

# NOTTINGHAMSHIRE COUNTY COUNCIL ANNUAL FINANCIAL REPORT 2013/14

<b>Contents</b>	<b>Page</b>
Explanatory Foreword	2
Annual Governance Statement	7
Independent Auditor's Report – Financial Statements	13
<b>Statement of Accounts</b>	
Statement of Responsibilities	17
Statement of Approval by Chairman	18
Statement of Accounting Policies	19
Movement in Reserves Statement	36
Comprehensive Income and Expenditure Statement	38
Balance Sheet	39
Cash Flow Statement	40
Notes to the Statement of Accounts	41
<b>Pension Fund Accounts</b>	
Introduction	93
<b>Nottinghamshire County Council Pension Fund</b>	
Fund Account	94
Net Assets Statement	95
Notes to the Accounts	96
<b>Glossary of Terms</b>	112

## EXPLANATORY FOREWORD

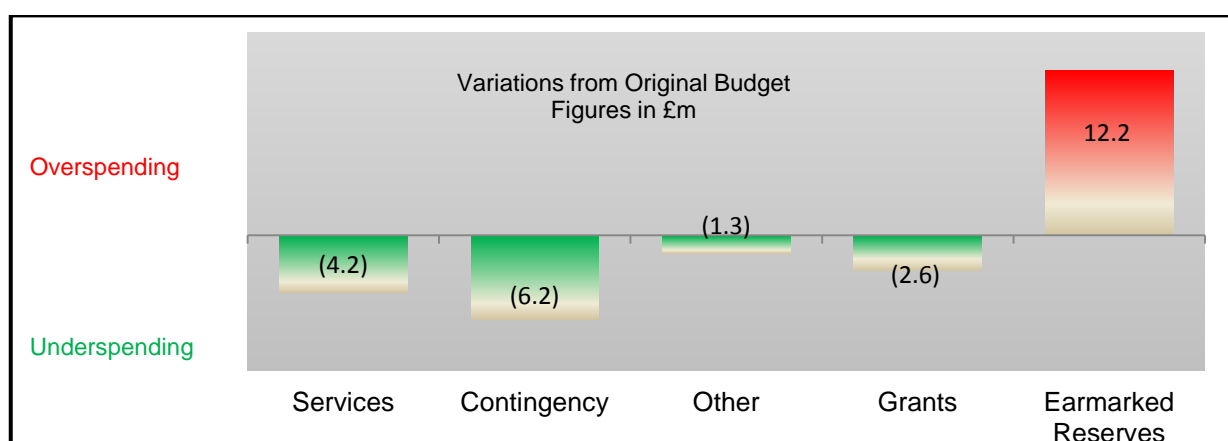
1. The Authority's Statement of Accounts for the year 2013/14 is set out on the following pages. It is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice (SeRCOP), both issued by the Chartered Institute of Public Finance and Accountancy (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. This foreword gives a brief summary of the Authority's overall financial results for 2013/14. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

## Revenue Expenditure

3. The original budget estimated that there would be a £15.1 million contribution from General Fund balances. The final accounts show that there was a reduction of £13.0 million in balances.

	Original Budget £m	Actual £m	Variance from Budget £m
<b>INCOME</b>			
<b>Income raised from taxation:</b>			
Precept Income (Council Tax)	274.0	274.0	-
Non Domestic Rate Income	95.1	95.1	-
Revenue Support Grant	143.0	143.0	-
	<u>512.1</u>	<u>512.1</u>	-
<b>NET EXPENDITURE (inc appropriations)</b>	<u><b>527.2</b></u>	<u><b>525.1</b></u>	<u><b>(2.1)</b></u>
<b>Contribution (to)/from General Fund Balances</b>	<u><b>15.1</b></u>	<u><b>13.0</b></u>	<u><b>(2.1)</b></u>

4. The main variations to net expenditure were:



	£m	£m
<b>Areas where non-schools expenditure was reduced:</b>		
Underspending on services	(4.2)	
Contingency	(6.2)	
Other	(1.3)	
<b>Areas where non-schools income increased:</b>		
Grants	(2.6)	
		(14.3)
<b>Movement on reserves created from items above:</b>		
Improvement Programme	1.7	
Capital Projects	3.0	
Corporate Redundancy	3.1	
Net Other	4.4	
		12.2
<b>Overall increase/(decrease) in net expenditure compared with budget</b>		<b><u>(2.1)</u></b>

In addition, the Schools Statutory Reserve has increased by £3.3 million.

5. The following table shows the position on the various balances and available reserves held by the Authority and usable for revenue purposes.

	31 March 13	Movement during year	31 March 14
	£m	£m	£m
General Fund Balances	42.1	(13.0)	29.1
Insurance reserve	10.4	0.4	10.8
Schools Statutory Reserve	33.0	3.3	36.3
<b>Reserves:</b>			
Trading Organisations	3.5	(0.8)	2.7
Earmarked for Services	38.7	9.5	48.2
Earmarked Reserves	5.0	(1.6)	3.4
Capital Projects	30.1	(8.8)	21.3
NDR Pool Reserve	-	0.2	0.2
East Leake Schools PFI	3.0	0.1	3.1
Bassetlaw Schools PFI	0.9	(0.3)	0.6
Waste PFI	28.3	0.4	28.7
Corporate Pay Review Reserve	6.7	(5.9)	0.8
Improvement Programme	11.4	(8.4)	3.0
Corporate Redundancy Reserve	5.9	4.2	10.1
Strategic Development Fund	-	9.0	9.0
Lifecycle Maintenance	4.2	(4.2)	-
	<u>223.2</u>	<u>(15.9)</u>	<u>207.3</u>

6. The gross revenue cost of Authority services was £1,139.7 million in 2013/14. The analysis by type of expenditure is:

	Amount £m	Proportion %
Employees:		
Teachers and Lecturers	145.7	12.8
Other Employees	286.6	25.1
Other Running Costs	665.6	58.4
Capital Charges to service revenue accounts	41.8	3.7
	<u>1,139.7</u>	<u>100.0</u>

7. The Authority's Medium Term Financial Strategy (MTFS) has identified the need for further significant savings over the next four years. Budget reductions of £81.5 million were approved in February 2014 with a further £77.3 million required by 2017/18. All savings projects, including departmental and cross-cutting projects in areas such as procurement, business systems, rationalisation of property and staffing structures, will continue to be monitored.
8. The Health and Social Care Bill (January 2011) transferred Public Health functions to the Authority with effect from 1 April 2013. Services are funded by ring-fenced grant (£35.1m in 2013/14).
9. The methods of financing the gross revenue cost of services are shown in the following table:

	Amount £m	Proportion %
Specific Revenue Grants paid to County Council	416.1	36.5
Fees and Charges etc.	153.8	13.5
	<u>569.9</u>	<u>50.0</u>
Council Tax, National Non-Domestic Rate, RSG and general revenue grants	545.3	47.8
Interest and Investment Income	0.7	0.1
Other Items	23.8	2.1
	<u><b>1,139.7</b></u>	<u><b>100.0</b></u>

## Capital Expenditure and Financing

10. The Authority's capital expenditure in 2013/14 was £112.9 million including amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £32.1million, which included interest on PFI schemes.
11. At 31 March 2014, the insured value of the Authority's buildings was £1,677 million. This sum excludes the considerable investment in roads and other infrastructure works that has taken place over the years. In addition, the Authority owns approximately 4,106 hectares of land. The net book value of property, plant and equipment was £1,184 million.
12. The Authority's borrowings, used to finance the past acquisitions of assets, were £487.1 million at 31 March 2014. 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 2014 the amount owed of these type of borrowings was £100.0 million.
13. 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 34 to the Accounts.

## Explanation of the Statements

### 14. **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.

### 15. **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 there is a glossary of financial terms.

### 16. **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. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

### 17. **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 Movement in Reserves Statement.

### 18. **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date 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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or reduce the Authority's Capital Financing Requirement). The second category of reserves is that 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'.

### 19. **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.

20. **Pension Fund Accounts**

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

21. **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.

# ANNUAL GOVERNANCE STATEMENT

## 1. Scope of Responsibility

Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. Public money must be safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Localism Act 2011 has, among other things, established a general power of competence for local authorities.

In discharging this overall responsibility, the County Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.

This statement meets the requirements of regulation 4 of the Accounts and Audit Regulations (England) 2011 in relation to the publication of an annual governance statement.

## 2. The Purpose of the Governance Framework

The governance framework comprises the culture, values and duties of the Authority, supported by the systems and processes put in place to provide assurance that the culture, values and duties are complied with in practice. The Authority uses this framework to direct and control its work and ensure that it engages with, leads, and accounts to the community it serves. The framework enables the Authority to provide assurance over the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services within the existing legal framework.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the County Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

## 3. The Governance Framework

The Authority's governance framework comprises many systems and processes including the arrangements for:

- a) Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and services users.

The Council has recently agreed a new Strategic Plan for the period from 2014 to 2018. The Plan:-

- Provides a clear statement of the Authority's vision, priorities and values, together with a commitment to treat people fairly, provide value for money and to work together with our partners and residents.
- Enables agreed political objectives and statutory requirements to drive the Authority's activities.

- Enables the communication of the Authority's priorities to the community of Nottinghamshire, partner organisations and staff.
- Provides a broad framework of objectives and performance indicators, to ensure effective performance management.

The performance indicators used to monitor its delivery and the key actions undertaken to deliver the priorities are reviewed and refreshed each year to ensure they remain achievable and appropriate.

Each year the Authority approves the annual budget and capital programme which includes an update of the Medium Term Financial Strategy. The Medium Term Financial Strategy is the financial plan which underpins the Strategic Plan.

- b) Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The Strategic Plan provides the basis for future corporate and service planning over the period 2014 to 2018. Progress on the Authority's achievements is assessed by the monitoring of agreed key actions and meeting performance indicator targets. Progress across the whole plan is reported quarterly to the Corporate Leadership Team to enable performance to be managed. The Corporate Leadership Team also review performance risks on a monthly basis. The Authority has developed a strategic management framework which sets out in detail the individual factors that are required to manage performance and how they work together in the Authority. The framework has been developed and approved by the Corporate Leadership Team and reported to Policy Committee and a supporting Annual Delivery Plan was approved on 2 April 2014.

- c) Measuring the quality of services for users, ensuring that they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources.

The Authority carried out extensive budget consultations in preparing the 2014/15 budget. A Citizens Panel, 'Nottinghamshire Listens', made up of approximately 6,000 people is in place and has been used to engage with citizens throughout the County on a wide range of issues. Progress towards delivering the Strategic Plan's priorities and objectives is monitored quarterly and reported to Policy Committee.

- d) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Head of Paid Service is responsible for reporting to Full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.

The Monitoring Officer is responsible for maintaining the Constitution, ensuring it is available for inspection and making minor changes as a result of any restructuring. The Monitoring Officer is also responsible for ensuring the lawfulness and fairness of decision making; this includes responsibility, after consulting with the Head of Paid Service and Chief Finance Officer, to report to Full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. The Monitoring Officer is responsible for contributing to the promotion and maintenance of high standards of conduct.

The Constitution sets out how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. There was a significant change in the Authority's constitution in 2012, with a move to a committee system of decision making. The Authority established service committees for each of the key areas of service, in addition to an



overarching Policy Committee and Full Council. The Constitution is under continuous review and a number of changes have been made during 2013/14 to keep it relevant; the most recent changes became effective in March 2014.

- e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for Members and staff.

Codes of Conduct, for both Members and staff, are contained within the Constitution together with the Code on Member and Officer Relationships. The Constitution is posted on the Council's website. The Authority's Standards Committee was dis-continued as part of the new committee system, with the functions of the Committee passing to other committees. In January 2014, a new Conduct Committee was approved by Full Council with terms of reference and a Procedure for Dealing with Conduct Allegations agreed in February 2014. The Procedure commits the Council to promoting and maintaining high standards of conduct by all Councillors and Co-opted Members.

- f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

The Monitoring Officer is responsible for keeping the Constitution under review and reporting any proposed amendments to Council. The most recent review was in March 2014. The Authority's Risk Register is reviewed at each of the five meetings a year of the Risk, Safety and Emergency Management Board to determine whether additional steps are required to mitigate key risks.

- g) Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of The Chief Financial Officer in Local Government

The Statement sets out the five principles that need to be met, to ensure that the Chief Financial Officer can carry out the role effectively. The principles are that the Chief Financial Officer:-

- Is a key member of the Leadership Team
- Must be actively involved in all material business decisions
- Must lead the promotion and delivery of good financial management
- Must lead and direct a finance function that is resourced to be fit for purpose
- Must be professionally qualified and suitably experienced.

The Chief Financial Officer for the Authority is the Service Director – Finance and Procurement. This post reports to the Corporate Director for Environment and Resources who is a member of the Leadership Team. The Chief Financial Officer is also a member of the Leadership Team, ensuring involvement in material business decisions. The Authority has set up the Business Support Centre which manages financial transactions on behalf of the Authority, including payroll, pensions and income transactions. As the Business Support Centre does not report to the Chief Financial Officer, controls have been established to ensure that the Chief Financial Officer can secure the promotion and delivery of good financial management in these areas. The Chief Financial Officer is professionally qualified and has experience from a range of organisations. A regular report on the Council's financial position is reported to the Finance and Property Committee.

- h) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

A self-assessment of compliance with the new Public Sector Internal Audit Standards was completed during 2013/14 and the results reported to the Audit

Committee. A Quality Assurance and Improvement Programme has been agreed to address the identified issues. The core functions relate to the review of Internal and External Audit work, the effectiveness of the Authority's control environment, the review of the annual assurance statement and the review of the financial statements. These functions are covered by the Audit Committee.

- i) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer is responsible, after consultation, for reporting to the relevant committee or Council if it is considered that any proposal, decision or omission would give rise to unlawfulness. In addition, Constitutional Comments are contained in reports to Council and Committees to advise on compliance with the policy framework and the Constitution. The Service Director - Finance and Procurement also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also carry out an external audit of the Council's accounts.

- j) Whistle-blowing and receiving and investigating complaints from the public.

The Authority's Whistleblowing Policy was reviewed by Policy Committee in December 2013 and revised to reflect changes in legislation. The Authority's complaints procedure is well established and is monitored by the Policy Committee. The Policy Committee receives an annual report on the discharge of the Authority's duties under the Whistleblowing Policy.

- k) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

During 2013/14 the member development programme continued to respond to changing national and local policy. Elections were held in May 2013 resulting in a number of new Members being elected. A comprehensive induction programme was completed to provide information and briefings on a range of issues to new and returning Members. All officers, including senior officers, are subject to annual Performance and Development Reviews. These reviews specifically identify and monitor development and training needs in relation to the individual employee's role. The Performance and Development Reviews also sets out a detailed Competency Framework which sets out the observable skill levels and behaviours required of every employee at each tier of the organisation.

- l) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Communication channels are currently being developed to provide more on-line services, whilst reducing the costs of printing and delivering newspapers. The Authority's new resident magazine, County Life, was produced in April 2014. The Budget Challenge consultation was launched in November 2013. Over 38,000 responses were received and members listened carefully to the views expressed in the consultation and have sought to ensure that, wherever possible, resources are aligned to strategic priorities with a number of proposals being amended as a result. The Authority has a digital development plan with communication channels including website, Twitter and Facebook.

- m) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

The Authority works in partnership with a number of bodies. Formal, joint governance arrangements are in full compliance with public administration rules.

#### 4. Review of Effectiveness

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority (Head of Paid Service, Monitoring Officer and Chief Financial Officer) who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the External Auditor and other review agencies and inspectorates.

Throughout 2013/14, the Authority has maintained and reviewed the effectiveness of the governance framework. In particular:

- a) The County Council has received and considered a number of reports, including:
  - Statement of Accounts 2012/13
  - Treasury Management
  - Strategic Plan for 2014/2018
  - Conduct Issues
  - Budget Report 2014/15 and Medium Term Financial Strategy 2014/15 to 2017/18
  - Pay Policy Statement for 2014/15
  - Amendments to the Constitution
  
- b) Policy Committee has considered and approved a number of reports in its role as the committee responsible for policy development and approval, including:
  - Freedom of Information Act and Environmental Regulations update
  - Annual Strategic Performance Report 2012/13
  - Strategic Management Framework
  - Overview of the Improvement Programme
  - Budget Consultation for 2014/15
  - Outcomes from the Complaints Process 2012/13
  - Information Management and Data Quality Policy
  - Findings from the Annual Residents Satisfaction Survey 2013
  
- c) The Audit Committee have considered a wide variety of issues including:
  - Internal Audit Annual Plan 2013/14
  - Statement of Accounts 2012/13
  - Annual Governance Statement
  - Public Sector Internal Audit Standards and Audit Charter
  - Internal Audit Annual Report
  - ISA260 Audit Commission Annual Governance Report 2012/13
  - KPMG External Audit Plan 2013/14
  
- d) Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and Internal Audit's overall opinion of the Authority's system of internal control, based on the audits completed in 2013/14, is that it is good.

- e) External Audit's report to those charged with governance (Audit Committee) for 2012/13 stated that the Auditor issued an unqualified audit opinion on the County Council's 2012/13 accounts. No material audit adjustments within the financial statements were identified. The Authority's organisational and IT controls environment is effective overall, and controls over the key financial systems are sound. The Auditor also concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## 5. Significant Governance Issues

The Authority continued to face difficult financial challenges in 2013/14 as it sought to manage budget reductions and increasing demand for some key services. The Authority faces further reductions in Government grant funding, coupled with rising demand for services, driven by an ageing population and the focus on safeguarding children. The Authority has significant recent history of achieving this scale of cost reduction and service re-alignment and is developing plans to address the challenges.

