accounts as a joint operation because there is no material difference to the costs already reflected.

4. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2017 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.3 million for every year that useful lives had to be reduced.

Land and Building assets that are required to be measured at current value are revalued on a 5 year rolling basis by the Authority's internal team of valuers. Each property is assessed and valued on its own merits and the valuation is determined with due regard to any changes or uncertainties which may affect the specific property. It is estimated that a theoretical 1% market drop applied across all properties valued in 2016/17 would equate to an impairment variation of £1.5 million to be expensed through the surplus / deficit on the provision of services.

Fair Value

When determining fair value for the measurement and disclosure requirements in relation to the Authority's assets and liabilities, it is likely the Authority will be required to make assumptions and estimations. Where direct observable market data is unavailable, judgement is required in order to determine a fair value and the Authority uses relevant experts to ensure that appropriate valuation techniques are used where typically judgements include considerations such as uncertainty and risk.

Insurance

The Authority operates a self insurance scheme and has established a provision of £13.0 million to cover known claims and liabilities. The values provided are based upon historic experience and advice from claims advisers. However the actual payments paid out are subject to agreement and possible legal action. Therefore the final payments may differ significantly from that provided. A variation of 10% on the amount provided would have an impact of £1.3 million on the provision required.

Pensions

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured, and is contained in Note 22.

5. Post Balance Sheet Events

There are no material events to report since the accounts were prepared, which are not already reported in the accounts.

6. Adjustments between Accounting Basis and Funding Basis under Regulations

The adjustments between the accounting basis and the funding basis under regulations are shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

7. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	**2016/17** **Adjustments for Capital Purposes £000**	**Net change for Employee Adjustments under IAS19 £000**	**Other Differences £000**	**Total Differences £000**
Children & Young People	22,575	402	-	**22,977**
Schools	-	(199)	-	**(199)**
Adult Social Care & Health	1,430	2,143	-	**3,573**
Transport & Highways	18,563	126	-	**18,689**
Environment & Sustainability	1,054	67	(3)	**1,118**
Community Safety	7	172	-	**179**
Culture	1,674	114	(14)	**1,774**
Policy	1,339	511	-	**1,850**
Finance & Property	4,633	371	-	**5,004**
Personnel	-	535	-	**535**
Economic Development	42	(22)	-	**20**
Public Health	-	30	-	**30**
Net Cost of Services	**51,317**	**4,250**	**(17)**	**55,550**
Other Income and Expenditure	(42,964)	10,649	1,677	**(30,638)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**8,353**	**14,899**	**1,660**	**24,912**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	**2015/16** **Adjustments for Capital Purposes £000**	**Net change for Employee Adjustments under IAS19 £000**	**Other Differences £000**	**Total Differences £000**
Children & Young People	8,145	1,929	-	**10,074**
Schools	115	(1)	-	**114**
Adult Social Care & Health	943	3,219	-	**4,162**
Transport & Highways	16,657	592	-	**17,249**
Environment & Sustainability	6,390	110	(5)	**6,495**
Community Safety	4	276	-	**280**
Culture	3,562	803	(15)	**4,350**
Policy	2,183	1,220	-	**3,403**
Finance & Property	5,703	1,208	-	**6,911**
Personnel	4	214	-	**218**
Economic Development	1,115	40	-	**1,155**
Public Health	-	47	-	**47**
Net Cost of Services	**44,821**	**9,657**	**(20)**	**54,458**
Other Income and Expenditure	(57,814)	35,416	(2,537)	**(24,935)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**(12,993)**	**45,073**	**(2,557)**	**29,523**

8. Segmental Income

Income received on a segmental basis is analysed below. This is the income chargeable to the General Fund under the funding basis rather than an accounting basis.

	2015/16 £000	2016/17 £000
Children & Young People	(32,174)	(24,393)
Schools	(365,519)	(355,142)
Adult Social Care & Health	(173,190)	(136,150)
Transport & Highways	(18,111)	(18,007)
Environment & Sustainability	(4,210)	(4,373)
Community Safety	(3,423)	(3,497)
Culture	(9,852)	(7,258)
Policy	(10,032)	(10,454)
Finance & Property	(30,196)	(28,278)
Personnel	(3,015)	(4,840)
Economic Development	(968)	(1,165)
Public Health	(42,235)	(46,386)
Total	**(692,925)**	**(639,943)**

9. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

	2015/16 £000	2016/17 £000
Expenditure		
Employee expenses	515,639	487,616
Other operating expenses	644,602	626,391
Depreciation, amortisation & impairment	38,957	52,199
Other Expenditure relating to held for sale & investment properties	(3,428)	1,951
Interest Payments	34,000	34,757
Precepts & Levies	271	276
Gains or Losses on disposal of Non Current Assets	14,320	39,255
Total Expenditure	**1,244,361**	**1,242,445**
Income		
Fees, charges & other service income	(227,128)	(214,903)
Interest & Investment Income	(680)	(1,061)
Income from Council Tax, NNDR	(402,881)	(416,364)
Government grants	(579,839)	(574,937)
Total Income	**(1,210,528)**	**(1,207,265)**
(Surplus)/Deficit on Provision of Services	**33,833**	**35,180**

10. Property, Plant and Equipment

Movement in 2016/17

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2016	650,174	91,296	691,001	35	72,351	3,919	1,508,776	28,943
Additions	17,152	8,550	34,195	-	1,921	5,755	67,573	2,197
Donations	21,254	-	-	-	-	-	21,254	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(270)	-	-	-	(20,706)	-	(20,976)	(829)
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(15,141)	-	-	-	(747)	-	(15,888)	(125)
Derecognition - disposals	(41,640)	(14,315)	(1)	-	(655)	-	(56,611)	(1,372)
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(1,008)	-	-	-	(374)	-	(1,382)	-
Assets reclassified to/(from) Surplus, Land and Buildings, Infrastructure, Assets Under Construction	(4,054)	-	548	-	2,477	1,029	-	-
Other Movements in cost or valuation	(1)	1	2	1	3	1	7	-
At 31 March 2017	**626,466**	**85,532**	**725,745**	**36**	**54,270**	**10,704**	**1,502,753**	**28,814**
Accumulated Depreciation and Impairment								
At 1 April 2016	(19,922)	(49,505)	(184,891)	(5)	(242)	-	(254,565)	(3,727)
Depreciation charge	(13,386)	(8,314)	(17,267)	(1)	(30)	-	(38,998)	(1,340)
Depreciation written out to the Revaluation Reserve	5,080	-	-	-	6	-	5,086	204
Depreciation written out to the Surplus/Deficit on Provision of Services	5,254	-	-	-	-	-	5,254	196
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	2,533	12,963	-	-	8	-	15,504	1,372
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	254	-	-	-	(156)	(92)	6	-
Other movements in depreciation and impairment	-	(3)	(2)	-	(2)	-	(7)	1
At 31 March 2017	**(20,187)**	**(44,859)**	**(202,160)**	**(6)**	**(416)**	**(92)**	**(267,720)**	**(3,294)**
Net Book Value								
At 31 March 2017	**606,279**	**40,673**	**523,585**	**30**	**53,854**	**10,612**	**1,235,033**	**25,520**
At 31 March 2016	**630,252**	**41,791**	**506,110**	**30**	**72,109**	**3,919**	**1,254,211**	**25,216**

10 .Property, Plant and Equipment (Continued)

Movement in 2015/16

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	As Restated PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2015	621,318	91,328	646,739	35	26,215	26,336	1,411,971	30,091
Additions	30,653	8,314	27,044	-	918	2,998	69,927	1,824
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,738	-	-	-	43,396	-	58,134	1,717
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(2,539)	-	-	-	4,060	-	1,521	353
Derecognition - disposals	(15,951)	(6,127)	-	-	(2,164)	-	(24,242)	-
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(2,211)	-	-	-	(1,066)	(217)	(3,494)	-
Assets reclassified to/(from) Surplus, Land and Buildings, Infrastructure, Assets Under Construction	4,165	(2,219)	17,219	-	991	(20,156)	-	-
Other Movements in cost or valuation	1	-	(1)	-	1	(5,042)	(5,041)	(5,042)
At 31 March 2016	**650,174**	**91,296**	**691,001**	**35**	**72,351**	**3,919**	**1,508,776**	**28,943**
Accumulated Depreciation and Impairment								
At 1 April 2015	(12,468)	(47,016)	(166,456)	(4)	(787)	-	(226,731)	(2,752)
Depreciation charge	(12,258)	(10,054)	(16,216)	(1)	(331)	-	(38,860)	(1,136)
Depreciation written out to the Revaluation Reserve	3,112	-	-	-	269	-	3,381	161
Depreciation written out to the Surplus/Deficit on Provision of Services	1,010	-	-	-	607	-	1,617	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	662	5,346	-	-	20	-	6,028	-
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	20	2,219	(2,219)	-	(20)	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2016	**(19,922)**	**(49,505)**	**(184,891)**	**(5)**	**(242)**	**-**	**(254,565)**	**(3,727)**
Net Book Value								
At 31 March 2016	**630,252**	**41,791**	**506,110**	**30**	**72,109**	**3,919**	**1,254,211**	**25,216**
At 31 March 2015	**608,850**	**44,312**	**480,283**	**31**	**25,428**	**26,336**	**1,185,240**	**27,339**

11. Valuation of Property, Plant and Equipment

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value are revalued at least every five years. Furthermore, for those assets measured at current value that fall outside of the 5-year rolling cycle, an annual revaluation is applied to the highest value assets and also those subject to significant in-year additional expenditure. This ensures that the closing current value of assets held on the balance sheet does not materially deviate from a current value as determined by a recent formal revaluation. The effective date of valuation is 31st March.

Operational land and buildings are valued based on their existing use value to reflect their current operating capacity. Surplus Assets (i.e. those assets not being used for service delivery and/or not eligible to be classified as Held for Sale) are measured at their fair value which represents the financial capacity and opportunity cost of holding such an asset as surplus.

All valuations of land and buildings have been carried out internally in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Other PPE assets are carried at depreciated historic cost as a proxy for fair value.

Valuation of Property, Plant and Equipment

The following statement shows the progress of the Authority's rolling programme for the revaluation of Property, Plant and Equipment. The basis for valuation is set out in the Statement of Accounting Policies.

Basis of Measurement	**Op Land & Bldgs £000**	**Surplus Assets £000**	**Other PPE Assets £000**	**Total £000**
Valued at current value as at:				
31/03/2017	223,408	34,004		257,412
31/03/2016	48,458	19,850		68,308
31/03/2015	157,292			157,292
31/03/2014	65,558			65,558
31/03/2013	111,563			111,563
Valued at historic cost			574,900	574,900
Total	**606,279**	**53,854**	**574,900**	**1,235,033**

Fair Value Hierarchy

The Authority's portfolio of Surplus Assets have been assessed in relation to the Fair Value Hierarchy for the purposes of valuation (see Statement of Accounting Policies for full explanation)

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/17 £000**
Surplus Assets	-	29,859	23,995	**53,854**

2015/16 Comparative Figures

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/16 £000**
Surplus Assets	2,700	27,061	42,348	**72,109**

Transfers between levels of the Fair Value Hierarchy

Assets with a value of £2.1m have been transferred out of Level 1 of the Fair Value Hierarchy. This transfer relates to quoted prices in 2015/16 that are no longer accessible at the balance sheet date. Such assets are now included in Level 2.

Significant Observable Inputs - Level 2

The fair value of Surplus Assets has been derived using the market approach applying current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

Significant Unobservable Inputs - Level 3

The market approach uses comparable data based on recent transactions with similar characteristics and locations to the Authority's assets. Where this valuation is significantly adjusted by the valuer to reflect asset specific factors, the inputs are categorised as Level 3 . In addition, if the inputs are categorised in different levels of the hierarchy, the asset is categorised on the same level as the lowest level input that is significant to the entire measurement.

Assets are also measured using the investment approach based on discounted cash flows to establish the present value of the net projected income stream. This method requires the use of estimates (e.g. future rental income) and other unobservable inputs to determine a fair value. There is no reasonably available information to indicate that market participants would use different assumptions.

Reconciliation of Fair Value Measurements within Level 3

	2016/17 **£000**
Opening Balance	**42,348**
Transfers into Level 3	2,165
Transfers out of Level 3	-
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	6
Unrealised gains / (losses)	(20,933)
Additions	484
Disposals	(75)
Closing Balance	**23,995**

Unrealised losses of £20.9m can be attributed to downward movement upon revaluation. The decrease has been charged against the balance in the revaluation reserve for the particular asset.

Impairment review

In accordance with the requirements of the Code, the Authority undertakes a review each year to identify any assets which may have been subject to an impairment in value. Where a potential impairment of Land and Buildings is identified, the asset is revalued and consequently any decrease in value is treated as a revaluation loss.

The Authority also recognised impairment losses totalling £3.4m in the CIES due to the demolition of various school buildings prior to derecognition.

12. Leases

Authority as Lessee

Finance Leases

The Authority leases the following assets that qualify as a finance lease:

Land & Buildings - Highways Depot

The assets acquired under each lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2015/16 £000	2016/17 £000
Other Land & Buildings	3,516	3,487
Vehicles, Plant, Furniture & Equipment	489	-
	4,005	**3,487**

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

	2015/16 £000	2016/17 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	245	1
- non-current	899	878
Finance costs payable in future years	4,834	4,758
Minimum lease payments	**5,978**	**5,637**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Not later than one year	319	48	245	1
Later than one year and not later than five years	263	241	22	1
Later than five years	5,396	5,348	877	877
	5,978	**5,637**	**1,144**	**879**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £0.01m of contingent rents were payable by the Authority (£0.01m in 2015/16).

Operating Leases

The Authority leases a wide variety of properties for use in the provision of services including libraries, offices, industrial units and youth centres.

The minimum lease payments due under leases in future years are:

	2015/16 £000	2016/17 £000
Not later than one year	676	374
Later than one year and not later than five years	900	1,114
Later than five years	809	1,007
	2,385	**2,495**

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2015/16	2016/17
	£000	£000
Minimum lease payments	826	562
Contingent rents	45	36
	871	**598**

Authority as Lessor

Finance Leases

The Authority leases school land and buildings to Academy schools for 125 year terms on peppercorn rentals. As per accounting policy, related assets are derecognised from the Authority's balance sheet upon transfer to Academy status.

Operating Leases

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

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

The minimum lease payments receivable under leases in future years are:

	2015/16	2016/17
	£000	£000
Not later than one year	883	865
Later than one year and not later than five years	1,311	1,574
Later than five years	1,661	1,528
	3,855	**3,967**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 £0.1 million contingent rents were receivable by the Authority (£0.1 million in 2015/16).

13. Private Finance Initiative (PFI)

East Leake Schools

The Authority has a contract with East Leake Schools Limited for the provision of secondary and primary schools and a community leisure facility in East Leake. Service commenced during 2003/04 and the contract finishes on 31 July 2027 when the buildings transfer back to the Authority.

The Authority retained the freehold of the land which is valued and included in the Balance Sheet as other land and buildings where the school is under local authority control.

The assets used to provide the schools services are recognised on the Authority's Balance Sheet where the school is under local authority control.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2017 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	564	231	567	936	334	**2,632**
Within 2-5 years	2,312	1,125	2,758	3,114	1,486	**10,795**
Within 6-10 years	3,022	1,370	5,372	2,040	2,307	**14,111**
Within 11-15 years	208	-	545	18	198	**969**
	6,106	**2,726**	**9,242**	**6,108**	**4,325**	**28,507**

Bassetlaw Schools

The Authority has a contract with Transform Schools (Bassetlaw) Ltd for the provision of five secondary schools, two post-16 centres, one special school and two community leisure centres. These became fully operational during 2007/08 and the contract finishes on 31 July 2032 when the buildings transfer back to the Authority.

An agreement has been entered into between Nottinghamshire County Council and Bassetlaw District Council with regards to the two leisure facilities which form part of the PFI Scheme. A lease has been granted to Bassetlaw District Council for a term of 60 years secured on both the leisure facilities. Consequently these facilities are not included as assets on the Authority's Balance Sheet.

The Authority retained the freehold of the land which is valued and included in the Balance Sheet as other land and buildings where the school is under local authority control.

The assets used to provide the schools services are recognised on the Authority's Balance Sheet where the school is under local authority control.

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2017 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	5,905	1,527	2,902	8,705	224	**19,263**
Within 2-5 years	25,374	5,430	15,444	31,548	1,347	**79,143**
Within 6-10 years	36,084	10,690	26,776	29,836	649	**104,035**
Within 11-15 years	41,628	12,623	41,176	14,699	278	**110,404**
Within 16-20 years	3,542	1,163	4,550	182	112	**9,549**
	112,533	**31,433**	**90,848**	**84,970**	**2,610**	**322,394**

Waste Recycling

The Authority has received Government support for a Nottinghamshire Waste PFI scheme which involves the commissioning of Materials Recycling Facilities and an Energy Recovery Facility. A PFI credit of £38.3 million has been allocated. The contract was signed on 26 June 2006 with Veolia Environmental Services and the contract ends on 31 March 2033 when the assets transfer to the Authority. The first main new facility, the Materials Recycling Facility (MRF), became operational in January 2009. The MRF site is subject to a 50 year rental agreement with the Authority, which is then recharged to Veolia Environmental Services at the same rates.

The Authority retained the freehold of the land which is valued and included in the Balance Sheet.

The assets used to provide the services are recognised on the Authority's Balance Sheet. Movements in their value over the year are included in the analysis of the movement in Property, Plant and Equipment balance.

The Authority makes an agreed payment per tonne of waste which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2017 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	17,970	1,707	1,048	2,683	1,508	**24,916**
Within 2-5 years	75,694	7,316	4,493	12,626	7,450	**107,579**
Within 6-10 years	105,438	6,261	6,643	13,982	13,979	**146,303**
Within 11-15 years	119,300	1,245	4,219	8,084	21,171	**154,019**
Within 16-20 years	25,675	-	7,745	489	5,055	**38,964**
	344,077	**16,529**	**24,148**	**37,864**	**49,163**	**471,781**

14. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2015/16	2016/17
	£000	£000
Rental income from Investment Property	(585)	(488)
Direct operating expenses arising from Investment Property	158	28
Net (income)/expenditure	**(427)**	**(460)**

There are no restrictions on the Authority's ability to realise the value inherent in its Investment Property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop Investment Property or to undertake repairs, maintenance or enhancement.

Investment Properties have been valued as at the Balance Sheet date by the Authority's Estate specialist Mr I Brearley MRICS who holds a relevant professional qualification and has recent experience.

The following table summarises the movement in the fair value of Investment Properties over the year:

	2015/16	2016/17
	£000	£000
Balance at start of year	**13,336**	**18,004**
Additions:		
Subsequent expenditure	-	-
Disposals	(610)	-
Net gains/(losses) from fair value adjustments	3,364	(1,668)
Transfers:		
(to)/from PPE	1,914	103
Balance at end of year	**18,004**	**16,439**

Fair Value Hierarchy

The Investment property portfolio has been assessed in reference to the Fair Value Hierarchy as per the requirements of IFRS13 (see Statement of Accounting Policies for further detail).

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/17 £000
Investment Properties	-	9,009	7,430	**16,439**

2015/16 Comparative Figures

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/16 £000
Investment Properties	-	11,182	6,822	**18,004**

Transfers between levels of the Fair Value Hierarchy

There were no transfers of assets between levels 1 and 2 of the hierarchy during the year.

Valuation techniques used to determine Fair value

Significant Observable Inputs - Level 2

The fair value has been derived using the market approach applying current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant.

Significant Unobservable Inputs - Level 3

The fair value has been measured using the investment method, where expected cash flows are discounted to establish the present value of the net income stream. The approach uses existing lease terms and internal data relating to rent growth and occupancy levels to derive a fair value. There is no reasonably available information to indicate that market participants would use different assumptions.

In estimating the fair value of the Authority's investment property portfolio, the highest and best use of the properties is their current use

Reconciliation of Fair Value Measurements within Level 3

	2016/17 £000
Opening Balance	**6,822**
Transfers into Level 3	43
Transfers out of Level 3	-
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	565
Additions	-
Disposals	-
Closing Balance	**7,430**

15. Intangible Assets

The Authority accounts for its software as Intangible Assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessment of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are from 3-5 years.

Intangible Assets are held at depreciated historic cost as a proxy for fair value where useful lives are low and/or values are immaterial.

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £2.6 million expensed to revenue in 2016/17 (£3.2 million in 2015/16) was charged to the CIES.

The movement on Intangible Asset balances during the year is as follows:

	2015/16 Purchased Software Licences £000	2016/17 Purchased Software Licences £000
Balance at start of year		
Gross carrying amounts	16,595	17,620
Accumulated amortisation	(8,580)	(10,301)
Net carrying amount at start of year	**8,015**	**7,319**
Purchases	2,668	946
Disposals	(125)	-
Amortisation for the period	(3,239)	(2,567)
Net carrying amount at end of year	**7,319**	**5,698**
Comprising		
Gross carrying amounts	17,620	17,678
Accumulated amortisation	(10,301)	(11,980)
	7,319	**5,698**

Fully amortised assets with a gross value of £0.9 million were disposed of in year.

16. Heritage Assets

Heritage Assets are measured at Open Market Value, or, under certain circumstances, at historic cost and depreciated where appropriate.

	2015/16 £000	2016/17 £000
Balance at 1 April	481	481
Additions	-	-
Revaluations	-	-
Balance at 31 March	**481**	**481**

Further Information on Heritage Assets

Savile of Rufford Abbey estate records

These documents relate to estates built up by the family in the West Riding of Yorkshire from the Middle Ages to the 17th century, and subsequently, augmented by the inheritage of the former Rufford Abbey estates in Nottinghamshire in 1626 through the marriage into the Talbot family, earls of Shrewsbury. The records were removed from Rufford Abbey prior to the Second World War and subsequently catalogued by the National Register of Archives in London in the 1940s and 1950s. They were deposited in the Nottinghamshire Archives in 1958, with subsequent additional deposits added in 1960, 1974 and 1982. These were supplemented by smaller acquisitions made in 1982. The collection consists of 394 boxes of documents.

Architectural drawings of Rufford and elsewhere by James Gibbs, 17th-18th centuries

The collection consists of 35 documents: 22 architectural drawings of Rufford Abbey, Ollerton Hall and Ollerton Church, with one drawing possibly of Osberton Hall, together with 17th and 18th century news cuttings reporting on Rufford Abbey and the Savile family, prints of Mr Henry Savile, Sir Henry Savile and Rufford landscapes.

The drawings were passed down to the present Lord Savile by descent. They were purchased at Sotherby's auction by Nottinghamshire Archives in July 2010, with the assistance of then Museums Libraries and Archives Council and Archives Council (now Arts Council)/ Victoria and Albert Museum Purchase Grant Fund and the friends of the National Libraries.

Ceremonial Regalia and Art Collection

The ceremonial regalia and art collection includes ceremonial items, paintings (both oil and watercolour), sketches, sculptures, glass and silverware acquired over a number of years. The majority of the collection is on display at County Hall with the remainder held in secure storage.

17. Assets Held for Sale

	Current Assets	
	2015/16	**2016/17**
	£000	**£000**
Balance at start of year	**5,115**	**1,523**
Assets newly qualified as Held for Sale:		
Property, Plant and Equipment	1,750	1,523
Revaluation losses	(443)	(743)
Revaluation gains	80	-
Declassified		
Property, Plant and Equipment	(170)	(250)
Assets sold	(4,810)	(948)
Other Movements	1	-
Balance at end of year	**1,523**	**1,105**

There are no non-current assets held for sale.

18. Capital Expenditure and Financing

	Note	2015/16	2016/17
		£000	**£000**
Opening Capital Financing Requirement (CFR)		**717,275**	**715,308**
Capital Investment			
Property, Plant and Equipment	10	68,256	66,411
Intangible Assets	15	2,668	946
Amounts treated as revenue expenditure in accordance with the Code but which are classified as capital expenditure under statute		13,612	11,100
Additions/Reductions to PFI finance liability		4,424	4,734
Other adjustments		-	184
Sources of finance			
Capital receipts		(7,683)	(4,349)
Government grants and other contributions		(52,843)	(62,575)
Sums set aside from revenue (inc. MRP)		(25,198)	(10,017)
Repayment of PFI finance liability		(4,979)	(5,442)
Repayment of finance lease liability		(224)	(61)
Closing Capital Financing Requirement (CFR)		**715,308**	**716,239**
Movement in year			
Change in underlying need to borrow (unsupported by Government financial assistance)		(1,967)	931
		(1,967)	**931**

The estimated commitments for capital expenditure in future years for schemes that had started and for which a legal contract had been entered into by 31 March 2017 are:

	£000
2017/18	33,460
2018/19	2,406
2019/20	1,176
2020/21	1,083
	38,125

The committed projects for 2017/18 are:

	£000
School Projects	20,739
Country Parks	4,190
Better Broadband for Nottinghamshire	3,097
Economic Development Capital Programme	1,459
Hucknall Town Centre Improvement Scheme	1,267
Microsoft Enterprise Agreement	1,000
Other	1,708
	33,460

19. Inventories

	Raw Materials		Finished Goods		Totals	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000	£000	£000
Opening Balance	**1,827**	**1,699**	**1,052**	**1,041**	**2,879**	**2,740**
Purchases	13,497	8,174	7,580	6,303	21,077	14,477
Expended	(13,313)	(8,863)	(7,589)	(6,396)	(20,902)	(15,259)
Written Off	(312)	-	(2)	(3)	(314)	(3)
Transfer to new provider	-	(293)	-	(91)	-	(384)
Closing Balance	**1,699**	**717**	**1,041**	**854**	**2,740**	**1,571**

20. Debtors and Long Term Debtors

Debtors less than one year	2015/16 £000	2016/17 £000
Central government bodies	14,951	7,076
Other local authorities	25,025	20,486
NHS bodies	6,704	3,456
Public corporations and trading funds	156	49
Other entities and individuals	21,803	22,360
	68,639	53,427
Less bad debt provision	(5,976)	(6,246)
Total	**62,663**	**47,181**

Long term debtors	2015/16 £000	2016/17 £000
Adult care property debt	699	479
Other	30	32
Total	**729**	**511**

Analysis of bad debt provision	2015/16 £000	2016/17 £000
Opening bad debt provision	**5,639**	**5,976**
Amounts paid	(2,107)	(2,317)
Amounts written off	(360)	(436)
Provisions adjustment	2,804	3,023
Closing bad debt provision	**5,976**	**6,246**

21. Pensions – Contributions

Teachers

In 2016/17, the Authority paid £17.7 million to the Teacher's Pension Agency (£17.8 million in 2015/16) in respect of teachers' pension costs, which represents 16.48% of teachers' pensionable pay. In addition the Authority is responsible for all pension payments relating to added years it has awarded together with the related inflation increases. In 2016/17, this was £5.7 million (£5.1 million in 2015/16), representing 5.35% of pensionable pay (4.16% in 2015/16). The Authority is allowed to enhance lump sum retirement payments to teachers, in 2016/17 no payments were made (nil in 2015/16).