Other key governance issues that need to be addressed against this background include:

- a) The Council will transform into a smaller organisation with a greater diversity of delivery arrangements with the potential for greater risk
- b) Changes to national policy such as the Care Bill, which comes into effect in 2015/16
- c) Changes to regulatory frameworks such as Ofsted and the Care Quality Commission
- d) Residents expectations that, in a digital era, public services will be provided differently, keeping pace with advances in mobile technology and social media
- e) The new Strategic Management Framework will become embedded during 2014 and will be the key to effective performance management.

In response to these challenges work is underway to develop a strategic approach to transform the Council. The approach was outlined in a report to Policy Committee in May 2014 – Redefining Your Council – recognising that services cannot be delivered in the same way or at the same level as in the past.

The Audit Committee reviewed the governance framework detailed in this statement at their meeting on 11 June 2014. We are aware of the steps that are being and will be taken to address the above significant governance issues and we are satisfied that these are appropriate. We will monitor their implementation during the course of 2014/15.

**Councillor Alan Rhodes**  
**Leader of the County Council**  
**11 June 2014**

**Mick Burrows**  
**Chief Executive**  
**11 June 2014**

## 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 2014 on pages 19 to 111. 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 2013/14.

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

### **Respective responsibilities of the Service Director (Finance and Procurement) and auditor**

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

### **Scope of the audit of the financial statements**

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

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2014 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 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014 and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

## **Matters on which we are required to report by exception**

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

- the annual governance statement set out on pages 7 to 12 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, 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 ending 31 March 2014.

## **Delay in Certification of Completion of the Audit**

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

**Neil Bellamy**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*

St Nicolas House

31 Park Row

Nottingham

NG1 6FQ

18 September 2014



## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Service Director (Finance & Procurement) 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 2011 ("the Regulations").

### Responsibilities of the Service Director (Finance & Procurement)

The Service Director (Finance & Procurement) 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) 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) 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**  
**Temporary Service Director (Finance & Procurement), Environment and Resources**  
**18 September 2014**

## STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by a meeting of the County Council on 18 September 2014. The Temporary Service Director (Finance & Procurement) is satisfied with the position set out in the Statement of Accounts. As Chairman of Nottinghamshire County Council, 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 Pauline Allan**  
**Chairman of the County Council**  
**18 September 2014**

# STATEMENT OF ACCOUNTING POLICIES

## 1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2012, 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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 amortisations. 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 costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users as follows:

- Office accommodation – in proportion to floor area occupied
- Other central administrative expenses – allocation of staff time
- Architectural Engineering Services for the Capital Programme – recharged to capital using professional scale fees.

The following two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on the Cost of Services.

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, pensions past service cost and depreciation and impairment losses chargeable on Surplus Assets.

## 6. Employee Benefits & 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's and Education Services 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 2014 for the 2013/14 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 today's prices of £128.7 million (£116.7 million LGPS, £11.9 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 2013/14 set out below:

<b>Asset Type</b>	<b>De minimus</b>
Land & 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
- the 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)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2014 issued by I Brearley MRICS, Principal Estates Officer - Property from the Council's Property Division, on 12 June 2014. 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 work 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 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:

<b>Asset Type</b>	<b>Useful Life (In Years)</b>
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 2013/14 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 only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). 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.

### Interests in Companies and Other Entities

In the Authority's accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## **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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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.

## **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly Controlled Operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly Controlled Assets are items of Property, Plant or Equipment that are jointly controlled by the Authority and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

## **12. Inventories**

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

## **13. 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.

## 14. 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.

## 15. 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.

## **16. 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.

## 17. 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.

## 18. 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.

## 19. 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.



## 20. 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 2014.

## 21. 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. These reserves are explained in Note 43.

## 22. 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.

## 23. 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.

## 24. 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.

## **25. The Carbon Reduction Scheme**

The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Authority is required to purchase and surrender allowances, currently retrospectively, 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.

## **26. 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.

**MOVEMENT IN RESERVES STATEMENT 2013/14**

	General Fund £000	Schools Statutory Reserve £000	Insurance Reserve £000	Capital Receipts and Grants Unapplied Reserve £000	Other Earmarked Reserves £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance Brought Forward</b>	<b>42,118</b>	<b>32,973</b>	<b>10,361</b>	<b>7,578</b>	<b>137,823</b>	<b>230,853</b>	<b>(366,283)</b>	<b>(135,430)</b>
Surplus/(Deficit) on the provision of services	(107,458)	-	-	-	-	(107,458)	-	(107,458)
<b>Other Comprehensive Income and Expenditure</b>								
(Surplus)/Deficit arising on revaluation of non-current assets	-	-	-	-	-	-	19,809	19,809
Actuarial gains / (losses) on pension fund assets and liabilities	-	-	-	-	-	-	97,469	97,469
Other gains / (losses)	-	1	-	(1)	-	-	(70)	(70)
	-	1	-	(1)	-	-	117,208	117,208
<b>Total Comprehensive Income and Expenditure</b>	<b>(107,458)</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(107,458)</b>	<b>117,208</b>	<b>9,750</b>
<b>Adjustments between accounting basis and funding basis under regulations</b>								
Amortisation of intangible assets	2,448	-	-	-	-	2,448	(2,448)	-
Depreciation of Property, Plant and Equipment	39,366	-	-	-	-	39,366	(39,366)	-
Revaluation / Impairment (Gains) and Losses	35,307	-	-	-	-	35,307	(35,307)	-
Movements in fair value of investment properties	1,582	-	-	-	-	1,582	(1,582)	-
Movements in fair value of non-current assets held for sale	(648)	-	-	-	-	(648)	648	-
Capital Grants credited to the CI&E	(29,257)	-	-	29,257	-	-	-	-
Application of grants to capital financing transferred to the CAA	-	-	-	(34,854)	-	(34,854)	34,854	-
Revenue Expenditure Funded from Capital under Statute	19,649	-	-	-	-	19,649	(19,649)	-
Revenue Expenditure Funded from Capital under Statute Grant Funding	(7,822)	-	-	-	-	(7,822)	7,822	-
Net Gain/Loss and disposal proceeds on disposal of non-current assets	43,216	-	-	-	-	43,216	(43,216)	-
Difference between the statutory charge and the amount recognised as income and expenditure in respect of financial instruments	(17)	-	-	-	-	(17)	17	-
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	(125)	-	-	-	-	(125)	125	-
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to NNDR	1,515	-	-	-	-	1,515	(1,515)	-
Net charges made for retirement benefits in accordance with IAS 19	86,605	-	-	-	-	86,605	(86,605)	-
Statutory provision for the financing of capital investment	(24,500)	-	-	-	-	(24,500)	24,500	-
Capital Expenditure charged in the year to the General Fund	(21,696)	-	-	-	-	(21,696)	21,696	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	(47,346)	-	-	-	-	(47,346)	47,346	-
Movement in deferred Capital Receipts	(1,000)	-	-	-	-	(1,000)	1,000	-
Difference between employee benefits charged to the CI&E and charged per statutory requirements	(5,832)	-	-	-	-	(5,832)	5,832	-
<b>Net additional Amount to be credited to the General Fund Balance</b>	<b>91,445</b>	<b>-</b>	<b>-</b>	<b>(5,597)</b>	<b>-</b>	<b>85,848</b>	<b>(85,848)</b>	<b>-</b>
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>(16,013)</b>	<b>1</b>	<b>-</b>	<b>(5,598)</b>	<b>-</b>	<b>(21,610)</b>	<b>31,360</b>	<b>9,750</b>
<b>Transfers to/(from) Earmarked Reserves</b>								
Transfers to/(from) other Earmarked Reserves	3,026	3,334	470	-	(6,830)	-	-	-
	3,026	3,334	470	-	(6,830)	-	-	-
<b>Carried Forward</b>	<b>29,131</b>	<b>36,308</b>	<b>10,831</b>	<b>1,980</b>	<b>130,993</b>	<b>209,243</b>	<b>(334,923)</b>	<b>(125,680)</b>

**MOVEMENT IN RESERVES STATEMENT 2012/13**

Restated

	General Fund £000	Schools Statutory Reserve £000	Insurance Reserve £000	Capital Receipts and Grants Unapplied Reserve £000	Other Earmarked Reserves £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves £000
<b>Balance Brought Forward</b>	29,688	39,151	7,571	6,422	121,691	204,523	(145,713)	58,810
Surplus/(Deficit) on the provision of services	(230,482)	-	-	-	-	(230,482)	-	(230,482)
<b>Other Comprehensive Income and Expenditure</b>								
(Surplus)/Deficit arising on revaluation of non-current assets	-	-	-	-	-	-	16,914	16,914
Actuarial gains / (losses) on pension fund assets and liabilities	-	-	-	-	-	-	19,217	19,217
Other gains / (losses)	-	-	-	-	-	-	111	111
	-	-	-	-	-	-	36,242	36,242
<b>Total Comprehensive Income and Expenditure</b>	(230,482)	-	-	-	-	(230,482)	36,242	(194,240)
<b>Adjustments between accounting basis and funding basis under regulations</b>								
Amortisation of intangible assets	2,114	-	-	-	-	2,114	(2,114)	-
Depreciation of Property, Plant and Equipment	45,243	-	-	-	-	45,243	(45,243)	-
Revaluation / Impairment (Gains) and Losses	33,441	-	-	-	-	33,441	(33,441)	-
Movements in fair value of investment properties	867	-	-	-	-	867	(867)	-
Movements in fair value of non-current assets held for sale	1,908	-	-	-	-	1,908	(1,908)	-
Capital Grants credited to the CI&E	(41,189)	-	-	41,189	-	-	-	-
Application of grants to capital financing transferred to the CAA	-	-	-	(40,033)	-	(40,033)	40,033	-
Revenue Expenditure Funded from Capital under Statute	12,932	-	-	-	-	12,932	(12,932)	-
Revenue Expenditure Funded from Capital under Statute Grant Funding	(6,093)	-	-	-	-	(6,093)	6,093	-
Net Gain/Loss and disposal proceeds on disposal of non-current assets	210,496	-	-	-	-	210,496	(210,496)	-
Difference between the statutory charge and the amount recognised as income and expenditure in respect of financial instruments	(16)	-	-	-	-	(16)	16	-
Difference between amounts credited to the CI&E Account and amounts to be recognised under statutory provisions relating to Council Tax	270	-	-	-	-	270	(270)	-
Net charges made for retirement benefits in accordance with IAS 19	71,725	-	-	-	-	71,725	(71,725)	-
Statutory provision for the financing of capital investment	(23,205)	-	-	-	-	(23,205)	23,205	-
Capital Expenditure charged in the year to the General Fund	(11,504)	-	-	-	-	(11,504)	11,504	-
Employer's contributions payable to the Pension Fund and retirement benefits paid directly to pensioners	(49,227)	-	-	-	-	(49,227)	49,227	-
Difference between employee benefits charged to the CI&E and charged per statutory requirements	7,894	-	-	-	-	7,894	(7,894)	-
<b>Net additional Amount to be credited to the General Fund Balance</b>	255,656	-	-	1,156	-	256,812	(256,812)	-
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	25,174	-	-	1,156	-	26,330	(220,570)	(194,240)
<b>Transfers to/(from) Earmarked Reserves</b>								
Transfers to/(from) other Earmarked Reserves	(12,744)	(6,178)	2,790	-	16,132	-	-	-
	(12,744)	(6,178)	2,790	-	16,132	-	-	-
<b>Carried Forward</b>	42,118	32,973	10,361	7,578	137,823	230,853	(366,283)	(135,430)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2012/13		2013/14			
		Restated					
		Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
<b>Gross expenditure, gross income and net expenditure of continuing operations</b>							
Children's and Education Services		646,718	(425,509)	221,209	598,909	(405,519)	193,390
Environmental Services		35,643	(7,815)	27,828	36,917	(4,497)	32,420
Highways, Roads and Transportation	8	80,118	(9,834)	70,284	89,200	(12,142)	77,058
Cultural Services		26,620	(7,232)	19,388	29,108	(4,868)	24,240
Planning and Development		4,556	(455)	4,101	5,543	(643)	4,900
Adult Social Care		298,786	(100,824)	197,962	327,325	(96,379)	230,946
Democratic Representation and Management		4,052	(80)	3,972	4,581	(141)	4,440
Corporate Management		24,720	(5,486)	19,234	14,728	(6,498)	8,230
Non Distributed Costs		(19,442)	(1)	(19,443)	(4,687)	(56)	(4,743)
Central Services to the Public		2,270	(1,227)	1,043	3,690	(1,766)	1,924
<b>Acquired Service</b>							
Public Health		-	-	-	33,646	(37,396)	(3,750)
<b>Contributions to Other Bodies</b>							
Coroner		565	-	565	708	-	708
<b>Cost of services</b>		<b>1,104,606</b>	<b>(558,463)</b>	<b>546,143</b>	<b>1,139,668</b>	<b>(569,905)</b>	<b>569,763</b>
<b>Other Operating Expenditure</b>							
Loss on Disposal of non-current assets	38	210,496	-	210,496	42,216	-	42,216
Change in fair value of Assets Held for Sale	22	1,908	-	1,908	(648)	-	(648)
Other Operating Income and Expenditure		499	(40)	459	100	(1,025)	(925)
<b>Financing and Investment Income and Expenditure</b>							
Interest Payable	26	31,283	-	31,283	32,096	-	32,096
Net Interest on the defined liability/(asset)	16	38,643	-	38,643	36,841	-	36,841
Interest and Investment Income	26	-	(561)	(561)	-	(679)	(679)
Income and Expenditure in relation to Investment Properties and changes in their fair value	23	1,013	(510)	503	1,706	(443)	1,263
Net (Surplus)/Deficit of Trading Undertakings	7	49,197	(47,515)	1,682	41,795	(39,194)	2,601
Insurance Revenue	41	(2,720)	(70)	(2,790)	179	(650)	(471)
<b>Taxation and Non-Specific Grant Income</b>							
Recognised capital grants and contributions	12			(41,189)			(29,257)
Income from Council Tax				(309,542)			(274,134)
General Government Grants	12			(20,861)			(160,570)
Non-Domestic Rates Distribution				(185,751)			(95,299)
New Homes Bonus Scheme				(972)			(2,461)
Early Intervention Grant				(31,248)			-
Council Tax Freeze Grant				(7,721)			(3,124)
Education Services Grant				-			(9,754)
(Surplus)/Deficit on Provision of Services				230,482			107,458
<b>(Surplus)/Deficit on Revaluation of non current assets</b>				<b>(16,914)</b>			<b>(19,809)</b>
<b>Actuarial (gains) / losses on pensions assets / liabilities</b>	16			<b>(19,217)</b>			<b>(97,469)</b>
<b>Any other (gains) and losses</b>				<b>(111)</b>			<b>70</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>194,240</b>			<b>(9,750)</b>

## BALANCE SHEET

	Note	31 March 2013		31 March 2014	
		£000	£000	£000	£000
<b>Property, Plant and Equipment (PPE)</b>	17				
Land and Buildings		645,871		624,312	
Vehicles, Plant Furniture and Equipment		49,595		44,604	
Infrastructure Assets		455,812		469,941	
Community Assets		32		32	
Surplus Assets		34,447		31,266	
Assets Under Construction		4,685	1,190,442	14,201	1,184,356
Heritage Assets	18	481		481	
Investment Property	23	16,247		12,692	
Intangible Assets	24	9,076		7,929	
Long Term Advances	25	2,857		3,006	
Long Term Investments	25	2,005		4,566	
Long Term Debtors	30	2,262	32,928	1,678	30,352
<b>Total Long Term Assets</b>			<b>1,223,370</b>		<b>1,214,708</b>
Short Term Investments	25	20,237		5,057	
Inventories	29	2,747		2,889	
Short Term Debtors	30	74,034		63,661	
Less Bad Debts Provision	30	(5,106)		(5,731)	
		68,928		57,930	
Cash and Cash Equivalents	32	14,401		17,402	
Assets Held for Sale	22	5,662		5,515	
<b>Total Current Assets</b>			<b>111,975</b>		<b>88,793</b>
Short Term Creditors	31	(116,766)		(97,005)	
Short Term Provisions	36	(3,422)		(9,869)	
Loans to be repaid within 1 year	25, 28	(16,191)		(39,826)	
Short Term Finance Lease Liability	25, 33, 34	(4,854)		(3,809)	
			(141,233)		(150,509)
<b>Total Assets less Current Liabilities</b>			<b>1,194,112</b>		<b>1,152,992</b>
Long Term Provisions	36	(11,175)		(11,050)	
Long Term Borrowing	25, 28	(309,040)		(318,316)	
Long Term Finance Lease Liability	25, 33, 34	(126,993)		(123,596)	
Deferred Liability	26	(1,660)		(1,529)	
Capital Grants Receipts in Advance	12	(2,640)		(4,288)	
			(451,508)		(458,779)
IAS 19 Pensions Liability	16		(878,034)		(819,893)
<b>Total Net Assets</b>			<b>(135,430)</b>		<b>(125,680)</b>
<b>Usable Reserves</b>					
Capital Receipts and Grants Unapplied Reserve	37		7,578		1,980
Other Earmarked Reserves	40		137,823		130,993
General Insurance	40, 41		10,361		10,831
Schools Statutory Reserves	40, 42		32,973		36,308
General Fund Balance	40		42,118		29,131
<b>Unusable Reserves</b>	43				
Capital Adjustment Account			417,431		378,491
Revaluation Reserve			108,541		115,241
IAS 19 Pensions Reserves	16		(878,034)		(819,893)
Deferred Capital Receipts			-		1,000
Financial Instruments Adjustment Account			(130)		(113)
Collection Fund Adjustment Account			4,495		3,105
Employee Benefits Account			(18,586)		(12,754)
			<b>(135,430)</b>		<b>(125,680)</b>

The unaudited accounts were issued on 27 June 2014 and the audited accounts were authorised for issue on 18 September 2014.

Nigel Stevenson, Temporary Service Director (Finance and Procurement), Environment and Resources.

## CASH FLOW STATEMENT

		2012/13 Restated £000	2013/14 £000
	Note		
Net (surplus) or deficit on the provision of services		230,482	107,458
<b>Adjust for non-cash movements</b>			
Depreciation and amortisation		(47,357)	(41,814)
Revaluation / Impairment of Property, Plant and Equipment		(33,441)	(35,307)
Movement in current assets and liabilities		21,587	3,760
Movement in reserves and provisions		11,742	(6,322)
Adjustments in respect of pension charges		(22,498)	(39,259)
Grants applied		41,189	29,257
Carrying value of assets disposed of		(213,314)	(45,897)
Other		(2,579)	(1,501)
		<b>(244,671)</b>	<b>(137,083)</b>
Adjust for items included in investing or financing		2,818	2,680
<b>Net cash flows from operating activities</b>		<b>(11,371)</b>	<b>(26,945)</b>
Investing activities	45	53,050	52,064
Financing activities	46	(26,762)	(28,120)
<b>Net (increase)/decrease in cash and cash equivalents</b>		<b>14,917</b>	<b>(3,001)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>29,318</b>	<b>14,401</b>
<b>Cash and cash equivalents at end of period</b>		<b>14,401</b>	<b>17,402</b>



# NOTES TO THE STATEMENT OF ACCOUNTS

## 1. Explanation of Prior Period Adjustments: Changes in Accounting Policies

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change in IAS 19 - Employee Benefits.

In summary, the main changes that affect the Comprehensive Income and Expenditure Statement are:

- Removal of the expected return on assets and pensions interest costs, to be replaced by net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- Some labelling changes to the Income and Expenditure charge e.g. "Service Cost" will include what is currently described as the "Current Service Cost" plus the "Past Service Cost", any "Curtailments" and any "Settlements".

Administration expenses which were deducted from the actual and expected returns on assets will in future be accounted for within the Comprehensive Income and Expenditure Statement under Other Operating Income and Expenditure.

The 2012/13 Comprehensive Income and Expenditure Statement and the Movement In Reserves Statement have thus been restated in the 2013/14 Statement of Accounts to apply the new policy. The effects of the restatement are as follows:

### Comprehensive Income and Expenditure Statement 2012/13

	2012/13 Net Expenditure £000	Adjustment Made £000	2012/13 Restated Net Expenditure £000
Other Operating Income and Expenditure	347	112	459
Pensions Interest costs	87,956	(87,956)	-
Expected Return on Pensions Assets	(61,490)	61,490	-
Net Interest on the defined liability/(asset)	-	38,643	38,643
(Surplus)/Deficit on Provision of Services	218,193	12,289	230,482
Actuarial (gains)/losses on pension fund assets and liabilities	(6,928)	(12,289)	(19,217)

### Movement in Reserves Statement 2012/13

	2012/13 Statement £000	Adjustment Made £000	2012/13 Restated Statement £000
General Fund			
Surplus/(Deficit) on the provision of services	(218,193)	(12,289)	(230,482)
Total Comprehensive Income and Expenditure	(218,193)	(12,289)	(230,482)
Net Charges made for retirement benefits in accordance with IAS 19	59,436	12,289	71,725
Net additional Amount to be credited to the General Fund Balance	243,367	12,289	255,656
Total Useable Reserves			
Surplus/(Deficit) on the provision of services	(218,193)	(12,289)	(230,482)
Total Comprehensive Income and Expenditure	(218,193)	(12,289)	(230,482)
Net Charges made for retirement benefits in accordance with IAS 19	59,436	12,289	71,725
Net additional Amount to be credited to the General Fund Balance	244,523	12,289	256,812

## Movement in Reserves Statement 2012/13 (cont)

	2012/13 Statement £000	Adjustment Made £000	2012/13 Restated Statement £000
Total Unusable Reserves			
Actuarial (gains)/losses on pension fund assets and liabilities	6,928	12,289	19,217
Total Comprehensive Income and Expenditure	23,953	12,289	36,242
Net Charges made for retirement benefits in accordance with IAS 19	(59,436)	(12,289)	(71,725)
Net additional Amount to be credited to the General Fund Balance	(244,523)	(12,289)	(256,812)
Total Reserves			
Surplus/(Deficit) on the provision of services	(218,193)	(12,289)	(230,482)
Actuarial (gains)/losses on pension fund assets and liabilities	6,928	12,289	19,217

## 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 proposed 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 had to make detailed assessments and judgements regarding the control exercised over schools run in a wide variety of different ways to determine whether they should be treated as on or off Balance Sheet. This has resulted in the following treatments:
  - Academy schools - off Balance Sheet
  - Foundation schools - off Balance Sheet
  - Voluntary Aided schools - off Balance Sheet
  - Voluntary Controlled schools - on Balance Sheet
  - Community schools - on Balance Sheet
- 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.

## 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 2014 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 £0.6 million for every year that useful lives had to be reduced.

Land and Building assets that are required to be measured at Fair 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 2013/14 would equate to an additional £1.3 million impairment to be expensed through the surplus / deficit on the provision of services.

## **Provisions**

The Authority made a provision in 2013/14 of £6.6 million in respect of anticipated cost of redundancies in 2014/15. This figure was calculated based upon the best estimate of the impact of published section 188 notice of redundancies as at 31 March 2014; in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992. A variation of 10% of the amount provided would have an impact of £0.7 million on the provision required.

## **Insurance**

The Authority operates a self insurance scheme and has established a provision of £11.5 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 £1.2 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, as is contained in Note16.

## **5. 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 Movement in Reserves Statement.

## 6. Amounts Reported for Resource Allocation Decisions

For the year ended 31 March 2014

	Schools	Children & Young People's Services	Adult Social Care & Health Services	Transport & Highways	Other Direct Services	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(16,690)	(23,400)	(104,045)	(22,901)	(50,672)	(217,708)
Government grants and contributions	(360,994)	(19,246)	(3,135)	(588)	(40,337)	(424,300)
<b>Total Income</b>	<b>(377,684)</b>	<b>(42,646)</b>	<b>(107,180)</b>	<b>(23,489)</b>	<b>(91,009)</b>	<b>(642,008)</b>
Employee expenses	262,133	69,464	57,338	15,414	64,159	468,508
Other operating expenses	108,280	112,706	257,589	56,745	126,246	661,566
Depreciation, amortisation, impairment and revaluation	15,118	857	1,355	15,556	8,131	41,017
Transactions with departmental reserves	(1,400)	1,325	5,894	546	5,254	11,619
<b>Total Operating Expenses</b>	<b>384,131</b>	<b>184,352</b>	<b>322,176</b>	<b>88,261</b>	<b>203,790</b>	<b>1,182,710</b>
<b>Net Cost of Services</b>	<b>6,447</b>	<b>141,706</b>	<b>214,996</b>	<b>64,772</b>	<b>112,781</b>	<b>540,702</b>

### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Cost of Services in Service Analysis	540,702
Add services not included in main analysis	-
Add amounts not reported in service management accounts	39,620
Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(10,559)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>569,763</b>

### Reconciliation to Subjective Analysis

	Service Analysis	Not reported in service mgmt a/c's	Not included in CI&E	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(217,708)	51,410	13,172	(153,126)	(40,011)	(193,137)
Interest and investment income	-	-	-	-	(679)	(679)
Income from council tax	-	-	-	-	(274,134)	(274,134)
Government grants and contributions	(424,300)	7,118	403	(416,779)	(300,465)	(717,244)
<b>Total Income</b>	<b>(642,008)</b>	<b>58,528</b>	<b>13,575</b>	<b>(569,905)</b>	<b>(615,289)</b>	<b>(1,185,194)</b>
Employee expenses	468,508	3,010	(2,512)	469,006	75,436	544,442
Other operating expenses	661,566	(57,785)	(9,875)	593,906	1,984	595,890
Depreciation, amortisation, impairment and revaluation	41,017	35,595	(128)	76,484	637	77,121
Other Expenditure Relating to Held for Sale and Investment Properties	-	-	-	-	615	615
Transactions with departmental reserves	11,619	-	(11,619)	-	-	-
Interest Payments	-	-	-	-	32,096	32,096
Precepts and Levies	-	272	-	272	-	272
(Gain) or Loss on Disposal of Non-current assets	-	-	-	-	42,216	42,216
<b>Total Operating Expenses</b>	<b>1,182,710</b>	<b>(18,908)</b>	<b>(24,134)</b>	<b>1,139,668</b>	<b>152,984</b>	<b>1,292,652</b>
<b>(Surplus) or deficit on provision of services</b>	<b>540,702</b>	<b>39,620</b>	<b>(10,559)</b>	<b>569,763</b>	<b>(462,305)</b>	<b>107,458</b>

## 6. Amounts Reported for Resource Allocation Decisions (Continued)

Restated

For the year ended 31 March 2013

	Schools	Children & Young People's Services	Adult Social Care & Health Services	Transport & Highways	Other Direct Services	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(19,536)	(24,417)	(105,053)	(16,908)	(83,364)	(249,278)
Government grants and contributions	(386,112)	(17,472)	(11,937)	(887)	(5,775)	(422,183)
<b>Total Income</b>	<b>(405,648)</b>	<b>(41,889)</b>	<b>(116,990)</b>	<b>(17,795)</b>	<b>(89,139)</b>	<b>(671,461)</b>
Employee expenses	290,522	68,669	57,387	11,418	85,688	513,684
Other operating expenses	115,150	109,181	246,814	53,392	103,365	627,902
Depreciation, amortisation, impairment and revaluation	-	22,764	1,513	14,347	8,181	46,805
Transactions with departmental reserves	8,962	1,650	6,891	(265)	(1,800)	15,438
<b>Total Operating Expenses</b>	<b>414,634</b>	<b>202,264</b>	<b>312,605</b>	<b>78,892</b>	<b>195,434</b>	<b>1,203,829</b>
<b>Net Cost of Services</b>	<b>8,986</b>	<b>160,375</b>	<b>195,615</b>	<b>61,097</b>	<b>106,295</b>	<b>532,368</b>

### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	£000
Cost of Services in Service Analysis	532,368
Add services not included in main analysis	-
Add amounts not reported in service management accounts	30,353
Remove amounts reported to management not included in the Comprehensive Income and Expenditure Statement	(16,578)

### Net Cost of Services in Comprehensive Income and Expenditure Statement

**546,143**

### Reconciliation to Subjective Analysis

	Service Analysis	Not reported in service mgmt a/c's	Not included in CI&E	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(249,278)	-	-	(249,278)	(2,790)	(252,068)
Interest and investment income	-	-	-	-	(561)	(561)
Income from council tax	-	-	-	-	(309,542)	(309,542)
Government grants and contributions	(422,183)	(5,684)	-	(427,867)	(287,742)	(715,609)
<b>Total Income</b>	<b>(671,461)</b>	<b>(5,684)</b>	<b>-</b>	<b>(677,145)</b>	<b>(600,635)</b>	<b>(1,277,780)</b>
Employee expenses	513,684	(4,319)	-	509,365	38,643	548,008
Other operating expenses	627,902	6,460	(7,690)	626,672	1,779	628,451
Depreciation, amortisation, impairment and revaluation	46,805	33,631	-	80,436	362	80,798
Other Expenditure Relating to Held for Sale and Investment Properties	-	-	-	-	2,411	2,411
Transactions with departmental reserves	15,438	-	(8,888)	6,550	-	6,550
Interest Payments	-	-	-	-	31,283	31,283
Precepts and Levies	-	265	-	265	-	265
(Gain) or Loss on Disposal of Non-current assets	-	-	-	-	210,496	210,496
<b>Total Operating Expenses</b>	<b>1,203,829</b>	<b>36,037</b>	<b>(16,578)</b>	<b>1,223,288</b>	<b>284,974</b>	<b>1,508,262</b>
<b>(Surplus) or deficit on provision of services</b>	<b>532,368</b>	<b>30,353</b>	<b>(16,578)</b>	<b>546,143</b>	<b>(315,661)</b>	<b>230,482</b>

## 7. Summary Revenue Accounts of Trading Undertakings

Note	2012/13			2013/14		
	Turnover	Expend- iture	Surplus/ (Deficit)	Turnover	Expend- iture	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
1 <b>Direct Services</b> <i>Cleaning, catering, vehicle maintenance, building and grounds maintenance and highways maintenance to the Authority. Some work is undertaken on behalf of external clients.</i>	89,752	92,117	(2,365)	76,798	79,200	(2,402)
2 <b>Legal Services</b> <i>Provision of legal services to the Authority.</i>	5,997	5,457	540	-	-	-
<b>County Supplies</b> <i>A purchasing and supply service to the Authority and some external public bodies</i>	5,868	5,846	22	5,705	6,216	(511)
<b>Clayfields Secure Unit</b> <i>Specialist children's services to the Youth Justice Board and Local Authorities</i>	4,206	4,085	121	4,206	3,894	312
<b>Total</b>	<b><u>105.823</u></b>	<b><u>107.505</u></b>	<b><u>(1.682)</u></b>	<b><u>86.709</u></b>	<b><u>89.310</u></b>	<b><u>(2.601)</u></b>

Note:

1. The Direct Services deficit is a result of the pension costs impact of IAS19, redundancy payments and backfunding of pensions.
2. Legal Services are no longer classified as a Trading Undertaking with effect from 1 April 2013.

## 8. Agency Work

The Authority carries out work on behalf of the Highways Agency, mainly relating to traffic signal maintenance and payment of energy charges for Area 7 of the Trunk Road network. Expenditure is fully reimbursed by the Highways Agency and the amount for 2013/14 was £277,100 (£274,000 for 2012/13).

## 9. 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. The fees included for grant claims are an estimate of the cost of the certification of grant claims and returns relating to 2013/14 which will be paid to KPMG (UK) LLP in 2014/15

	2012/13 £000	2013/14 £000
External Audit Fees	131	132
Grant Claims	4	6
External Audit Fee Rebate	(18)	(18)
Other Services	55	2
	<u>172</u>	<u>122</u>

The other services relate to prior year objections and queries from electors. The audit fee rebate is from the Audit Commission who no longer provide the Authority with audit services and relates to prior years

## 10. Specific Revenue Grants

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

Service	2012/13 £000	2013/14 £000
Children's and Education Services	396,402	376,606
Environmental Services	342	424
Highways, Roads and Transportation	558	473
Cultural Services	242	24
Public Health	-	35,135
Planning and Development	89	285
Adult Social Care	11,970	3,135
Corporate Management	443	57
	<u>410,046</u>	<u>416,139</u>
<b>Funding Body</b>		
Department for Communities and Local Government	2,228	2,447
Department for Education	394,132	369,893
Department of Health	11,829	36,039
Department for Transport	307	473
Department for Work and Pensions	252	2,425
European Grants	313	-
Home Office	685	664
Arts Council	213	884
Department for Business, Innovation and Skills	58	3,269
Young People's Learning Agency	-	-
Other	29	45
	<u>410,046</u>	<u>416,139</u>
<b>Analysis of Revenue Receipts in Advance</b>		
Department for Communities and Local Government	1,873	871
Department for Education	16	-
Department of Health	398	-
Department for Transport	121	417
Department for Business, Innovation and Skills	1,306	109
Young People's Learning Agency	282	-
Dept for Work and Pensions	-	256
European Grants	-	1,111
Other	368	82
	<u>4,364</u>	<u>2,846</u>

## 11. 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 MRP Policy agreed by the Authority on 27 February 2014 requires that:

- MRP for capital expenditure financed by borrowing prior to 1 April 2007 continues to be based on the previous regulatory method and the Authority continues to set aside 4% of outstanding debt
- MRP for capital expenditure financed by borrowing after 1 April 2007 is made on the basis of equal annual instalments over the estimated lives of assets
- For "on Balance Sheet" PFI contracts, the MRP requirement is regarded as met by a charge equal to the element of the unitary charge applied to write down the liability
- For finance leases, the MRP requirement is regarded as met by a charge equal to the element of the rent that goes to write down the liability.

The amount required under the MRP regulations for 2013/14 is £24.5 million (£23.2 million for 2012/13) of which £4.7 million (£4.4 million for 2012/13) relates to repayment of the PFI finance liability. The amount of depreciation and amortisation charged was £41.8 million (£47.4 million for 2012/13)

## 12. General Government Grants Income and Taxation

The Authority set the 2013/14 Council Tax for a Band D property at £1,193.18 (£1,193.18 in 2012/13). 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 2013/14 increased by £0.1 million (£0.3 million decrease in 2012/13) 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 are paid to the Authority directly by the Government. The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

<b>Credited to Taxation and Non Specific Grant Income</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Dept for Communities and Local Government	-	290
Department for Education	13,285	4,317
Department of Health	1,336	1,883
Department for Transport	22,402	18,460
Sport England	-	801
Other Grants	4,166	3,506
<b>Capital Grants and Contributions</b>	<b>41,189</b>	<b>29,257</b>



In 2013/14 Local Government funding changed with the introduction of the business rates mechanism. The impact for the Authority was an increase in RSG grant offset by a reduction in NNDR and the cessation of certain ringfenced grants.