Other Employees

During 2016/17, the net cost of pensions and other benefits amounted to £39.1million (£40.5 million in 2015/16), which represented 20.00% of pensionable pay (19.55% in 2015/16).

The Actuarial report upon which 2016/17 accounts are based is for a 3 year period commencing 1 April 2014. The report indicated rates that will provide the cost for 100% of pension funding in accordance with IAS19.

This is a combined rate of 13.2% and a value to be contributed:

	Additional contribution £000
2014/15	12,638
2015/16	12,979
2016/17	13,330

The Authority is responsible for all pension payments relating to historical, discretionary added years benefits it has awarded, together with the related inflation increases. In 2016/17 these amounted to £2.4 million (£2.5 million in 2015/16), representing 1.3% of pensionable pay (1.2% in 2015/16). The Authority also paid £1.2 million into the Pension Fund in 2016/17 (£1.4 million for 2015/16) to fund the non-discretionary additional strain on the pension fund of early retirements.

The Actuarial report upon which 2017/18 accounts are to be based is for a 3 year period commencing 1 April 2017. The report indicated rates that will provide the cost for 100% of pension funding in accordance with IAS 19. The Authority has taken advantage of the ability to pay the additional contribution up front as a lump sum of £39.2m to generate a cash saving of £2.1m. This will be offset by the cost of borrowing to fund the payment.
This amount will be charged to the 3 years 2017/18 to 2019/20 as set out below.

This is a combined rate of 15.4% and a value to be contributed:

	Additional contribution £000
2017/18	13,069
2018/19	13,069
2019/20	13,069

22. Pensions – IAS19

The IAS19 position as at 31 March 2017 was a net liability as set out in the table below :

	2015/16 £000	2016/17 £000
Local Government Pension Scheme	(839,725)	(1,136,995)
Teachers Unfunded Defined Benefit Scheme	(94,814)	(111,060)
Total Net Liability	**(934,539)**	**(1,248,055)**

Assets have been valued using the market value at 31 December 2016 increased by market index returns for the last three months of the accounting period. Liabilities have been valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. This work was undertaken by Barnett Waddingham LLP, an independent firm of actuaries, based upon the estimated position at 31 March 2017 provided by the Authority during March 2017. The actual figures for 2016/17 are not considered materially different from the estimates provided.

Local Government Pension Scheme

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current service cost	(61,615)	(51,073)
- Past service cost (including curtailments)	(2,068)	(2,020)
- Liabilities (assumed) / extinguished on settlements	6,564	58,080
- Settlement Prices received / (paid)	(2,536)	(35,597)
Other Operating Expenditure		
- Administration Expenses	(31)	(510)
Financing and Investment Income and Expenditure		
- Net interest on the defined (liability) / asset	(31,781)	(28,895)
Net Charge to the Comprehensive Income and Expenditure Statement	**(91,467)**	**(60,015)**
Movement in Reserves		
- Reversal of net charges made for retirement benefits in accordance with IAS19	91,467	60,015
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers contributions payable to the Pension Fund and retirement benefits payable directly to pensioners	44,889	42,694

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, the following actuarial gains/losses were included within Other Comprehensive Income and Expenditure.

	2015/16 £000	2016/17 £000
Actuarial gains / (losses)	194,552	(279,249)

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2015/16 £000	2016/17 £000
At 1 April	**2,445,606**	**2,275,706**
Current service cost	61,615	51,073
Interest cost	79,703	79,286
Change in Financial Assumptions	(253,816)	588,715
Change in Demographic Assumptions	-	16,136
Experience loss/(gain) on Defined Benefit Obligation	1,079	(63,979)
Past service costs/(gain)	2,068	2,020
Liabilities extinguished on settlements	(6,564)	(58,080)
Benefits paid	(64,751)	(69,202)
Contributions by scheme participants	13,064	12,029
Unfunded pension payments	(2,298)	(2,217)
at 31 March	**2,275,706**	**2,831,487**

Reconciliation of fair value of the scheme assets:

	2015/16	2016/17
	£000	**£000**
At 1 April	**1,458,606**	**1,435,981**
Interest on assets	47,922	50,391
Return on assets less interest	(59,336)	271,938
Other actuarial gains/(losses)	-	(11,466)
Administration expenses	(31)	(510)
Employer contributions	44,190	41,994
Contributions by scheme participants	13,064	12,029
Estimated benefits paid	(67,049)	(71,419)
Settlement prices received/(paid)	(2,536)	(35,597)
Other Movements*	1,151	1,151
At 31 March	**1,435,981**	**1,694,492**
Opening Net Position	**(987,000)**	**(839,725)**
Closing Net Position	**(839,725)**	**(1,136,995)**

*Contribution from Nottinghamshire Probation Trust for former employees of the Authority.

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2016 for the year to 31 March 2017). The returns on gilts and other bonds are assumed to be gilts yields and corporate bond yields (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilts yields.

Scheme History

	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	**£m**	**£m**	**£m**	**£m**
Present value of liabilities	(2,023.3)	(2,050.6)	(2,445.6)	(2,275.7)	(2,831.5)
Fair value of scheme assets	1,229.9	1,325.8	1,458.6	1,436.0	1,694.5
Surplus/(deficit) in the scheme	(793.4)	(724.8)	(987.0)	(839.7)	(1,137.0)
Cumulative actuarial gain (loss)	**(397.6)**	**(286.4)**	**(514.3)**	**(319.7)**	**(598.9)**

IAS19 requires the Authority to determine the surplus or deficit of its Pension Fund on an annual basis. In the short-term, changes in the value of investments can lead to a significant variation to the surplus or deficit on the fund which might be expected to show a smoother trend over the longer term. Every three years the Authority reviews its contributions to the fund based upon a detailed actuarial exercise which takes account of existing liabilities and likely investment returns and sets out an approach to meeting 100% of liabilities over a period of time. This takes a longer-term view of the fund position than that required by IAS19 and is expected to be less prone to significant changes in fund value as a result of short-term fluctuations in market values. The Authority does not expect the deficit shown to have a significant impact upon reserves or revenue funding requirements in the short term. The triennial revaluation effective 1 April 2017 showed that the Authority's contributions to the fund would be 15.4% of pensionable pay in each of the next three financial years, and an additional value of:

	£000
2017-18	13,069
2018-19	13,069
2019-20	13,069

The above amounts have been paid as an agreed up front payment of £39.2m as permitted by the Actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2017 is £43.3 million.

The actuarial assumptions used to calculate the position in accordance with IAS19 were as follows:

	31 March 2016	31 March 2017
Rate of inflation - RPI Increases	3.2%	3.6%
Rate of inflation - CPI Increases	2.3%	2.7%
Rate of increase in salaries	4.1%	4.2%
Rate of increase in pensions	2.3%	2.7%
Discount rate	3.6%	2.7%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	22.1	22.5
Women (years)	25.3	25.5
Longevity at 65 for future pensioners:		
Men (years)	24.4	24.7
Women (years)	27.7	27.8
Expected return on assets	(1.0%)	23.0%
Proportion of employees opting to take an increased lump sum/reduced pension	50.0%	50.0%

The Authority's estimated asset allocation, which is 35% of the whole fund is as follows:

	31 March 2016 £000	%	31 March 2017 £000	%
Assets				
Equities	999,737	70	1,185,131	70
Gilts	44,688	3	51,801	3
Other Bonds	98,214	7	102,232	6
Property	181,378	12	188,401	11
Cash	58,223	4	85,250	5
Inflation-linked pooled fund	40,422	3	42,301	3
Infrastructure	13,319	1	39,376	2
Total	**1,435,981**	**100**	**1,694,492**	**100**

The Authority publishes a Pension Fund Annual Report which is available upon request. A copy is also available on the pension fund website (www.nottspf.org.uk).

Sensitivity analysis

This table shows the assumption change and the impact upon present value of total obligation and projected Service Cost:

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,779,052	2,831,487	2,884,963
Projected Service Cost	77,282	79,172	81,110
Adjustment to long term Salary Increase	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,837,995	2,831,487	2,825,031
Projected Service Cost	79,172	79,172	79,172
Adjustment to pensions Increase and Deferred revaluation	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,878,403	2,831,487	2,785,458
Projected Service Cost	81,108	79,172	77,280
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	2,938,843	2,831,487	2,728,176
Projected Service Cost	81,697	79,172	76,725

Teachers

Under IAS19, the Teachers added years scheme is classed as an unfunded defined benefit scheme. The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year:

	2015/16 £000	2016/17 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Past service (cost) / gain	-	-
- Gains / (losses) on curtailments	-	-
Financing and Investment Income and Expenditure		
- Interest cost	(2,748)	(2,758)
Net Charge to the Comprehensive Income and Expenditure Statement	**(2,748)**	**(2,758)**

Movement in Reserves	2015/16 £000	2016/17 £000
- Reversal of net charges made for retirement benefits in accordance with IAS19	2,748	2,758
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers contributions payable to the Pension Fund and retirement benefits payable directly to pensioners	5,182	5,772

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, the following actuarial gains/losses were included within other comprehensive income and expenditure.

	2015/16 £000	2016/17 £000
Actuarial gains / (losses)	3,463	(19,260)

Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2015/16 £000	2016/17 £000
Deficit at 1 April	**100,711**	**94,814**
Interest cost	2,748	2,758
Actuarial (gains) / losses	(3,463)	14,371
Change in demographic assumptions	-	(191)
Experience loss / (gain)	-	5,080
Unfunded pension payments	(5,182)	(5,772)
Deficit at 31 March	**94,814**	**111,060**

Scheme History

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Present value of liabilities	(84.7)	(95.1)	(100.7)	(94.8)	(111.1)
Fair value of scheme assets	-	-	-	-	-
Surplus/(deficit) in the scheme	**(84.7)**	**(95.1)**	**(100.7)**	**(94.8)**	**(111.1)**

The actuarial assumptions used to calculate the position in accordance with IAS19 were as follows:

	31 March 2016	31 March 2017
Rate of inflation - RPI Increases	2.8%	3.2%
Rate of inflation - CPI Increases	1.9%	2.3%
Rate of increase in pensions	1.9%	2.3%
Discount rate	3.0%	2.1%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	22.1	22.5
Women (years)	25.3	25.5
Longevity at 65 for future pensioners:		
Men (years)	24.4	24.7
Women (years)	27.7	27.8

23. Creditors

Creditors less than one year	**2015/16**	**2016/17**
	£000	**£000**
Central government bodies	8,916	9,976
Other local authorities	17,374	10,077
NHS bodies	3,604	3,221
Public corporations and trading funds	543	19
Other entities and individuals	67,470	80,155
Total	**97,907**	**103,448**

24. General Provisions

Where events have happened, which are likely to result in future costs to the Authority, an estimate of the likely impact is made and a provision is set aside. The provisions made are set out below:

Short Term Provisions	**2015/16**	**Movement**	**2016/17**
	£000	**£000**	**£000**
General Insurance Claims prior to 1/4/98	760	(110)	650
General Insurance Claims from 1/4/98	716	(63)	653
Corporate Redundancy Provision	731	(222)	509
NDR provision for backdated appeals	467	115	582
Provisions below £200,000	151	(151)	-
Children's' Social Care adaptions	35	(35)	-
Total	**2,860**	**(466)**	**2,394**

Long Term Provisions	**2015/16**	**Movement**	**2016/17**
	£000	**£000**	**£000**
General Insurance Claims prior to 1/4/98	6,837	(991)	5,846
General Insurance Claims from 1/4/98	6,449	(562)	5,887
NDR provision for backdated appeals	1,866	460	2,326
Total	**15,152**	**(1,093)**	**14,059**

25. Contingent Liabilities

Insurance

In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal liability claims, which will take many years to materialise and finalise. On 13 November 2012 the board of MMI triggered the previously agreed Scheme of Arrangement and Ernst & Young LLP became responsible for the management of MMI's business, affairs and assets. In February 2013 the proposed levy or claw-back rate was initially set at 15%. On 16 March 2016, MMI wrote to all scheme creditors and proposed that the levy be increased to 25%. This has been agreed by the Scheme Creditors Committee and the balance of 10% will comprise the second levy to be applied to claims payments made under the Scheme of Arrangement since 30 September 1993. The actuarial review of the insurance liabilities of MMI remains uncertain and Ernst & Young LLP is not able to guarantee that this revised levy percentage will be sufficient for a solvent run-off. It is therefore anticipated that further levies will be made.

Social Care

A group litigation has been lodged against the Authority for negligence in its responsibilities for providing social care. Experience of similar cases in other authorities suggests that it will be three to five years before the case is concluded. An allowance has been set aside within the insurance provision for the possible settlement that the Authority may have to pay. However, in order not to prejudice seriously the privacy of the individuals and the Authority's position in the case, any further information has been withheld from this publication.

Health and Safety Executive Prosecution

The Authority has been prosecuted by the Health and Safety Executive (HSE) for safety failings following a 2015 incident at Rufford Country Park. As at the balance sheet date it is known that the case will be heard by the Nottingham Crown Court and that the Authority has pleaded guilty. The size of the potential fine, however, is not known.

26. Specific Revenue Grants

The value of revenue grants included as income within the cost of services is as follows:

Committee Segments	2015/16 As Restated £000	2016/17 £000
Children & Young People	10,944	8,398
Schools	346,234	335,352
Adult Social Care & Health	12,966	11,458
Transport & Highways	1,675	2,245
Environment & Sustainability	396	58
Community Safety	2	1
Culture	3,957	3,901
Policy	291	103
Finance & Property	131	109
Personnel	156	289
Economic Development	3,803	4,499
Public Health	39,473	43,295
	420,028	**409,708**
Funding Body		
Department for Business, Innovation & Skills	2,614	-
Department for Communities & Local Government	12,207	10,690
Department for Education	353,121	346,107
Department for Environment, Food & Rural Affairs	64	73
Department of Health	42,480	44,942
Department for Transport	1,813	2,445
Department for Work & Pensions	286	55
Home Office	1,060	1,228
Arts Council England	1,168	-
Other	5,215	4,168
	420,028	**409,708**
Analysis of Revenue Receipts in Advance		
Department for Communities & Local Government	215	300
Department for Education	1,125	628
Department of Health	225	121
Department for Transport	187	17
Other	130	113
	1,882	**1,179**

27. General Government Grants Income and Taxation

The Authority set the 2016/17 Council Tax for a Band D property at £1,290.66 including the Adult Social Care precept (£1,241.14 in 2015/16). This was suitably adjusted for other bands of property and a precept was issued to the District Councils to recover the relevant amounts. Any variances in the amounts actually collected by the District Councils on behalf of the Authority will be adjusted in the amounts payable next year.

The figure for income from Council Tax includes accruals for the year-end position for the Authority's share of the various District Council Collection Funds. The value of the accrual in 2016/17 decreased by £2.1 million (£2.5 million increase in 2015/16) which is reversed out of the General Fund in the Movement in Reserves Statement and held in the Balance Sheet in the Collection Fund Adjustment Account.

A number of grants and contributions are paid to the Authority directly by the Government. During 2016/17, the Authority has recognised donated assets of £20.8 million in relation to new school buildings financed by the Education Funding Agency as part of the Priority School Building Programme (PSBP). Such assets have been recognised on the Balance Sheet at fair value upon operational status.

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement during the financial year:

Credited to Taxation & Non Specific Grant Income	2015/16 £000	2016/17 £000
Department for Communities & Local Government	168	-
Department for Education	19,314	24,677
Department of Health	283	1
Department for Transport	21,306	24,445
Other Grants & Contributions	2,676	5,994
Donations	-	20,866
Recognised Capital Grants & Contributions	**43,747**	**75,983**

	2015/16 £000	2016/17 £000
Revenue Support Grant	90,334	63,234
Local Services Support Grant	569	-
PFI	13,908	13,948
General Government Grants	**104,811**	**77,182**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that, if not fulfilled, will require the monies or property to be returned to the donor. The balances at year-end are as follows:

Capital Grants Receipts in Advance	2015/16 £000	2016/17 £000
Department for Communities & Local Government	32	32
Department for Education	102	9
Department of Health	366	-
Department for Transport	1,840	-
Other Grants	4,916	4,600
Total	**7,256**	**4,641**

28. Financial Instruments Balance

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Long-term		Current	
	2015/16	2016/17	2015/16	2016/17
	£000	£000	£000	£000
Financial liabilities at amortised cost	548,856	549,476	112,091	116,013
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**548,856**	**549,476**	**112,091**	**116,013**
Loans and receivables	7,670	6,481	80,473	67,065
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	**7,670**	**6,481**	**80,473**	**67,065**

The Authority does not hold any financial liabilities at fair value through profit and loss or available-for-sale financial assets. There have been no reclassifications of financial assets during the accounting period.

The Authority's borrowings include finance leases associated with PFI schemes and borrowings with the Public Works Loans Board (PWLB) and with UK and European banks through 'Lender's Option, Borrowers' Option' loans (LOBOs). These are both classed as 'other liabilities' and measured at amortised cost.

Financial liabilities at amortised cost

Long-term

	2015/16	2016/17
	£000	£000
(a) Long Term Borrowing		
Amounts still owed on loans received from external sources to acquire capital assets such as roads, buildings & equipment.		
Long Term Borrowing for repayment after 1 year	428,454	428,876
(b) Finance Lease Liability		
Amounts still owed on finance leases taken with external sources to acquire capital assets for PFI Schemes and long term finance leases for repayment after 1 year	120,402	120,600
Total Long Term Borrowing at 31 March	**548,856**	**549,476**

Current

	2015/16	2016/17
	£000	£000
(c) Borrowing		
Long term borrowing for repayment within 1 year	18,431	18,087
Finance leases and PFI schemes for repayment within 1 year	5,688	4,517
Total Borrowing at 31 March	**24,119**	**22,604**

	2015/16	2016/17
	£000	£000
(d) Trade Creditors	87,972	93,409

Financial Assets - Loans & Receivables

Long-term

	2015/16	2016/17
(a) Long-term Investments	£000	£000
Long term investments with other local authorities and financial institutions	4,520	2,516

	2015/16	2016/17
	£000	£000
(b) Long-term Advances		
Car and Bike Loans	198	120
Nottinghamshire Cricket Club	860	1,663
Hardship Loans	27	-
Academies	236	211
Adult Care Property Debt - Deferred Payment Scheme	1,811	1,754
Funding Circle	18	17
ARC	-	200
	3,150	**3,965**

Car and Bike Loans

The Authority has made loans for car and bike purchases to 35 employees (2015/16 52 employees) in the Authority who are in posts that require them to drive regularly on the Authority's business. These loans are not subsidised.

Car and Bike Loans Breakdown:

	2015/16	2016/17
	£000	£000
Opening balance	267	198
Advances	55	20
Repayments	(124)	(98)
Closing Balance	**198**	**120**

	2015/16	2016/17
Car Loans Breakdown:	£000	£000
One year or less	93	60
More than one year	105	60
	198	**120**

On 19 September 2007 the Authority approved a loan of £1.23 million for 20 years to Nottinghamshire Cricket Club to help fund the £8.2 million development plans for the Trent Bridge ground. In addition to enhancing the reputation of the Cricket Club and helping it to retain Trent Bridge as a test match venue there are benefits to the economy and wider community benefits. Consequently, the loan was offered at a discounted rate with a capital repayment holiday for the first 5 years. Security has been set by way of a charge against the fixed assets of the Club to safeguard the interests of the Authority. Since the loan was offered at less than the prevailing rate the figure in the Balance Sheet represents the fair value of the loan carried at its amortised cost. The balancing figure appears in the Financial Instruments Adjustment Account.

On 7 October 2015 Policy Committee approved a further loan, in conjunction with Nottingham City Council and Rushcliffe Borough Council. The loan is to allow the club to invest £8.1m in a media facility, refurbishing the Pavilion, enhancing the William Clarke Stand and Lady Bay development.
The partnership loan is over 20 years, with no holiday periods for capital repayment and is secured by way of a charge against the fixed assets of the Club. The loan will be drawn upon over two years 2016/17 and 2017/18 as required, and the interest rate is fixed at the 20 year annuity PWLB rate at the time of the legal agreement plus 2%.

The Authority operates an internal school loans scheme to enable schools to purchase assets such as ICT equipment, minibuses, photocopiers or contribute towards capital schemes. Typically these amounts are repaid over a three year period. Interest is charged at the current base rate plus 1% on these loans. When a school converts to academy status any outstanding balance will be reclassified as a loan to an external body and shown as a loan on the Authority's Balance Sheet.

The Authority also provides loans to fund energy efficiency projects, i.e. Lighting, ICT upgrades and energy management systems. These are normally repaid over a five year period. No interest is charged on these loans. Since the loan was offered at less than the prevailing rate the figure in the Balance Sheet represents the the fair value of the loan carried at its amortised cost. The balancing figure appears in the Financial Instruments Adjustment Account.

Adult Care Property Debt under the deferred payment scheme (Section 35 of the Care Act 2014) consists of loans to those with insufficient income and capital, excluding their property, to meet their care home fees. Repayment of such loans is deferred until the residents die or their property is sold.

As part of its Economic Regeneration programme since 2013/14, the Authority has invested through the Funding Circle as a way of supporting direct lending or investment to small and medium sized local businesses. This was a consequence of the reduction in lending to businesses from banks or other mainstream sources of funding following the economic downturn.

The Authority has partnered with Scape Group Ltd to set up Arc to deliver property design and operations. functions. An amount of £0.2m has been provided to Arc as a short term loan to avoid excessive overdraft costs. The rate is PWLB (1.48 on the loan date) + 4%.

Current

(c) Temporary investments	**2015/16**	**2016/17**
	£000	**£000**
Temporary investments with other local authorities and financial institutions	30,039	32,036

The Authority manages its cash in line with its approved Treasury Management Policy and in accordance with prevailing statutory requirements. The amount invested at the year end depends on the cash flow position at that date.

Short-term Trade Debtors	**2015/16**	**2016/17**
	£000	**£000**
(d) Trade Debtors (less bad debt provision)	50,434	35,029

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £0.12 million (£0.12 million in 2015/16) that have been written off to the Comprehensive Income and Expenditure Account to reflect the high risk of the investment. Consequently, their fair value has been assessed as nil in the Balance Sheet.

Interests in Companies - Joint Ventures and Divested Organisations

The Authority holds a share in the Local Authority controlled SCAPE Group Ltd (17% share). The value of this holding is small and there are conditions on the shares that prevent them being traded on the open market. Consequently, since the fair value cannot be measured reliably, no value is carried on the Balance Sheet.

CLASP Consortium intellectual property was assigned to SCAPE Group Ltd by a deed entered into on 23rd May 2016 and the consortium has been dissolved by way of dissolution agreement entered into between the CLASP members on the 7th June 2016. On dissolution, all CLASP members have received £0.3m, of which £0.2m was in respect of pension liability and the remaining from residual funds.

ARC Property Services Partnership Ltd began trading in June 2016. It is a Joint Operation with SCAPE Group where both parties share 50% risk. The new company is contracted to deliver property services to the Authority and the principle place of business is Nottinghamshire.

Via East Midlands Ltd began trading in July 2016. It is a Joint Operation with CORSERV where the shares are 49% the Authority and 51% CORSERV. This new company is contracted with the Authority for highways services and the principle place of business is Nottinghamshire.

The Authority has a 50% interest in Futures Advice Skills and Employment Limited (formerly Nottingham and Nottinghamshire Futures Limited). The Company transferred into Local Authority control from the Learning and Skills Council at 1 April 2008 at no cost and consequently, this is reflected at an immaterial investment cost in the Authority's accounts.

29. Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

	2015/16			2016/17		
	Financial Liabilities £000	Financial Assets £000	Total £000	Financial Liabilities £000	Financial Assets £000	Total £000
Interest expense	(34,000)	-	(34,000)	(34,757)	-	(34,757)
Losses on derecognition	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Interest payable and similar charges	**(34,000)**	**-**	**(34,000)**	**(34,757)**	**-**	**(34,757)**
Interest income	-	680	680		1,061	1,061
Gains on derecognition	-	-	-	-	-	-
Interest and investment income	**-**	**680**	**680**	**-**	**1,061**	**1,061**

The average cost of external borrowing was 4.54% (4.71% in 2015/16).

The interest expense figure includes the cost of administration fees. For most of the transactions entered into by the Authority the transaction costs are negligible. For example, the PWLB charges an administration fee when advancing new loans at the current rate of 35p per £1,000 and LOBO loans taken out through brokers have incurred fees of £24,000 on borrowings of £10 million. Administration fees below 0.5% of the amount borrowed are considered not material and are charged directly to the Comprehensive Income and Expenditure Account.

Following comprehensive local government re-organisation in 1974, the Authority took over assets from other local authorities on which there were repayments of advances still outstanding. These debts are administered by the other authorities and the amounts recharged to the Authority are included in the above figures.

The balance outstanding on these deferred liabilities is as follows:

	2015/16 £000	2016/17 £000
Loan taken over from District Councils when the responsibility for services was transferred to the Authority on local government reorganisation in 1974.	1,234	1,161

30. Fair Value of Assets and Liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value

- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

For long term borrowings and investments, fair values have been calculated by reference to relevant interest rates in force as at 31 March 2016 and 2017 as follows:

- for PWLB loans, the relevant PWLB rate in force
- for LOBO loans, the PWLB premature repayment rate applicable to loans in excess of 50 years
- for long term investments, the market rate for a loan of similar value and profile
- for finance leases and Salix loan, the PWLB rate for an annuity commencing on 31 March of equal length to the remaining scheduled length
- for loans and receivables, the PWLB rate for an annuity commencing on 31 March of length equal to the remaining scheduled length of the relevant instrument, plus 1% to recognise risk on loans and receivables.

	2015/16		2016/17	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial liabilities	660,947	917,441	665,489	912,972

The fair value is greater than the carrying amount because the Authority's portfolio of loans and finance leases includes a number of fixed rate loans and leases where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender agreed to early repayment of the loans.

	2015/16		2016/17	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	88,143	88,426	73,546	76,096

The fair value is different from the carrying amount because the Authority's portfolio of investments included a number of fixed rate loans where the interest rate receivable was different from the rates available for similar loans at the Balance Sheet date. Where the agreed interest is above current market rates, the Authority would have to accept higher repayment if it negotiated early repayment of the loans; where the interest rate is lower then a lower repayment.