	2012/13 £000	2013/14 £000
Revenue Support Grant	3,601	143,751
Local Services Support Grant	1,738	988
Academies Funding Transfer	186	-
PFI	15,336	14,940
Localised Council Tax Transition Grant	-	882
Other	-	9
<b>General Government Grants</b>	<b><u>20,861</u></b>	<b><u>160,570</u></b>

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

	2012/13 £000	2013/14 £000
<b>Capital Grants Receipts in Advance</b>		
Department for Communities and Local Government	306	204
Department for Education	9	9
Other Grants	2,325	4,075
<b>Total</b>	<b><u>2,640</u></b>	<b><u>4,288</u></b>

### 13. 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 2011. 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 2013/14 are as follows:

#### Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2013/14 before Academy recoupment			520,669
Academy figure recouped for 2014/15			(185,541)
Total DSG after Academy recoupment for 2013/14			335,128
Brought Forward 2012/13			8,795
Carry Forward to 2014/15 agreed in advance			-
<b>Agreed initial budgeted distribution for 2013/14</b>	<b><u>65,657</u></b>	<b><u>278,266</u></b>	<b><u>343,923</u></b>

	Central Expenditure  £000	Individual Schools Budget (ISB)  £000	Total  £000
In year adjustments	(10,084)	10,084	-
Final budgeted distribution for 2013/14	55,573	288,350	343,923
Actual central expenditure	(45,578)	-	(45,578)
Actual ISB deployed to schools	-	(288,350)	(288,350)
Plus Local Authority contribution for 2013/14	-	-	-
<b>Carried forward to 2014/15</b>	<b>9,995</b>	<b>-</b>	<b>9,995</b>

#### 14. 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					
		2012/13			2013/14		
		Exc Redundancy		Inc Redundancy Total	Exc Redundancy		Inc Redundancy Total
		Schools	Non Schools		Schools	Non Schools	
£185,000	£189,999	-	-	-	-	1	2
£180,000	£184,999	-	1	1	-	-	-
£175,000	£179,999	-	-	-	-	-	-
£170,000	£174,999	-	-	-	-	1	1
£165,000	£169,999	-	-	-	-	-	-
£160,000	£164,999	-	-	-	-	-	-
£155,000	£159,999	-	-	-	-	-	-
£150,000	£154,999	-	-	1	-	-	-
£145,000	£149,999	-	-	-	-	-	-
£140,000	£144,999	1	-	3	1	-	1
£135,000	£139,999	-	-	-	-	1	2
£130,000	£134,999	-	1	2	-	1	1
£125,000	£129,999	-	1	1	-	1	2
£120,000	£124,999	-	2	3	1	3	6
£115,000	£119,999	-	-	-	-	-	-
£110,000	£114,999	1	-	1	-	-	-
£105,000	£109,999	-	-	-	-	1	-
£100,000	£104,999	1	-	1	-	1	1
£95,000	£99,999	-	-	2	-	-	-
£90,000	£94,999	1	-	3	2	-	4
£85,000	£89,999	1	11	14	2	10	13
£80,000	£84,999	4	3	8	3	4	9
£75,000	£79,999	6	-	8	7	1	8
£70,000	£74,999	15	1	20	6	2	10
£65,000	£69,999	27	2	32	21	4	24
£60,000	£64,999	44	19	68	49	23	71
£55,000	£59,999	87	27	125	91	26	116
£50,000	£54,999	65	29	97	103	40	142
		<b>253</b>	<b>97</b>	<b>390</b>	<b>286</b>	<b>120</b>	<b>413</b>

The tables below show the remuneration of the Authority's Senior Employees as defined by the Accounts and Audit (England) Regulations 2011.

**2013/14**

<b>Post Holder information (Post title and name (where applicable))</b>	<b>Note</b>	<b>Salary (including fees &amp; allowances) £</b>	<b>Expenses £</b>	<b>Compensation for Loss of Office £</b>	<b>Employer Pension contributions £</b>	<b>Total Remuneration £</b>
Chief Executive - M Burrows		184,410	1,155	-	-	185,565
Corporate Director of CFCS		136,991	1,219	-	25,069	163,279
Corporate Director of ASCH & PP		124,399	-	-	22,745	147,144
Corporate Director of Env & Resources		121,371	566	-	22,211	144,148
Corporate Director of PPCS	1	121,371	506	-	22,211	144,088
Director of Public Health	3	126,480	-	-	16,193	142,673
Service Director (Finance & Procurement )	2	87,038	875	-	15,928	103,841
Deputy Director of Public Health - Dr J Tomlinson	4	171,080	762	-	20,107	191,949
Service Director of Personal Care and Support (Younger Adults)	5	89,708	-	-	16,417	106,125

1. The post of Corporate Director of PPCS has the statutory responsibility of Monitoring Officer.
2. The post of Service Director (Finance & Procurement) has the statutory responsibility of S151 Officer.
3. The post of Director of Public Health is new in 2013/14. The post holder is employed by NCC but 40% is recharged to Nottingham City Council under a formalised Joint Arrangement under Section 113 of Local Government Act 1972. The above table shows the full remuneration.
4. One senior employee is named as their salary and allowances are over £150,000, in accordance with the code. With effect from 1 October 2013 20% of basic salary and on-costs are recovered from Public Health England of £13,574. One of the allowances the officer receives is a National Clinical Excellence Award of £35,839.
5. In 2013 the Corporate Director ASCH & PP was elected as the Vice President, and then President, of the Association of Directors of Adult Social Services (ADASS). From 11 November 2013, a Deputy Director was appointed and represents ASCH & PP at the Corporate Leadership Team.

2012/13

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances) £	Expense Allowances £	Compensation for Loss of Office £	Employer Pension contributions £	Total Remuneration £
Chief Executive - M Burrows		184,410	-	-	-	184,410
Corporate Director of CFCS		134,908	-	-	24,688	159,596
Corporate Director of ASCH & PP		126,482	-	-	23,126	149,608
Corporate Director of Env & Resources		121,371	-	-	22,211	143,582
Corporate Director of PPCS	1	123,771	-	-	22,650	146,421
Service Director (Finance & Procurement)	2	86,788	-	-	15,928	102,716

1. The post of Corporate Director of PPCS has been redesignated from Assistant Chief Executive. This was backdated to 1 March 2012. Their annualised salary is £121,371. This post has the statutory responsibility of the monitoring officer.

2. The post of Service Director (Finance & Procurement) has the statutory responsibility of S151 Officer.

#### Exit Packages

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 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£ - - £ 20,000	69	56	138	66	207	122	1,784,763	962,540
£ 20,001 - £ 40,000	24	25	87	30	111	55	3,254,025	1,601,744
£ 40,001 - £ 60,000	14	8	23	7	37	15	1,771,717	698,138
£ 60,001 - £ 80,000	6	4	8	8	14	12	960,195	798,030
£ 80,001 - £ 100,000	3	-	3	5	6	5	546,871	416,356
£ 100,001 - £ 150,000	2	-	2	7	4	7	439,572	790,741
<b>Total</b>	<b>118</b>	<b>93</b>	<b>261</b>	<b>123</b>	<b>379</b>	<b>216</b>	<b>8,757,143</b>	<b>5,267,549</b>

## 15. Pensions – Contributions

### Teachers

In 2013/14, the Authority paid £18.3 million to the Teacher's Pension Agency (£21.1 million in 2012/13) in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay (14.1% in 2012/13). In addition, the Authority is responsible for all pension payments relating to added years it has awarded, together with the related inflation increases. In 2013/14, these amounted to £5.6 million (£5.6 million in 2012/13), representing 4.31% of pensionable pay (3.75% in 2012/13). The Authority is allowed to enhance lump sum retirement payments to teachers which in 2013/14 amounted to £0.2 million (£0.1 million in 2012/13).

### Other Employees

During 2013/14, the net cost of pensions and other benefits amounted to £37.6 million (£39.4 million in 2012/13), which represented 18.3% of pensionable pay (18.3% in 2012/13). The actuarial report upon which the 2013/14 accounts have been prepared was for a 3 year period commencing 1 April 2011. The report indicated that the cost of providing for 100% of pension funding in accordance with IAS 19 Employee Benefits was 18.3% of pensionable pay. The report sets out the following pension fund contribution rates for the Authority:

2011/12	18.3% of pensionable pay
2012/13	18.3% of pensionable pay
2013/14	18.3% of pensionable pay

The Authority is responsible for all pension payments relating to discretionary added years benefits it has awarded, together with the related inflation increases. The annual costs are funded by charges to Services. In 2013/14 these amounted to £2.2 million, (£2.2 million in 2012/13) representing 1.07% of pensionable pay (1.03% in 2012/13). The Authority also paid £1.8 million into the Pension Fund in 2013/14 (£2.0 million for 2012/13) to fund the non-discretionary additional strain on the pension fund of early retirements.

The Actuarial report upon which 2014/15 accounts are to be 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 IAS 19. The report sets out the following pension fund contribution rates for the Authority. This is a combined rate of 13.2% and a value to be contributed:

		<b>£000</b>
2014/15	13.2% of pensionable pay	12,638
2015/16	13.2% of pensionable pay	12,979
2016/17	13.2% of pensionable pay	13,330

## 16. Pensions – IAS19

The IAS19 position as at 31 March 2014 was a net liability as set out in the table below

	2012/13 £000	2013/14 £000
Local Government Pension Scheme	793,356	724,842
Teachers Unfunded Defined Benefit Scheme	84,678	95,051
<b>Total Net Liability</b>	<b>878,034</b>	<b>819,893</b>

Assets have been valued using the market value at 31 December 2013 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 2014 provided by the Authority during March 2014. The actual figures for 2013/14 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:

	2012/13 Restated £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services		
- Current service cost	(53,423)	(55,301)
- Past service cost, including curtailments	(2,907)	(2,921)
- Liabilities (assumed) / extinguished on settlements	43,415	19,783
- Settlement Prices received / (paid)	(20,055)	(11,239)
Other Operating Expenditure		
- Administration Expenses	(112)	(86)
Financing and Investment Income and Expenditure		
- Net interest on the defined (liability) / asset	(35,247)	(34,630)
<b>Net Charge to the Comprehensive Income and Expenditure Statement</b>	<b>(68,329)</b>	<b>(84,394)</b>
<b>Movement in Reserves</b>		
- Reversal of net charges made for retirement benefits in accordance with IAS19	68,329	84,394
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	43,484	41,747

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.

	<b>2012/13</b> <b>Restated</b> <b>£000</b>	<b>2013/14</b>  <b>£000</b>
Actuarial gains / (losses)	29,583	111,230

#### Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	<b>2012/13</b> <b>Restated</b> <b>£000</b>	<b>2013/14</b>  <b>£000</b>
<b>at 1 April</b>	<b>1,890,825</b>	<b>2,023,297</b>
Current service cost	53,423	55,301
Interest cost	84,560	89,451
Change in Financial Assumptions	87,680	35,850
Change in Demographic Assumptions	-	80,868
Experience loss/(gain) on Defined Benefit Obligation	-	(167,388)
Past service costs/(gain)	2,907	2,921
Liabilities extinguished on settlements	(43,415)	(19,783)
Benefits paid	(63,919)	(60,505)
Contributions by scheme participants	13,462	12,994
Unfunded pension payments	(2,226)	(2,373)
<b>at 31 March</b>	<b><u>2,023,297</u></b>	<b><u>2,050,633</u></b>

Reconciliation of fair value of the scheme assets:

	<b>2012/13</b> <b>Restated</b> <b>£000</b>	<b>2013/14</b>  <b>£000</b>
<b>At 1 April</b>	<b>1,092,621</b>	<b>1,229,941</b>
Interest on assets	49,313	54,821
Return on assets less interest	117,263	19,183
Other actuarial gains/(losses)	-	41,376
Administration expenses	(112)	(86)
Employer contributions	43,594	41,679
Contributions by scheme participants	13,462	12,994
Estimated benefits paid	(66,145)	(62,878)
Settlement prices received/(paid)	(20,055)	(11,239)
<b>At 31 March</b>	<b><u>1,229,941</u></b>	<b><u>1,325,791</u></b>
<b>Opening Net Position</b>	<b>(798,204)</b>	<b>(793,356)</b>
<b>Closing Net Position</b>	<b>(793,356)</b>	<b>(724,842)</b>

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 2013 for the year to 31 March 2014). 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

	2009/10	2010/11	2011/12	2012/13	2013/14
	£m	£m	£m	£m	£m
Present value of liabilities	(1,986.9)	(1,589.1)	(1,890.8)	(2,023.3)	(2,050.6)
Fair value of scheme assets	1,000.7	1,082.3	1,092.6	1,229.9	1,325.8
Surplus/(deficit) in the scheme	(986.2)	(506.8)	(798.2)	(793.4)	(724.8)
<b>Cumulative actuarial gain (loss)</b>	<b>(497.6)</b>	<b>(115.5)</b>	<b>(402.6)</b>	<b>(397.6)</b>	<b>(286.4)</b>

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 make a significant impact upon reserves or revenue funding requirements in the short term. The triennial revaluation effective 1 April 2014 showed that the Authority's contributions to the fund would be 13.2% of pensionable pay in each of the next three financial years, and an additional value of:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2015 is £39.8 million.

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

	31 March 2013	31 March 2014
Rate of inflation - RPI Increases	3.4%	3.5%
Rate of inflation - CPI Increases	2.6%	2.7%
Rate of increase in salaries	4.8%	4.5%
Rate of increase in pensions	2.6%	2.7%
Discount rate	4.5%	4.4%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	18.7	22.0
Women (years)	22.8	25.1
Longevity at 65 for future pensioners:		
Men (years)	20.7	24.1
Women (years)	24.6	27.4
Expected return on assets	5.7%	4.4%
Proportion of employees opting to take an increased lump sum/reduced pension	50.0%	50.0%



The Authority's estimated asset allocation, which is 36% of the whole fund is as follows:

	31 March 2013		31 March 2014	
	£000	%	£000	%
<b>Assets</b>				
Equities	897,857	73	967,827	73
Gilts	86,096	7	106,063	8
Other Bonds	73,796	6	66,290	5
Property	147,593	12	145,837	11
Cash	24,599	2	39,774	3
<b>Total</b>	<b>1,229,941</b>	<b>100</b>	<b>1,325,791</b>	<b>100</b>

The Authority publishes a Pension Fund Annual Report which is available upon request. A copy is available on the pension fund website ([www.nottspf.org.uk](http://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	2,015,313	2,050,632	2,086,605
Projected Service Cost	45,237	46,254	47,295
Adjustment to long term Salary Increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	2,056,135	2,050,632	2,045,163
Projected Service Cost	46,254	46,254	46,254
Adjustment to pensions Increase and Deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation	2,081,667	2,050,632	2,020,167
Projected Service Cost	47,311	46,254	45,219
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	1,977,307	2,050,632	2,124,660
Projected Service Cost	44,644	46,254	47,879

### 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:

	2012/13 £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>		
Cost of Services		
- Past service (cost) / gain	-	-
- Gains / (losses) on curtailments	-	-
Financing and Investment Income and Expenditure		
- Interest cost	(3,396)	(2,211)
<b>Net Charge to the Comprehensive Income and Expenditure Statement</b>	<u><u>(3,396)</u></u>	<u><u>(2,211)</u></u>

	2012/13 £000	2013/14 £000
<b>Movement in Reserves</b>		
- Reversal of net charges made for retirement benefits in accordance with IAS19	3,396	2,211
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	5,744	5,599

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.

	2012/13 £000	2013/14 £000
Actuarial gains / (losses)	(10,366)	(13,761)

#### Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2012/13 £000	2013/14 £000
<b>Deficit at 1 April</b>	<b>76,660</b>	<b>84,678</b>
Interest cost	3,396	2,211
Actuarial (gains) / losses	10,366	(11,942)
Gain / (loss) on curtailments	-	16,786
Past service costs / (gain)	-	8,917
Unfunded pension payments	(5,744)	(5,599)
<b>Deficit at 31 March</b>	<u><u>84,678</u></u>	<u><u>95,051</u></u>

#### Scheme History

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Present value of liabilities	(85.5)	(74.7)	(76.7)	(84.7)	(95.1)
Fair value of scheme assets	-	-	-	-	-
<b>Surplus/(deficit) in the scheme</b>	<u><u>(85.5)</u></u>	<u><u>(74.7)</u></u>	<u><u>(76.7)</u></u>	<u><u>(84.7)</u></u>	<u><u>(95.1)</u></u>

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

	<b>31 March 2013</b>	<b>31 March 2014</b>
Rate of inflation - RPI Increases	3.0%	3.3%
Rate of inflation - CPI Increases	2.2%	2.5%
Rate of increase in salaries	4.4%	4.3%
Rate of increase in pensions	2.2%	2.5%
Discount rate	2.7%	4.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	18.7	22.0
Women (years)	22.8	25.1
Longevity at 65 for future pensioners:		
Men (years)	20.7	24.1
Women (years)	24.6	27.4

## 17. Property, Plant and Equipment

### Movements in 2013/14

	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
<b>Cost or Valuation</b>								
At 1 April 2013	667,075	92,012	591,716	35	35,504	4,685	1,391,027	41,802
Additions	44,831	7,778	29,067	-	-	10,209	91,885	259
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,435	-	-	-	(689)	-	13,746	99
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(39,529)	-	-	-	(2,012)	-	(41,541)	(2,812)
Derecognition - disposals	(41,848)	(9,211)	-	-	(1,025)	-	(52,084)	-
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(348)	-	-	-	161	-	(187)	-
Assets reclassified to/(from) Surplus, Land and Buildings, Infrastructure, Assets Under Construction	627	-	-	-	66	(693)	-	-
Other Movements in cost or valuation	-	-	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>645,243</b>	<b>90,579</b>	<b>620,783</b>	<b>35</b>	<b>32,005</b>	<b>14,201</b>	<b>1,402,846</b>	<b>39,348</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2013	(21,204)	(42,417)	(135,904)	(3)	(1,057)	-	(200,585)	(2,697)
Depreciation charge	(13,127)	(10,984)	(14,938)	(1)	(316)	-	(39,366)	(1,227)
Depreciation written out to the Revaluation Reserve	5,478	-	-	-	585	-	6,063	383
Depreciation written out to the Surplus/Deficit on Provision of Services	6,185	-	-	-	49	-	6,234	306
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	1,736	7,426	-	-	-	-	9,162	-
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	1	-	-	-	-	-	1	-
Other movements in depreciation and impairment	-	-	-	1	-	-	1	-
<b>At 31 March 2014</b>	<b>(20,931)</b>	<b>(45,975)</b>	<b>(150,842)</b>	<b>(3)</b>	<b>(739)</b>	<b>-</b>	<b>(218,490)</b>	<b>(3,235)</b>
<b>Net Book Value</b>								
<b>At 31 March 2014</b>	<b>624,312</b>	<b>44,604</b>	<b>469,941</b>	<b>32</b>	<b>31,266</b>	<b>14,201</b>	<b>1,184,356</b>	<b>36,113</b>
<b>At 31 March 2013</b>	<b>645,871</b>	<b>49,595</b>	<b>455,812</b>	<b>32</b>	<b>34,447</b>	<b>4,685</b>	<b>1,190,442</b>	<b>39,105</b>