Fair Value Hierarchy

The financial liabilities, loans and receivables have been assessed in reference to the Fair Value Hierarchy as per the requirements of IFRS 13 (see Statement of Accounting Policies for further detail)

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/17 £000**
Financial liabilities	-	-	912,972	912,972
Loans and receivables	-	-	76,096	76,096

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/16 £000**
Financial liabilities	-	-	917,441	917,441
Loans and receivables	-	-	88,426	88,426

Valuation techniques used to determine Fair Value

Significant Unobservable Inputs - Level 3

The Fair Value has been measured using the investment method, where expected cashflows are discounted to the present value of the net income steam.

31. Disclosure of nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- credit risk – the risk of failure by a counterparty to meet its contractual obligations under an investment, borrowing, capital, project or partnership financing

- liquidity risk – the risk that cash will not be available when it is needed, thereby causing additional unbudgeted costs with consequent impact on the Authority's business/service objectives.

- market risk – the risk that, through adverse market fluctuations in the value of the principal sums the Authority borrows and invests, its stated treasury management policies are compromised.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. In 2002, the Authority adopted the CIPFA Code of Practice on Treasury Management. In accordance with this Code of Practice, the Authority sets an annual Treasury Management Strategy by March each year. This contains a number of measures to control the key financial instrument risks above including:

- treasury management practices
- prudential indicators for borrowing and investment
- approved counterparties for lending purposes.

The Authority also receives regular reports measuring the performance of the treasury management function. A copy of the Authority's Treasury Management Policy and Strategy is available upon request.

Credit Risk

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amounts at 31/3/17 £000	**Historical experience of default**	**Historical experience adjusted for market conditions at 31/3/17**	**Estimated maximum exposure to default and uncollecta-bility £000**
Deposits with banks and financial institutions	32,036	-	-	-
Customers	22,406	0.20%	0.20%	50

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Customers are assessed, taking into account their financial position, past experience and other factors. The Authority's policy is to set aside a provision for bad debt in order to minimise the effect of default. At the end of 2016/17 the provision for bad and doubtful debt was £6.2 million (£6.0 million in 2015/16).

The Authority does not generally allow credit for customers, such that £8.4 million (£9.4 million in 2015/16) of the £22.4 million (£24.9 million in 2015/16) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	1,736
Three to six months	1,125
Six months to one year	1,368
More than one year	4,150
	8,379

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that a significant proportion of borrowings will mature at a time of unfavourable interest rates. Current borrowings are spread over 70 years with a maximum of any one year's maturity around 7% of the total. However, since the Authority's future borrowing requirement is fairly sizeable in relation to current debt, the prudential indicator for debt maturity has been set as part of the annual Treasury Management Strategy. The strategy for new loans is to borrow each year close to the lowest rate available and, where economic circumstances make it favourable, early repayment of fixed rate loans will be considered.

In addition, the Authority has a number of finance lease liabilities that relate to PFI and other schemes.

The maturity analysis of financial liabilities is as follows:

	2015/16 £000	%	2016/17 £000	%
Maturity date				
Within 1 year	24,119	4.2	22,604	4.0
1 year and up to 2 years	13,684	2.4	19,243	3.4
2 years and up to 5 years	57,899	10.1	57,883	10.1
5 years and up to 10 years	90,230	15.7	88,373	15.4
10 years and up to 15 years	88,260	15.4	92,686	16.2
15 years and up to 20 years	67,911	11.9	60,419	10.6
20 years and up to 25 years	50,003	8.7	50,003	8.7
25 years and over	180,869	31.6	180,869	31.6
	572,975	**100.0**	**572,080**	**100.0**

	2015/16 £000	2016/17 £000
Source of Borrowing		
Public Works Loan Board	337,656	336,712
External Bonds and Loans	106,302	106,282
Finance Leases related to PFI and other schemes	126,090	125,117
Salix Loan	2,927	3,969
	572,975	**572,080**

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in other comprehensive income and expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy for borrowing rates is to achieve a managed decline in the average rate and to borrow each year close to the lowest rate available. During periods of falling interest rates, and where economic circumstances make it favourable, early repayment of fixed rate loans will be considered to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs. The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. The strategy is used to advise investment and borrowing decisions and also whether new borrowing taken out should be fixed or variable. This allows any adverse changes to be accommodated.

The Authority has no variable rate borrowings and minimal variable rate investments. A 1% change in interest rates would therefore have no material impact on the Comprehensive Income and Expenditure Statement. If interest rates had been 1% higher at 31 March 2017, with all other variables held constant, the fair value of fixed rate borrowings would be lower but with no impact on the Comprehensive Income and Expenditure Statement.

Price risk

The Authority does not hold any equity shares that can be measured and consequently is not exposed to losses from movements in the prices of shares.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to movements in exchange rates.

32. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. 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 Authority.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from Government departments are set out in the subjective analysis in Notes 26 and 27 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Authority's financial and operating policies. The total of Members' allowances paid in 2016/17 is shown in Note 48. During 2016/17, there were no works or services commissioned from companies in which Members had an interest (2015/16 - none). Any contracts would have been entered into in full compliance with the Authority's standing orders. Grants totalling £2,895,109 were paid to 8 organisations in which 9 Members had positions on the governing body (2015/16 £2,204,291 to 17 organisations, 17 Members). No grants were made to organisations whose senior management included close members of the families of Members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests which is open to public inspection and is

also available on the Authority's website at:
http://www.nottinghamshire.gov.uk/thecouncil/democracy/councillors/allowances-expenses-conduct-interests/

There are 2 members on the board of Inspire and the transactions with the authority have been examined. There are no direct grants paid to Inspire.

Senior Employees

In accordance with section 117 of the Local Government Act 1972, senior employees must declare their interest in any organisations which have received grant payments. During 2016/17, no grant was paid to any organisation in which a senior employee declared an interest (in 2015/16 a director was also part of Corporate Leadership Team and a grant of £2.1m was made). There are 2 senior officers on the board of Via and transactions between Via and the Authority are noted below.

Other Public Bodies (subject to common control by Central Government)

The Authority has a pooled budget arrangement with Integrated Community Equipment Loan Service (ICELS). The Authority has also entered into a pooled budget arrangement with NHS bodies called the Better Care Fund (BCF). Balances are detailed in Note 46.

The Authority is the administering body for the Local Government Pension Scheme (LGPS). Details of the Accounts of the Pension scheme can be found after the notes to the Authority's accounts.

Entities Controlled or Significantly Influenced by the Authority

These organisations are deemed to be influenced significantly by the Authority through its representation on the board or ownership of shares.

SCAPE Group Ltd - See note 28

Arc Property Partnership Ltd

	Unaudited 2016/17 £000
Revenue	21,254
Profit / (loss)	(743)
Total Assets	4,694
Total Liabilities	(11,120)
Equity and Reserves	(6,426)

The liabilities total includes £6.1m of pension liability not covered in the shareholder agreement split 50:50%

Nottinghamshire County Council had the following transactions with Arc:

	2016/17 £000
Purchases of works and services	19,069
Service Level Agreements	(140)
Other	(28)
Loan	200

Via East Midlands Ltd

	Audited 2016/17 £000
Revenue	41,199
Profit / (loss)	507
Total Assets	11,540
Total Liabilities	(11,033)
Equity and Reserves	507

Nottinghamshire County Council had the following transactions with Via:

	2016/17 £000
Purchases of works and services	39,472
Service Level Agreements	41
Other	(2,000)

Futures Advice, Skills & Employment Ltd (Futures)

Futures Advice, Skills and Employment Ltd (Futures) is a company owned equally between Nottingham City Council and Nottinghamshire County Council that provides support services to young people in Nottinghamshire.

	Audited 2015/16 £000	Unaudited 2016/17 £000
Revenue	16,476	17,712
Profit / (loss)	(366)	599
Total Assets	4,632	6,895
Total Liabilities	(17,770)	(23,348)
Equity and Reserves	(13,138)	(16,453)

Nottinghamshire County Council had the following transactions with Futures:

	2015/16 £000	2016/17 £000
Grants given	2,100	2,100
Purchases of works and services	613	744

Culture, Learning and Libraries (Midlands), trading as Inspire

Culture, Learning and Libraries (Midlands), trading as Inspire, is an independent Community Benefit Society launched by the Authority. Although the Authority does not control this entity, it does exercise power due to contract volume, being lessor of most of the properties and providing some support services. However, it has been agreed that the value does not meet the Authority's group accounts materiality threshold. The total expenditure is £13.0m and income is £1.9m.
https://www.inspireculture.org.uk/about-us/

33. Summary Revenue Accounts of Trading Undertakings

Note		2015/16 As Restated Turnover	Expend-iture	Surplus/ (Deficit)	2016/17 Turnover	Expend-iture	Surplus/ (Deficit)
		£000	£000	£000	£000	£000	£000
1	Direct Services	74983	79,391	(4,408)	45,661	46440	(779)
2	*Cleaning, catering, vehicle maintenance, building and grounds maintenance and highways maintenance to the Authority. Some work is undertaken on behalf of external clients.*						
	County Supplies	5,067	5,410	(343)	4,815	5,041	(226)
	A purchasing and supply service to the Authority and some external public bodies						
	Clayfields Secure Unit	4123	4,344	(221)	4,197	4384	(187)
	Specialist children's services to the Youth Justice Board and Local Authorities						
	Total	**84,173**	**89,145**	**(4,972)**	**54,673**	**55,865**	**(1,192)**

Note:

1.The Direct Services deficit is a result of the pension costs impact of IAS19 and a Living Wage increase to employee costs.

2. Work previously undertaken by Property Operations and Highways have transferred to Arc and Via during 2016/17, this impacts on the values and comparison with last financial year.

34. Movement on Usable Reserves

	2014/15 £000	Transfers Out £000	Transfers In £000	2015/16 £000	Transfers Out £000	Transfers In £000	2016/17 £000
General Fund Balance	27,031	(3,014)	-	24,017	-	3,689	27,706
Schools Statutory Reserves	37,899	(3,616)	97	34,380	(8,559)	215	26,036
General Insurance Reserve	10,276	-	1,608	11,884	-	4,401	16,285
Capital Receipts and Grants Unapplied Reserve	1,547	(54,544)	55,981	2,984	(68,904)	70,126	4,206
Corporate Reserves							
Earmarked Reserves	1,073	(18)	8,610	9,665	(6,608)	6,559	9,616
Capital Projects Reserve	11,208	(1,370)	2,250	12,088	(1,385)	2,905	13,608
NDR Pool Reserve	2,388	(1)	2,925	5,312	(1,368)	2,059	6,003
East Leake PFI Schools	3,152	(124)	185	3,213	-	28	3,241
Bassetlaw PFI Schools	333	(29)	-	304	-	265	569
Waste PFI Reserve	29,056	(1,387)	104	27,773	(2,209)	87	25,651
Corporate Pay Review Reserve	717	(7)	-	710	(710)	-	-
Surplus Pension Contributions	-	-	302	302	(118)	-	184
Corporate Redundancy Reserve	9,053	(4,000)	-	5,053	-	1,182	6,235
Historic Abuse Inquiry Reserve	-	-	-	-	-	341	341
Strategic Development Fund	9,955	(2,303)	-	7,652	(3,160)	200	4,692
Earmarked for Services Reserves							
Trading Activities	3,260	(2,567)	2,938	3,631	(2,355)	1,310	2,586
Departmental Reserves	16,706	(6,521)	1,417	11,602	(5,326)	1,612	7,888
Revenue Grants	18,851	(6,548)	5,283	17,586	(7,104)	5,462	15,944
Section 256 Grants	15,349	(2,828)	4,304	16,825	(2,241)	560	15,144
Total Other Earmarked Reserves	**121,101**	**(27,703)**	**28,318**	**121,716**	**(32,584)**	**22,570**	**111,702**
Total Usable Reserves	**197,854**	**(88,877)**	**86,004**	**194,981**	**(110,047)**	**101,001**	**185,935**

General Fund Balance comprises reserves available for use by the Authority as a contingency**.**

Schools Statutory Reserve - See note 36

General Insurance Reserve - See note 35

Capital Receipts and Grants Unapplied Reserve - holds capital grant / capital receipt balances that have been received but not yet utilised.

Corporate Reserves

Earmarked Reserves hold year end underspends where approval has been given to be carried forward and spent in the following year. This reserve also contains reserves previously classified under earmarked for services but are no longer required for their original purpose.

Capital Projects Reserve supports the Medium Term Financial Strategy as well as current and future capital commitments.

NDR Pool Reserve holds the Authority's share of the Non Domestic Rates pool surplus. The pool was established 1 April 2013 when the new funding mechanism was introduced with the seven District and Borough Councils. It also holds the Authority's share of growth and renewable energy.

Bassetlaw, East Leake and Waste PFI Reserves are surplus funding amounts set aside during the early years of the PFI contracts. These are contributions from central Government and the Authority will be required in later years to finance the unitary charge.

Corporate Pay Review Reserve holds amounts set aside to fund the costs of implementing single status employment conditions.

Surplus Pension Contributions Reserve is the surplus amounts charged against services. This overpayment will contribute towards future years deficit payments.

Corporate Redundancy Reserve was established to help meet redundancy costs in excess of the amount already held in contingency for future years.

Historic Abuse Inquiry Reserve was been established to fund future expenditure associated with the Government led inquiry into historic abuse.

Strategic Development Fund was approved in the Budget Report to Council 27 February 2014 to facilitate the Authority's commitment to redefine service delivery.

Earmarked for Services Reserves

Trading Services reserves comprise accumulated revenue surpluses plus or minus any transfer between those reserves and the General Fund.

Departmental Reserves are amounts set aside to cover expected events where the accounting criteria for the creation of provisions are not met.

Revenue Grants and Section 256 Grants are grants without specific conditions that remain unspent at the year-end are transferred into usable reserves, in accordance with the Code.

35. Insurance Reserve and Account

The Authority operates a self-insurance scheme and covers each kind of risk up to set limits which are reviewed annually. External insurers cover risks in excess of the internally insured amounts. The major areas where significant risks are covered externally are Fire, Liability and Motor. The insurance provision covers known liabilities. Amounts are also set aside in the Insurance Reserve to cover possible insurance claims losses that are not yet known about.

The total of the Insurance Provision and Reserve as at 31 March 1998 has been ring-fenced for liabilities arising up to that date. The balance and the liabilities are being shared by the County and City Councils in the proportion of 23.55 % City and 76.45% County.

The amount set aside in the Insurance Provision is detailed in Note 24. The Insurance Reserve is shown below:

General Insurance Reserve	**Note**	**2015/16**	**2016/17**
		£000	**£000**
General Insurance Reserve		**11,884**	**16,285**

Insurance Account		**2015/16**	**2016/17**
		£000	**£000**
Premiums paid		1,656	1,718
Claims made		3,013	2,329
Contribution (from)/to Provision		2,510	(1,688)
Contribution to Closed Fund from County Council		-	974
Miscellaneous charges		24	35
		7,203	3,368
Less charges to Departments	1	(6,580)	(7,524)
Future Liabilities of Nottm City Council Adjustment		(2,373)	719
Total Expenditure		**(1,750)**	**(3,437)**

	2015/16	2016/17
	£000	£000
External Premiums	-	(13)
Contribution to Closed Fund from City and County Council's	-	(1,274)
Total Income	**-**	**(1,287)**
Net (surplus)/deficit	**(1,750)**	**(4,724)**

Note 1. Classed as expenditure to avoid double counting in the net cost of services.

36. Schools Statutory Reserve

Surplus and deficit balances relating to schools must be carried forward from one financial year to the next in accordance with the requirements of Section 48 of the School Standards and Framework Act 1998. The Schools Statutory Reserve is committed to be spent on schools and is not available to the Authority for general use.

During 2016/17 the overall reserve has reduced by £8.3 million to £26.0 million. Within the total reserve school accumulated balances decreased by £4.0 million to £20.0 million; of this, £2.1 million is to fund capital schemes.

The reserve also includes £6.7 million relating to the non-ISB (Individual Schools Budget) element of the Schools Budget.

Part of the reserve is used to finance a school loan scheme, whereby schools are advanced funding for major capital items and then repay this over a three year period.

School Balances	2015/16	Movement in year	2016/17
	£000	£000	£000
Balances held by schools	23,995	(4,001)	19,994
Non ISB Balances	11,282	(4,558)	6,724
School Loan Scheme	(897)	215	(682)
School Statutory Reserve Total	**34,380**	**(8,344)**	**26,036**

37. Unusable Reserves

	2015/16	2016/17
	£000	£000
Revaluation Reserve	167,531	143,275
Capital Adjustment Account	398,757	399,301
Financial Instruments Adjustment Account	(88)	(70)
IAS 19 Pensions Reserve	(934,539)	(1,248,055)
Collection Fund Adjustment Account	5,262	3,585
Deferred Capital Receipts	1,755	-
Employee Benefits Account	(14,285)	(14,877)
Total Unusable Reserves	**(375,607)**	**(716,841)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. 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
- disposed of and the gains are realised.

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

	2015/16	2016/17
	£000	**£000**
Balance at 1 April	**110,387**	**167,531**
Upward revaluation of assets	65,962	21,006
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(4,446)	(36,896)
Surplus/(deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	61,516	(15,890)
Difference between fair value depreciation and historic cost depreciation	(1,775)	(1,935)
Accumulated gains on assets sold or scrapped	(2,597)	(6,431)
Amount written off to the Capital Adjustment Account	(4,372)	(8,366)
Balance at 31 March	**167,531**	**143,275**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historic cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2015/16	2016/17
	£000	**£000**
Balance at 1 April	**384,584**	**398,757**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation on non-current assets	(38,860)	(38,998)
Revaluation and Impairments on PPE	3,138	(10,634)
Amortisation of intangible assets	(3,239)	(2,567)
Revenue expenditure funded from capital under statute	(21,407)	(14,673)
Amounts of non-current assets written off on disposal or sale as part of the gain/(loss) on disposal to the Comprehensive Income and Expenditure Statement	(16,075)	(37,500)
	(76,443)	(104,372)
Adjusting amounts written out of the Revaluation Reserve	4,372	8,366
Net written out amount of the cost of non-current assets consumed in the year.	(72,071)	(96,006)

Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	20,865
Application of grants to capital financing from the Capital Grants Unapplied Account	52,843	62,575
Statutory provision for the financing of capital investment charged against the General Fund	24,411	8,603
Capital expenditure charged against the General Fund	5,989	6,917
	83,243	**98,960**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,364	(1,667)
Movement in the fair value of Non Current Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	(363)	(743)
Balance at 31 March	**398,757**	**399,301**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments.

	2015/16	**2016/17**
	£000	**£000**
Balance at 1 April	**(107)**	**(88)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	19	18
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	19	18
Balance at 31 March	**(88)**	**(70)**

IAS19 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. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16 £000	2016/17 £000
Balance at 1 April	**(1,087,711)**	**(934,539)**
Actuarial gains / (losses) on pensions assets and liabilities	198,015	(298,509)
Other gains / (losses)	(698)	(700)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provisions of Services in the Comprehensive Income and Expenditure Statement	(94,215)	(62,773)
Employer's pensions contributions and direct payments to pensioners payable in the year	50,070	48,466
Balance at 31 March	**(934,539)**	**(1,248,055)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. Since 2013/14 the NNDR changes required a similar account to be held for NNDR.

	2015/16 £000	2016/17 £000
Balance at 1 April	**2,725**	**5,262**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	2,463	(2,149)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	74	472
Balance at 31 March	**5,262**	**3,585**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve is an unusable reserve that holds the value of capital receipts that the Authority has recognised as disposal income in the Comprehensive Income and Expenditure Statement but where the consideration is to be paid in future years.

	2015/16 £000	2016/17 £000
Balance at 1 April	**-**	1,755
Movement in Deferred Capital Receipts held	1,755	(1,755)
Balance at 31 March	**1,755**	**-**

Employee Benefits Account

The Employee Benefits 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 require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2015/16 £000	2016/17 £000
Balance at 1 April	**(13,356)**	**(14,285)**
Settlement or cancellation of accrual made at the end of the preceding year	13,356	14,285
Amounts accrued at the end of the current year	(14,285)	(14,877)
Amount by which the officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements	(929)	(592)
Balance at 31 March	**(14,285)**	**(14,877)**

38. Cash and Cash Equivalents

The Authority monitors cash balances on a daily basis to make maximum use of the funds available and invests any surplus cash identified. The bank account balance at 31 March will consist of an overdraft with the Authority's main bank, amounts held in call accounts or money market funds and school deposits either with the Authority's main bank or held with other banks.

The analysis of cash and cash equivalents is as follows:

	2015/16 £000	 £000	2016/17 £000	 £000
Amounts held in call accounts and money market funds		67,683		46,474
Main overdraft		(41,645)		(12,310)
School bank accounts:				
Main Authority accounts	30,256		27,101	
Other bank accounts	9,624	39,880	7,131	34,232
		65,918		**68,396**

39. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £000	2016/17 £000
Interest received	(656)	(1,085)
Interest paid	33,755	34,832

40. Cash Flow Statement - Investing Activities

	2015/16 £000	2016/17 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	65,289	68,220
Purchase of short and long-term investments	110,001	162,000
Other payments for investing activities	72	1,566
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(7,683)	(2,798)
Capital Grants and contributions received	(47,231)	(52,187)
Proceeds from short-term and long-term investments	(100,000)	(162,002)
Net other receipts from investing activities	(630)	(737)
Net cash flows from investing activities	**19,818**	**14,062**

41. Cash Flow Statement - Financing Activities

	2015/16 £000	2016/17 £000
Cash receipts of short and long-term borrowing	(42,694)	(11,753)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,780	(851)
Repayments of short and long-term borrowing	11,813	11,673
Net cash flows from financing activities	**(27,101)**	**(931)**

42. Minimum Revenue Provision (MRP)

Regulations require local authorities to set aside money to provide for redemption of outstanding debt. This amount is offset against the level of depreciation already charged to the Authority's Comprehensive Income and Expenditure Statement to ensure that depreciation charges do not increase the net expenditure of the Authority.

The amount required under the MRP regulations for 2016/17 is £8.6 million (£24.4 million for 2015/16) of which £5.5 million (£5.2 million for 2015/16) relates to repayments of the PFI and finance lease liabilities. The amount of depreciation and amortisation charged was £41.6 million (£42.1 million for 2015/16).

43. Audit Fees

The Authority has been advised of the following fees payable to KPMG (UK) LLP. All fees have been included in the accounts for the period to which they relate except grant claims.

	2015/16 £000	2016/17 £000
External Audit Fees	98	98
Grant Claims/Other Services	7	9
	105	**107**

44. Employee Remuneration

The table below shows the number of staff employed by the Authority whose remuneration, taxable expenses and severance (if applicable) amounted to £50,000 or more in the financial year. The table includes the senior staff separately identified in the subsequent tables.

Pay Band		Number of Staff					
		2015/16			2016/17		
		Exc Redundancy		Inc Redundancy	Exc Redundancy		Inc Redundancy
		Schools	Non Schools	Total	Schools	Non Schools	Total
£170,000	£174,999	-	1	1	-	1	1
£165,000	£169,999	-	-	-	-	-	-
£160,000	£164,999	-	1	1	-	-	-
£155,000	£159,999	-	1	1	-	-	-
£150,000	£154,999	-	-	-	-	-	-
£145,000	£149,999	-	-	-	-	-	-
£140,000	£144,999	-	-	-	-	-	-
£135,000	£139,999	-	-	-	-	2	2
£130,000	£134,999	-	-	-	-	-	-
£125,000	£129,999	-	2	2	-	1	1
£120,000	£124,999	-	2	2	-	1	1
£115,000	£119,999	-	-	-	-	-	-
£110,000	£114,999	-	2	3	-	-	1
£105,000	£109,999	-	-	-	-	1	1
£100,000	£104,999	-	-	1	1	-	2
£95,000	£99,999	1	-	1	-	-	1
£90,000	£94,999	1	-	1	2	1	3
£85,000	£89,999	4	6	10	2	7	9
£80,000	£84,999	1	5	7	1	5	8
£75,000	£79,999	3	-	3	4	-	6
£70,000	£74,999	8	3	11	6	4	10
£65,000	£69,999	23	10	37	30	13	44
£60,000	£64,999	50	18	71	47	9	58
£55,000	£59,999	89	20	111	76	32	106
£50,000	£54,999	93	45	142	87	20	111
		273	**116**	**405**	**256**	**97**	**365**

The tables below show the remuneration of the Authority's Senior Employees as defined by the Accounts and Audit (England) Regulations 2015.

2016/17

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances)	Expenses	Compen-sation for Loss of Office	Employer Pension contri-butions*	Total Remuneration
		£	£	£	£	£
Chief Executive - A May		171,700	1,999	-	34,340	208,039
Corporate Director of CFCS		136,257	383	-	27,251	163,891
Corporate Director of ASCH & PP (and Deputy Chief Executive)		127,689	-	-	25,517	153,206
Corporate Director of Place	5	91,939	1,172	-	-	93,111
Corporate Director of Place	6	37,237	-	-	7,447	44,684
Corporate Director of Resources	1	122,585	683	-	24,517	147,785
Director of Public Health	3	33,894	-	-	4,670	38,564
Director of Public Health - (Interim)	4	67,921	774	-	9,713	78,408
Service Director (Finance, Procurement & Improvement)	2	85,988	597	-	17,198	103,783

*Pension Contributions are estimated at 20.0% to account for the pensions deficit (see note 21).
1.The post of Corporate Director of Resources has the statutory responsibility of Monitoring Officer.
2.The post of Service Director (Finance, Procurement and Improvement) has the statutory responsibility of S151 Officer.
3.The Director of Public Health left 30 April 2016. The salary shown includes some arrears for service in previous financial years. Their annualised salary was £102,466.
4.The incumbent Director of Public Health started 01 May 2016. Their annualised salary is £74,371
5.The Corporate Director of Place left December 2016. Their annualised salary was £122,585
6.The incumbent Corporate Director of Place started December 2016. Their annualised salary is £122,585

2015/16

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances)	Expenses	Compen-sation for Loss of Office	Employer Pension contri-butions*	Total Remuneration
		£	£	£	£	£
Chief Executive	3	3,074	169	14,626	-	17,869
Chief Executive - A May	3	169,499	2,175		33,137	204,811
Corporate Director of CFCS	8	68,578	429	-	13,407	82,414
Corporate Director of ASCH & PP (and Deputy Chief Executive)	7	126,297	102	-	24,689	151,088
Corporate Director of Place		121,371	463	-	-	121,834
Corporate Director of Resources	1	121,371	927	-	23,728	146,026
Director of Public Health - Dr C Kenny	4	159,031	-	-	20,925	179,956
Service Director (Finance, Procurement & Improvement)	2	82,063	300	-	16,043	98,406
Deputy Director of Public Health - Dr J Tomlinson	5	163,921	562	-	-	164,483
Deputy Director of CFCS	6	103,521	553	-	20,238	124,312

*Pension Contributions are estimated at 19.55% to account for the pensions deficit (see note 21)
1. The post of Corporate Director of Resources has the statutory responsibility of Monitoring Officer.
2. The post of Service Director (Finance, Procurement and Improvement) has the statutory responsibility of S151 Officer.
3. Retiring Chief Executive was replaced with effect from 7 April 2015 by the former Corporate Director of CFCS There was payment in lieu of notice due to the timing of the appointment.

The Chief Executive's annualised salary is £170,000. The former Corporate Director of CFCS annualised salary was £134,908.

4. This senior employee is named as their salary and allowances are over £150,000 in accordance with The Code.

5. This senior employee is named as their salary and allowances are over £150,000 in accordance with The Code. One of the allowances the officer receives is a National Clinical Excellence Award of £35,602 which was amended to an award of £23,656 on 1 October 2015 and is paid for by Public Health England.

6. From 19 Jan 2015 an officer was in receipt of an allowance for acting as Deputy Director of CFCS. This arrangement ceased on appointment of a new director of CFCS who took up the post on 28 September 2015. Their annualised salary (and allowance of £13,721 pa) is £102,500.

7. Post of Corporate Director ASCH&PP is also the Deputy Chief Executive.

8. A new Corporate Director of CFCS commenced on 28 September 2015. Their annualised salary is £134,908.

The table below includes all exits from the Authority, including school based staff, and takes into account the cost of pension contributions that would have been paid had a retiring employee not left the Authority early. It may therefore differ from other published information.

Payment Ranges			Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages		Total Cost of Exit Packages £	
			2015/16	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**
£0	-	£20,000	72	118	53	101	125	219	837,286	1,196,391
£20,001	-	£40,000	8	13	36	42	44	55	1,291,430	1,437,391
£40,001	-	£60,000	4	3	3	7	7	10	308,924	485,864
£60,001	-	£80,000	1	-	1	3	2	3	121,579	196,262
£80,001	-	£100,000	-	1	-	3	-	4	-	351,489
£100,001	-	£150,000	-	-	-	1	-	1	-	116,818
			85	**135**	**93**	**157**	**178**	**292**	**2,559,219**	**3,784,215**

45. Deployment of Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund Academy schools in the Authority's area. The DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2015. The schools budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2016/17 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2016/17 before Academy recoupment			539,705
Academy figure recouped for 2017/18			(236,844)
Total DSG after Academy recoupment for 2016/17			302,861
Brought Forward 2015/16			11,282
Carry Forward to 2017/18 agreed in advance			-
Agreed initial budgeted distribution for 2016/17	**74,497**	**239,646**	**314,143**

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
In year adjustments	(11,863)	12,890	1,027
Final budgeted distribution for 2016/17	62,634	252,536	315,170
Actual central expenditure	(55,910)	-	(55,910)
Actual ISB deployed to schools	-	(252,536)	(252,536)
Plus Local Authority contribution for 2016/17	-	-	-
Carried forward to 2017/18	**6,724**	**-**	**6,724**

46. Pooled Budgets

Under Section 31 of the Health Act 1999, Nottinghamshire County Council has entered into the following Pooled Budget Arrangements with the partners set out below. The County Council is the host authority for the pooled budget and has responsibility for its financial management. The details are set out below:

Integrated Community Equipment Loan Service (ICELS) - Nottinghamshire

Nottinghamshire County Council (Host)
Nottingham City Council
Nottingham City CCG
Nottinghamshire County CCGs
Bassetlaw CCG

Pooled Budgets Memo Account	**2015/16 £000**	**2016/17 £000**
Net (surplus) / deficit brought forward	**(96)**	**(110)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASCH	(1,966)	(1,527)
Nottinghamshire County Council CYP	(283)	(249)
Nottingham City Council ASCH & CYP	(1,309)	(1,111)
Bassetlaw CCG	(419)	(477)
Nottinghamshire County CCGs	(1,288)	(2,937)
Nottingham City CCG	(2,655)	(1,154)
Continuing Healthcare Specialist Equipment	(233)	(210)
Other	2	(82)
Total Funding	**(8,151)**	**(7,747)**

Expenditure met from the pooled budget:	**2015/16 £000**	**2016/17 £000**
Partnership Management and Administration Costs	536	615
Contract Management Fee	1,410	1,264
Continuing Healthcare Specialist Equipment	250	252
Equipment	5,516	4,985
Minor Adaptations	419	209
Direct Payments	6	3
Total Expenditure	**8,137**	**7,328**
Net (surplus) / deficit carried forward	**(110)**	**(529)**

The combined ICELS Contract commenced on 1 April 2011 for a period of 3 years. The option to extend for up to 2 years was agreed and this ended 31 March 2016. A new contract began on 1 April 2016 for a period of 5 years, with the option to extend for a further 2 years.

Better Care Fund

The Better Care Fund (BCF) was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. In 2015/16 an additional £1.1bn was transferred from NHS England Area Teams for former Section 256 Schemes to Clinical Commissioning Groups to create the total fund of £3.8bn. In 2016/17, the Nottinghamshire Clinical Commissioning Groups (CCG) contributed the value in the table below towards creation of a BCF pooled fund in Nottinghamshire of £56.1m (£57.8m 2015/16).
Assessment of the operation of the BCF pooled fund identified that it does not constitute a joint arrangement and therefore requirements of IFRS11 are not met.

Pooled Budgets Memo Account	2015/16 £000	2016/17 £000
Net (surplus) / deficit brought forward	**-**	**(1,672)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASCH	(5,168)	(5,475)
Bassetlaw CCG	(7,532)	(7,554)
Mansfield & Ashfield CCG	(14,274)	(12,597)
Newark & Sherwood CCG	(8,769)	(8,020)
Nottingham North and East CCGs	(9,115)	(9,244)
Nottingham West CCG	(6,180)	(6,266)
Rushcliffe CCG	(6,780)	(6,974)
Total Funding	**(57,818)**	**(56,130)**

Expenditure met from the pooled budget:		2016/17 £000
Nottinghamshire County Council ASCH	23,697	23,972
Bassetlaw CCG	4,736	4,680
Mansfield & Ashfield CCG	9,552	7,797
Newark & Sherwood CCG	5,973	5,106
Nottingham North and East CCGs	5,059	5,355
Nottingham West CCG	3,249	3,417
Rushcliffe CCG	3,880	4,026
Returned to CCGs (prior year underspend)	-	85
Total Expenditure	**56,146**	**54,438**
Net (surplus) / deficit carried forward	**(1,672)**	**(3,364)**

47. Termination Benefits

The Authority terminated the contracts of a number of employees in 2016/17, with a net value of £2.5 million (£-0.5 million in 2015/16). These figures include accounting entries required by The Code. The 2015/16 negative value was due to an overprovison in the previous year.

48. Members Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,433,507 (£1,443,060 in 2015/16). In addition to this, Members were reimbursed a total of £68,733 (£71,460 in 2015/16) for expenses incurred on Authority business.

49. Income from bodies under the Local Authority (Goods and Services) Act 1970

The Authority is empowered by this Act to provide goods and services to other public bodies. The Authority provided the following:

	2015/16		2016/17	
	£000	£000	£000	£000
	Expenditure	Income	Expenditure	Income
Administration and Professional Services				
NHS Trusts	97,949	(97,949)	61,070	(61,070)
Other Authorities	6,445	(6,445)	4,192	(4,192)
Schools and Colleges	147	(147)	64	(64)
Maintenance works				
Other Authorities	149	(149)	166	(166)
Schools and Colleges	25	(25)	21	(21)
	104,715	**(104,715)**	**65,513**	**(65,513)**

50. Section 137 of the Local Government Act 1972

Local authorities are empowered by Section 137 of the Local Government Act 1972, as amended, to make contributions to certain charitable funds, not for profit bodies providing a public service and mayoral appeals. During 2016/17 these powers were not used.

51. Publicity Work

Local authorities are required to disclose their expenditure on publicity. The definition of publicity includes a number of routine items of expenditure. The Authority's expenditure is summarised below:

	2015/16 £000	2016/17 £000
Advertising for staff	554	351
Other advertising, including education courses	910	611
Public Relations - salaries and running costs	1,070	1,332
Other publicity expenditure	156	73
	2,690	**2,367**
As a percentage of gross expenditure (cost of services)	0.24%	0.21%

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Introduction

Nottinghamshire County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. The LGPS is a statutory scheme administered by individual pension funds. The benefits within the scheme are determined by regulation and are guaranteed by statute. The pension fund exists to help defray the cost of paying the pension benefits. Members make contributions to the Fund as specified in the regulations and employers make contributions as determined by the Fund's actuary as part of the triennial valuation of the Fund. All new employees are brought into the scheme automatically, unless a positive election not to participate is received from the employee.

The Authority administers the pension fund for over 400 participating employers and over 127,000 members. The employers include the County Council, the City Council, District Councils and organisations which used to be part of local government (such as Nottingham Trent University, Colleges, Police civilian staff and Academies). They also include organisations which satisfy the conditions to participate in the LGPS and have been admitted to the Fund by the Authority. In general, these organisations are non-profit making, or are undertaking a service which was, or could be, carried out by a local authority.

The operation of the Fund is set out in a number of published policy statements. Under the Governance Compliance Statement, the functions as administering authority of the Fund are delegated to the Nottinghamshire Pension Fund Committee supported by two advisory sub-committees.

The Funding Strategy Statement sets out the aims and purpose of the Fund and details the responsibilities of the administering authority as regards funding the scheme.

The Investment Strategy Statement sets out more detailed responsibilities relating to the overall investment strategy of the Fund including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the Fund's approach to responsible investment and corporate governance issues.

The Communications Strategy Statement details the overall strategy for involving stakeholders in the Fund. A key part of this strategy is a dedicated Fund website (available at www.nottspf.org.uk).

A separate annual report for the Fund is also produced and this, along with previous years' reports, will be accessible via the the pension fund website. The annual report includes the accounts and the published policies as well as information on the performance of the fund.

The accounts of the fund are set out over the following pages. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires:

- a fund account showing the changes in net assets available for benefits
- a net assets statement showing the assets available at the year end to meet benefits
- supporting notes.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT

	Notes	2015/16 £000	2016/17 £000
Contributions	4		
Employer contributions		(131,873)	(135,650)
Member contributions		(43,243)	(43,495)
		(175,116)	**(179,145)**
Transfers in from other pension funds		(4,940)	(4,068)
Benefits	5		
Pensions		141,963	146,132
Commutation of pensions and lump sum retirement benefits		26,567	31,093
Lump sum death benefits		3,860	4,726
		172,390	**181,951**
Payments to and on account of leavers		6,519	14,746
Administration expenses	6	1,221	1,703
Net (additions)/withdrawals from dealings with members		**74**	**15,187**
Oversight and governance expenses	7	584	806
Investment Income	8	(112,363)	(142,281)
Profits & losses on disposal of investments & changes in value		119,007	(744,384)
Taxes on income		638	593
Investment management expenses	9	3,990	4,381
Net Returns on Investments		**11,272**	**(881,691)**
Net (increase)/decrease in net assets available for benefits during the year		**11,930**	**(865,698)**
Opening net assets of the Fund		4,078,600	4,066,670
Net assets available to fund benefits		**4,066,670**	**4,932,368**

NET ASSETS STATEMENT FOR THE YEAR ENDED

	Notes	31 March 2016 £000	31 March 2017 £000
Investment Assets	10 & 14		
Fixed Interest Securities		421,376	745,298
Equities		1,885,900	1,998,629
Pooled Investment Vehicles		1,194,736	1,681,780
Property		343,314	367,175
Forward Foreign Exchange		168	-
Cash deposits		193,339	102,267
Other Investment Balances	12	23,802	34,094
Investment liabilities	12	(7,739)	(3,289)
		4,054,896	**4,925,954**
Current assets	13	13,198	10,614
Current liabilities	13	(1,424)	(4,200)
		11,774	**6,414**
Net assets of the fund available to pay benefits at the year end		**4,066,670**	**4,932,368**

The actuarial present value of promised retirement benefits, as required by the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* , is shown at note 2c.

NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) Basis of Preparation

The Pension Fund accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code). On issues where there is no clear guidance in the Code, reference has been made under the hierarchy of standards to *Financial Reports of Pension Schemes: a Statement of Recommended Practice 2015* (the Pensions SORP) or to individual International Acccounting Standards (IAS). Disclosures in the Pension Fund accounts have been limited to those required by the Code.

(b) Debtors and Creditors

The accruals concept is applied to these accounts in compliance with the Code.

(c) Investments

Pension fund investments are carried at fair value in accordance with the Code. Fair value is defined as 'the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction'. Where an active market exists, the quoted market price is used. Where there is no active market, fair value is established by using valuation techniques.

Specific details on the valuation methods for particular classess of assets are listed below:

- Equities traded through a stock exchange are valued at the latest quoted price. Where more than one price is quoted the 'bid' price is used.
- Unit Trusts and managed funds are valued at the closing single price or the bid price where applicable. These reflect the market value of the underlying investments.
- Unquoted securities and pooled private equity investments are valued at fair value by the fund managers at the year end in accordance with industry accepted guidelines.
- The market value of fixed interest investments is based on the 'clean price', i.e. excludes income accrued at 31 March but not yet due for payment.
- Property investments are stated at open market value based on a quarterly independent valuation at the Net Assets Statement date.

Transaction costs arising on all investment purchases and sales are charged to the Fund Account within ‘Profits & losses on disposal of investments & changes in value’ by adding to purchase costs and netting against sale proceeds, as appropriate, for all investment types. This achieves consistency between asset classes and ensures all transaction costs are charged to the Fund Account. It also ensures that the financial statements faithfully represent the economic substance of the transactions. The economic substance of purchases and sales of all asset types is to generate returns for the Fund to help mitigate the cost to employers of providing pensions. Transaction costs are ancillary to this purpose.

The change in fair value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

Forward foreign exchange contracts are "over the counter contracts" under which two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. These are used to manage the economic exposure to bond markets and hedge against foreign currency movements. These contracts are included at fair value by determining the gain or loss that would arise from closing out the contract at the Net Assets Statement date by entering into an equal and opposite contract at that date. The movements on these contracts during the year are shown in the reconciliation of opening and closing balances of investments at note 10(b).

(d) Investments Income
Income is accounted for on an accruals basis for the following:

- interest on cash deposits and fixed interest securities is accrued on a daily basis
- dividends from equities are accrued when the stock is quoted ex-dividend
- rents from property are accrued in accordance with the terms of the lease.

(e) Taxes on Income
UK equity dividends are quoted and accounted for at the net rate. The tax credit, which the Fund is unable to recover, is not recognised (in accordance with the Pensions SORP). Overseas equity dividends are accounted for gross of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are adjusted at the year end by outstanding claims.

(f) Foreign Currencies
Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated into sterling at the rate ruling on the date of the transaction. Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

(g) Contributions
Normal contributions, both from the members and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for on an accruals basis.

(h) Benefits Payable

Under the rules of the Scheme, members can receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised. Other benefits are accounted for on the date the member leaves the Scheme or on death.

(i) Transfers to and from Other Schemes
Transfer values represent the capital sums either receivable (in respect of members from other pension schemes of previous employers) or payable (to the pension schemes of new employers for members who have left the Scheme). They take account of transfers where the trustees (or administering authority) of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

(j) Other Expenses
Management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. Nottinghamshire County Council charges the Fund with the costs it incurs in administering the scheme and the Fund. Fees and charges within pooled investment vehicles have the effect of reducing the fair value of those investments. These embedded costs are disclosed at note 9.

(k) Property related income
Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

2. Operation of the fund

(a) Contributions and Solvency

With effect from 1 April 2008 The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were introduced. The principal changes from the 1997 regulations were: the replacement, for future service, of the existing benefits structure (based on a pension of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump sum of three times this amount) by one based on 1/60th of pensionable pay for each year of pensionable service and no automatic lump sum. Under the 2008 scheme, employees were required to make percentage contributions by deduction from earnings at a rate between 5.5% and 7.5% depending on salary.

From 1 April 2014 the new Local Government Pension Scheme was introduced for service accruing after that date. This is a career average revalued earnings (CARE) scheme with an accrual rate of 1/49th of pensionable pay and a retirement age linked to the state retirement age. Employee contribution rates in the new scheme range from 5.5% to 12.5% depending on salary.

Employers are required to make such balancing contributions, determined by the Actuary, as will maintain the fund in a state of solvency, having regard to existing and prospective liabilities.

(b) Actuarial Valuations

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2016. The market value of the Fund's assets at the valuation date was £4,067 million. The Actuary has estimated that the value of the Fund was sufficient to meet 87% of its expected future liabilities in respect of service completed to 31 March 2016. The certified contribution rates are expected to improve this to 100% within a period of 20 years. The full actuarial valuation report is available on the Fund's website at www.nottspf.org.uk.

The Actuarial Valuation was carried out using the projected unit method and the assumptions used within the valuation are shown below.

	31 March 2016 % pa
Expected investment returns:	
Equities	7.4
Gilts	2.4
Property	5.9
Discount Rate	5.4
Retail price inflation (RPI)	3.3
Consumer price inflation (CPI)	2.4
Long term pay increases	3.9
Pension Increases	2.4

The 2016 valuation produced an average employer contribution rate of 20.4%. Employer contributions were certified by the actuaries for the years 2017/18 to 2019/20. For the majority of employers, the rate for future service accrual was certified as a percentage of salary with an additional cash amount specified for deficit recovery. The following list shows the contributions payable by the main employers:

Certified employer contributions		2017/18	2018/19	2019/20
Nottinghamshire County Council		15.4%	15.4%	15.4%
	Plus:	£13,454,000	£13,776,000	£14,105,000
Nottingham City Council		13.7%	13.7%	13.7%
	Plus:	£12,009,000	£12,296,000	£12,590,000
Ashfield District Council		14.4%	14.4%	14.4%
	Plus:	£1,919,000	£1,965,000	£2,012,000
Bassetlaw District Council		16.2%	16.2%	16.2%
	Plus:	£1,880,000	£1,159,000	£1,187,000
Broxtowe Borough Council		14.4%	14.4%	14.4%
	Plus:	£691,000	£707,000	£724,000
Gedling Borough Council		15.1%	15.1%	15.1%
	Plus:	£575,000	£588,000	£602,000
Mansfield District Council		16.7%	16.7%	16.7%
	Plus:	£2,298,000	£2,353,000	£2,409,000
Newark and Sherwood District Council		14.5%	14.5%	14.5%
	Plus:	£1,299,000	£1,330,000	£1,362,000
Rushcliffe Borough Council		14.7%	14.7%	14.7%
	Plus:	£1,198,000	£1,227,000	£1,256,000

A number of employers have indicated their intention to make accelerated payments for their future years deficit recovery amounts.

(c) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits has been calculated by the Fund's actuaries in accordance with IAS 19. To do this, the actuaries rolled forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2016 allowing for the different financial assumptions required under IAS19. The assumptions used for the purposes of the IAS 19 calculations are as follows:

	31 March 2015		31 March 2016		31 March 2017	
	% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
RPI Increases	3.3	-	3.3	-	3.6	-
CPI increases	2.5	(0.8)	2.4	(0.9)	2.7	(0.9)
Salary Increases	4.3	1.0	4.2	0.9	4.2	0.6
Pension Increases	2.5	(0.8)	2.4	(0.9)	2.7	(0.9)
Discount Rate	3.4	0.1	3.7	0.4	2.8	(0.8)

The net liability under IAS 19 is shown below.

	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000
Present value of funded obligation	6,886,812	6,665,990	8,332,963
Fair value of scheme assets	4,050,198	4,034,292	4,895,150
Net Liability	**2,836,614**	**2,631,698**	**3,437,813**

The present value of funded obligation consists of £8,007.4 million in respect of vested obligation and £325.5 million in respect of non-vested obligation.

These figures are presented only for the purposes of IAS 19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory puposes under UK pensions legislation.

(d) Investment Strategy

The investment strategy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The current investment policy is set out in the Fund's Investment Strategy Statement, a copy of which is available on the pension fund website (www.nottspf.org.uk).

During 2016/17, the Nottinghamshire Pension Fund Committee, advised by the Pensions Sub-Committee, was responsible for determining the investment strategy of the Fund and the type of investment management to be used. The Pensions Sub-Committee consisted of nine elected County Councillors, three representatives of Nottingham City Council, two representatives of the District Councils, two representatives of the Trade Unions, a representative elected by the other scheduled and admitted bodies and two appointed pensioner representatives. Meetings were also attended by an independent adviser and representatives of the Chief Financial Officer.

The investments were managed by officers of the Authority or by organisations specialising in the management of pension fund assets. The Investments Sub-Committee was responsible for monitoring performance of the fund and met on a quarterly basis to review the Fund's main investment managers and

(e) External Audit

A separate fee is payable to KPMG LLP for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2016/17 is £29,926 (£29,926 for 2015/16).

3. Contributors and Pensioners

	Members at 31 March 2017				
	County Council	City Council	District Councils	Other	Total
Contributors	15,268	8,153	3,163	16,600	43,184
Deferred Beneficiaries	21,985	11,542	4,214	12,156	49,897
Pensioners	16,299	6,865	4,667	6,409	34,240
					127,321

	Members at 31 March 2016				
	County Council	City Council	District Councils	Other	Total
Contributors	19,354	8,039	3,611	16,268	47,272
Deferred Beneficiaries	18,075	9,885	3,774	9,775	41,509
Pensioners	15,578	6,581	4,660	6,293	33,112
					121,893

4. Analysis of Contributions

	Employers		Members		Total	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
County Council	41,724	39,984	13,008	11,937	54,732	51,921
Scheduled Bodies	85,780	88,994	28,749	29,192	114,529	118,186
Admitted Bodies	4,369	6,672	1,486	2,366	5,855	9,038
	131,873	**135,650**	**43,243**	**43,495**	**175,116**	**179,145**

5. Analysis of Benefits

	2015/16 £000	2016/17 £000
Pensions	141,963	146,132
Commutation and lump sum	26,567	31,093
Lump sum death benefits	3,860	4,726
	172,390	**181,951**
Comprising of:		
County Council	70,076	71,648
Scheduled Bodies	96,357	99,843
Admitted Bodies	5,957	10,460
	172,390	**181,951**

6. Administration Expenses

	2015/16 £000	2016/17 £000
Printing and stationery	3	14
Legal fees	21	16
Other external fees	61	36
Administering Authority Costs	1,136	1,637
	1,221	**1,703**

7. Oversight and Governance Expenses

	2015/16 £000	2016/17 £000
Training and conferences	14	14
Printing and stationery	1	1
Subscriptions and membership fees	42	43
Actuarial fees	13	66
Audit fees	27	30
Legal fees	-	11
Other external fees	100	241
Administering Authority Costs	387	400
	584	**806**

8. Investment Income

Analysis by type of investment	2015/16 £000	2016/17 £000
Interest from fixed interest securities	(17,483)	(19,796)
Income from index-linked securities	-	-
Dividends from equities	(62,828)	(72,747)
Income from pooled investment vehicles	(13,466)	(23,888)
Income from property pooled vehicles	(3,484)	(7,201)
Net rents from property	(13,244)	(16,048)
Interest on cash deposits	(771)	(813)
Other	(1,087)	(1,788)
	(112,363)	**(142,281)**

Directly held property		
Rental income	(15,005)	(17,746)
Less operating expenses	1,761	1,698
Net rents from property	**(13,244)**	**(16,048)**

The future minimum lease payments receivable by the fund are as follows:

	2015/16 £000	2016/17 £000
Within one year	16,887	16,974
Between one and five years	58,884	61,717
Later than five years	178,879	170,303
Total future lease payments due under existing contracts	**254,650**	**248,994**

9. Investment Management Expenses

	2015/16 £000	2016/17 £000
Custody fees	323	377
Investment management fees	3,473	3,823
Other external fees	176	160
Administering Authority Costs	18	18
Legal fees	-	3
	3,990	**4,381**

The investment management fees shown above are those fees attributable to external managers and charged directly to the Fund. Additional fees and charges are incurred through pooled investment vehicles. These have the effect of reducing the fair value of the investments. The estimated embedded costs within pooled investment vehicles were £10.6 million in 2016/17 (£8.1 million in 2015/16).

10. Investments

(a) **Investment Analysis**	**31 March 2016 £000**	**31 March 2017 £000**
Fixed Interest Securities		
UK Public Sector	134,871	155,841
UK Other	268,934	576,684
Overseas Other	17,571	12,773
Equities		
UK	1,119,160	1,177,651
Overseas	763,130	815,967
Unlisted	3,610	5,011
Pooled Investment Vehicles		
Unit Trusts	414,435	711,405
Other Managed Funds	610,683	766,303
Pooled Vehicles Invested in Property		
Property Unit Trusts	67,970	115,737
Other Managed Funds	101,648	88,335
Property	343,314	367,175
Forward Foreign Exchange	168	-
Cash and Currency	193,339	102,267
Investment Liabilities	-	-
Total Investments	**4,038,833**	**4,895,149**

The original values of investments are based on purchase cost plus transaction costs. If any investments have been held since 1 April 1974 (when the Authority was given the responsibility for the Fund) these are included at the market value as at that date.

	31 March 2016 £000	**31 March 2017 £000**
Market Value	4,038,833	4,895,149
Original Value	2,884,394	3,337,794
Excess/(Deficit) of Market Value over Original Value	**1,154,439**	**1,557,355**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 contain a number of restrictions on investments. The limits that are relevant to the Fund are specified in the Fund's Statement of Investment Principles as follows:

(a) Not more than 10% of the Fund to be invested in unlisted securities.
(b) Not more than 10% of the Fund to be invested in a single holding.
(c) Not more than 25% of the Fund to be invested in securities which are managed by any one body, i.e. in a unit trust type arrangement.
(d) Not more than 15% of the Fund to be invested in partnerships, with not more than 2% in any one partnership.

No investments have been made contrary to these limits.