## 17. Property, Plant and Equipment (Continued)

### Movements in 2012/13

	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
<b>Cost or Valuation</b>								
At 1 April 2012	842,859	122,954	557,782	35	39,335	13,445	1,576,410	155,467
Additions	39,175	8,236	31,685	-	154	16,893	96,143	323
Donations	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,306	-	-	-	(578)	-	11,728	52
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(33,141)	-	-	-	(6,373)	33	(39,481)	(3,065)
Derecognition - disposals	(208,792)	(39,178)	(536)	-	-	-	(248,506)	(110,975)
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(781)	-	-	-	(4,486)	-	(5,267)	-
Assets reclassified to/(from) Surplus, Land and Buildings, Infrastructure, Assets Under Construction	15,449	-	2,785	-	7,452	(25,686)	-	-
Other Movements in cost or valuation	-	-	-	-	-	-	-	-
<b>At 31 March 2013</b>	<b>667,075</b>	<b>92,012</b>	<b>591,716</b>	<b>35</b>	<b>35,504</b>	<b>4,685</b>	<b>1,391,027</b>	<b>41,802</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2012	(23,705)	(57,129)	(122,364)	(2)	(321)	-	(203,521)	(1,815)
Depreciation charge	(16,940)	(14,069)	(14,076)	(1)	(157)	-	(45,243)	(3,434)
Depreciation written out to the Revaluation Reserve	5,186	-	-	-	-	-	5,186	192
Depreciation written out to the Surplus/Deficit on Provision of Services	6,041	-	-	-	-	-	6,041	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	7,588	28,781	536	-	-	-	36,905	2,360
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	626	-	-	-	(579)	-	47	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
<b>At 31 March 2013</b>	<b>(21,204)</b>	<b>(42,417)</b>	<b>(135,904)</b>	<b>(3)</b>	<b>(1,057)</b>	<b>-</b>	<b>(200,585)</b>	<b>(2,697)</b>
<b>Net Book Value</b>								
<b>At 31 March 2013</b>	<b>645,871</b>	<b>49,595</b>	<b>455,812</b>	<b>32</b>	<b>34,447</b>	<b>4,685</b>	<b>1,190,442</b>	<b>39,105</b>
<b>At 31 March 2012</b>	<b>819,154</b>	<b>65,825</b>	<b>435,418</b>	<b>33</b>	<b>39,014</b>	<b>13,445</b>	<b>1,372,889</b>	<b>153,652</b>

## 18. Heritage Assets

The Code of Practice requires a statement of five-year summary of transactions for Heritage Assets. However, it has not been possible to obtain information prior to 2010/11.

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

	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000
Balance at 1 April	601	601	481	481
Additions	-	14	-	-
Revaluations	-	(134)	-	-
<b>Balance at 31 March</b>	<b>601</b>	<b>481</b>	<b>481</b>	<b>481</b>

### 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 inheritance 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 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.

## 19. Capital Expenditure and Financing

	Note	2012/13 £000	2013/14 £000
<b>Opening Capital Financing Requirement (CFR)</b>		<b>668,075</b>	<b>695,935</b>
<b>Capital Investment</b>			
Property, Plant and Equipment	17	95,943	91,643
Investment Properties	23	11	6
Intangible Assets	24	2,426	1,301
Heritage Assets	18	-	-
Assets Held for Sale	22	-	14
Capital Advances		-	20
Amounts treated as revenue expenditure in accordance with the Code but which are classified as capital expenditure under statute		12,932	19,649
Additions/Reductions to PFI finance liability		200	243
<b>Sources of finance</b>			
Capital receipts	37	(2,818)	(2,680)
Government grants and other contributions		(46,126)	(42,677)
Grants held in reserves		-	-
Sums set aside from revenue (inc. MRP)		(30,265)	(41,512)
Repayment of PFI finance liability		(4,443)	(4,684)
<b>Closing Capital Financing Requirement (CFR)</b>		<b>695,935</b>	<b>717,258</b>
<b>Explanation of movements in year</b>			
Change in underlying need to borrow (unsupported by Government financial assistance)		27,860	21,323
PFI Disposals		-	-
		<b>27,860</b>	<b>21,323</b>

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 2014 are:

	£000
2014/15	26,065
2015/16	5,708
2016/17	2,055
2017/18	1,000
2018/19	1,000
	<b>35,828</b>

The committed projects for 2014/15 are:

	£000
School Projects	15,548
Waste Management	1,236
Ways of Working	4,323
Superfast Broadband	4,793
Other	165
	<b>26,065</b>

## 20. Valuation of Property, Plant and Equipment

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Furthermore, for those assets measured at fair 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 fair value as determined by a recent formal revaluation. All valuations of land and buildings have been carried out internally in accordance with methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). Vehicles, plant, furniture and equipment are carried at depreciated historic cost as a proxy for fair value where useful lives are of short duration and values are immaterial.

Land and Buildings	Included at Open Market Value in existing use, or, where this cannot be assessed because there is no market for the subject asset, the Depreciated Replacement Cost.
Fixed Plant and Machinery	Included in the valuation of the buildings.
Furniture and Fittings	Included at Depreciated Historic Cost, plus the depreciated value of items as at 31 March 2004 which are still in operational use.
Vehicles, Plant and Equipment	Included at Depreciated Historic Cost as a proxy for fair value.
Surplus Assets	Included at Open Market Value in existing use, or, where this cannot be assessed because there is no market for the subject asset, the Depreciated Replacement Cost.
Assets under construction	Included at Cost.
Community Assets	Included at Depreciated Historic Cost.
Infrastructure Assets	Included at Depreciated Historic Cost.

### Valuation of Property, Plant and Equipment carried at current value

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.

	Land & Bldgs £000	Surplus Assets £000	Other PPE Assets £000	Total £000
Valued at historic cost	-	-	528,778	528,778
Valued at current value in				
2013/14	178,517	8,657	-	187,174
2012/13	173,740	13,750	-	187,490
2011/12	108,739	1,933	-	110,672
2010/11	24,547	483	-	25,030
2009/10	138,769	6,443	-	145,212
<b>Total</b>	<b>624,312</b>	<b>31,266</b>	<b>528,778</b>	<b>1,184,356</b>

### 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 is identified, the asset is revalued and consequently all decreases in value are treated as revaluation losses.



## 21. Non-Maintained Schools

The Authority assesses the accounting treatment of all schools based upon the requirements of IFRS. This has led to Academy, Foundation and Voluntary Aided schools being treated as off balance sheet. Consequently, all land and buildings are written out of the Authority's asset register when a school converts status. The value of land and buildings transferred to schools in 2013/14 was £39.0 million (2012/13 £202.4 million). Transfers to schools are treated as disposals with nil sales proceeds.

At the end of the year the number of schools treated as off balance sheet was as follows:

	2013/14
	No.
Academy schools	62
Foundation schools	2
Voluntary Aided schools	36
	<u>100</u>

## 22. Assets Held for Sale

	Current	
	2012/13	2013/14
	£000	£000
<b>Balance at start of year</b>	<b>3,551</b>	<b>5,662</b>
Assets newly qualified as Held for Sale:		
Property, Plant and Equipment	5,220	4,060
Revaluation losses	(1,908)	(82)
Revaluation gains	-	730
Declassified		
Property, Plant and Equipment	-	(3,895)
Assets sold	(1,201)	(974)
Other Movements	-	14
<b>Balance at end of year</b>	<b>5,662</b>	<b>5,515</b>

There are no non-current assets held for sale.

## 23. 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.

	2012/13	2013/14
	£000	£000
Rental income from Investment Property	(510)	(443)
Direct operating expenses arising from Investment Property	146	124
<b>Net (income)/expenditure</b>	<b>(364)</b>	<b>(319)</b>

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.

	2012/13 £000	2013/14 £000
<b>Balance at start of year</b>	<b>17,614</b>	<b>16,247</b>
Additions:		
Subsequent expenditure	11	6
Disposals	(511)	(2,000)
Net gains/(losses) from fair value adjustments	(867)	(1,582)
Transfers		
(to)/from Surplus	-	(44)
(to)/from L&B	-	65
<b>Balance at end of year</b>	<b>16,247</b>	<b>12,692</b>

## 24. 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 £2.4 million charged to revenue in 2013/14 (£2.1 million in 2012/13) was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2012/13 Purchased Software Licences £000	2013/14 Purchased Software Licences £000
<b>Balance at start of year:</b>		
Gross carrying amounts	13,257	12,771
Accumulated amortisation	(4,493)	(3,695)
<b>Net carrying amount at start of year:</b>	<b>8,764</b>	<b>9,076</b>
Purchases	2,426	1,301
Disposals	-	-
Amortisation for the period	(2,114)	(2,448)
<b>Net carrying amount at end of year</b>	<b>9,076</b>	<b>7,929</b>
<b>Comprising:</b>		
Gross carrying amounts	12,771	13,915
Accumulated amortisation	(3,695)	(5,986)
	<b>9,076</b>	<b>7,929</b>

Fully amortised assets of £0.2 million were disposed of in the year.

## 25. 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	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Financial liabilities at amortised cost	436,033	441,912	120,644	130,057
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total borrowings</b>	<b>436,033</b>	<b>441,912</b>	<b>120,644</b>	<b>130,057</b>
Loans and receivables	4,862	7,572	69,260	52,050
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
<b>Total investments</b>	<b>4,862</b>	<b>7,572</b>	<b>69,260</b>	<b>52,050</b>

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

	2012/13 £000	2013/14 £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	309,040	318,316
(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	126,993	123,596
<b>Total Long Term Borrowing at 31 March</b>	<b>436,033</b>	<b>441,912</b>

#### Current

	2012/13 £000	2013/14 £000
(c) Borrowing		
Long term borrowing for repayment within 1 year	16,191	39,826
Finance leases related to PFI schemes for repayment within 1 year	4,854	3,809
<b>Total Borrowing at 31 March</b>	<b>21,045</b>	<b>43,635</b>
	2012/13 £000	2013/14 £000
(d) Trade Creditors	99,599	86,422

## Financial Assets - Loans & Receivables

### Long-term

	2012/13 £000	2013/14 £000
(a) Long-term Investments		
Long term investments with other local authorities and financial institutions	2,005	4,566
	<b>2012/13 £000</b>	<b>2013/14 £000</b>
(b) Long-term Advances		
Car and Bike Loans	384	386
Nottinghamshire Cricket Club	1,059	994
Nottingham Rugby Club	8	8
Academies	337	24
Adult Care Property Debt - Deferred Payment Scheme	1,069	1,580
Funding Circle	-	14
	<u><b>2,857</b></u>	<u><b>3,006</b></u>

### Car and Bike Loans

The Authority has made loans for car and bike purchases to 85 employees (79 car loans) 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:

	2012/13 £000	2013/14 £000
Opening balance	384	384
Advances	147	244
Repayments	(147)	(242)
Closing Balance	<u><b>384</b></u>	<u><b>386</b></u>

	2012/13 £000	2013/14 £000
Car Loans Breakdown:		
One year or less	191	169
More than one year	193	217
	<u><b>384</b></u>	<u><b>386</b></u>

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 21 May 2010 Nottinghamshire County Council and Nottingham City Council jointly lent Nottingham Rugby Club £50,000 repayable over 4 years to fund working capital needs. Interest is payable on the loan at the annual rate of 1% over the PWLB rate.

The Authority operates an internal school loans scheme to enable schools to purchase assets such as IT equipment, minibuses, photocopiers or contribute towards capital schemes. Typically these amounts are repaid over a three year period. Upon transfer of schools to Academy status any outstanding loan amount will be reclassified as a loan to an external body and shown as a loan in the Authority's Balance Sheet. All of the outstanding balance at 31 March 2014 will be repaid in 2014/15.

Adult Care Property Debt under the deferred payment scheme (as per section 55 of the Health and Social Care Act, 2001) 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 in 2013/14, the Authority 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.

#### **Current**

(c) Temporary investments	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Temporary investments with other local authorities and financial institutions	20,237	5,057

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	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
(d) Trade Debtors (less bad debt provision)	49,023	46,993

#### **Financial Assets - unquoted equity investment at cost**

Economic Development: There are equity holdings amounting to £0.26 million (£0.26 million in 2012/13) 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.

The Authority holds a share in the local authority controlled CLASP Consortium (14%) and SCAPE System Building Ltd (17%). The CLASP Consortium was originally set up by a number of local authorities in 1957/58 for the design and delivery of a build system known as CLASP especially for school buildings but its role now is the provision of buildings design services for local authorities. Some members of the consortium are share holders in SCAPE, a limited company set up in 2006/07 to continue with the provision of build design and property consultancy services. The CLASP Consortium no longer undertakes any economic activities following the creation of SCAPE. The Authority is a founder member of the consortium and holds shares in SCAPE Ltd. The Authority does not receive any dividends from its holdings. 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.

#### **Interests in Companies**

The Authority has a 50% interest in Nottingham and Nottinghamshire Futures Limited (formerly Connexions Nottinghamshire 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.

## 26. 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:

	2012/13		Total	2013/14		Total
	Financial Liabilities £000	Financial Assets £000	£000	Financial Liabilities £000	Financial Assets £000	£000
Interest expense	(31,283)	-	(31,283)	(32,096)	-	(32,096)
Losses on derecognition	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
<b>Interest payable and similar charges</b>	<b>(31,283)</b>	<b>-</b>	<b>(31,283)</b>	<b>(32,096)</b>	<b>-</b>	<b>(32,096)</b>
Interest income	-	561	561	-	679	679
Gains on derecognition	-	-	-	-	-	-
<b>Interest and investment income</b>	<b>-</b>	<b>561</b>	<b>561</b>	<b>-</b>	<b>679</b>	<b>679</b>

The average cost of external borrowing was 5.04% (5.46% in 2012/13).

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:

	2012/13 £000	2013/14 £000
Loan taken over from District Councils when the responsibility for services was transferred to the Authority on local government reorganisation in 1974.	1,660	1,529

## 27. 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 2013 and 2014 as follows:

- for PWLB loans, the relevant PWLB rate in force
- for LOBO loans, the PWLB rate applicable to new 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.

	2012/13		2013/14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	556,677	728,181	571,969	720,655

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.

	2012/13		2013/14	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	74,122	74,297	59,622	59,730

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.

## 28. 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 31/3/14 £000	Historical experience of default	Historical experience adjusted for market conditions at 31/3/14	Estimated maximum exposure to default and uncollecta- bility £000
Deposits with banks and financial institutions	5,057	-	-	-
Customers	34,743	0.14%	0.14%	49

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 2013/14 the provision for bad and doubtful debt was £5.7 million (£5.1 million in 2012/13).

The Authority does not generally allow credit for customers, such that £6.7 million (£8.1 million in 2012/13) of the £34.7 million (£25.5 million in 2012/13) balance is past its due date for payment. The past due amount can be analysed by age as follows:

Less than three months	1,414
Three to six months	967
Six months to one year	837
More than one year	3,467
	<u><u>6,685</u></u>

### 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 56 years with a maximum of any one year's maturity around 9.4% 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 with an upper limit of 25% in any one year. 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:

<b>Maturity date</b>	<b>2012/13</b>		<b>2013/14</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Within 1 year	21,045	4.6	43,635	9.0
1 year and up to 2 years	25,401	5.6	13,876	2.9
2 years and up to 5 years	41,991	9.2	44,647	9.2
5 years and up to 10 years	88,204	19.3	90,102	18.5
10 years and up to 15 years	82,365	18.0	87,249	18.0
15 years and up to 20 years	83,078	18.2	80,047	16.4
20 years and up to 25 years	14,123	3.1	25,121	5.2
25 years and over	100,871	22.0	100,870	20.8
	<b>457,078</b>	<b>100.0</b>	<b>485,547</b>	<b>100.0</b>

<b>Source of Borrowing</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Public Works Loan Board	213,972	233,546
External Bonds and Loans	111,259	124,346
Finance Leases related to PFI and other schemes	131,847	127,405
Salix Loan	-	250
	<b>457,078</b>	<b>485,547</b>

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 £ for £. 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 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 2014, 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.