(b) Reconciliation of Opening and Closing Values of Investments 2016/17

	Value at 1 April 2016 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2017 £000
Fixed Interest Securities	421,376	422,114	(119,178)	20,986	745,298
Equities	1,885,900	269,143	(560,761)	404,347	1,998,629
Pooled Investment Vehicles	1,025,118	269,665	(118,370)	301,295	1,477,708
Property Pooled Vehicles	169,618	33,009	(11,151)	12,596	204,072
Property	343,314	29,810	(12,995)	7,046	367,175
	3,845,326	**1,023,741**	**(822,455)**	**746,270**	**4,792,882**
Forward Foreign Exchange	168	64,680	(62,962)	(1,886)	-
	3,845,494	**1,088,421**	**(885,417)**	**744,384**	**4,792,882**
Cash deposits	193,339				102,267
	4,038,833				**4,895,149**

Reconciliation of Opening and Closing Values of Investments 2015/16

	Value at 1 April 2015 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2016 £000
Fixed Interest Securities	412,853	129,806	(110,463)	(10,820)	421,376
Equities	1,983,371	279,351	(245,387)	(131,435)	1,885,900
Pooled Investment Vehicles	1,068,228	52,722	(80,920)	(14,912)	1,025,118
Property Pooled Vehicles	131,621	24,113	(1,590)	15,474	169,618
Property	321,700	47,951	(48,444)	22,107	343,314
	3,917,773	**533,943**	**(486,804)**	**(119,586)**	**3,845,326**
Forward Foreign Exchange	(210)	68,377	(68,578)	579	168
	3,917,563	**602,320**	**(555,382)**	**(119,007)**	**3,845,494**
Cash deposits	131,916				193,339
	4,049,479				**4,038,833**

For Forward Foreign Exchange contracts, the purchase cost and sale proceeds represent the sterling value of the currency purchases and sales at the settlement dates specified in the contracts.

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the fund, such as fees, commissions and stamp duty, amounted to £2.8 million in 2016/17 (£3.9 million in 2015/16). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.

(c) Management Arrangements

The assets of the Fund are managed within five portfolios and a breakdown of these as at the Net Assets Statement date is shown below:

	31 March 2016 £000		31 March 2017 £000	
In-house	1,503,184	37.2%	1,552,181	31.6%
Schroder Investment Management	1,075,755	26.7%	1,375,020	28.2%
Kames Capital	423,862	10.5%	755,278	15.4%
Aberdeen Property Investors	351,860	8.7%	379,860	7.8%
Specialist	684,172	16.9%	832,810	17.0%
Total	**4,038,833**	**100.0%**	**4,895,149**	**100.0%**

A breakdown of material pooled holdings managed by external managers within the In-house and Specialist portfolios is shown below:

	31 March 2016 £000	31 March 2017 £000
In-house		
Legal & General	285,450	332,354
Specialist		
Kames Capital	140,772	157,879
RWC Capital	156,510	204,874
Standard Life	72,186	81,843

(d) Asset Allocation

The asset allocation of the Fund as at the Net Assets Statement date is shown below:

	31 March 2016 £000		31 March 2017 £000	
UK Fixed Interest	403,806	10.0%	732,525	15.0%
Overseas Fixed Interest	17,571	0.4%	12,773	0.3%
UK Equities	1,256,580	31.1%	1,294,167	26.4%
Overseas Equities:				
US	552,691	13.7%	888,602	18.2%
Europe	384,583	9.5%	388,945	7.9%
Japan	172,291	4.3%	194,767	4.0%
Pacific Basin	132,329	3.3%	135,346	2.8%
Emerging Markets	158,973	3.9%	252,095	5.1%
Global	21,055	0.5%	-	-
UK Property	419,830	10.4%	495,597	10.1%
Overseas Property	93,101	2.3%	75,650	1.5%
Private Equity	83,311	2.1%	83,402	1.7%
Infrastructure	37,931	0.9%	118,219	2.4%
Multi-Asset	111,274	2.8%	120,794	2.5%
Forward Foreign Exchange	168	-	-	-
Cash	193,339	4.8%	102,267	2.1%
Total	**4,038,833**	**100.0%**	**4,895,149**	**100.0%**

(e) Property

Direct property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Savills Commercial Limited. The analysis of property is:

	31 March 2016 £000	31 March 2017 £000
Freehold	328,314	350,775
Leasehold more than 50 years	15,000	16,400
	343,314	**367,175**
Original Value	280,651	302,860

Details of movement on directly owned properties is as follow.

	31 March 2016 £000	31 March 2017 £000
Opening balance	**321,700**	**343,314**
Additions:		
Purchases	32,279	24,353
New construction	6,698	5,246
Subsequent expenditure	8,943	211
Disposals	(41,050)	(13,725)
Net increase in market value	14,744	7,776
Other changes in fair value	-	-
Closing balance	**343,314**	**367,175**

(f) Analysis of Pooled Investment Vehicles

The underlying economic exposure of pooled investment vehicles is shown below:

	31 March 2016 £000	31 March 2017 £000
UK Equities	176,408	168,846
Overseas Equities:		
US	190,387	420,577
Japan	63,473	134,213
Europe	92,575	101,558
Pacific Basin	132,329	135,346
Emerging Markets	140,193	224,745
Global	21,055	-
UK Property	76,517	128,422
Overseas Property	93,101	75,650
Private Equity	79,701	78,390
Infrastructure	17,723	93,239
Multi-Asset	111,274	120,794
Total	**1,194,736**	**1,681,780**

(g) Private Equity and Infrastructure Funds

The Fund has made commitments to a number of private equity and infrastructure funds. The original commitment amounts are shown below in the fund currencies:

	Currency	Commitment
Private Equity Funds		millions
Wilton Private Equity Fund LLC	USD	14
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	5
Coller International Partners IV	USD	10
Schroders Private Equity Fund of Funds III	EUR	22
DCM Private Equity Fund II	USD	18
Pantheon Europe Fund V	EUR	15
Coller International Partners V	USD	18
Catapult Growth Fund LP	GBP	4
Altius Associates Private Equity Fund	USD	10
Partners Group Secondary 2008	EUR	13
DCM Private Equity Fund III	USD	16
Coller International Partners VI	USD	16
Altius Associates Private Equity Fund II	USD	15
Foresight Nottingham Fund LP	GBP	10
Aberdeen SVG Private Equity	USD	15
DCM Private Equity Fund IV	USD	16
Coller International VII	USD	16
Pantheon Multi-Strategy	EUR	14
Capital Dynamics CPEV 15-16	GBP	10
Capital Dynamics CPEV 16-17	GBP	10
Capital Dynamics CPEV 17-18	GBP	10
YFM Equity Partners 2016 LP	GBP	10
Infrastructure Funds		
Partners Group Global Infrastructure	EUR	12
Altius Real Assets Fund I	USD	15
Hermes GPE Infrastructure Fund LP	GBP	25
AMP Capital Global Infrastructure Fund	USD	21
SL Capital Infrastructure LP	GBP	15
JP Morgan IIF UK 1	USD	22
MacQuarie European Infrastructure Fund 5 LP	EUR	30

These commitments are drawn by the funds over time as investments are made in underlying companies or assets. The undrawn commitments as at 31 March 2017 were £141.5 million (£93.3 million at 31 March 2016). Of the funds above, the following were new commitments made during 2016/17:

	Currency	Commitment
		millions
Capital Dynamics CPEV 15-16	GBP	10
Capital Dynamics CPEV 16-17	GBP	10
YFM Equity Partners 2016 LP	GBP	10
AMP Capital Global Infrastructure Fund	USD	21
SL Capital Infrastructure LP	GBP	15
JP Morgan IIF UK 1	USD	22
MacQuarie European Infrastructure Fund 5 LP	EUR	30
Capital Dynamics CPEV 17-18	GBP	10

(h) Analysis of derivatives

Open Forward Foreign Exchange contracts at 31 March 2017

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	-	EUR	-	-	-
Up to 3 months	GBP	-	USD	-	-	
					-	**-**
	Total net forward foreign exchange contracts				**-**	

Open Forward Foreign Exchange contracts at 31 March 2016

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	2,150	EUR	(2,750)	-	(35)
Up to 3 months	GBP	14,323	USD	(20,300)	203	
					203	**(35)**
	Total net forward foreign exchange contracts				**168**	

11. Contingent Liabilities

The fund has 30 private equity and infrastructure funds which have undrawn commitments as at 31 March 2017 of £141.5 million (£93.3 million at 31 March 2016).

12. Other Investment Balances and Liabilities

	31 March 2016 £000	31 March 2017 £000
Other investment balances		
Outstanding investment transactions	-	-
Investment income	23,802	34,094
	23,802	**34,094**
Investment Liabilities		
Outstanding investment transactions	(4,699)	(325)
Investment income	(3,040)	(2,964)
	(7,739)	**(3,289)**

13. Current Assets and Liabilities

	31 March 2016 £000	31 March 2017 £000
Current assets		
Contributions due from employers	8,829	9,521
Other	4,369	1,093
	13,198	**10,614**
Current Liabilities		
Payments in advance	-	-
Sundry creditors	(1,212)	(4,000)
Other	(212)	(200)
	(1,424)	**(4,200)**

14. Financial Instruments and Property Investments

(a) The various financial instruments held by the Fund are valued at fair value. The following tables analyse the fair value of financial assets and liabilities by asset class.

	31 March 2017			
	Designated at Fair Value through profit and loss	Loans and Receivables	Financial liabilities at amortised cost	Totals
	£000	£000	£000	£000
Financial Assets				
Fixed Interest Securities	745,298	-	-	745,298
Equities	1,998,629	-	-	1,998,629
Pooled Investment Vehicles	1,477,708	-	-	1,477,708
Property Pooled Vehicles	204,072	-	-	204,072
Forward Foreign Exchange	-	-	-	-
Cash deposits	-	102,267	-	102,267
Other investment balances	-	34,094	-	34,094
Current Assets	-	10,614	-	10,614
	4,425,707	**146,975**	**-**	**4,572,682**
Financial Liabilities				
Investment Liabilities	-	-	(3,289)	(3,289)
Current Liabilities	-	-	(4,200)	(4,200)
	-	**-**	**(7,489)**	**(7,489)**
	4,425,707	**146,975**	**(7,489)**	**4,565,193**

	31 March 2016			
	Designated at Fair Value through profit and loss	Loans and Receivables	Financial liabilities at amortised cost	Totals
	£000	£000	£000	£000
Financial Assets				
Fixed Interest Securities	421,376	-	-	421,376
Equities	1,885,900	-	-	1,885,900
Pooled Investment Vehicles	1,025,118	-	-	1,025,118
Property Pooled Vehicles	169,618	-	-	169,618
Forward Foreign Exchange	168	-	-	168
Cash deposits	-	193,339	-	193,339
Other investment balances	-	23,802	-	23,802
Current Assets	-	13,198	-	13,198
	3,502,180	**230,339**	**-**	**3,732,519**
Financial Liabilities				
Investment Liabilities	-	-	(7,739)	(7,739)
Current Liabilities	-	-	(1,424)	(1,424)
	-	**-**	**(9,163)**	**(9,163)**
	3,502,180	**230,339**	**(9,163)**	**3,723,356**

No financial assets were reclassified during the accounting period.

(b) Valuation of financial instruments and Property Investments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1 Fair values derived from quoted market price.
- this includes all quoted equity, fixed interest and index linked instruments.

Level 2 Fair values derived from valuation techniques based significantly on observable inputs.
- this includes all pooled property investments.

Level 3 Fair values derived from valuation techniques where at least one significant input is not based on observable market data.
- this includes unlisted shares and investments in private equity funds.
- following guidance from IFRS13 Property is included in level 3 from 16-17

As at 31 March 2017	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Fair value through profit and loss				
Financial instruments	4,133,222	204,072	88,413	4,425,707
Freehold and leasehold property			367,175	367,175
Loans and receivables	146,975	-	-	146,975
Total	**4,280,197**	**204,072**	**455,588**	**4,939,857**
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(7,489)	-	-	(7,489)
Total	**(7,489)**	**-**	**-**	**(7,489)**
Net	**4,272,708**	**204,072**	**455,588**	**4,932,368**

As at 31 March 2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Fair value through profit and loss				
Financial instruments	3,245,641	169,618	86,921	3,502,180
Freehold and leasehold property			343,314	343,314
Loans and receivables	230339	0	0	230339
Total	**3,475,980**	**169,618**	**430,235**	**4,075,833**
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(9,163)	-	-	(9,163)
Total	**(9,163)**	**-**	**-**	**(9,163)**
Net	**3,466,817**	**169,618**	**86,921**	**3,723,356**

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing vlue of investments held at 31 March 2017.

	Assessed valuation range (+/-)	Value at 31 March 2017 £000	Value on increase £000	Value on decrease £000
Freehold and leasehold property	5%	367,175	385,534	348,816
Private equity and unlisted shares	15%	88,413	101,675	75,151
Total		**455,588**	**487,209**	**423,967**

(c) Nature and extent of risks arising from financial instruments

The aims of the Fund are to:

- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due
- maximise the returns from investments within reasonable risk parameters
- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies.

The key risks to the achievement of these aims, as well as measures to mitigate those risks, are set out in the various Fund policies (available at www.nottspf.org.uk) including:

- Statement of Investment Principles
- Funding Strategy Statement
- Governance Compliance Statement
- Risk Management Strategy and Risk Register

The Risk Register identifies the highest risks as arising from:

- Fund assets are assessed as insufficient to meet long term liabilities
- Standing data and permanent records are not accurate
- Significant variations from assumptions used in the actuarial valuation

Actions have been agreed to mitigate these risks.

The Fund's primary risk is that its assets fall short of its long term liabilities. The Funding Strategy Statement states that the funding objectives are to:

- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

The most significant effect on the funding level arises from changes in the discount rate used by the actuaries. The sensitivity analysis below (prepared by the Fund's actuaries) shows the impact of a

Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation (£000)	8,172,512	8,332,963	8,496,725

The Fund deficit at the last triennial valuation was £621 million. With no other change in assumptions, an increase in the discount rate of around 0.5% would reduce the deficit to £100 million.

For the first time in 2013/14 there was a net withdrawal from dealings with members. The net withdrawal in 2014/15 would have been marginal but for the transfer out in respect of the Nottinghamshire Probation Trust. The net withdrawal in 2015/16 was again marginal, but in 2016/17 is somewhat larger, but still more than covered by investment income.

The Fund continues to receive significant investment income and is therefore unlikely to need to sell assets in order to meet pension benefits. This allows the Fund to implement a long term investment strategy and minimise the impact of short term fluctuations in investment and currency markets. The strategy, and the assumptions that underpin it, are reviewed on a regular basis and cash flows are monitored closely to ensure there is sufficient liquidity to meet forecast cash flows.

The investment strategy is aimed at achieving best returns in line with the requirements of the triennial valuation whilst minimising risk and overall variability in future employers' contribution rates. A key part of managing the investment risk is by ensuring an adequate number of suitably qualified investment managers and by requiring managers to hold a diversified spread of assets. The level of risk in the equities block is managed by a balance between passive and active management.

Policies are reviewed regularly to reflect changes in activity and in market conditions. Responsibility for reviewing and revising the policies rests with the Nottinghamshire Pension Fund Committee.

15. Members Additional Voluntary Contributions

The Nottinghamshire Fund provides an additional voluntary contribution (AVC) scheme to enable members to purchase additional benefits. Contributions are paid over to, and invested separately by, the two scheme providers, Prudential and Scottish Widows. The contributions are not included in the Fund's accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The value of the separately invested AVCs is shown below:

	31 March 2016 £000	31 March 2017 £000
Prudential	32,802	34,085
Scottish Widows	3,221	4,261
	36,023	**38,346**

16. Related Party Transactions

Under IAS 24, a party is related to an entity if:

- the party is a member of the key management personnel
- the party is a post-employment benefit plan for the benefit of employees of the entity.

The purpose of related party disclosures is to provide information on transactions and balances that could have an effect on the operations or financial position of an entity. For example, related parties may enter into transactions that unrelated parties would not and transactions between related parties may not be made at the same amounts as between unrelated parties.

Disclosures are required for:

- the nature of the related party relationship
- key management personnel compensation
- information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements.

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Nottinghamshire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Nottinghamshire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

GLOSSARY OF TERMS

Accruals	The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.
Actuary	An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary reassesses the rate of employer contributions to the Pension Fund every three years.
Added Years	Additional years of service awarded to increase benefits of employees taking early retirement.
ASCH&PP	Department for Adult Social Care, Health and Public Protection
Amortisation	The process of charging asset consumption in relation to Intangible Assets to the Comprehensive Income & Expenditure Statement over a suitable period of time.
Balance Sheet	The accounting statement which sets out the Council's total net assets and how they were financed.
Budget	The Council's statement of spending plans and policies for a financial year, expressed in financial terms.
Capital Adjustment Account (CAA)	This account absorbs the timing differences between the consumption of non-current assets and the financing arrangements in respect of their acquisition, creation or enhancement throughout their useful life.
Capital Financing Requirement (CFR)	The Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.
Capital Grants Receipts in Advance	Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable unless conditions apply to the grant/contribution. In which case the grant/contribution is classified as capital grants receipts in advance on the balance sheet.
Carbon Reduction Commitment Efficiency Scheme (CRC)	The CRC Efficiency Scheme is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.
Cash Flow Statement	Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
CFCS	Department for Children, Family and Cultural Services
Clinical Commissioning Groups (CCG)	The Clinical Commissioning Groups took over from Primary Care Trusts (PCT) with effect from 1 April 2013.

Comprehensive Income and Expenditure Statement (CI&ES)	Consolidates all the gains and losses experienced during the financial year.
Community Assets	Assets such as historical structures and artefacts that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.
Creditors	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.
DCLG	Department for Communities and Local Government.
Debtors	Persons or bodies owing sums to the Authority that have not been paid by the end of the financial year.
Depreciation	A charge to reflect the consumption of benefits in relation to tangible fixed assets.
Expenditure and Funding Analysis (EFA)	A statement to show the net expenditure in the CIES statement highlighting the adjustment between funding and accounting basis.
Earmarked Reserves	Reserves set aside for a specific purpose.
Financial Instruments	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. For instance, financial assets could be bank deposits, loans receivable, shares etc, whilst financial liabilities could be borrowings, financial guarantees etc.
General Fund	The account which absorbs the accumulated balances for the cost of providing services funded from Council Tax and Government Grants.
IAS	International Accounting Standard.
IFRS	International Financial Reporting Standard.
IFRIC	The International Financial Reporting Interpretations Committee provides interpretations of IFRS.
Infrastructure Assets	Assets such as roads and bridges, expenditure on which is recoverable only by continued use of the asset. These assets, by their nature, have no practical prospect of being decommissioned and sold or applied to alternative uses.
Impairments	An impairment or loss of value may arise on an asset upon revaluation. Assets which may be impaired are those in the categories of Property, Plant and Equipment and Intangible Assets.
Intangible Assets	Identifiable assets that lack physical substance and are expected to yield benefits to the Authority and the services it provides, e.g. software.
LASAAC	Partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee.

LOBO	Loans which have a fixed primary period at a relatively beneficial interest rate followed by a higher rate for the remaining period which can be changed by the lender at agreed intervals. The Authority, as a borrower, would be able to opt to repay the loan at agreed intervals if the lender chooses to change the quoted rates.
Leasing	A method of financing capital expenditure in which a rental charge for an asset is paid for a specific period. There are two forms of lease: 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as 'operating leases'.
Local Government Pension Scheme (LGPS)	Nottinghamshire County Council is the administrating authority for the LGPS within Nottinghamshire.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.
NNDR	National Non-Domestic Rate.
PFI	Private Finance Initiative.
PPE	Property, Plant and Equipment.
Precept Income	County Councils obtain part of their income from precepts levied on the District Councils in their area. Precepts, based on the 'Council Tax bases' of the District Councils, are levied on each District's 'collection fund'.
PWLB	Public Works Loans Board.
Provisions	Sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise. The sums set aside are charged to the appropriate service revenue accounts.
Reserves	Sums of money set aside to cover future eventualities. The sums set aside are charged to the General Fund and not to service revenue accounts.
Revaluation Reserve	Represents the difference between the revalued amount of Property, Plant and Equipment as shown in the accounts and the historic cost.
Revenue Expenditure Financed from Capital Under Statute (REFfCUS)	Legislation permits certain expenditure to be funded by capital resources even though no fixed asset is carried on the Balance Sheet. Examples include works on property not owned by the Authority and grants provided for economic development purposes.

KPMG

External audit report 2016/17

Nottinghamshire County Council and Nottinghamshire Pension Fund

September 2017

Summary for the Governance and Ethics Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Nottinghamshire County Council and Nottinghamshire Pension Fund ('the Authority').

This report focusses on our on-site work which was completed in July 2017 on the Authority's significant risk areas, as well as other areas of your financial statements. Our findings are summarised on page 5.

Subject to all outstanding queries being resolved to our satisfaction we anticipate issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 30 September 2017.

We also anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements by 30 September 2017.

Our audit has not identified any material audit adjustments. Our work did identify some minor presentational adjustments to the statements presented for audit, which Management have agreed to amend in the final version of the financial statements.

Based on our work, we have raised one recommendation. Details on our recommendation can be found in Appendix 1.

Subject to clearance of our final queries and final (including Director) review we are moving into the completion stage of the audit and anticipate issuing our completion certificate alongside the opinion and VFM conclusion.

Use of resources

We have completed our risk-based work to consider whether in all significant respects the Authority has proper arrangements to ensure has taken properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We therefore anticipate issuing an unqualified value for money opinion.

See further details on page 16.

Acknowledgements

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

We ask the Governance and Ethics Committee to note this report.

KPMG

The key contacts in relation to our audit are:

Tony Crawley
Director
KPMG LLP (UK)

0116 256 6067
Tony.Crawley@kpmg.co.uk

Sayeed Haris
Senior Manager
KPMG LLP (UK)

0116 256 6061
Sayeed.Haris@kpmg.co.uk

David Schofield
Assistant Manager
KPMG LLP (UK)

0116 256 6074
David.Schofield@kpmg.co.uk

Contents

Section one

Financial Statements

We anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements and the Fund by 30 September 2017. We will also report that your Annual Governance Statement complies with the guidance issued by CIPFA/SOLACE (*'Delivering Good Governance in Local Government'*) published in April 2016.

For the year ending 31 March 2017, the Authority has reported a deficit of £35m on the provision of services. £25m of this relates to adjustments between the accounting and funding basis in which the statements are prepared. £10m has been funded net from usable revenue reserves.

Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have substantially completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
1. Significant changes in the pension liability due to LGPS Triennial Valuation Authority and Pension Fund	**Why is this a risk?** During the year, the Pension Fund has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The share of pensions assets and liabilities for each admitted body is determined in detail, and a large volume of data is provided to the actuary to support this triennial valuation. The pension valuation to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data. There is a risk that the data provided to the actuary for the valuation exercise is inaccurate, and that these inaccuracies affect the actuarial figures in the financial statements. The Pension Fund only includes limited disclosures around pensions liabilities but we anticipate that this will be identified as a risk area by many of the admitted bodies, whose pension liabilities represent a significant element of their balance sheet. This includes the Authority itself. **Our work to address this risk** As part of our audit of the Pension Fund, we have reviewed the data provided to the actuary back to the systems and reports from which it was derived. Our work focused on the data relating to the Authority itself as largest member of the Pension Fund. We have also substantively agreed the total figures submitted to the actuary to the ledger with no issues to note We have also engaged with the audit teams from other admitted bodies and noted that we did not receive any specific requests for any additional audit work from them.

Significant audit risks

Our *External Audit Plan 2016/17* sets out our assessment of the Authority's significant audit risks. We have substantially completed our testing in these areas and set out our evaluation following our work:

Significant audit risks	Work performed
2. The preparation of Group Accounts for the Authority and its subsidiaries	**Why is this a risk?** During 2016/17 the Authority has entered into significant arrangements with other bodies that give rise to the preparation of Group Accounts in addition to the Authority's year end financial statements. In addition to the Authority, management have deemed the following subsidiaries and joint arrangements to be significant in the context of the Group Accounts: ▪ ARC Property Services Group Partnership; and ▪ Via East Midlands Ltd. There is a risk that the subsidiaries or joint venture with the external body have not been identified correctly for the preparation of the Group Accounts and/or that they are not accounted for in accordance with the Code of Practice. **Our work to address this risk** We have assessed the judgment made by management to determine whether consolidation into the group accounts are required for the companies listed above. During the audit, the Authority's Finance team have reviewed all of its joint arrangements to determine the nature of the arrangement and whether this would involve the production of Group Accounts. An analysis of the income and expenditure and the nature of the assets and liabilities was carried out and it was determined that: ▪ The majority of the income and expenditure had been recorded in the Authority's accounts as this related to the Authority itself; ▪ Both operations did not have any material assets or liabilities; and ▪ The preparation of full Group accounts would not add any value to the reader of the statements. Therefore, a detailed note has been added to the statements. As part of final account work we reviewed the judgements made by management for the arrangements currently in place by comparing the Authority's assessment with the Code of Audit Practice. We have no issues to raise with the Committee. Management will however need to reassess this judgement on an annual basis to determine if there are any additional operations which the subsidiaries have entered into, and therefore if the results require consolidating into the Authority's accounts.

Significant audit opinion risks	Work performed
3.Minimum Revenue Provision	**Why is this a risk?** The Authority revised its policy for the calculation of its Minimum Revenue Provision during 2015/16, as reported to the Full Council on 25 February 2016. This has an impact on the amount charged to the General Fund for the repayment of its external debt in future years. As part of our 2015/16 audit we reviewed the revised policy to ensure that it was in accordance with statutory requirements. 2016/17 is the first year the revised policy will be applied. The risk is that the updated policy has not been applied in line with the proposed changes. **Our work to address this risk** For 2016/17 the policy had changed to include PFI contracts and leases. This was reported to Full Council on 13 July 2017. We consulted with our technical specialists and have assessed this change to be reasonable. We also tested the Minimum Revenue Provision calculation to confirm this has been completed in accordance with the new policy.

Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

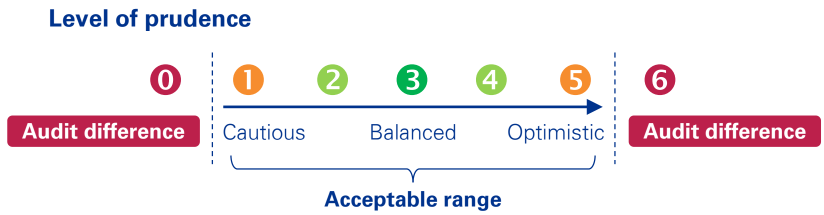
Other areas of audit focus

We identified one area of audit focus. These are not considered as significant risks as there are less likely to give rise to a material error. Nonetheless these are areas of importance where we would carry out substantive audit procedures to ensure that there is no risk of material misstatement.

Other areas of audit focus	Our work to address the areas
1. Disclosures associated with retrospective restatement of CIES, EFA and MiRS	**Background** CIPFA has introduced changes to the 2016/17 Local Government Accounting Code (Code): — Allowing local authorities to report on the same basis as they are organised by removing the requirement for the Service Reporting Code of Practice (SeRCOP) to be applied to the Comprehensive Income and Expenditure Statement (CIES); and — Introducing an Expenditure and Funding Analysis (EFA) which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the CIES. This analysis is supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the current segmental reporting note. The Authority was required to make a retrospective restatement of its CIES (cost of services) and the MiRS. New disclosure requirements and restatement of accounts require compliance with relevant guidance and correct application of applicable accounting standards. **What we have done** For the restatement, we have obtained an understanding of the approach taken by Management to address the new requirements, and how this was implemented into the financial statements. This included: ■ Assessing how the Authority has actioned the revised disclosure requirements for the CIES, MiRS and the new EFA statement as required by the Code; and ■ Reviewing the restated numbers and associated disclosures for accuracy, correct presentation and compliance with applicable Accounting Standards and Code guidance. We have no significant issues to report.

Judgements

We have considered the level of prudence within key judgements in your 2016/17 financial statements and accounting estimates. We have set out our view below across the following range of judgements.



Subjective areas	2016/17	2015/16	Commentary
NDR provisions	3	3	In 2013/14, local authority funding arrangements meant that the Authority is now responsible for a proportion of successful rateable value appeals. The year end provision is then prepared in in accordance with applicable accounting guidance. The number of outstanding appeals has not changed significantly over the financial year and the overall provision is £2,908k. We consider this to be reasonable.
PPE Valuation	3	3	The Authority carries out a rolling valuation programme that ensures that all Property, Plant and Equipment required to be re-measured are revalued every 5 years. All valuations have been carried out by a specialist team internally. We have reviewed the revaluation methodologies and confirm that the basis for estimation has been completed in accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS).
Pensions Liability	3	3	The reported balance (£1,248,055m), together with the assumptions and disclosures for inflation, discount rate, salary growth, life expectancy, etc are consistent with the report from the external actuary.

Proposed opinion and audit differences

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's 2016/17 financial statements following approval of the Statement of Accounts by the Service Director – Finance, Procurement & Improvement on 2 June 2017.

Audit differences

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

The final materiality (see Appendix 3 for more information on materiality) level for this year's audit was set at £18.6 million. Audit differences below £930k are not considered significant.

We did not identify any material misstatements.

Annual governance statement

We have reviewed the Authority's 2016/17 Annual Governance Statement and confirmed that:

— It complies with *Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE*;

and

— It is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Narrative report

We have reviewed the Authority's 2016/17 narrative report and have confirmed that it is consistent with the financial statements and our understanding of the Authority.

Pension Fund

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Fund's 2016/17 financial statements following approval of the financial statements by the Service Director – Finance, Procurement & Improvement on 2 June 2017.

Pension fund audit

Our audit of the Fund also did not identify any material misstatements. We identified a small number of presentational adjustments required to ensure that the accounts are compliant with the Code. We understand that the Fund will be addressing these where significant.

For the audit of the Fund we used a higher materiality level of £40 million. Audit differences below £2 million are not considered significant.

Annual report

We are yet to review the Pension Fund Annual Report to confirm that it is not inconsistent with the financial information contained in the audited financial statements. We anticipate to complete this prior to issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good-quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

We consider the Authority's accounting practices appropriate.

Completeness of draft accounts

We received a complete set of draft accounts on 2 June 2017, which is before the statutory deadline.

The Authority has strong financial reporting procedures as highlighted by the finalising of the accounts in a shorter timescale. The Authority is in a good position to meet the new 2017/18 deadline, however will need to manage the timetable with third parties to ensure information is received as complete as possible to feed into the tighter deadlines.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in February 2017 which outlines our documentation request. This helps the Authority and the Fund to provide audit evidence in line with our expectations.

We found that the quality of working papers provided was high and met the standards specified in our *Accounts Audit Protocol 2016/17*.

Response to audit queries

As in previous years Officers resolved all audit queries within a reasonable time.

Pension Fund audit

The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

Prior year recommendations

We did not make any specific recommendations in 2015/16 ISA260 report and noted in that report that all previous years recommendations had been addressed.

Accounts production and audit process (Cont.)

Controls over key financial systems

We have tested controls as part of our focus on significant audit risks and other parts of your key financial systems on which we rely as part of our audit. Based on the work performed, we are satisfied that the controls are performing effectively. We are able to place reliance on the Authority's control framework.

General Information Technology (IT) controls

In order to improve the quality of our audit, by reducing the need for some detailed transaction testing we review the general IT controls in place at the Authority. In particular the controls over the Authority's ledger system SAP.

While we were able to place reliance over the controls over SAP, we have made a recommendation detailed in Appendix 1 to further improve the IT control environment. We have discussed this with the Authority and note that actions are in progress to address the recommendation made.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

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

Once we have finalised our opinions and conclusions we will close our audit.

Declaration of independence and objectivity

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

In relation to the audit of the financial statements of Nottinghamshire County Council and Nottinghamshire Pension Fund for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Nottinghamshire County Council and Nottinghamshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

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

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Service Director - Finance, Procurement & Improvement, for presentation to the Governance and Ethics Committee. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

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

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

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2015/16 financial statements.

Section two

Value for money

Our 2016/17 VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions, works with partners and third parties, and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

VFM conclusion

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

Our VFM conclusion considers whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We follow a risk based approach to target audit effort on the areas of greatest audit risk.

1 Identification of significant VFM risks (if any)

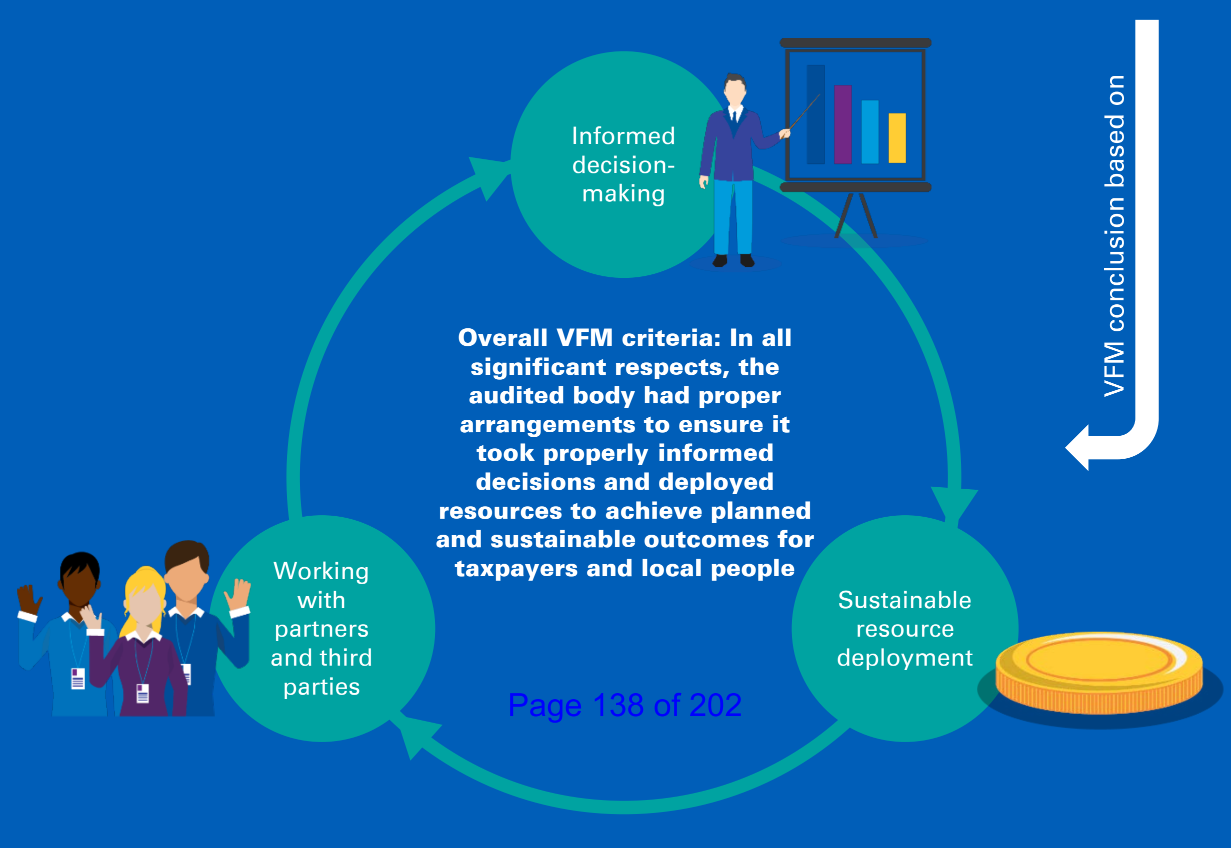
- VFM audit risk assessment
- Financial statements and other audit work

2 Continually re-assess potential VFM risks

- Assessment of work by other review agencies
- Specific local risk-based work

3 VFM conclusion

- **Conclude on arrangements to secure VFM**



Significant VFM risks

The table below summarises our assessment of the individual VFM risks identified against the three sub-criteria. This directly feeds into the overall VFM criteria and our value for money opinion.

VFM assessment summary

VFM risk	Informed decision-making	Sustainable resource deployment	Working with partners and third parties
1. Medium term financial planning	✓	✓	✓
Overall summary	✓	✓	✓

In consideration of the above, we have concluded that i in 2016/17, the Authority has made proper arrangements to ensure it took properly-informed decisions, works with partners and third parties, and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have identified one significant VFM risk, as communicated to you in our 2016/17 External Audit Plan. We are satisfied that external or internal scrutiny provides sufficient assurance that the Authority's current arrangements in relation to these risk areas are adequate.

Significant VFM risks	Work performed
1. Medium term financial planning	**Why is this a risk?** The Authority continues to face similar financial pressures and uncertainties to those experienced by others in the local government sector. The Authority needs to have effective arrangements in place for managing its annual budget, generating income and identifying and implementing any savings required to balance its medium term financial plan. This is relevant to the sustainable resource deployment sub-criterion of the VFM conclusion. Like most of local government, the Authority faces a challenging future driven by funding reductions and an increase in demand for services. To consider the three criteria we have undertaken the following procedures: • Reviewed the arrangements for assuring delivery of the Authority's savings programme; • Reviewed the delivery of the savings plans to date including any actions taken by the Authority where savings are not achieved in line with the plan; and • Evaluated the arrangements the Authority has in place to identify further savings for future years. **Summary of our work** We have completed our assessment by: ▪ Regular liaison with the s151 officer, and key personnel; ▪ Meetings with Corporate Directors from key areas of the Authority, including Adult Social Care, Health and Public Protection, Resources, and Place; *(continued)*

Significant VFM risks

Significant VFM risks	Work performed
1. Medium term financial planning	*(continued)* ▪ Review of the medium term financial plan; ▪ Assessment of the budget setting process, in particular the cross party planning undertaken for 2017/18; ▪ Review of 2016/17 outturn vs budget, and current outturn forecasts for 2017/18; ▪ Review of current transformation plans and spending proposals; and ▪ Review of Authority minutes and Internal Audit reports. Our main VFM conclusion findings can be summarised as follows: • The Authority has a good record of meeting its financial targets and progress. Savings and efficiencies, together with additional budget pressures are identified and monitored corporately throughout the year. On 13 July 2017 an overall budget underspend of £11.4m was reported enabling a £3.7m increase in the General Fund balance. • In February 2017, the Authority approved a Medium Term Financial Strategy (MTFS) for the financial years 2017/18 to 2019/20 and set a balanced budget for 2017/18 which included identified savings of £14.9 million. The Authority's MTFP details a balanced budget for 2017/18 including savings of £14.9m in year, all of which have been identified. However, the MTFP details the increasingly difficult financial challenges faced each year, resulting in the need for ever rising savings which have yet to be identified, up to £62.9 million by 2020/21.

Appendices

Key issues and recommendations

Our audit work on the Authority's 2016/17 financial statements have one issue in relation to our assessment of the general IT controls at the Authority. We have detailed this issue this appendix together with our recommendation which we have agreed with Management. We have also included Management's responses to this recommendation.

The Authority should closely monitor progress in addressing the risk, including the implementation of our recommendation. We will formally follow up this recommendation next year.

Each issue and recommendation have been given a priority rating, which is explained below.

High priority — Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority — Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority — Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the recommendations raised in the year 2016/17.

2016/17 recommendations summary

Priority	Number raised from our year-end audit	Total raised for 2016/17
High	-	-
Medium	1	1
Low	-	-
Total	**1**	**1**

Key issues and recommendations (cont.)

Medium priority

1. Privileged Access and system logging

We reviewed the general IT controls at the Authority, specifically looking at the controls over the SAP system. We noted the following exceptions:

- several named individuals had been granted access to highly privileged profiles the use of which is discouraged by the software supplier SAP due to their powerful nature; and
- a number of generic accounts exist within the live system that grant access to highly privileged transactions. The use of generic accounts reduces individual accountability for changes made and in the cases identified grant access to privileged profiles in SAP, which the software suppler SAP recommend are not accessible to users because of their privileged nature;
- an assessment of privileged user access rights also identified a number of potential segregation of duties conflicts that reduced the effectiveness of established change management processes; these were notified to the Authority;
- inadequate controls over the locking and unlocking of the system. We noted that the live system had recently been locked and that some logging functionalities had not been enabled during this time. This meant that we were unable to tell how long the system had been unlocked and how many times it had been locked and unlocked during the period under review

Although we were able to mitigate the impact of these exceptions on our overall assessment , it is imperative that any changes to the system, which includes the 'locking and unlocking' of the system is sufficiently logged.

Recommendation

The Authority should:

- Review the users with privileged profile access and determine whether this level of access is appropriate;
- Restrict the use of privileged transactions in line with guidance from the software provider SAP;
- Where possible, all changes should be made through established change management processes without the system being unlocked (via STMS); and
- Where changes require the system to be unlocked, this should be sufficiently documented and logged with an thorough audit trail.

Management Response

The County Council has a support contract with CGI to ensure any issues with the SAP system which cannot be resolved by in-house resources are rectified.

Access by CGI staff only occurs when issues have been logged by Business Support Centre (BSC) staff and detailed records of when this access is used and what is undertaken are maintained by the BSC.

In terms of the specific recommendations, these have all been actioned.

Owner

Group Manager – Financial Strategy & Compliance

Group Manger – Business Support Centre

Deadline

N/A – completed.

Audit differences

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

A number of minor amendments focused on presentational improvements have also been made to the 2016/17 draft financial statements. The Finance team is committed to continuous improvement in the quality of the financial statements submitted for audit in future years.

Unadjusted audit differences

We are pleased to report that there are no uncorrected audit differences.

Materiality and reporting of audit differences

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

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, dated February 2017.

Materiality for the Authority's accounts was set at £18.6 million which equates to around 1.5% percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Governance and Ethics Committee

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

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £930k for the Authority.

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

Materiality – Pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £40 million which is approximately 1 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £30 million for 2016/17

Declaration of independence and objectivity

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

> *"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

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

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

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

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

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

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Nottinghamshire County Council and Nottinghamshire Pension Fund for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Nottinghamshire County Council and Nottinghamshire Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Declaration of independence and objectivity (cont.)

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated potential threats to our independence.

Summary of non-audit work		
Description of non-audit service	**Estimated fee**	**Potential threat to auditor independence and associated safeguards in place**
Teachers Pensions Return	£3,000	**Self-interest:** The work involves verifying data included in the claim. the work being carried out is therefore factual and not judgemental and does not constitute a threat to our independence. The engagement did not have either a perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit. The fee is a small percentage of the overall fee. **Self-review:** The nature of this work is to confirm the accuracy of the data included in the claim. Management have prepared the claim, so this is no threat of self review. **Management threat:** All decisions surrounding the claim will be made by Nottinghamshire County Council management . **Familiarity**: This threat is limited given the scale, nature and timing of the work. **Advocacy**: We will not act as advocates for the Authority in any aspect of this work. **Intimidation**: not applicable.
Local Transport Plan Major Projects	£3,000	**Self-interest:** The work involves verifying data included in the claim. the work being carried out is therefore factual and not judgemental and does not constitute a threat to our independence. The engagement did not have either a perceived or actual impact on the audit team and the audit team resources that will be deployed to perform a robust and thorough audit. The fee is a small percentage of the overall fee. **Self-review:** The nature of this work is to confirm the accuracy of the data included in the claim. Management have prepared the claim, so this is no threat of self review. **Management threat:** All decisions surrounding the claim will be made by Nottinghamshire County Council Management. **Familiarity**: This threat is limited given the scale, nature and timing of the work. **Advocacy**: We will not act as advocates for the Authority in any aspect of this work. **Intimidation**: not applicable.
Total estimated fees		**£6,000**
Total estimated fees as a percentage of the external audit fees		**6.1%**

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit is £96,213 plus VAT *(130,950 in 2015/16).* However, we do not propose any additional fee at this stage of our audit; any additional fees will be discussed with the section 151 officer.

Planned fees for other grants and claims which do not fall under the PSAA arrangements is £6,000 plus VAT (£6,000 in 2015/16).

PSAA fee table		
Component of audit	**2016/17** *(planned fee)* £	**2015/16** *(actual fee)* £
Nottinghamshire County Council Accounts opinion		
PSAA scale fee set in 2016/17	98,213	98,213
Subtotal	**98,213**	**98,213**
Nottinghamshire Pension Fund opinion		
PSAA scale fee set in 2016/17	29,926	29,926
Total fee for the Authority set by the PSAA	**128,139**	**128,139**

All fees are quoted exclusive of VAT.

This matter is being dealt with by:
Nigel Stevenson
T 0115 977 3033
E nigel.stevenson@nottscc.gov.uk
W nottinghamshire.gov.uk

Nottinghamshire County Council

Tony Crawley
Director, Infrastructure & Government & Healthcare
KPMG LLP UK
St Nicholas House
31 Park Row
Nottingham
NG1 6FG

7 September 2017

Dear Mr Crawley,

Nottinghamshire County Council and Nottinghamshire County Council Pension Fund – Audit for the year ended 31 March 2017

This representation letter is provided in connection with your audit of the financial statements of Nottinghamshire County Council and Nottinghamshire Pension Fund ("the Authority") for the year ended 31 March 2017, for the purpose of expressing an opinion:

i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;

ii. whether the Pension Fund financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year; and

iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

These financial statements comprise the Expenditure and Funding Analysis, the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial Statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015, for the preparation of financial statements that:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, other than liabilities to pay pensions and other benefits after the end of the scheme year;

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Information provided

5. The Authority has provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the
financial statements, such as records, documentation and other matters;

- additional information that you have requested from the Authority for the purpose of the audit; and

- unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   i. The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

ii. The Authority has disclosed to you all information in relation to:

(a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

(b) allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

8. The Authority has disclosed to you all known instances of non-compliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

9. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

12. The Authority confirms that:

    a) The financial statements disclose all of the key risk factors, assumptions made

and

uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.

b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.

13. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (Revised) *Employee Benefits.*

The Authority further confirms that:

(a) all significant retirement benefits, including any arrangements that:

- are statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- are funded or unfunded; and
- are approved or unapproved,

have been identified and properly accounted for; and

(b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was agreed at the meeting of the Governance and Ethics Committee on 27 September 2017

Yours Sincerely,

Signed:

Name: Nigel Stevenson

Position: Service Director – (Finance, Procurement and Improvement), Nottinghamshire County Council.

Date: 7 September 2017

Appendix to the Authority Representation Letter of Nottinghamshire County Council and Nottinghamshire Pension Fund: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

A housing authority must present:

- a HRA Income and Expenditure Statement; and
- a Movement on the Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

> “Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:
    i. has control or joint control over the reporting entity;
    ii. has significant influence over the reporting entity; or
    iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
b) An entity is related to a reporting entity if any of the following conditions applies:
    i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
    ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
    iii. Both entities are joint ventures of the same third party.
    iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii. The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

a) a government that has control, joint control or significant influence over the reporting entity; and
b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Nottinghamshire County Council

Report to Governance & Ethics Committee

27 September 2017

Agenda Item: 5

REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT & IMPROVEMENT

INTERNAL AUDIT CHARTER

Purpose of the Report

1. To review and approve an updated version of the Internal Audit Charter, as proposed in Appendix 1.

Information and Advice

2. The Council's Internal Audit Section works in compliance with its Internal Audit Charter, which is compiled in accordance with the guidance set out in the Public Sector Internal Audit Standards (PSIAS).

3. The charter is a formal document defining the Internal Audit Section's purpose, authority and responsibility. It establishes the Section's position within the Council, including the nature of the Head of Internal Audit's functional reporting relationship with the Governance & Ethics Committee. It authorises access to records, personnel and physical properties relevant to the performance of audit engagements, and it defines the scope of Internal Audit's activities. Final approval of the charter rests with the Governance & Ethics Committee.

4. The Internal Audit Charter should be reviewed periodically, to ensure it remains relevant and up-to-date. An updated version is presented at this time, principally to take account of the following developments:

   a) The establishment of the Governance & Ethics Committee (the previous version of the Charter refers to the former Audit Committee)

   b) Amendment to the priority rating of Internal Audit's recommendations (see para 11.1 of the draft Charter) and inclusion of a refreshed protocol for obtaining management responses to Internal Audit's recommendations (see para 11.3 and Appendix 1 of the Charter).

Other Options Considered

5. The establishment and maintenance of a formal internal audit charter is a requirement of the PSIAS.

Reason/s for Recommendation/s

6. To ensure that this Council's Internal Audit Charter remains up-to-date and relevant to the developing needs of the authority from its internal audit service.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications
The activities of the Internal Audit service are a key element in the governance framework within the Council. The formal Internal Audit Charter is a key document in ensuring the Council receives an effective service from the resources it deploys on this area of activity.

RECOMMENDATION/S

1) That the revised Internal Audit Charter be approved.

Nigel Stevenson
Services Director – Finance, Procurement and Improvement

For any enquiries about this report please contact: Rob Disney, Head of Internal Audit

Constitutional Comments [SMG 18/09/2017)]

8. The proposals set out in this report fall within the remit of this Committee.

Financial Comments [RWK 13/09/2017]

9. There are no specific financial implications arising from the report

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Internal Audit Charter

1. INTRODUCTION

1.1 This Charter defines Internal Audit's role within the County Council. The Charter complies with the Public Sector Internal Audit Standards, the Accounts and Audit Regulations 2011, and the County Council's Financial Regulations. This Charter has been approved by Nottinghamshire County Council's Governance & Ethics Committee, acting as the 'Board' in respect of Internal Audit.

2 MISSION OF INTERNAL AUDIT

2.1 To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

3 CORE PRINCIPLES

3.1 The Internal Audit Section strives for compliance with the following 10 core principles for the professional practice of internal auditing, as set out in the Public Sector Internal Audit Standards:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive and future-focused
- Promotes organisational improvement.

4 PURPOSE, AUTHORITY AND RESPONSIBILITY

4.1 The purpose of Internal Audit is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.2 It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

In particular it:

(a) carries out a risk based review and evaluation of the County's financial and other systems and procedures

(b) provides management and Members with advice and assurance to assist them in the effective discharge of their responsibilities

(c) plans audit work having regard to the Authority's corporate plans.

4.3 Internal Audit derives its authority from the Accounts and Audit Regulations 2011, from this Charter and from Nottinghamshire County Council's Constitution. The Financial Regulations, which are part of the Constitution, set out that:

'The Section 151 Officer is responsible for arranging the continuous independent internal audit of the Council. The Internal Audit Service will be provided in accordance with the Internal Audit Charter and the Public Sector Internal Audit Standards.

Internal Audit focuses on the Authority's control environment and independently appraises the internal controls present in financial and other systems. The arrangements made by Corporate Directors for securing economic, efficient and effective use of resources are also reviewed. Internal Audit reports are produced containing recommendations which should be responded to formally in writing. The results of Internal Audit work contribute to the Authority's Annual Governance Statement.

Internal Audit staff have the right of access to such records, assets, premises and personnel, and are entitled to receive such information and explanation, as they think necessary for the proper fulfilment of their duties.

If an irregularity occurs or is suspected, which may involve financial loss, it must be reported immediately to the Section 151 Officer who may investigate and report to the Monitoring Officer and the relevant Corporate Director. The Section 151 Officer and the Monitoring Officer will jointly determine what further action to take, in consultation with the Corporate Director.

The Internal Audit Service reports on relevant audit issues on a regular basis to the Authority's Audit Committee. Frequent liaison also occurs between Internal Audit and the Authority's External Auditors who rely upon the work of Internal Audit when forming their opinion on the Authority's key financial and other systems.'

4.4 The role of the 'board' is fulfilled by the Governance & Ethics Committee.

4.5 The role of senior management is fulfilled by the Corporate Leadership Team, comprising the Chief Executive and Corporate Directors of the Authority.

4.6 The role of the chief audit executive is fulfilled by the Group Manager – Internal Audit, and s/he is responsible for meeting the requirements of the Internal Audit Charter and complying with the Public Sector Internal Audit Standards. The Group Manager – Internal Audit reports directly to the Section

151 officer, but also has responsibilities to senior management and the Governance & Ethics Committee.

4.7 The resourcing of Internal Audit is under continuous review by the Section 151 Officer and the Group Manager – Internal Audit. The resource requirements are brought into sharp focus during discussions and agreement on the Internal Audit Strategy and Annual Plan. Further details are set out in Section 8.

4.8 In addition, the Section undertakes internal consultancy work, carries out suspected irregularity investigations and provides an audit service, on a contract basis, to specific external clients. The nature and extent of work for external clients is kept under review to ensure: a) it does not impinge on the audit work carried out for the Council, and; b) there is no conflict of interest or impairment of independence arising from this work.

4.9 In carrying out consultancy work, the Internal Audit role is to assist management in the achievement of the Authority's objectives. The work involved may cover facilitation, process design, training, advisory services and investigatory work. For most assignments, specific terms of reference will be drawn up to define the scope and limits of the work involved. In overall terms, in order to ensure it can deliver its assurance work, Internal Audit aims to limit its consultancy and irregularity work to approximately 10% of its available resource.