## 29. Inventories

	Raw Materials		Work In Progress		Finished Goods		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
<b>Opening</b>	<b>2,006</b>	<b>1,515</b>	<b>26</b>	<b>-</b>	<b>761</b>	<b>1,232</b>	<b>2,793</b>	<b>2,747</b>
Purchases	8,671	9,434	1,580	-	10,691	10,341	20,942	19,775
Expensed	(9,125)	(9,237)	(1,606)	-	(10,224)	(10,367)	(20,955)	(19,604)
Written off	(37)	(22)	-	-	4	(1)	(33)	(23)
Reversals	-	-	-	-	-	(6)	-	(6)
<b>Closing</b>	<b>1,515</b>	<b>1,690</b>	<b>-</b>	<b>-</b>	<b>1,232</b>	<b>1,199</b>	<b>2,747</b>	<b>2,889</b>

## 30. Debtors and Long Term Debtors

<b>Debtors less than one year</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Central government bodies	13,355	11,318
Other local authorities	20,802	20,269
NHS bodies	5,225	19,831
Public corporations and trading funds	66	10
Other entities and individuals	34,586	12,233
	<u>74,034</u>	<u>63,661</u>
Less Bad Debt Provision	(5,106)	(5,731)
<b>Total</b>	<b><u>68,928</u></b>	<b><u>57,930</u></b>
<b>Long term debtors</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Adult care property debt	2,210	1,627
Other	52	51
<b>Total</b>	<b><u>2,262</u></b>	<b><u>1,678</u></b>

<b>Analysis of bad debt provision</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
<b>Opening bad debt provision</b>	<b>4,134</b>	<b>5,106</b>
Amounts paid	(1,293)	(2,733)
Amounts written off	(330)	(304)
Provisions adjustment	2,595	3,662
<b>Closing bad debt provision</b>	<b>5,106</b>	<b>5,731</b>

### 31. Creditors

<b>Creditors less than one year</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	13,613	8,035
Other local authorities	10,387	16,450
NHS bodies	6,371	7,719
Public corporations and trading funds	73	2,513
Other entities and individuals	86,322	62,288
<b>Total</b>	<b>116,766</b>	<b>97,005</b>

### 32. 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:

	<b>2012/13</b>		<b>2013/14</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts held in call accounts and money market funds		19,559		13,510
Main overdraft		(46,625)		(37,863)
School bank accounts:				
Main Authority accounts	34,871		34,688	
Other bank accounts	6,596	41,467	7,067	41,755
		<b>14,401</b>		<b>17,402</b>

### 33. Leases

#### Authority as Lessee

##### Finance Leases

The Authority leases one property under a lease classed as a finance lease, which is used as a highways depot. The assets acquired under this lease are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Other Land and Buildings	3,550	3,575
	<b>3,550</b>	<b>3,575</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the 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:

	2012/13 £000	2013/14 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	-	-
- non-current	879	879
Finance costs payable in future years	3,961	3,921
<b>Minimum lease payments</b>	<b>4,840</b>	<b>4,800</b>

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Not later than one year	40	40	-	-
Later than one year and not later than five years	200	200	1	1
Later than five years	4,600	4,560	878	878
	<b>4,840</b>	<b>4,800</b>	<b>879</b>	<b>879</b>

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 2013/14 £0 of contingent rents were payable by the Authority (£0 in 2012/13).

### 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:

	2012/13 £000	2013/14 £000
Not later than one year	1,203	596
Later than one year and not later than five years	2,257	1,105
Later than five years	3,108	799
	<b>6,568</b>	<b>2,500</b>

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

	2012/13 £000	2013/14 £000
Minimum lease payments	1,780	920
Contingent rents	78	42
	<b>1,858</b>	<b>962</b>

### Authority as Lessor

#### Finance Leases

The Authority leases out one property for use as a Community Centre at a peppercorn rental. The property is valued at £0 (£0 in 2012/13) and there are no balances in the accounts in relation to the lease. The Authority leases school land and buildings to Academy schools for 125 year terms on peppercorn rentals. The assets are removed from the Authority's balance sheet upon transfer to Academy status. Details of the number of the number of Academies and asset values are shown in note 21.

## 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:

	2012/13 £000	2013/14 £000
Not later than one year	857	982
Later than one year and not later than five years	1,294	1,506
Later than five years	2,017	2,001
	<u>4,168</u>	<u>4,489</u>

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 2013/14 £0.2 million contingent rents were receivable by the Authority (2012/13 £0.2 million).

## 34. 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 2014 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service £000	Lifecycle £000	Finance £000	Interest £000	Contingent £000	Total £000
Payable within 1 year	550	252	403	1,078	287	2,570
Within 2-5 years	2,258	904	2,189	3,840	1,350	10,541
Within 6-10 years	2,951	1,543	3,909	3,347	2,031	13,781
Within 11-15 years	2,051	730	4,144	947	1,707	9,579
	<u>7,810</u>	<u>3,429</u>	<u>10,645</u>	<u>9,212</u>	<u>5,375</u>	<u>36,471</u>

### 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 2014 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	<b>Service £000</b>	<b>Lifecycle £000</b>	<b>Finance £000</b>	<b>Interest £000</b>	<b>Contingent £000</b>	<b>Total £000</b>
Payable within 1 year	5,424	375	2,937	9,486	460	<b>18,682</b>
Within 2-5 years	23,298	5,055	11,844	35,283	1,186	<b>76,666</b>
Within 6-10 years	33,114	7,746	21,605	36,552	1,558	<b>100,575</b>
Within 11-15 years	38,219	11,573	31,674	24,506	517	<b>106,489</b>
Within 16-20 years	29,219	9,855	30,944	6,780	(198)	<b>76,600</b>
	<b>129,274</b>	<b>34,604</b>	<b>99,004</b>	<b>112,607</b>	<b>3,523</b>	<b>379,012</b>

### 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 2014 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	<b>Service £000</b>	<b>Lifecycle £000</b>	<b>Finance £000</b>	<b>Interest £000</b>	<b>Contingent £000</b>	<b>Total £000</b>
Payable within 1 year	17,113	2,642	470	2,499	928	<b>23,652</b>
Within 2-5 years	72,698	3,097	2,934	11,955	7,404	<b>98,088</b>
Within 6-10 years	100,308	12,122	5,632	16,799	10,151	<b>145,012</b>
Within 11-15 years	113,484	2,617	4,000	14,842	18,363	<b>153,306</b>
Within 16-20 years	101,432	445	3,842	7,397	19,507	<b>132,623</b>
	<b>405,035</b>	<b>20,923</b>	<b>16,878</b>	<b>53,492</b>	<b>56,353</b>	<b>552,681</b>

## 35. Single Status Provision and Reserve

Single Status arises from a national agreement between the employers and the trade unions which requires all local authorities to harmonise the conditions of employment of Local Government Services employees. These conditions were previously agreed by two separate negotiating bodies and there were significant differences between the two sets of conditions. Implementation of the Authority's proposals on the final stage of harmonisation of a new pay and grading structure began in April 2008. This process began with non-school based staff and was rolled out across the Authority in 2008/09. As part of the package being implemented any upgrading's had an effective date of 1 April 2002.

Single Status costs of £14,580 (£0.3 million in 2012/13) were incurred in 2013/14 and accounted for in Non Distributed Costs. As at 31 March 2014 a total of £34.2 million had been paid out as a consequence

of back dating upgrading's to 1 April 2002. The total number of employees included in the first phase of the Single Status programme was over 28,000 (including former employees) and as at 31 March 2014 these payments had been completed with the exception of equal pay claims.

The next phase of the programme was to review non-teaching posts in schools and this stage is nearing completion with only a few outstanding issues to be resolved. The total number of posts included in this category is over 8,000. During 2013/14 £0.4 million (£3.9 million in 2012/13) of the reserve has been used for agreed payments.

After reassessing the requirement of the Non Schools Reserve, £2.7m has been redesignated elsewhere in the Authority's Reserves, leaving £0.8 million.

Since 2002/03, the Authority has been setting aside resources to fund Single Status costs.

The balance on the Single Status Provision is as follows:

	2012/13 £000	2013/14 £000
Balance Brought Forward	7,939	-
Payments made during the year	(3,945)	-
Reversal of Provision	(3,994)	-
<b>Balance Carried Forward</b>	<b>-</b>	<b>-</b>

The balance on the Single Status (Corporate Pay Review) Reserve is as follows:

	2012/13 £000	2013/14 £000
Balance brought forward	2,059	6,744
Transfers from the reserve	(309)	(5,942)
Transfers to the reserve	4,994	-
<b>Balance carried forward</b>	<b>6,744</b>	<b>802</b>

## 36. General Provisions

Where events have happened, which are likely to result in 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	2012/13 £000	Movement £000	2013/14 £000
General Insurance Claims prior to 1/4/98	424	71	495
General Insurance Claims from 1/4/98	818	(159)	659
Carbon Reduction Commitment (CRC) Scheme	824	(32)	792
Corporate Redundancy Provision	1,288	5,310	6,598
NDR provision for backdated appeals	-	166	166
Provisions below £200,000	68	90	158
Home Care disputed invoices	-	601	601
Mansfield Library premises	-	400	400
<b>Total</b>	<b>3,422</b>	<b>6,447</b>	<b>9,869</b>

Long Term Provisions	2012/13 £000	Movement £000	2013/14 £000
General Insurance Claims prior to 1/4/98	3,812	645	4,457
General Insurance Claims from 1/4/98	7,363	(1,433)	5,930
NDR provision for backdated appeals	-	663	663
<b>Total</b>	<b>11,175</b>	<b>(125)</b>	<b>11,050</b>

### 37. Capital Receipts and Grants Unapplied

The Capital Receipts Reserve holds the usable part of the capital receipts from the sale of assets. The Authority has approved the use of capital receipts for the financing of capital expenditure or the repayment of prior year borrowings.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	-	-
Receivable	(2,818)	(2,680)
Applied	2,818	2,680
<b>Balance at 31 March</b>	<u>-</u>	<u>-</u>

The Capital Grants Unapplied Reserve holds grants receivable from Government and other contributions that have not been applied for the financing of capital expenditure.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	6,422	7,578
Capital grants credited to the CI&E	41,189	29,257
Application of grants to capital financing transferred to the CAA	(40,033)	(34,854)
Other Movements	-	(1)
<b>Balance at 31 March</b>	<u>7,578</u>	<u>1,980</u>

### 38. Other Operating Expenditure

Other operating expenditure includes the following amounts:

	2012/13 Restated £000	2013/14 £000
(Gains)/losses on the disposal of non-current assets	210,496	42,216
Change in fair value of assets held for sale	1,908	(648)
Other operating income and expenditure	459	(925)
<b>Total</b>	<u>212,863</u>	<u>40,643</u>

### 39. Financing and Investment Income and Expenditure

Financing and investment income and expenditure includes the following amounts:

	2012/13 Restated £000	2013/14 £000
Interest payable and similar charges	31,283	32,096
Net interest on the defined liability/ (asset)	38,643	36,841
Interest receivable and similar income	(561)	(679)
Income and expenditure in relation to investment properties and changes in their fair value	503	1,263
Net (surplus)/deficit of trading undertakings	1,682	2,601
Insurance revenue	(2,790)	(471)
<b>Total</b>	<u>68,760</u>	<u>71,651</u>



#### 40. Movement on Earmarked Reserves

	Transfers		Transfers		Transfers		Transfers	
	2011/12	Out	In	2012/13	Out	In	2013/14	
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Balance	29,688	-	12,430	42,118	(12,987)	-	29,131	
Schools Statutory Reserves	39,151	(6,178)	-	32,973	-	3,335	36,308	
General Insurance Reserve	7,571	-	2,790	10,361	-	470	10,831	
Trading Services	3,161	(1,509)	1,874	3,526	(1,779)	982	2,729	
Earmarked for Services	31,182	(9,022)	16,520	38,680	(27,427)	36,921	48,174	
Earmarked Reserves	1,689	(1,689)	4,992	4,992	(6,272)	4,672	3,392	
Capital Projects Reserve	27,636	(6,391)	8,882	30,127	(12,440)	3,619	21,306	
NDR Pool Reserve	-	-	-	-	-	202	202	
East Leake PFI Schools	3,114	(317)	186	2,983	(87)	183	3,079	
Bassetlaw PFI Schools	1,290	(457)	29	862	(287)	46	621	
Waste PFI Reserve	26,739	-	1,597	28,336	-	311	28,647	
Corporate Pay Review Reserve	2,059	(309)	4,994	6,744	(5,942)	-	802	
The Improvement Programme	17,997	(6,547)	-	11,450	(8,404)	-	3,046	
Corporate Redundancy Reserve	3,119	-	2,799	5,918	-	4,135	10,053	
Strategic Development Fund	-	-	-	-	-	8,942	8,942	
Lifecycle Maintenance	3,705	-	500	4,205	(4,205)	-	-	
<b>Total Other Earmarked Reserves</b>	<b>121,691</b>	<b>(26,241)</b>	<b>42,373</b>	<b>137,823</b>	<b>(66,843)</b>	<b>60,013</b>	<b>130,993</b>	
<b>Total Reserves</b>	<b>198,101</b>	<b>(32,419)</b>	<b>57,593</b>	<b>223,275</b>	<b>(79,830)</b>	<b>63,818</b>	<b>207,263</b>	

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

**Schools Statutory Reserve** - See note 42

**General Insurance Reserve** - See note 41

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

**Earmarked for Services** are amounts set aside to cover expected events where the accounting criteria for the creation of provisions are not met.

**Earmarked Reserves** hold year end underspends where approval has been given to be carried forward and spent in the following year.

**Capital Projects Reserve** comprises contributions from revenue towards future capital schemes.

**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.

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

**Corporate Pay Review Reserve** - See note 35

**Improvement Programme** was established in 2010 to fund the Authority's service transformation. The residual balance in 2013/14 relates to the Ways of Working Project which is not yet completed.

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

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

**Lifecycle Maintenance Reserve** was established to spread the cost of maintaining new buildings. In 2013/14, after reassessment of the Authority's priorities, the balance of the reserve has been released as it is no longer required.

#### 41. 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 36. The Insurance Reserve is shown below:

<b>Insurance Reserve</b>	<b>Note</b>	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Ring-fenced at 31 March 1998		(3,862)	-
Since 1 April 1998		14,223	10,831
		<u>10,361</u>	<u>10,831</u>
<b>Insurance Account</b>		<b>2012/13 £000</b>	<b>2013/14 £000</b>
Premiums paid		2,363	1,689
Claims made		3,990	5,326
Contribution (from)/to Provision		(936)	(64)
		5,417	6,951
Less charges to Departments	1	(8,137)	(6,772)
<b>Total Expenditure</b>		<b>(2,720)</b>	<b>179</b>
External Premiums		(34)	-
Interest on ringfenced fund at 31 March 1998		(36)	(13)
Contribution to Closed Fund from City and County Council's		-	(637)
<b>Total Income</b>		<b>(70)</b>	<b>(650)</b>
<b>Net (surplus)/deficit</b>		<b>(2,790)</b>	<b>(471)</b>

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

#### 42. 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 2013/14 the overall reserve has increased by £3.3 million to £36.3 million. Within the total reserve school accumulated balances increased by £2.1 million to £27.2 million; of this, £3.3 million is to fund capital schemes.

The reserve also includes £10.0 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.

	2012/13	Movement in year	2013/14
	£000	£000	£000
<u>School Balances</u>			
Balances held by schools	25,047	2,128	27,175
Non ISB Balances	8,795	1,201	9,996
School Loan Scheme	(869)	6	(863)
<b>School Statutory Reserve Total</b>	<b>32,973</b>	<b>3,335</b>	<b>36,308</b>

### 43. Unusable Reserves

	2012/13	2013/14
	£000	£000
Revaluation Reserve	108,541	115,241
Capital Adjustment Account	417,430	378,491
Financial Instruments Adjustment Account	(130)	(113)
IAS 19 Pensions Reserve	(878,034)	(819,893)
Collection Fund Adjustment Account	4,495	3,105
Deferred Capital Receipts	-	1,000
Employee Benefits Account	(18,586)	(12,754)
<b>Total Unusable Reserves</b>	<b>(366,284)</b>	<b>(334,923)</b>

#### 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.

	2012/13	2013/14
	£000	£000
<b>Balance at 1 April</b>	<b>108,503</b>	<b>108,541</b>
Upward revaluation of assets	26,567	32,108
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(9,653)	(12,299)
Surplus/(deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	16,914	19,809
Difference between fair value depreciation and historic cost depreciation	(2,224)	(1,898)
Accumulated gains on assets sold or scrapped	(14,652)	(11,211)
Amount written off to the Capital Adjustment Account	(16,876)	(13,109)
<b>Balance at 31 March</b>	<b>108,541</b>	<b>115,241</b>

## 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. The Movement in Reserves Statement provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>626,721</b>	<b>417,430</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation on non-current assets	(45,243)	(39,366)
Revaluation losses and Impairments on PPE	(33,441)	(35,307)
Amortisation of intangible assets	(2,114)	(2,448)
Revenue expenditure funded from capital under statute	(12,932)	(19,649)
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	(210,496)	(43,216)
	(304,226)	(139,986)
Adjusting amounts written out of the Revaluation Reserve	16,876	13,109
Net written out amount of the cost of non-current assets consumed in the year.	(287,350)	(126,877)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance outstanding debt	-	-
Application of grants to capital financing from the Capital Grants Unapplied Account	46,126	42,676
Statutory provision for the financing of capital investment charged against the General Fund	23,205	24,500
Capital expenditure charged against the General Fund	11,504	21,696
	<b>80,835</b>	<b>88,872</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(867)	(1,582)
Movement in the fair value of Non Current Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	(1,908)	648
<b>Balance at 31 March</b>	<b>417,430</b>	<b>378,491</b>

### Financial Instruments Adjustment Account

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

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(146)</b>	<b>(130)</b>
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	16	17
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	16	17
<b>Balance at 31 March</b>	<b>(130)</b>	<b>(113)</b>

### 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.

	2012/13 Restated £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(874,864)</b>	<b>(878,034)</b>
Actuarial gains / (losses) on pensions assets and liabilities	6,928	97,469
Other gains / (losses)	111	(69)
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	(59,436)	(86,605)
Employer's pensions contributions and direct payments to pensioners payable in the year	49,227	47,346
<b>Balance at 31 March</b>	<b>(878,034)</b>	<b>(819,893)</b>

### 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. In Addition during 2013/14 the NDR changes required a similar account to be held for Non Domestic Rates.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>4,765</b>	<b>4,495</b>
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	(270)	125
Amount by which NDR income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-	(1,515)
<b>Balance at 31 March</b>	<b>4,495</b>	<b>3,105</b>

#### 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.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	-	-
Movement in Deferred Capital Receipts held	-	1,000
<b>Balance at 31 March</b>	<b>-</b>	<b>1,000</b>

#### 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.

	2012/13 £000	2013/14 £000
<b>Balance at 1 April</b>	<b>(10,692)</b>	<b>(18,586)</b>
Settlement or cancellation of accrual made at the end of the preceding year	10,692	18,586
Amounts accrued at the end of the current year	(18,586)	(12,754)
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	(7,894)	5,832
<b>Balance at 31 March</b>	<b>(18,586)</b>	<b>(12,754)</b>

#### 44. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2012/13 £000	2013/14 £000
Interest received	(370)	(804)
Interest paid	31,320	32,133

#### 45. Cash Flow Statement - Investing Activities

	2012/13 £000	2013/14 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	95,055	100,674
Purchase of short and long-term investments	2,000	2,500
Other payments for investing activities	574	(166)
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,818)	(2,680)
Capital Grants and contributions received	(41,458)	(33,566)
Proceeds from short-term and long-term investments	-	(14,996)
Net other receipts from investing activities	(303)	298
<b>Net cash flows from investing activities</b>	<b><u>53,050</u></b>	<b><u>52,064</u></b>

#### 46. Cash Flow Statement - Financing Activities

	2012/13 £000	2013/14 £000
Cash receipts of short and long-term borrowing	(40,000)	(43,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,043	4,199
Repayments of short and long-term borrowing	9,195	10,681
<b>Net cash flows from financing activities</b>	<b><u>(26,762)</u></b>	<b><u>(28,120)</u></b>

#### 47. Termination Benefits

The Authority terminated the contracts of a number of employees in 2013/14, incurring costs of £1.6 million (£1.3 million in 2012/13). These figures include accounting entries required by the Code. The Authority is undergoing major restructuring of its services which explains the large value of these payments.