5 INDEPENDENCE AND OBJECTIVITY

5.1 The Internal Audit Section is organised so that it is independent of the activities that it audits. Because of this, the Section can provide impartial and unbiased professional opinions and recommendations. Internal Audit is free to plan, undertake and report on its work, as the Group Manager – Internal Audit deems appropriate.

5.2 The status of the Group Manager – Internal Audit is sufficient to allow the effective discussion of audit strategies, plans, results and improvement plans with senior management in the organisation.

5.3 Internal Audit is accountable to the Section 151 Officer and the Authority's Governance & Ethics Committee, both being involved in determining its priorities. It reviews the resources available to it on a regular basis to ensure that it has sufficient resources to fulfil its responsibilities, reporting the results of the review to the Governance & Ethics Committee, as part of its annual planning process.

5.4 The Group Manager – Internal Audit meets quarterly with the Authority's three statutory officers: the Chief Executive, the Section 151 Officer and the Monitoring Officer. Key issues concerning the governance of the Authority are discussed and the Annual Governance Statement is kept under ongoing review.

5.5 The Group Manager – Internal Audit is required to confirm annually the organisational independence of the internal audit activity. The Group Manager

- Internal Audit has the right to direct and unrestricted access to senior management and the Board.

5.6 Individual internal auditors are also required to have an impartial, unbiased attitude and avoid any conflict of interest. To meet this requirement, each auditor is required to declare any interests they have that could have an impact on their audit work, and to confirm they have read the Authority's Code of Conduct for employees. The Group Manager – Internal Audit will not assign work to an auditor where a conflict of interest may arise. If independence or objectivity is impaired, either in fact or appearance, the details of the impairment must be disclosed to the relevant parties.

6 PROFICIENCY AND DUE PROFESSIONAL CARE

6.1 Internal Audit operates in accordance with the Public Sector Internal Audit Standards. Compliance with the Standards is reviewed annually by the Group Manager - Internal Audit.

6.2 A thorough recruitment process, in accordance with the Authority's procedures, applies to the appointment of Internal Audit staff to ensure the Section has the appropriate professional skills and experience to fulfil its objectives. The Group Manager - Internal Audit is appointed by the Section 151 Officer and must be a qualified accountant with at least 5 years' audit and managerial experience. Similarly, the Audit Managers should be qualified accountants with at least 3 years' audit and managerial experience. The qualifications and skills required for all posts are detailed in job descriptions and person specifications maintained by the Group Manager - Internal Audit.

6.3 Internal Auditors have an annual review of their performance and development needs. They are provided with the appropriate training to fulfil their responsibilities and to maintain their professional development and competence.

7 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

7.1 The Group Manager - Internal Audit reviews the work of the Section on an annual basis to provide assurance that it conforms to the relevant standards and requirements of the Internal Audit Charter.

7.2 The Internal Audit Section takes the following actions to provide a professional service:

- Adopts a flexible, risk driven approach
- Works in partnership with managers and staff to develop and maintain adequate and reliable systems of internal control
- Continually seeks to improve the effectiveness and efficiency of its services in consultation with managers from across the Authority
- Maintains an effective Audit Manual and regularly reviews its procedures to ensure they remain appropriate
- Monitors and reports on specific performance indicators and targets.

7.3 The Public Sector Internal Audit Standards require that an external assessment of Internal Audit be conducted at least once every five years by a qualified, independent assessor from outside the organisation. The Group Manager – Internal Audit will raise this periodically with the Governance & Ethics Committee to determine the form of external assessment, the required qualifications and independence of the assessor and the frequency of the assessment.

7.4 Arising from the internal review, external assessments and the annual review of Internal Auditors' performance and development, the Group Manager – Internal Audit will, in discussion with senior management and the Governance & Ethics Committee, develop an Improvement Programme.

7.5 Where non-conformance to the Public Sector Internal Audit Standards impacts on the overall scope or operation of the internal audit activity, the Group Manager – Internal Audit must disclose the non-conformance to senior management and the Governance & Ethics Committee.

8 <u>MANAGEMENT OF INTERNAL AUDIT ACTIVITY</u>

8.1 Internal audit work is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources in meeting the Internal Audit Charter.

8.2 The Group Manager - Internal Audit produces an Internal Audit Strategy consisting of a three year plan and an annual plan. The plans are developed in consultation with the Corporate Directors, Section 151 Officer and Senior Managers. The Strategy details how the assurance for the opinion on the overall adequacy and effectiveness of the organisation's control environment will be demonstrated.

8.3 The Internal Audit plans are subject to annual revision and approval by the Section 151 Officer for reporting to the Governance & Ethics Committee. These plans include an element of contingency to allow Internal Audit to be responsive to changes in conditions and to requests for assistance from managers. They also take account of the Authority's risk management process with the aim of identifying and evaluating any residual risks, not covered by appropriate control mechanisms, which need to be included in the Internal Audit Plan. The Plan process also involves assessing, through ongoing liaison with management and External Audit, any new developments or significant changes in the Authority's responsibilities.

8.4 Objectives are prepared for each routine Internal Audit assignment and are normally discussed with relevant line managers before the work is started. Internal Audit will usually give reasonable notice to the relevant manager of the start of an audit and will minimise any disruption to the smooth running of the area under review. However, Internal Audit reserves the right to make unannounced visits where the Group Manager - Internal Audit considers it necessary.

8.5 The Section adopts a structured approach to all its work including the use of a risk-based, systematic approach, where appropriate, for opinion audits.

9 GOVERNANCE & ETHICS COMMITTEE RESPONSIBILITIES

9.1 Internal Audit has a responsibility to report to the Authority's Governance & Ethics Committee. The Committee is chaired by a member of the majority party and consists of 11 members. The Committee meets on a six-weekly basis and has clear terms of reference. It reviews both Internal and External Audit work throughout the Authority and contributes to the organisation's overall process for ensuring that the Authority has good governance.

9.2 The Committee reviews and comments upon:

- Internal Audit Charter
- Internal Audit's Annual Report (including the opinion of the Authority's control environment)
- Internal Audit's Strategy, Annual Plan and Progress against the Plan (including key findings and recommendations)
- External Audit's Annual Audit Letter and Annual Plan
- Reports on the implementation of Internal Audit recommendations
- Reports on relevant public sector publications concerning general audit developments
- Any significant audit issues that may arise within the Authority.

9.3 The Group Manager - Internal Audit attends every meeting and presents Internal Audit reports to the Committee.

10 SUSPECTED IRREGULARITY INVESTIGATIONS

10.1 In accordance with the Authority's Financial Regulations, Internal Auditors carry out investigations into suspected financial irregularities. All managers in the Authority have an obligation to maintain an effective internal control system within their areas of work, and this includes a responsibility for the prevention and detection of fraud, corruption and other irregularities, as well as managing the risks of fraud or corruption.

10.2 When conducting audit engagements, Internal Auditors are alert to circumstances, such as control weaknesses, that could allow fraud. If any evidence of fraud or other irregularity is discovered the relevant line manager is informed.

10.3 Managers are required to inform Internal Audit immediately if a fraud or other irregularity is suspected. In such cases, they should ensure that:

- Any supporting information or other evidence is secured
- Confidentiality is maintained so as not to prejudice any subsequent investigation.

10.4 Internal Audit will consider each suspected fraud or irregularity and determine whether to investigate it itself or to resolve it by another means, for example, referral to the Police, as appropriate. Internal Audit's role in tackling suspected cases of fraud or irregularity is set out in the Council's Fraud Response Plan

10.5 The Group Manager - Internal Audit may carry out other special investigations at the request of the Section 151 Officer or other senior managers.

11 INTERNAL AUDIT REPORTING

11.1 Internal Audit reports its findings to appropriate managers, who have a responsibility to respond promptly to the reports' recommendations. Recommendations are priority ranked, as follows:

Priority Level	Description	Recommended action timescales
Priority 1	Essential for effective internal control, must implement recommendations to improve existing control arrangements	Immediate
Priority 2	Highly desirable for effective internal control, should implement recommendations to improve existing control arrangements	Within two months

'Low priority' recommendations are not made in Internal Audit reports. Instead, advisory recommendations are raised in feedback meetings with managers at the close of the fieldwork.

11.2 Reports on assurance work contain an audit opinion on the area reviewed. One of the following three audit opinions of the level of assurance is provided:

LIMITED ASSURANCE	Risk levels are high
REASONABLE ASSURANCE	Risk levels are acceptable
SUBSTANTIAL ASSURANCE	Risk levels are low

The spread of Internal Audit opinions each year is one factor used to inform the Authority's Annual Governance Statement.

11.3 Management responses to Internal Audit's draft reports are sought in accordance with the protocol set out in Appendix 1.

11.4 All Internal Audit recommendations are followed up to confirm the agreed management actions are taken. Two levels of assurance are applied to confirm implementation, as detailed below:

Priority rating of recommendation	Management assurance	Internal Audit assurance
Priority 1	Assurance is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to Priority 1 recommendations are carried out consistently.
Priority 2		Compliance testing is scheduled for selected Priority 2 actions

11.5 Quarterly progress on the implementation of agreed management actions is reported to senior management and to the Governance & Ethics Committee. The Governance & Ethics Committee determines whether it wishes to receive an update from senior managers at its next meeting to provide further assurance regarding actions to improve the internal controls in a specific area of activity.

11.6 Internal Audit reports are circulated to the relevant Committee Chairmen/Chairwomen and Opposition Members so that they are aware of audit findings in their areas of portfolio responsibility. Members can raise queries on reports as appropriate by contacting the Group Manager - Internal Audit or Audit Managers direct on issues which concern them. This direct access by Members to Internal Audit applies in any situation where Members wish to raise issues of concern with Internal Audit.

12 **COORDINATION OF AUDIT ASSURANCE**

12.1 The Group Manager – Internal Audit co-ordinates Internal Audit Plans and activities with other internal and external providers of assurance, including the External Auditors, to ensure the most efficient use of the total resources devoted to audit work. Regular liaison meetings take place during the course of the year as appropriate.

12.2 Internal Auditors foster constructive relationships with Members, the managers and others involved in the areas being audited, and also with other review and specialist agencies that it may encounter as part of its work.

12.3 Liaison with managers takes place at key stages of the audit process, namely: planning; undertaking; reporting; and responding to audits. The guiding principle adopted throughout is one of assistance in the achievement of the Authority's objectives.

Protocol for chasing responses to Internal Audit's Draft Reports

Week 0

- Draft report issued, typically to Group Manager & Service Director, requesting a response within 2 weeks

Week 3 - no response

- Reminder issued by: Auditor & Audit Supervisor
- Reminder to: Group Manager & Service Director
- Response by: within 1 further week

Week 4 - no response

- Reminder issued by: Head of Internal Audit
- Reminder to: Group Manager & Service Director, with copy to Corporate Director
- Response by: within 1 further week

Week 5 - no response

- Reminder issued by: Head of Internal Audit
- Reminder to: Group Manager, Service Director and Corporate Director, with copy to Chief Executive and Chairman of Governance & Ethics Committee
- Response by: within 1 further week

Week 6 - no response

- Issue final report to Members, highlighting that no management response has been received
- Report scherduled on the agenda of the next Governance & Ethics Committee
- Group Manager, Service Director and Corporate Director invited to attend to provide a verbal update on the management response to the recommendations

N.B.

- At any point in the above procedure, the clock may be stopped and re-set, to dealwith particular circumstances such as:
- to further discuss the audit findings and recommendations wherever concerns with them remain
- to allow for extended response times during periods of extreme workloads or the non-availability of key staff
- revised timescales for responses should be formally agreed

Nottinghamshire County Council

Report to Governance & Ethics Committee

27 September 2017

Agenda Item: 6

REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT & IMPROVEMENT

FOLLOW-UP OF INTERNAL AUDIT RECOMMENDATIONS

Purpose of the Report

1. To report progress with the implementation of agreed management actions to address Internal Audit recommendations.

Information and Advice

2. Internal Audit carries out regular follow-up work to obtain assurance that the actions proposed by management in response to Internal Audit's recommendations are being taken. This assurance is obtained in two phases, as set out below:

Priority rating of recommendation	Management assurance	Internal Audit assurance
High	Assurance is sought from management that all agreed actions have been taken	Compliance testing scheduled to confirm all agreed actions relating to high priority recommendations are carried out consistently.
Medium		Compliance testing is scheduled for selected medium priority actions
Low		No Internal Audit compliance testing is carried out
Value For Money (VFM)		Compliance testing may be scheduled for the more significant VFM recommendations

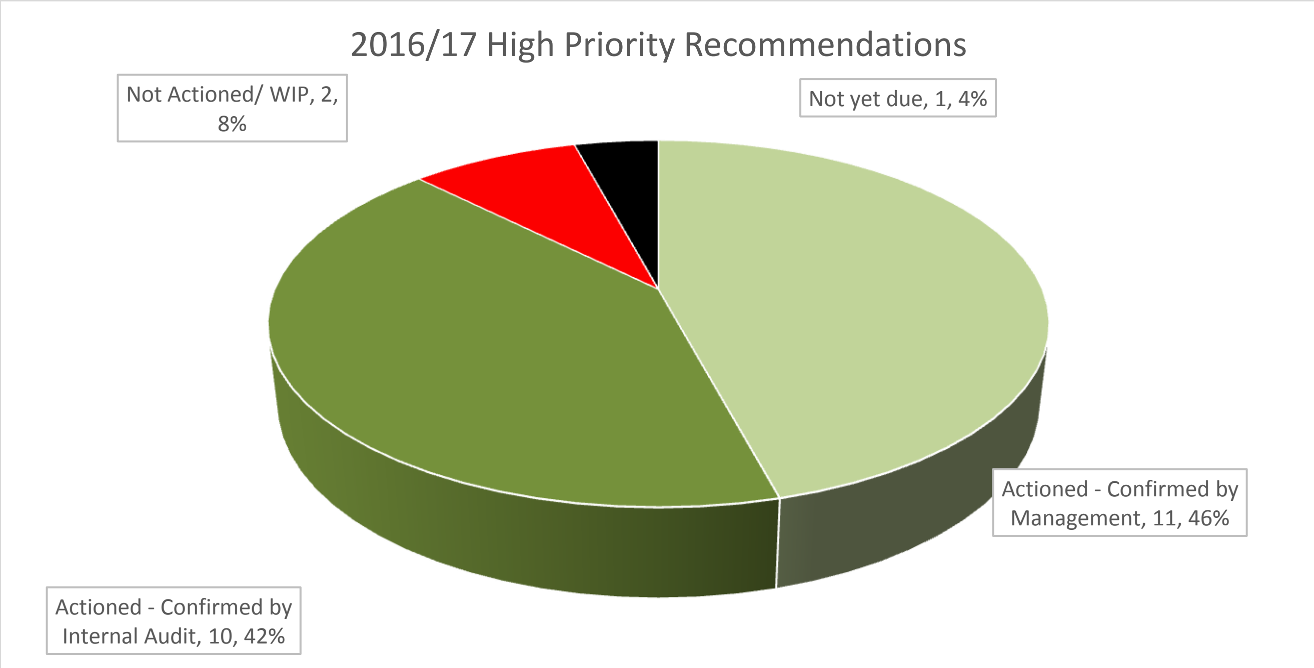
3. During each quarter, Internal Audit carries out the following work to provide an update on progress:
   - For recommendations agreed in audit reports issued since the date of the previous meeting, seeking assurance from management that agreed actions have been taken in accordance with the proposed timescales
   - For actions previously confirmed to have been taken by management, carrying out compliance testing to confirm satisfactory implementation.

High Priority Actions

4. ***Appendix 1*** sets out the updated position with the high priority actions from 2016/17 audits that have still to be cleared through the follow-up process. This sets out details of the agreed

management actions, the management assurances received and the outcome of Internal Audit's follow-up testing to date. The appendix also indicates the proposed timing for follow-up testing by Internal Audit in future quarters.

5. The current status of the high priority actions is summarised in the following chart:

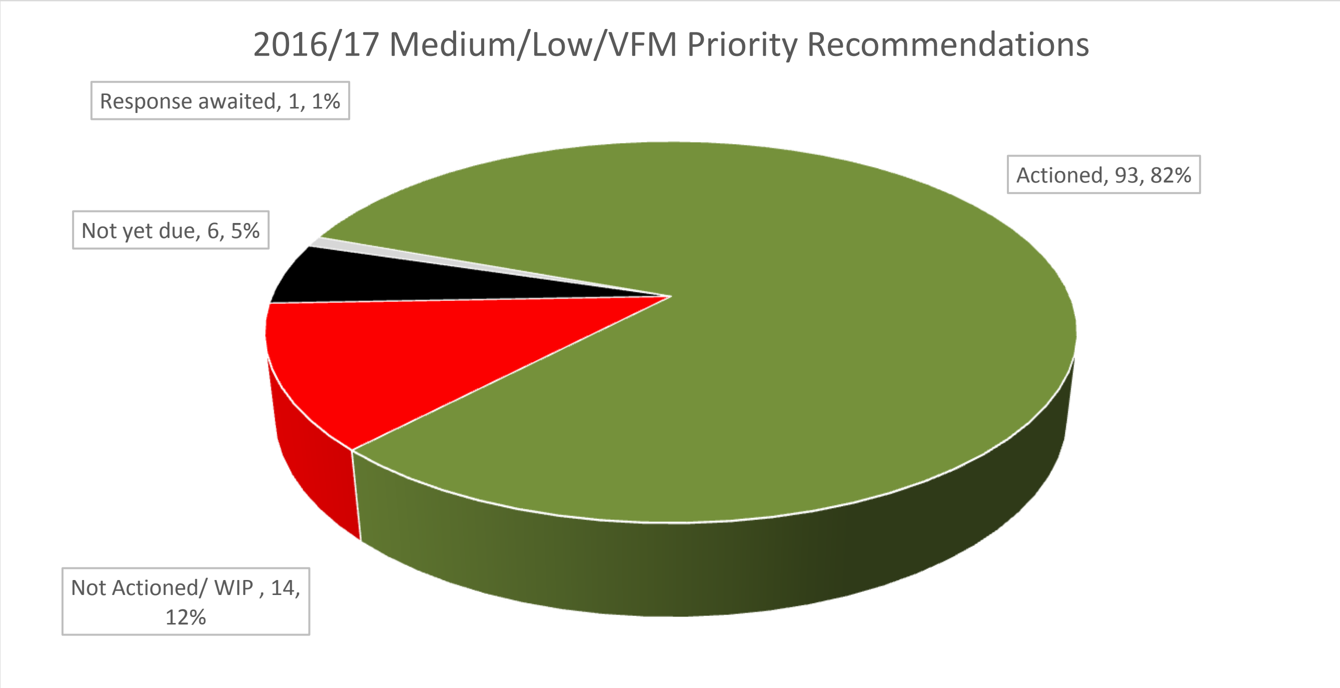


6. Follow-up testing and management assurances since the previous update in June 2017 have focused on the following:
   a) Children, Families & Cultural Services (CFCS) Department: Troubled Families Programme – the agreed actions have been implemented. The impact of these actions on one of the primary objectives of the programme, to increase the number of families engaged with, has been limited so far. However, data released recently by the Department for Communities and Local Government (DCLG) shows that the performance in Nottinghamshire is not out of kilter with that being achieved by comparable authorities.
   b) Council-wide audit: Use of agency staff and consultants – testing has confirmed that all but one of the agreed high priority actions have been taken. At the time of compiling this report, testing was continuing on the use of the Vacancy Control Decision Record in the process for re-engaging agency workers at the end of initial, short-term placement.
   c) Business Services Centre (BSC) Competency Centre – evidence confirms that the action is in place to verify system changes against records of authorised change activity.

7. Priorities for follow-up actions in the next quarter, and for reporting in the next update to Committee in January 2018, are the following:
   a) Place Dept: Catering (West Bridgford campus)
   b) CFCS Dept: Special Educational Needs & Disability (SEND) Transport – budget management

Medium, Low & VFM Priority Actions

8. Progress with implementation of these recommendations is summarised in the following chart.



9. The position above relates to the assurance updates received from management. Internal Audit's follow-up testing of selected medium priority actions has not identified any on which no progress has been made. This continues to provide a positive level of assurance that improvements to the Council's system of internal control are being made as a result of Internal Audit's work.

Management updates to the Governance & Ethics Committee

10. Arising from the details presented in this report, the Committee may consider that it requires further updates and assurances from management at its next meeting in relation to one or more of the areas in which agreed actions remain outstanding.

Other Options Considered

11. No other options for obtaining the required assurances were considered at this time.

Reason/s for Recommendation/s

12. To enable the Governance & Ethics Committee to consider whether it has received sufficient assurance that actions in response to Internal Audit's recommendations are being implemented as agreed, or whether it considers that further and more detailed updates from management are required.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications
Many of Internal Audit's recommendations are made with specific financial implications in mind. Such recommendations, and the associated management actions, are designed to secure effective governance, internal control and risk management.

RECOMMENDATION/S

1) The progress detailed in the report and its appendix are considered, and the Committee determines whether it wishes to receive further and more detailed updates on progress from relevant managers in any of the areas of activity covered by this report.

Nigel Stevenson
Service Director – Finance, Procurement and improvement

For any enquiries about this report please contact: Rob Disney, Head of Internal Audit

Constitutional Comments [SMG 18/09/2017]

14. Governance & Ethics Committee is the appropriate body to consider the content of the report. If the Committee resolves that any actions are required it must be satisfied that such actions are within the Committee's terms of reference.

Financial Comments [RWK 13/09/2017]

15. There are no specific financial implications arising from the report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Action Description	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status
Department: Adults' Social Care, Health and Public Protection				
Service Area: Homecare				
Audit: ASC1706 Procurement of interim homecare service				
Competitive tendering: Staff should discuss contract requirements with the Market Management Team (in ASCH&PP Dept) and with Corporate Procurement (Resources Dept) to find a solution for each service area. A waiver from tendering requirements should be applied for as a last resort.	A re-procurement exercise is currently in progress for a 'Hospital Discharge Service South' which is a remodelled interim homecare service and (as at 20/3/17) is in the evaluation stage. The preferred provider will be announced w/c 20/3/17 and it is planned to award contract by 1st April – there will be an implementation/transition phase between April to start of the new service on 1st July 2017. The new contract will be under a Framework agreement for initially 2 years.	Testing scheduled for Q4, 2017/18		Confirmed by management (AMBER)
Parterning approach between Corporate Procurement and departments, and monitoring arrangements: Establishment of the Contracts and Payments Overview Group to improve communications between the department and Corporate Procurement and to keep procurement activity under review.	The Contracts and Payments Overview Group is meeting regularly to ensure appropriate procurement of contracts.	Testing scheduled for Q4, 2017/18		Confirmed by management (AMBER)

Action Description	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status
Department: Children, Families and Cultural Services				
Service Area: Access to Resources Audit: CFCS1612 External Placements				
Compliance with Council tendering regulations through use of the following hierarchy of options: 1 internal provision; 2 use of existing framework contracts; 3 issue contracts for specialist placements and invite the providers to join the existing frameworks	A pro forma is now in place to allow requests for spot contracting to be captured, considered and approved. Meetings have been held between officers in Procurement and Social Care Placements to discuss the pro forma and all were in agreement of how it should be used. All are aware that the compliant routes for securing placements/education should be followed before asking for a spot contract arrangement. Legal Services have drafted a standard form spot contract and this will now be applied for social care placements.There has also been a Financial Regulations waiver signed off to cover this process, with Procurement reporting back at the end of the financial year on how many of these contracts have been put in place.	Complete	Further follow-up testing will be scheduled for Q4 in 2017/18	Confirmed by management (AMBER)
Service Area: Youth, Families & Social Work Audit: CFCS1705 Troubled Families				
Monitoring the number of families on the programme to safeguard external funding: Comparisons against trajectory numbers of families worked with on the Programme will be included in quarterly reports going forward. These will be considered by a newly formed bi-monthly Project Board from December 2016. We will continue regular dialogue with the Department for Communities & Local Government on local and national progress and future funding models.	Target numbers and comparisons with trajectory now go to the Board and Operational Group. Future targets will be directly provided by DCLG. Internal dialogue about future funding models is ongoing.	Complete	Progress reports on the number of families being worked with have been presented to a Troubled Families Project Board and a Troubled Families Operational Group. These do show how the number of families is progressing (the numbers engaged with, and claimed for). Initial reports did not show how the number of families on the programme compared to target, but a report that does show progress against target has been prepared for the September 2017 Operational Group. Difficulties in meeting targets is a national issue and Nottinghamshire's performance is comparable to other authorities (as shown in a national progress report published by the DCLG in April 2017). The department is keeping itself aware of national developments including potential changes to the programme to be made by DCLG.	Confirmed by management and internal audit. However progress is below target, which reflects the national position (AMBER)

Action Description	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status
Target outcomes are consistent with the plan agreed with DCLG: Routine auditing to ensure that targets meet the Nottinghamshire Families Outcomes Plan definitions before any claim can be made. Introduction of a new technical plan, separate to the plan for the family, which we expect will make it easier for practitioners to produce a compliant plan. Non-compliance will continue to be discussed in supervision by the managers who are responsible for signing off the plan. Consider the need for specialist Family Action Plan authors as we use for social care cases.	The technical plan has been piloted and is due to go live on the Fraemwork -I system imminently. Delays have been due to the change freeze associated with the move to the MOSAIC system. Specialist Family Action Plan authors have been considered and rejected but oversight and development of case holders continues.	Complete	A revised Families Outcomes Plan with Technical Guidance has been produced. This is sufficient to contribute to all family action plans having targets that are consistent with the Families Outcomes Plan. To obtain assurance on the quality of family action plans we have relied on the result of 'spot checks' that were carried out by the national Department for Communities & Local Government (DCLG) in July 2017. The DCLG reported that all claims in its sample were valid and that it was confident that the Council is working within the terms of the programme's Financial Framework.	Confirmed by Internal Audit (GREEN)
Service Area: Special Educational Needs Audit: 2015-04 SEND Budget Management				
Budget holder: Responsibility for the budget for SEND transport to be transferred to Transport & Travel Services	The responsibility for the management of the budget for SEND Transport has been transferred to Transport & Travel Services at the start of the 2017/2018 financial year	Testing scheduled for Q3, 2017/18		Confirmed by management (AMBER)
Budget setting: a) Budget to be based on relevant aspects that influence expenditure; (b) Development of a model for budgeting and forecasting; © Model to be informed by the outcome of SEND Team manager reviews & estimates of future numbers of pupils with Education, Health & Care plans	All the recommendations (a, b and c) have been implemented	Testing scheduled for Q3, 2017/18		Confirmed by management (AMBER)
Budget savings: Savings identified in previous budget challenges should be re-assessed and amended to reflect realistic savings.	The previous savings targets from 2014 (totalling £1.1m) have been reassessed as undeliverable and removed from the savings targets	Complete	Confirmed following release of the final report that the recommendation has been implemented, in that the 2017/18 budget has been increased by removing the undeliverable savings of £600,000, plus additional budget pressures of £1,872,000.	Confirmed by Internal Audit (GREEN)