#### 48. Information on Assets

	Note	Number of Buildings	
		2012/13	2013/14
Nursery and Primary Schools	1	250	238
Secondary Schools	1	8	4
Special Schools and Pupil Referral Units		21	21
Libraries		59	58
Family and Children's Centres		59	61
Youth and Community Centres		37	38
Residential Homes For Elderly and Disabled		6	6
Day Centres and Clubs For Elderly and Disabled		20	19
Children's Residential Homes		3	3
Staff and Other Houses		110	103
Other, including Factories, Depots and Offices		196	180
		<b><u>769</u></b>	<b><u>731</u></b>

Note 1: The figures exclude Academy, Foundation and Voluntary Aided schools which are not on the Authority's Balance Sheet. See Note 21 for further details.

The Authority owns approximately 4,106 hectares of land, of which some 444 hectares are used as smallholdings. It also has 4,592 kilometres of roads. For insurance purposes, the reinstatement value of the Authority's buildings is £1,677 million.

## 49. Members' Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,435,791 (£1,440,051 in 2012/13). In addition to this, Members were reimbursed a total of £68,397 (£68,816 in 2012/13) for expenses incurred on Authority business.

## 50. 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 Note 10 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 2013/14 is shown in Note 49. During 2013/14, there were no works or services commissioned from companies in which Members had an interest (2012/13 - none). Any contracts would have been entered into in full compliance with the Authority's standing orders. Grants totalling £2,998,331 were paid to 25 organisations in which 27 Members had positions on the governing body (2012/13 £2,628,509 to 17 organisations, 22 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/>

### 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 2013/14, no grants were paid to any organisations in which Senior Employees had an interest (2012/13 - none).

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

The Authority has a pooled budget arrangement with Integrated Community Equipment Service (ICES). Transactions and balances outstanding are detailed in Note 52.

The Authority is the administering Authority 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

The Authority has significant influence in the following organisations :

Nottingham and Nottinghamshire Futures Limited - See below

CLASP - See note 25

SCAPE - See note 25



These organisations are deemed to be influenced significantly by the Authority through its representation on the board or ownership of shares. Details of the transactions with Nottingham and Nottinghamshire Futures Limited are provided below. There are no material transactions with the other organisations listed.

Nottingham and Nottinghamshire Futures Ltd ("Futures") is a company owned equally between Nottingham City Council and Nottinghamshire County Council that provides support services to young people in Nottinghamshire. Following an assessment of the materiality of Futures to the Council, Group Accounts have not been prepared for 2013/14. Information related to Futures is provided below. Further details may be found within the accounts of the company which is registered in England under number 4172770.

	<b>Audited 2012/13 £000</b>	<b>Unaudited 2013/14 £000</b>
Revenue	13,157	13,145
Profit / (loss)	(482)	(711)
Total Assets	3,378	2,800
Total Liabilities	(11,126)	(12,396)
Equity and Reserves	(7,748)	(9,596)

Nottinghamshire County Council had the following transactions with Futures:

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Sales of facilities management services	(7)	-
Grants given	2,400	2,100
Purchases of works and services	271	389

## 51. Trust Funds

The Authority acts as trustee for a number of separate trust funds, most of which are relatively small amounts. For example, many of the Children's Trust Funds relate to legacies left by individuals for the benefit of specified schools. The cash balances held by the Authority are summarised below:

<b>Department/Service</b>	<b>Balance at 31/3/13 £000</b>	<b>Income £000</b>	<b>Expend- iture £000</b>	<b>Investment Movement £000</b>	<b>Balance at 31/3/14 £000</b>
Children and Young People	63	31	(107)	17	4
Adult Social Care and Health	9	2	-	(1)	10
Cultural Services	59	3	(50)	-	12
Nottinghamshire Charitable Grants Fund	88	24	(124)	12	-
	<b>219</b>	<b>60</b>	<b>(281)</b>	<b>28</b>	<b>26</b>

In addition to cash balances held, the Authority has invested surplus funds, principally in gilt-edged securities, and the values are set out below:

	<b>Value of Investments £000 31/3/13</b>	<b>Movement £000</b>	<b>Value of Investments £000 31/3/14</b>
Children and Young People	21	(17)	4
Adult Social Care and Health	1	1	2
Cultural Services	50	-	50
Nottinghamshire Charitable Grants Fund	12	(12)	-
	<b>84</b>	<b>(28)</b>	<b>56</b>

## 52. 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 Service (ICES) - Nottinghamshire

Nottinghamshire County Council (Host)

Nottingham City Council

Nottingham City CCG

Nottinghamshire County CCG's

Bassetlaw CCG

Pooled Budgets Memo Account	Note	2012/13 £000	2013/14 £000
<b>Net surplus / (deficit) brought forward</b>		<b>(395)</b>	<b>248</b>
<b><u>Funding provided to the pooled budget:</u></b>			
Nottinghamshire County Council ASCH		1,460	2,050
Nottinghamshire County Council CYP		275	262
Nottingham City Council		949	1,286
Bassetlaw PCT/CCG	1	497	466
Nottinghamshire County Teaching PCT/CCG's	1	3,307	2,210
Nottingham City PCT/CCG	1	1,560	1,314
Continuing Healthcare Specialist Equipment		323	323
Other income		6	3
Transfer of Reserves		3	-
<b>Total Funding</b>		<b><u>8,380</u></b>	<b><u>7,914</u></b>
		2012/13 £000	2013/14 £000
<b><u>Expenditure met from the pooled budget:</u></b>			
Partnership Management and Administration costs		296	291
Contract Management Fee		1,076	1,091
Continuing Healthcare Specialist Equipment		225	286
Equipment		5,506	5,545
Minor Adaptations		634	804
<b>Total Expenditure</b>		<b><u>7,737</u></b>	<b><u>8,017</u></b>
<b>Net surplus / (deficit) carried forward</b>		<b><u>248</u></b>	<b><u>145</u></b>

Note 1: The PCTs have restructured from 1 April 2013 and are replaced by Clinical Commissioning Groups (CCG's).

The combined ICES Contract commenced on 1 April 2011 for a period of 3 years. The option to extend for up to 2 years has been agreed.

### 53. Contingent Liabilities

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. In the event of MMI's insolvency during this period, local authority policyholders agreed to enter into a 'scheme of arrangement' under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The potential maximum liability if the scheme is triggered is £3.3 million although MMI may also cease to deal fully with any new liability claims. On 28 March 2012 a judgement handed down by the Supreme Court in the Employers' Liability Policy Trigger Litigation was unfavourable to MMI and hence the Directors of the company decided that a solvent run-off of all MMI's obligations was unlikely to be achieved. Therefore on 13 November 2013 the board of MMI triggered the 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% , however, the actuarial review of the insurance liabilities of MMI is uncertain and Ernst & Young LLP is not able to guarantee that this initial levy percentage will be sufficient for a solvent run-off. It is therefore anticipated that further levies will be made. For this reason a provision of £1.5 million has been set aside within the insurance reserve in respect of potential claw-back, this figure being taken from an external review of the provision and reserve.

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.

The Authority has set aside a reserve in the accounts for the implementation of the Single Status Agreement from 1 April 2002. Harmonisation of a new pay and grading structure began in April 2008. The process began with non-school based staff and was rolled out across the Authority in 2008/09 and has since completed. The roll-out of Single Status to non-teaching posts in schools is nearing completion. There remains a potential for equal pay claims arising. Although it is not possible to reliably estimate any amount at this time it is anticipated that this will be met from the Corporate Pay Review Reserve.

### 54. Post Balance Sheet Events

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

### 55. 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:

	2012/13		2013/14	
	£000	£000	£000	£000
	Expenditure	Income	Expenditure	Income
Administration and Professional Services				
NHS Trusts	55,544	55,544	56,147	56,147
Other Authorities	9,261	9,261	10,941	10,941
Schools and Colleges	14	14	48	48
Maintenance works				
Other Authorities	54	54	170	170
Schools and Colleges	106	106	132	132
	<b>64,979</b>	<b>64,979</b>	<b>67,438</b>	<b>67,438</b>

### 56. 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 2013/14 these powers were not used.

## 57. 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:

	2012/13 £000	2013/14 £000
Advertising for staff	777	581
Other advertising, including education courses	277	764
Public Relations - salaries and running costs	1,456	1,077
Other publicity expenditure	130	112
	<u>2,640</u>	<u>2,534</u>
As a percentage of gross expenditure (cost of services)	0.24%	0.22%

## 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 300 participating employers and over 106,000 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 Statement of Investment Principles 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](http://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 investment 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 2013/14 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	2012/13 £000	2013/14 £000
<b>Contributions</b>	4		
Employer contributions		(127,132)	(123,905)
Member contributions		(42,829)	(41,018)
		<b>(169,961)</b>	<b>(164,923)</b>
Transfers in from other pension funds		(11,535)	(6,638)
<b>Benefits</b>	5		
Pensions		127,078	132,832
Commutation of pensions and lump sum retirement benefits		28,187	23,115
Lump sum death benefits		3,714	3,793
		<b>158,979</b>	<b>159,740</b>
Payments to and on account of leavers		16,048	15,326
Administration Expenses	6	1,409	1,442
<b>Net additions from dealings with members</b>		<b>(5,060)</b>	<b>4,947</b>
Investment Income	7	(88,307)	(105,388)
Profits & losses on disposal of investments & changes in value		(334,869)	(141,271)
Taxes on income		580	644
Investment management expenses	8	3,506	4,369
<b>Net Returns on Investments</b>		<b>(419,090)</b>	<b>(241,646)</b>
<b>Net (increase)/decrease in net assets available for benefits during the year</b>		<b>(424,150)</b>	<b>(236,699)</b>
Opening net assets of the Fund		3,072,296	3,496,446
<b>Net assets available to fund benefits</b>		<b>3,496,446</b>	<b>3,733,145</b>

## NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

### NET ASSETS STATEMENT FOR THE YEAR ENDED

	Notes	31 March 2013 £000	31 March 2014 £000
Investment Assets	9 & 14		
Fixed Interest Securities		323,555	360,883
Index Linked Securities		80,738	-
Equities		1,675,534	1,818,478
Pooled Investment Vehicles		1,028,119	1,091,132
Property		288,075	288,140
Forward Foreign Exchange		621	191
Cash deposits		81,269	153,469
Other Investment Balances	11	16,360	21,670
Investment liabilities	11	(3,157)	(2,650)
		<b>3,491,114</b>	<b>3,731,313</b>
Current assets	12	18,481	10,033
Current liabilities	12	(13,149)	(8,201)
		<b>5,332</b>	<b>1,832</b>
<b>Net assets of the fund available to pay benefits at the year end</b>		<b>3,496,446</b>	<b>3,733,145</b>

The actuarial present value of promised retirement benefits, as required by IAS 26, is shown at note 2c.

**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 2013/14 (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 2007 (the Pensions SORP) or to individual International Accounting 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 classes 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.

Acquisition costs are included in the purchase cost of investments.

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 9(b).

**(d) Investments Income**

Income is accounted for on an accruals basis for the following:

- interest on cash deposits and fixed interest securities are accrued on a daily basis
- dividends from equities are accrued when the stock is quoted ex-dividend



**(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 the employer 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**

Administration and investment 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.

## 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 2013. The market value of the Fund's assets at the valuation date was £3,470 million. The Actuary has estimated that the value of the Fund was sufficient to meet 85% of its expected future liabilities in respect of service completed to 31 March 2013. 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](http://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 along with the equivalent assumptions from the 2010 valuation.

	31 March 2010 % pa	31 March 2013 % pa
Expected investment returns:		
Equities	7.5	6.7
Gilts	4.5	3.3
Property	5.6	5.8
Discount Rate	6.9	6.0
Retail price inflation (RPI)	3.5	3.5
Consumer price inflation (CPI)	3.0	2.7
Long term pay increases	5.0	4.5
Pension Increases	3.0	3.5

The 2013 valuation produced an average employer contribution rate of 18.8% (2010 18.0%). Employer contributions were certified by the actuaries for the years 2014/15 to 2016/17. 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 employers' contribution rates paid in 2013/14 were set by the 2010 valuation. The following list shows the contributions payable by the main employers:

Certified employer contributions	2013/14	2014/15	2015/16	2016/17
Nottinghamshire County Council	18.3%	13.2%	13.2%	13.2%
Plus:		£12,638,000	£12,979,000	£13,330,000
Nottingham City Council	18.0%	12.5%	12.5%	12.5%
Plus:		£8,031,000	£8,880,000	£9,356,000
Ashfield District Council	22.4%	12.3%	12.3%	12.3%
Plus:		£1,021,000	£1,144,000	£1,272,000
Bassetlaw District Council	22.1%	13.5%	13.5%	13.5%
Plus:		£1,890,000	£2,027,000	£2,127,000
Broxtowe Borough Council	18.7%	13.2%	13.2%	13.2%
Plus:		£716,000	£735,000	£755,000
Gedling Borough Council	18.2%	12.3%	12.3%	12.3%
Plus:		£555,000	£569,000	£585,000
Mansfield District Council	20.5%	13.9%	13.9%	13.9%
Plus:		£1,075,000	£1,250,000	£1,433,000
Newark and Sherwood District Council	21.9%	12.5%	12.5%	12.5%
Plus:		£946,000	£1,065,000	£1,189,000
Rushcliffe Borough Council	19.5%	13.0%	13.0%	13.0%
Plus:		£478,000	£556,000	£638,000

### (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 2013 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 2012		31 March 2013		31 March 2014	
	% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
RPI Increases	3.3	-	3.4	-	3.6	-
CPI increases	2.5	(0.8)	2.6	(0.8)	2.8	(0.8)
Salary Increases	4.7	1.4	4.8	1.4	4.6	1.0
Pension Increases	2.5	(0.8)	2.6	(0.8)	2.8	(0.8)
Discount Rate	4.6	1.3	4.5	1.1	4.5	0.9

The net liability under IAS 19 is shown below.

	31 March 2012 £000	31 March 2013 £000	31 March 2014 £000
Present value of funded obligation	4,966,881	5,476,127	5,733,792
Fair value of scheme assets	3,061,212	3,477,023	3,708,200
<b>Net Liability</b>	<b>1,905,669</b>	<b>1,999,104</b>	<b>2,025,592</b>

The present value of funded obligation consists of £5,434,513,000 in respect of Vested Obligation and £299,279,000 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 purposes 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 investment policy is set out in the Fund's Statement of Investment Principles, a copy of which is available on the pension fund website ([www.nottspf.org.uk](http://www.nottspf.org.uk)).

The Nottinghamshire Pension Fund Committee, advised by the Pensions Sub-Committee, is responsible for determining the investment strategy of the Fund and the type of investment management to be used. The Pensions Sub-Committee consists 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 are also attended by an independent adviser and representatives of the Chief Financial Officer.