Action Description	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status
Department: Place				
Service Area: Catering & Facilities Management Audit: E&R1617 Catering (County Hall & Trent Bridge House)				
Confirmation of goods received prior to paying invoices to suppliers: Re-introduce checks of consolidated invoices on the basis of a 10% ratio	Checks are made on consolidated invoices. These are then signed off and recorded. No discrepancies have been found. The checks are from Seprtember 16 onwards.	Complete, but re-testing to be scheduled for Q3 of 2017/18	Sample checking of consolidated invoices to supporting records for deliveries to the Council properties on the West Bridgford campus are in place. Work remains in progress to re-introduce these checks in respect of deliveries to schools.	Implementation remains in progress (RED)
Department: Resources				
Service Area: Business Services Centre Audit: 2016-39E&R1617 Competency Centre - BMS Authorisations & Security				
SAP maintenance access: run system log monthly, review against change activity and document in the monthly Customer Service Report	Evidence provided to confirm the action has been implemented	Complete	Evidence confirmed that the action is now in place	Confirmed by Internal Audit (GREEN)

Action Description	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status
Department: Cross-Cutting				
Service Area: Agency Staff & Consultants Audit: XC1602				
Re-authorising extensions to short-term placements: Identify short-term placements that have extended into longer-term placements to ensure a Vacancy Control Document Record is completed.	Pending procurement of new contract - The investigation of altering the online system to include the VCDR number was prohibited by cost midway through the life of the current contract. It is likely the current contract will be extended for 12 months from 10/11/2017 to 09/11/2018. The future procurement exercise will have this built into the invitation to tender. In the meantime, manual checking of changes to longer term agency placements by HR business partners takes place on a quarterly basis as part of the data collection for the return to Personnel Committee. A detailed item appeared in November's Team Talk entitled "Continued Scrutiny of the use of agency workers" which provided 8 key reminders to hiring managers	Complete	Audit testing confirmed that quarterly reviews of all agency placements by HR business partners (whilst collating information for Personnel Committee report) is in place. Awaiting confirmation regarding completion of VCDR when short term placements get extended.	Confirmed by Internal Audit (GREEN)
Automation of management information: Explore with the managed service provider the possibility of the online system differentiating between longer term placements requiring a VCDR and the more urgent short-term requirements. A manual process will be implemented if the adjustment cost is prohibitive.			The manual process (as detailed above) for monitoring placements is now in place and on the whole, provides justification for each placement. Testing confirmed that an analysis of agency staff is being reported to Personnel Committee quarterly.	
Automation of management information: Build into future tendering exercises for this service the requirement to differentiate between the nature of agency placements			We confirmed that the existing contract has been extended for one year until November 2018 and the new requirements are to be included in the tender documentation.	Pending new contract

Action Description	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status	
On-going review of agency placements: Specific report from the service provider system to identifiy individual tenure information, to be used as part of the corporate monitoring process. An electronic pro- forma will be introduced to record the detail of the discussions between HR and managers to capture the ongoing reasons for the agency placement and the intended exit date . Where there are concerns about placement drift, these will be escalated to the responsible service director to mirror the approval process for VCDRs The 12 week period is significant for 2 reasons: it is when Agency Worker Regulations provide additional protections; this is the maximum period allowed for temp staff without VCDR approval. The additional protections will be brought to managers' attention so they are personally made aware and encouraged to consider whether agency is the most cost effective way of filling a temporary or permanent vacancy.	Tenure information is now included in the monthly MI reports received from Reed which allows ongoing challenge to managers over the duration of placements and the need to have an identified exit strategy. Further developments since the audit include the introduction of a cap on all qualified children's social care posts with a minimum reduction of £4 per hour for all new supply. We continue to negotiate tenure discounts for the longer term placements from 6 months onwards	Testing of the monthly report & challenge process scheduled for Q2 of 2017/18	We confirmed that Human Resources now receive monthly management information reports from the managed service provider which includes tenure information and other detailed analysis. The reports also show any placements which have been extended and reasons for the extension. Also, the information collated for the Personnel Committee provides justification for all placements. For Children's Services, we confirmed that the Service Director chairs regular challenge panels where the need for ongoing placements are discussed, including the exit strategy. The panel includes the Group Manager HR and a finance colleague. Minutes of meetings are not available, however we confirmed that an email had been sent following a recent panel meeting outlining the agreed placements.	Confirmed by Internal Audit (GREEN)	
Compliance with regulations for engaging consultants: Corporate Directors will be reminded of the processes surrounding the engagement of consultants as set out in financial regulations.	Financial Regulations have been updated and will be published on the intranet during February 2017. Corporate Directors and their leadership teams have been reminded by their respective Senior Finance Business Partners of the processes surrounding the engagement of consultants	Testing scheduled for Q2 of 2017/18	Confirmed - Financial Regulation (section 3.3) has been updated and guidance on the use of consultants has been provided. Both were posted on the intranet. Both documents specify that the engagement of consultants requires the approval of the committee or Corporate Directors and a standard 'Request to procure a Consultant Form' has been included in the guidance.	Confirmed by Internal Audit (GREEN)	
Service Area: Information Governance Audit: XC1701					
Corporate awareness of the security of information - Completeness of the Information Asset Register (IAR): The IAR has been compiled by the Information Asset Managers and is under review. The Information Manager will write to all Information Asset Owners to confirm that they have checked the entries in their areas and are satisfied that the register is substantially complete.		Testing to be re-scheduled		Implementation remains in progress (RED)	

Action Description	Management Update	Internal Audit follow-up status	Internal Audit follow-up outcome	Action Status	
Corporate awareness of the security of information - assessment of business impact levels and security classifications: The Information Manager is reviewing all aspects of the IAR, including Business Impact Levels and security classifications	Review has been implemented as planned and a number of revisions have been agreed with Information Asset Owners (IAOs). Work is ongoing with IAOs to identify Information Sharing Agreements in relation to Information Assets (IAs) and to ensure all relevant IAs are included in the Register.	following a peer review at the end of September 2017, and pending the establishment of internal overview and operational boards to drive the Council's preparations for the General Data Protection Regulations from April 2018.		Implementation remains in progress (RED)	
Corporate awareness of the security of information - Risk assessments for high business impact information assets: As part of the review of the IARs the Information Manager will liaise with the relevant Information Asset Managers to review the Bunsiness Impact Level rating and with ICT to ensure all information assets with a Business Impact Level of 4 or higher is subject to a risk assessment (currently 92 assets).				Implementation remains in progress (RED)	
Corporate awareness of the security of information - On-going review of risk assessments for high business impact information assets: Owners of information with a BIL of 4 and above will be identified during the review and made aware of the need for an annual review and will be asked to return a checklist signed by the Information Asset Owner each year to confirm this has been done.				Implementation remains in progress (RED)	
Vetting checks for Public Services Network (PSN) administrators, to ensure continued access to the PSN: The work on confirming that the PSN Domain Administrators have had a vetting check has been completed	No update required - the response to the recommendation confirms implementation	Complete	Confirmation obtained from the Business Services Centre that the appropriate vetting checks have been completed.	Confirmed by Internal Audit (GREEN)	

Nottinghamshire County Council

Report to Governance & Ethics Committee

27 September 2017

Agenda Item: 7

REPORT OF SERVICE DIRECTOR, FINANCE, PROCUREMENT & IMPROVEMENT

EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

Purpose of the Report

1. To agree a specification for the External Quality Assessment (EQA) of the system of Internal Audit.

Information and Advice

2. The work of the Internal Audit Section is carried out in compliance with the Public Sector Internal Audit Standards. One of the requirements of the Standards is that an EQA is carried out by an independent body once every five years.

3. This report sets out a framework specification provided by HM Treasury, which it is proposed to use in seeking an independent body to carry out the review. A copy of the HM Treasury paper is attached as ***Appendix 1***, incorporating the proposed details to be provided concerning the system of Internal Audit at this Council.

4. The review of the system of Internal Audit needs to be completed by the end of March 2018, to maintain compliance with the Public Sector Internal Audit Standards. It is estimated that the cost of the review will be between £10,000 and £15,000.

5. The key lines of enquiry that will be followed as part of the assessment arise from the Public Sector Internal Audit Standards. A summary of the key lines of enquiry is set out in ***Appendix 2***.

6. Members are invited to comment on the proposed specification and the role they will play in the review process. This might incorporate the following:

    - the Chairman of the Governance & Ethics Committee to be named as a key stakeholder and to be interviewed during the review
    - the EQA report, and a proposed action plan to address its recommendations, to be presented to a future meeting of the Governance & Ethics Committee.

Other Options Considered

7. There is an option to not complete the Independent Review. This would require the Authority to state that they are not in compliance with the Public Sector Internal Audit Standards and the steps that will be taken to bring the Authority back into compliance.

Reason for Recommendation

8. To seek committee suggestions on the review process and agree the outline specification for the independent review.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That the Committee considers the role it wishes to play in the review process.
2) That the Committee agrees an outline specification for inviting tenders for the independent review of the system of internal audit.

Nigel Stevenson
Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:
Rob Disney
Head of Internal Audit

Constitutional Comments (SMG 18/09/2017)

Governance & Ethics Committee is the appropriate body to consider the content of the report. If the Committee resolves that any actions are required it must be satisfied that such actions are within the Committee's terms of reference.

Financial Comments (RWK 13/09/2017)

There are no specific financial implications arising from the report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972:

Public Sector Internal Audit Standards

Electoral Division(s) and Member(s) Affected

All

HM TREASURY

EQA Specification

Introduction

This document forms the basis of a specification for the procurement of an External Quality Assessment (EQA) of a government internal audit service. The document sets out the key requirements that should be included in the specification along with a description of the information about the service and the department that needs to be included.

The body or bodies procuring the review should incorporate the information detailed below into their own / departmental one off tender process. Given both the value and frequency of the EQA requirement it is not considered necessary to establish a government wide framework. For these reviews however, existing frameworks may be used as appropriate.

Background

The Public Sector Internal Audit standards set out that an EQA must be performed by an independent body once every five years. To facilitate a consistent level of review the Treasury have developed an Internal Audit Quality Assessment Framework which sets out process and defined statements of good practice against which the assessment should be made.

The internal audit service to be reviewed as part of this EQA comprises the following:

[Provide a clear description of the internal audit service to be reviewed including,

- *size of function (number of staff),*

The Internal Audit Section comprises a single team of 10.9 fte. There are 12 staff members in the team.

- *bodies audited and number of reviews performed on an annual basis,*

The Internal Audit Section audits Nottinghamshire County Council, the Nottinghamshire Fire and Rescue Service and the Nottinghamshire Pension Fund. Around 130 reviews are completed annually.

- *details of any outsourced/co-sourced arrangement,*
  There is currently no co-sourced work.
- *locations*
  The service is based at County Hall, West Bridgford, Nottingham.
- *reporting lines*
  The Group Manager, Internal Audit reports to the Council's s151 officer, the Service Director for Finance, Procurement and Improvement. The Internal Audit Service reports its progress to the Council's Governance & Ethics Committee.
- *owner of the final report*
  The EQA report will be directed to the Service Director (Finance, Procurement & Improvement).
- *any key dates that need to be met*
  The EQA report needs to be completed by the end of March 2018.
- *definition of the Chief Audit Executive for the purposes of the review.*
  For the purpose of the review, the Group Manager (Internal Audit) is the Chief Audit Executive.

.

Summary of requirements

The provider is required to perform a review of the internal audit service in accordance with the Internal Audit Quality Assessment Framework (IAQAF). It is envisaged that this would be carried out by:

- interviews with key internal audit stakeholders (*suggested interview list to be detailed* stakeholders to include: Chairman & Vice-Chairman of the Governance & Ethics Committee; Chief Executive; Monitoring Officer; s151 Officer; External Auditor);
- meetings with the Chief Audit Executive and members of the internal audit team as required;
- an electronic questionnaire to be sent to a wide range of 'customers' (as set out in the IAQAF)
- a review of key documentation to understand the current processes to include audit plan, Charter, Audit Committee reports, internal audit reports and a sample of working paper files [*sample size to be defined or to be a question for the potential providers*].
- evaluation of the internal audit function against the IAQAF including consideration of best practice and the Institute of Internal Audit Standards and code of ethics as appropriate;
- presentation of key findings and recommendations to (*recipient to be defined* Group Manager(Internal Audit) and Service Director (Finance, Procurement & Improvement);
- A completed written IAQAF assessment including recommendations.

Supplier selection criteria

Suppliers should set out their responses to the following requirements:

- Confirm your Independence from the internal audit service to be reviewed
- Detail your understanding of internal audit across local government and your experience of working with local councils
- Experience of the proposed team performing the review
- Experience of similar engagements
- Proposed approach to completing the IAQAF
- Detail your ability to deploy an electronic questionnaire
- Indicative timings for planning, execution and reporting
- Detail the proposed pricing structure
- Detail any conflicts or limitations in your ability to perform the EQA.

Appendix 2

External Quality Assessment – Key Lines of Enquiry

The requirement for an External Quality Assessment arises from the Public Sector Internal Audit Standards. The Standards set out a detailed set of requirements that Internal Audit should meet. The purpose of the Standards is to ensure that the internal audit service plays a key role in the good governance of the organisation by providing a professional, independent and objective service.

The Key Lines of Enquiry will cover compliance with the core principles for the professional practice of internal audit. These are set out below.

1. Demonstrates integrity
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence
4. Aligns with the strategies, objectives, and risks of the organisation
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive, and future-focused
10. Promotes organisational improvement

Nottinghamshire County Council

Report to Governance and Ethics Committee

27 September 2017

Agenda Item: 8

REPORT OF SERVICE DIRECTOR SOUTH NOTTINGHAMSHIRE AND PUBLIC PROTECTION

DEPRIVATION OF ASSETS IN FINANCIAL ASSESSMENTS FOR PEOPLE RECEIVING COUNCIL FUNDED CARE AND SUPPORT

Purpose of the Report

1. This report explains what is meant by 'deprivation of assets' in the context of an individual's financial circumstances when assessing for social care support. The financial assessment undertaken determines the amount a person is required to contribute towards the cost of their care and support based on their income and assets

2. The report also outlines the process that is followed to ensure service users are making the required level of contribution towards their care costs and also the process followed when it is evident that there has been an intentional or unintentional 'deprivation of assets'.

Information and Advice

3. Deprivation of assets is defined in the Care Act 2014 as follows:

   Deprivation of assets means where a person has intentionally deprived or decreased their overall assets in order to reduce the amount they are charged towards their care. This means that they must have known that they needed care and support and have reduced their assets in order to reduce the contribution they are asked to make towards the cost of that care and support.

4. Deprivation of assets may be considered to have occurred when there has been a full or partial transfer of ownership of a property or large gifts of money to another person in order to avoid the payment of contributions to care costs.

5. When making a decision on whether or not deprivation of assets has occurred the Council has to consider if avoiding the care and support charge was a significant motivation in the timing of the disposal of the asset and whether they would have had a reasonable expectation that they would need support with their care needs and that they would be required to contribute financially to that support.

Case example, Mrs. C sold her property in 2015 for £120k and moved into a warden aided flat which was rented. In April 2016, Mrs. C suffered a fall and spent several weeks in hospital. When she was due to return home, an assessment of needs was carried out which resulted in Mrs. C requiring 14 hours of homecare per week. A financial assessment was also carried out and Mrs. C was assessed as having to pay the full cost of her care as she had capital over the threshold level of £23,250.

In December 2016, Mrs. C decided to make gifts to her 2 children of £50k each and in February 2017 Mrs. C requested another financial assessment as her capital had reduced to below £23,250. At this point, having considered the personal circumstances and the evidence presented the council came to the conclusion that Mrs. C had deprived herself of £100k which should have been used to pay for their care costs.

Work undertaken by the Council

6. In Nottinghamshire the Council has taken a proactive approach with regards to deprivation of assets. The reason for this approach is to ensure that service users make a contribution to their care costs or pay the full cost of their care when they have the financial means to do so.

7. The Council's financial regulations and statutory responsibilities require that rigorous measures are put in place to avoid and address potential cases of fraud. The work undertaken within the Adult Care Financial Service (ACFS) team involves liaising with service users and their families and with agencies such as the Department of Work and Pensions to ensure that people are advised of the care contributions they are required to make. The work undertaken by the team has identified an increase in the number of cases of intentional and unintentional 'deprivation of assets' as outlined below;

   - 2013/2014 – 11
   - 2014/2015 – 0
   - 2015/2016 – 1
   - 2016/2017 – 92
   - 2017/2018 - from April 2017 to date there have been 22 cases

8. When this has occurred the financial assessment takes in to account the amount of money or assets that have been transferred, this is called a 'notional' amount. This means that people usually then pay a contribution towards their care costs or the full cost of their care dependent on the financial circumstances. In 2016/17 over £4million of capital was identified and therefore categorised as 'deprivation of assets'.

9. The number of cases identified as 'deprivation of assets' is small in relation to the numbers of people receiving a service and who make a contribution to their care costs. The total number of people who made a contribution to their care costs in 2016/17 was 6122

10. The ACFS team is responsible for carrying out financial assessment for all service users who receive care and support funding by the Council. Where people enter permanent residential or nursing care, a representative from the team will have a face to face meeting with the individual and/or their family to complete the financial assessment. This is sometimes undertaken in writing and where it is appropriate to do so a form is sent out for instance if the

individual cannot provide the information themselves and the family do not live locally. However, information is always checked and verified.

11. The visiting officers have been trained specifically in this area and they refer to documents including the Land Registry which show transfers of property ownership for the individual's current and previous properties. Other records are bank statements, invoices records and receipts of spending etc from service users and their families.

12. The team also use the Department for Works and Pensions Customer Information System (CIS) to determine the amount if any that the individual will be required to pay towards the cost of their care.

13. The ACFS team are also reviewing information that is available regarding the costs of care to ensure that it is clear and as simple as possible. In addition to this the team also attend team meetings of operational colleagues to share information about the cost of care and the processes undertaken within the team. It is important that when an individual has a social care assessment that they are advised very early in the process that they will have a financial assessment and subsequently may have to contribute to their care costs as outlined in the Care Act 2014.

Statutory and Policy Implications

14. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

15. The work undertaken by the ACFS team in relation to deprivation of assets means that the Council ensures that the amount of intentional and unintentional fraud is detected and addressed.

Implications for Service Users

16. The implications for service users of the approach undertaken is that they are required to pay a contribution towards the cost of the care and support needs as determined by the Care Act 2014 only when their financial circumstances have been assessed and it is established that they have the income available to do so. The work undertaken by the ACFS team ensures that there is consistency in the application of charges applied to service users.

RECOMMENDATION/S

1) The Committee consider the work undertaken by the Council in addressing 'deprivation of assets' and highlight any areas on which it would like to receive further information.

Paul McKay
Service Director, South Nottinghamshire and Public Protection,
Adult Social Care Health and Public Protection Department

For any enquiries about this report please contact:
Cherry Dunk
Group Manager Quality & Market Management
cherry.dunk@nottscc.gov.uk

Constitutional Comments (SMG 19/09/17)

17. The proposals set out in this report fall within the remit of this Committee.

Financial Comments ()

18. To be verbally reported to the Committee.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- ‘None’ or start list here

Electoral Division(s) and Member(s) Affected

- ’All’

Nottinghamshire County Council

Report to Governance and Ethics Committee

27 September 2017

Agenda Item: 9

REPORT OF THE CORPORATE DIRECTOR RESOURCES

INFORMATION COMMISSIONER'S OFFICE MONETARY PENALTY NOTICE: HOME CARE ALLOCATION SYSTEM

Purpose of the Report

1. To advise committee of the Information Commissioner's Office (ICO) monetary fine arriving from the Council's contraventions of the Data Protection Act 1998 in relation to the Home Care Allocation System (HCAS).

Information and Advice

2. The ICO is an independent body in the UK that was established to uphold information rights. In August 2017 the ICO issued Nottinghamshire County Council with a monetary penalty under section 55A of the Data Protection Act 1998.

3. The Home Care Allocation System (HCAS) was set up in July 2011, which allowed third party home care providers access to information to enable them to confirm if they had capacity to support a particular service user.

4. The system did not have access controls or an authentication process that identified a user before allowing them access, such as a user name and password.

5. The Commissioner found that the Council contravened the Data Protection Act by not having in place appropriate technical measures against the unauthorised and unlawful processing of personal data. The Commissioner felt that the breach was serious due to the number of data subjects, the nature of the personal data that was held on HCAS and the potential consequences of unauthorised access to that information.

6. Measures were put in place to rectify the problem as soon as the issue was identified. In addition, there is now a rigorous process for setting up new ICT systems.

7. The Council recently put in place an "Information Governance Improvement Plan", which has been developed to improve the Council's approach to information governance, data protection and document management.

8. The Governance and Ethics Committee has been given the responsibility of driving the required improvements to information governance and over the forthcoming months the Committee will receive reports on the actions required.

Other Options Considered

9. None, the Committee needs to be aware of this issue.

Reason for Recommendations

10. To make Committee aware of the ICO findings that the Council contravened the Data Protection Act 1998 and were issued with a monetary penalty as a result.

Statutory and Policy Implications

11. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Data Protection and Information Governance

The Commissioner's decision identified weaknesses in the Council's approach to introducing new systems at that time. These broader issues will be further addressed as part of the work of the Information Governance Improvement Plan.

Financial Implications

The ICO imposed a monetary penalty on the Council of the sum of £70,000. Early payment resulted in the Council being able to take advantage of a discount offered by the ICO and so the actual sum paid was £56,000.

RECOMMENDATIONS

1) That Committee acknowledges the Information Commissioner's Office (ICO) findings and monetary fine in respect of the Home Care Allocation System.

2) That Committee receives further reports on the progress of the Information Governance Improvement Plan.

Jayne Francis-Ward
Corporate Director Resources

For any enquiries about this report please contact: Heather Dickinson, Group Manager – Legal, Democratic and Complaints

Constitutional Comments (HD 13/09/17)

12. Governance and Ethics Committee is the appropriate body to consider the recommendations within the report.

Financial Comments (NS 13/09/17)

13. The payment of the fine will be contained within existing budgetary provisions.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Information Commissioner’s Office Monetary Penalty Notice

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Governance & Ethics Committee

27 September 2017

Agenda Item: 10

REPORT OF THE CORPORATE DIRECTOR OF RESOURCES

WORK PROGRAMME

Purpose of the Report

1. To review the Committee's work programme for 2017/18.

Information and Advice

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the Committee's agenda, the scheduling of the Committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and Committee meeting. Any member of the Committee is able to suggest items for possible inclusion.

3. The attached work programme includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

Other Options Considered

4. None.

Reason/s for Recommendation/s

5. To assist the Committee in preparing and managing its work programme.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, ways of working, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That Committee considers whether any changes are required to the work programme.

Jayne Francis-Ward

Corporate Director - Resources

For any enquiries about this report please contact:
Keith Ford, Team Manager, Democratic Services Tel. 0115 9772590
E-mail: keith.ford@nottscc.gov.uk

Constitutional Comments (SLB)

The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

There are no financial implications arising directly from this report.

Background Papers
Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Electoral Division(s) and Member(s) Affected

All

GOVERNANCE & ETHICS COMMITTEE - WORK PROGRAMME (AS AT 15 SEPTEMBER 2017)

Report Title	Brief summary of agenda item	Lead Officer	Report Author
8 November 2017			
The Code of Conduct for Councillors and Co-opted Members	To seek Members' views on the existing Code of Conduct for Councillors and Co-opted Members and the procedure for dealing with conduct allegations.	Jayne Francis-Ward	Sue Bearman
Annual Complaints Report	Annual update on complaints dealt with by the County Council.	Heather Dickinson	Jo Kirkby
Internal Audit Progress report for 2016/17	To provide details of internal audit work completed to the end of September 2017	Rob Disney	Rob Disney
13 December 2017			
Risk management update	Periodic update on Risk Management issues.	Paul McKay	Robert Fisher
Councillor Code of Conduct	To consider a draft revised Councillor Code of Conduct, prior to submission to Policy Committee for approval.	Jayne Francis-Ward	Keith Ford
External Audit – Annual Audit Letter 2016/17	KPMG summarises the findings from work carried out by the external auditors over the last financial year (2016/17)	Nigel Stevenson	Glen Bicknell / External Auditor
31 January 2018			
Review of Petitions Scheme	To review the Council's existing Petitions Scheme.	Jayne Francis-Ward	Sue Bearman / Keith Ford
Follow up of Internal Audit Recommendations	To provide information on the Internal Audit's high priority recommendations To include an update on Interim Homecare audit recommendations in relation to the award of the contract for hospital discharges (as requested at committee meeting of 15 June 2017).	Rob Disney	Rob Disney
14 March 2018			
Attendance at Outside Bodies	To review Members' attendance at outside bodies to which they have been appointed.	Jayne Francis-Ward	Keith Ford
Statement of Accounts 2017/18 – Accounting	To outline proposed changes to the accounting policies used for the Authority's Statement of Accounts	Nigel Stevenson	Glen Bicknell

Report Title	Brief summary of agenda item	Lead Officer	Report Author
Policies	for 2017/18 for review and approval		
Internal Audit Plan for 2018/19	Report from the Head of Internal Audit providing details of the planned work for 2018/19	Rob Disney	Rob Disney
External Audit Plan 2017/18	To provide information on the External Auditors' Audit Plan for their 2017/18 Audit.	Nigel Stevenson	Glen Bicknell / External Auditor
Certification of Grants and Returns 2016/17	To provide information on the External Auditors' Annual Report 2016/17 on the certification of Grants and Returns	Nigel Stevenson	Glen Bicknell / External Auditor
2 May 2018			
Follow up of Internal Audit Recommendations	To provide information on the Internal Audit's high priority recommendations	Rob Disney	Rob Disney
13 June 2018			
Risk management update	Periodic update on Risk Management issues.	Paul McKay	Robert Fisher
Annual Governance Statement	To agree the Council's Annual Governance Statement.	Nigel Stevenson	Rob Disney
25 July 2018			
Follow up of Internal Audit Recommendations	To provide information on the Internal Audit's high priority recommendations	Rob Disney	Rob Disney