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

### (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 2013/14 is £26,806 (£29,926 for 2012/13).

### 3. Contributors and Pensioners

	Members at 31 March 2014				
	County Council	City Council	District Councils	Other	Total
Contributors	15,244	8,210	3,286	12,411	39,151
Deferred Beneficiaries	16,932	7,850	3,456	8,073	36,311
Pensioners	14,702	6,114	4,479	5,529	30,824
					<b>106,286</b>

	Members at 31 March 2013				
	County Council	City Council	District Councils	Other	Total
Contributors	15,162	8,084	3,285	11,309	37,840
Deferred Beneficiaries	16,319	7,831	3,409	7,628	35,187
Pensioners	14,276	5,874	4,421	5,226	29,797
					<b>102,824</b>

### 4. Analysis of Contributions

	Employers		Members		Total	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
County Council	41,794	39,473	13,612	12,956	55,406	52,429
Scheduled Bodies	81,371	79,817	27,832	26,441	109,203	106,258
Admitted Bodies	3,967	4,615	1,385	1,621	5,352	6,236
	<b>127,132</b>	<b>123,905</b>	<b>42,829</b>	<b>41,018</b>	<b>169,961</b>	<b>164,923</b>

### 5. Analysis of Benefits

	2012/13 £000	2013/14 £000
Pensions	127,078	132,832
Commutation and lump sum	28,187	23,115
Lump sum death benefits	3,714	3,793
	<b>158,979</b>	<b>159,740</b>
Comprising of:		
County Council	64,206	65,160
Scheduled Bodies	90,511	89,657
Admitted Bodies	4,262	4,923
	<b>158,979</b>	<b>159,740</b>

## 6. Administration Expenses

	2012/13 £000	2013/14 £000
Printing and stationery	37	36
Subscriptions and membership fees	6	-
Actuarial fees	5	54
Audit fees	15	14
Other external fees	121	211
Administering Authority Costs	1,225	1,127
	<u>1,409</u>	<u>1,442</u>

## 7. Investment Income

Analysis by type of investment	2012/13 £000	2013/14 £000
Interest from fixed interest securities	(12,575)	(13,472)
Income from index-linked securities	(1,304)	(684)
Dividends from equities	(51,357)	(66,959)
Income from pooled investment vehicles	(5,099)	(5,401)
Income from property pooled vehicles	(1,531)	(3,055)
Net rents from property	(14,683)	(14,461)
Interest on cash deposits	(1,088)	(854)
Other	(670)	(502)
	<u>(88,307)</u>	<u>(105,388)</u>
Directly held property		
Rental income	(17,623)	(17,001)
Less operating expenses	2,940	2,540
<b>Net rents from property</b>	<u>(14,683)</u>	<u>(14,461)</u>

## 8. Investment Management Expenses

	2012/13 £000	2013/14 £000
Training and conferences	5	9
Subscriptions and membership fees	19	21
Actuarial fees	-	2
Audit fee	15	13
Custody fees	263	299
Investment management fees	2,589	3,420
Other external fees	249	232
Administering Authority Costs	366	373
	<u>3,506</u>	<u>4,369</u>

## 9. Investments

(a) Investment Analysis	31 March 2013 £000	31 March 2014 £000
Fixed Interest Securities		
UK Public Sector	118,757	89,020
UK Other	119,028	233,576
Overseas Public Sector	69,666	-
Overseas Other	16,104	38,287
Index Linked Securities		
Public Sector	50,140	-
Other	30,599	-
Equities		
UK	1,101,770	1,150,350
Overseas	571,770	665,788
Unlisted	1,994	2,340
Pooled Investment Vehicles		
Unit Trusts	324,988	400,043
Other Managed Funds	581,176	572,005
Pooled Vehicles Invested in Property		
Property Unit Trusts	26,551	32,743
Other Managed Funds	95,404	86,341
Property	288,075	288,140
Forward Foreign Exchange	250	191
Cash and Currency	81,269	153,469
<b>Total Investments</b>	<b><u>3,477,541</u></b>	<b><u>3,712,293</u></b>

The original values of investments are based on purchase cost plus expenses. 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 2013 £000	31 March 2014 £000
Market Value	3,477,541	3,712,293
Original Value	2,600,107	2,688,995
<b>Excess/(Deficit) of Market Value over Original Value</b>	<b><u>877,434</u></b>	<b><u>1,023,298</u></b>

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 2013/14**

	Value at 1 April 2013 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2014 £000
Fixed Interest Securities	323,555	480,789	(420,813)	(22,648)	360,883
Index Linked Securities	80,739	7,219	(84,291)	(3,667)	-
Equities	1,675,534	246,295	(226,450)	123,099	1,818,478
Pooled Investment Vehicles	906,164	67,114	(26,579)	25,349	972,048
Property Pooled Vehicles	121,955	2,886	-	(5,757)	119,084
Property	288,075	12,354	(37,425)	25,136	288,140
	<b>3,396,022</b>	<b>816,657</b>	<b>(795,558)</b>	<b>141,512</b>	<b>3,558,633</b>
Forward Foreign Exchange	250	158,731	(158,549)	(241)	191
	<b>3,396,272</b>	<b>975,388</b>	<b>(954,107)</b>	<b>141,271</b>	<b>3,558,824</b>
Cash deposits	81,269				153,469
	<b>3,477,541</b>				<b>3,712,293</b>

**Reconciliation of Opening and Closing Values of Investments 2012/13**

	Value at 1 April 2012 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2013 £000
Fixed Interest Securities	288,011	272,909	(254,623)	17,258	323,555
Index Linked Securities	75,344	25,440	(27,402)	7,357	80,739
Equities	1,439,872	228,930	(196,257)	202,989	1,675,534
Pooled Investment Vehicles	733,096	64,318	(12,649)	121,399	906,164
Property Pooled Vehicles	121,393	1,284	-	(722)	121,955
Property	266,603	34,340	-	(12,868)	288,075
	<b>2,924,319</b>	<b>627,221</b>	<b>(490,931)</b>	<b>335,413</b>	<b>3,396,022</b>
Forward Foreign Exchange	-	158,842	(158,048)	(544)	250
	<b>2,924,319</b>	<b>786,063</b>	<b>(648,979)</b>	<b>334,869</b>	<b>3,396,272</b>
Cash deposits	137,382				81,269
	<b>3,061,701</b>				<b>3,477,541</b>

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 £1,860,540 in 2013/14 (£1,844,156 in 2012/13). 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 2013		31 March 2014	
	£000		£000	
In-house	1,425,382	41.0%	1,776,476	48.0%
Schroder Investment Management	925,194	26.6%	1,011,414	27.2%
Kames Capital	404,544	11.6%	361,074	9.7%
Aberdeen Property Investors	291,456	8.4%	294,459	7.9%
Specialist	430,965	12.4%	268,870	7.2%
<b>Total</b>	<b>3,477,541</b>	<b>100.0%</b>	<b>3,712,293</b>	<b>100.0%</b>

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

	31 March 2013		31 March 2014	
	£000		£000	
<b>In-house</b>				
Legal & General	268,870		259,562	
<b>Specialist</b>				
Kames Capital	467,034		102,543	
RWC Capital	141,751		134,638	
Standard Life	52,019		49,428	

### (d) Asset Allocation

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

	31 March 2013		31 March 2014	
	£000		£000	
UK Fixed Interest	237,785	6.8%	322,597	8.7%
Overseas Fixed Interest	85,770	2.5%	38,287	1.0%
Index Linked Securities	80,738	2.3%	-	-
UK Equities	1,211,834	34.8%	1,287,335	34.7%
Overseas Equities:				
US	423,694	12.2%	488,001	13.2%
Europe	337,287	9.7%	397,607	10.7%
Japan	102,688	3.0%	117,074	3.2%
Pacific Basin	151,890	4.4%	134,542	3.6%
Emerging Markets	198,907	5.7%	169,878	4.6%
Global	17,450	0.5%	18,094	0.5%
UK Property	322,672	9.3%	327,785	8.8%
Overseas Property	87,358	2.5%	79,439	2.1%
Private Equity	75,209	2.2%	75,451	2.0%
Multi-Asset	62,740	1.8%	102,543	2.8%
Forward Foreign Exchange	250	-	191	-
Cash	81,269	2.3%	153,469	4.1%
<b>Total</b>	<b>3,477,541</b>	<b>100.0%</b>	<b>3,712,293</b>	<b>100.0%</b>



**(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 2013 £000	31 March 2014 £000
Freehold	268,375	288,140
Leasehold more than 50 years	19,700	-
	<u>288,075</u>	<u>288,140</u>
Original Value	313,798	285,068

**(f) Analysis of Pooled Investment Vehicles**

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

	31 March 2013 £000	31 March 2014 £000
UK Equities	134,421	158,665
Overseas Equities:		
US	158,177	192,984
Japan	62,525	72,746
Europe	71,198	71,166
Pacific Basin	151,890	134,542
Emerging Markets	172,554	148,198
Global	17,450	18,094
UK Property	34,597	39,645
Overseas Property	87,358	79,439
Private Equity	75,209	73,110
Multi-Asset	62,740	102,543
<b>Total</b>	<u>1,028,119</u>	<u>1,091,132</u>

**(g) Private Equity Funds**

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

<b>Funds</b>	<b>Currency</b>	<b>Commitment millions</b>
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
Partners Group Global Infrastructure	EUR	12
Foresight Nottingham Fund LP	GBP	10
Altius Real Assets Fund I	USD	15
Altius Real Assets Fund - Infrastructure Opportunity	EUR	12
DCM Private Equity Fund IV	USD	16

These commitments are drawn by the funds over time as investments are made in underlying companies. The undrawn commitment as at 31 March 2014 was £79.3 million (£53.1 million at 31 March 2013). Of the funds above, the following were new commitments made during 2013/14:

	Currency	Commitment millions
Foresight Nottingham Fund LP	GBP	10
Altius Real Assets Fund I	USD	15
Altius Real Assets Fund - Infrastructure Opportunity	EUR	12
DCM Private Equity Fund IV	USD	16

#### (h) Analysis of derivatives

##### Open Forward Foreign Exchange contracts at 31 March 2014

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	12,503	EUR	(15,000)	97	0
Up to 3 months	GBP	25,900	USD	(43,000)	94	0
					<u>191</u>	<u>0</u>
<b>Total net forward foreign exchange contracts</b>					<u><u>191</u></u>	

##### Open Forward Foreign Exchange contracts at 31 March 2013

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	GBP	10,500	USD	(15,946)	-	(2)
Up to one month	GBP	13,436	USD	(20,000)	263	-
Up to one month	GBP	9,661	EUR	(11,000)	358	-
Up to one month	USD	31,325	GBP	(21,000)	-	(368)
					<u>621</u>	<u>(371)</u>
<b>Total net forward foreign exchange contracts</b>					<u><u>250</u></u>	

## 10. Contingent Liabilities

The fund has 15 private equity funds which have undrawn commitments as at 31 March 2014 of £79.3 million (£53.1 million at 31 March 2013).

## 11. Other Investment Balances and Liabilities

	31 March 2013 £000	31 March 2014 £000
Other investment balances		
Outstanding investment transactions	1,760	1,376
Investment income	14,600	20,294
	<u>16,360</u>	<u>21,670</u>
Investment Liabilities		
Outstanding investment transactions	(536)	-
Investment income	(2,621)	(2,650)
	<u>(3,157)</u>	<u>(2,650)</u>

## 12. Current Assets and Liabilities

	31 March 2013 £000	31 March 2014 £000
Current assets		
Contributions due from employers	17,297	8,865
Other	1,184	1,168
	<u>18,481</u>	<u>10,033</u>
Current Liabilities		
Payments in advance	(3,261)	(720)
Sundry creditors	(1,455)	(838)
Other	(8,433)	(6,643)
	<u>(13,149)</u>	<u>(8,201)</u>

## 13. 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 2013 £000	31 March 2014 £000
Prudential	32,337	33,667
Scottish Widows	3,254	3,282
	<u>35,591</u>	<u>36,949</u>

## 14. Financial Instruments

- (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 2014			Totals £000
	Designated at Fair Value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000	
	<b>Financial Assets</b>			
Fixed Interest Securities	360,883	-	-	360,883
Index Linked Securities	-	-	-	-
Equities	1,818,478	-	-	1,818,478
Pooled Investment Vehicles	972,048	-	-	972,048
Property Pooled Vehicles	119,084	-	-	119,084
Forward Foreign Exchange	191	-	-	191
Cash deposits	-	153,469	-	153,469
Other investment balances	-	21,670	-	21,670
Current Assets	-	10,033	-	10,033
	<b>3,270,684</b>	<b>185,172</b>	<b>-</b>	<b>3,455,856</b>
<b>Financial Liabilities</b>				
Investment Liabilities	-	-	(2,650)	(2,650)
Current Liabilities	-	-	(8,201)	(8,201)
	-	-	<b>(10,851)</b>	<b>(10,851)</b>
	<b>3,270,684</b>	<b>185,172</b>	<b>(10,851)</b>	<b>3,445,005</b>

	31 March 2013			Totals £000
	Designated at Fair Value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000	
	<b>Financial Assets</b>			
Fixed Interest Securities	323,555	-	-	323,555
Index Linked Securities	80,739	-	-	80,739
Equities	1,675,534	-	-	1,675,534
Pooled Investment Vehicles	906,164	-	-	906,164
Property Pooled Vehicles	121,955	-	-	121,955
Forward Foreign Exchange	621	-	-	621
Cash deposits	-	81,269	-	81,269
Other investment balances	-	16,360	-	16,360
Current Assets	-	18,481	-	18,481
	<b>3,108,568</b>	<b>116,110</b>	<b>-</b>	<b>3,224,678</b>
<b>Financial Liabilities</b>				
Investment Liabilities	-	-	(3,157)	(3,157)
Current Liabilities	-	-	(13,149)	(13,149)
	-	-	<b>(16,306)</b>	<b>(16,306)</b>
	<b>3,108,568</b>	<b>116,110</b>	<b>(16,306)</b>	<b>3,208,372</b>

No financial assets were reclassified during the accounting period.

## (b) Valuation of financial instruments 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.

<b>As at 31 March 2014</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
Fair value through profit and loss	3,073,809	119,084	77,791	3,270,684
Loans and receivables	185,172			185,172
<b>Total</b>	<b>3,258,981</b>	<b>119,084</b>	<b>77,791</b>	<b>3,455,856</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(10,851)	-	-	(10,851)
<b>Total</b>	<b>(10,851)</b>	<b>-</b>	<b>-</b>	<b>(10,851)</b>
<b>Net</b>	<b>3,248,130</b>	<b>119,084</b>	<b>77,791</b>	<b>3,445,005</b>

<b>As at 31 March 2013</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Financial Assets</b>				
Fair value through profit and loss	2,909,408	121,955	77,205	3,108,568
Loans and receivables	116,110			116,110
<b>Total</b>	<b>3,025,518</b>	<b>121,955</b>	<b>77,205</b>	<b>3,224,678</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(16,306)	-	-	(16,306)
<b>Total</b>	<b>(16,306)</b>	<b>-</b>	<b>-</b>	<b>(16,306)</b>
<b>Net</b>	<b>3,009,212</b>	<b>121,955</b>	<b>77,205</b>	<b>3,208,372</b>

## (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](http://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:

- Significant variations from assumptions used in the actuarial valuation
- Fund assets assessed as insufficient to meet long term liabilities.

The Fund's primary risk is therefore that its assets fall short of its long term liabilities. The Funding Strategy Statement aims:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible
- to take a prudent longer-term view of funding those liabilities

The most significant effect on the funding level arises from changes in the discount rate used by the actuaries. The sensitivity analysis below shows the impact of a movement of 0.1% in the discount rate.

Adjustment to discount rate	0.1%	0.0%	(0.1%)
Present Value of Total Obligation (£000)	5,627,558	5,733,792	5,842,136

The Fund deficit at the last triennial valuation was £620 million. With no other change in assumptions, an increase in the discount rate of just under 0.6% would reduce the deficit to nil.

For the first time, contribution income for 2013/14 was insufficient to cover benefit payments but the Fund continues to receive significant investment income. It is therefore unlikely that assets will have to be realised 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. 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

<b>Accruals</b>	The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.
<b>Actuary</b>	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.
<b>Added Years</b>	Additional years of service awarded to increase benefits of employees taking early retirement.
<b>Amortisation</b>	The process of charging capital expenditure, usually on Intangible Assets, to the Comprehensive Income & Expenditure Statement over a suitable period of time.
<b>Balance Sheet</b>	The accounting statement which sets out the Council's total net assets and how they were financed.
<b>Budget</b>	The Council's statement of spending plans and policies for a financial year, expressed in financial terms.
<b>Capital Adjustment Account (CAA)</b>	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.
<b>Capital Financing Requirement (CFR)</b>	The Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.
<b>Capital Grants Receipts in Advance</b>	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.
<b>Carbon Reduction Commitment Efficiency Scheme (CRC)</b>	The CRC Efficiency Scheme is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.
<b>Cash Flow Statement</b>	Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
<b>Clinical Commissioning Groups (CCG)</b>	The Clinical Commissioning Groups took over from Primary Care Trusts (PCT) with effect from 1 April 2013.
<b>Comprehensive Income and Expenditure Statement (CI&amp;E)</b>	Consolidates all the gains and losses experienced during the financial year.
<b>Community Assets</b>	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.



<b>Creditors</b>	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.
<b>DCLG</b>	Department for Communities and Local Government.
<b>Debtors</b>	Persons or bodies owing sums to the Authority that have not been paid by the end of the financial year.
<b>Direct Labour/Service Organisations</b>	Workforces employed directly by local authorities to carry out works of repair, maintenance, construction etc. of buildings, grounds and roads and to provide catering and cleaning services and repairs and maintenance of vehicles.
<b>Earmarked Reserves</b>	Reserves set aside for a specific purpose.
<b>Financial Instruments</b>	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.
<b>General Fund</b>	This balance is a general revenue reserve. Part of this fund is earmarked to provide a number of reserves.
<b>IAS</b>	International Accounting Standard.
<b>IFRS</b>	International Financial Reporting Standard.
<b>IFRIC</b>	The International Financial Reporting Interpretations Committee provides interpretations of IFRS.
<b>Infrastructure Assets</b>	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.
<b>Impairments</b>	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.
<b>Intangible Assets</b>	Identifiable assets that lack physical substance and are expected to yield benefits to the Authority and the services it provides, e.g. software.
<b>LOBO</b>	Lenders' Option Borrowers' Option.
<b>Leasing</b>	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'.
<b>Local Government Pension Scheme (LGPS)</b>	Nottinghamshire County Council is the administrating authority for the LGPS within Nottinghamshire.
<b>Minimum Revenue Provision (MRP)</b>	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.

<b>NNDR</b>	National Non-Domestic Rate.
<b>PFI</b>	Private Finance Initiative.
<b>PPE</b>	Property, Plant and Equipment.
<b>Precept Income</b>	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'.
<b>PWLB</b>	Public Works Loans Board.
<b>Provisions</b>	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.
<b>Reserves</b>	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.
<b>Revaluation Reserve</b>	Represents the difference between the revalued amount of Property, Plant and Equipment as shown in the accounts and actual costs.
<b>Revenue Expenditure Financed from Capital Under Statute (REFCUS)</b>	These were previously known as deferred charges and included such items as work on property not owned by the authority and grants for economic development purposes.
<b>Trust Funds</b>	Funds established where the Authority acts as trustee. These amounts do not form part of the Council's resources.