NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL FINANCIAL REPORT 2018/19

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NARRATIVE REPORT

Introduction

1. The Authority's Statement of Accounts for the year 2018/19 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 2018/19 (the Code) issued by CIPFA. The statements also comply with appropriate guidance notes issued by CIPFA covering International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) and IFRS Interpretations Committee (IFRIC) as they apply to Local Authorities.

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

   - Understand the overarching financial position of the Authority and the outturn for 2018/19;
   - Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
   - Be assured that the financial position of the Authority is sound and secure.

   The style and format of the accounts complies with CIPFA standards and has been updated from previous years to include additional / revised statements. In order to assist users the content has been reviewed and improved where possible.

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

4. **Annual Governance Statement**
   Alongside the Statement of Accounts the Authority publishes an Annual Governance Statement which sets out the Authority's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The Statement also summarises the Authority's review of the effectiveness of internal control and highlights significant internal control issues and the actions to be taken in order to address these. In May 2019, the 2018/19 Statement was reported to Governance and Ethics Committee.

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

6. **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.

7. **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 Expenditure and Funding Analysis (EFA) and Movement in Reserves Statement.

8. **Balance Sheet**

The Balance Sheet shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are unusable reserves 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'.

9. **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.

10. **Pension Fund Accounts**

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

11. **Pension Net Assets Statement**

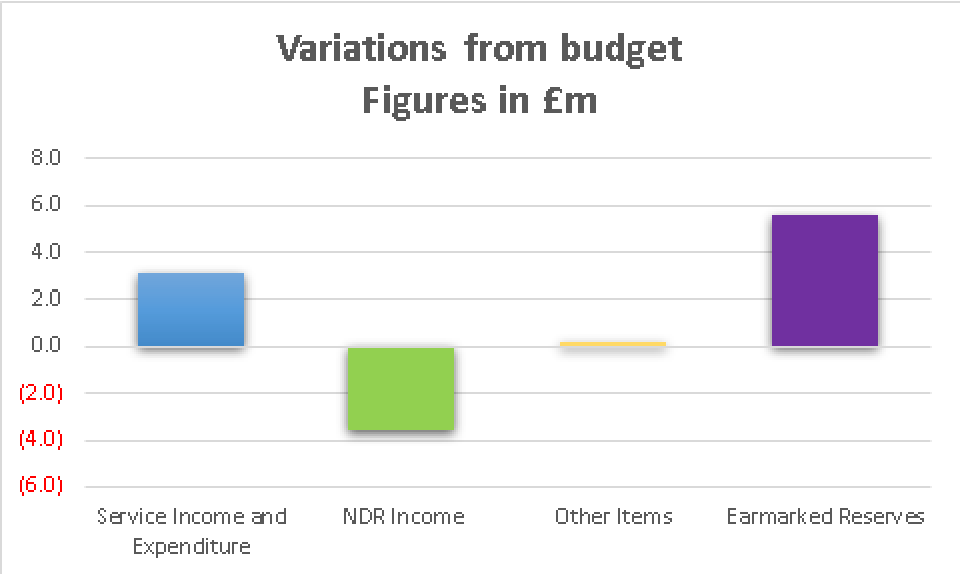
This Statement shows the net current assets and liabilities arising from the operation of the Authority's Pension Scheme (LGPS). This Statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the Balance Sheet.

Revenue Expenditure

12. The budget estimated that there would be a £1.5 million contribution from General Fund balances. The final accounts show that the final contribution required was £6.8 million in General Fund balances.

	Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	(351.7)	(351.7)	-
Non Domestic Rate Income	(106.9)	(110.5)	(3.6)
Revenue Support Grant	(22.6)	(22.6)	-
	(481.2)	(484.8)	(3.6)
NET EXPENDITURE (inc appropriations)	**482.7**	**491.6**	**8.9**
Contribution to/(from) General Fund Balances	**(1.5)**	**(6.8)**	**(5.3)**

The main variations to net expenditure were:



13. The Authority's Medium Term Financial Strategy (MTFS) has identified the need for further significant savings. Budget savings of £15.2 million were approved in February 2019 with a further £34.2 million required by 2022/23. All savings are monitored with a status update included in the monthly report to Finance and Major Contracts Management Committee.

Capital Expenditure and Financing

14. The Authority's capital expenditure in 2018/19 was £92.5 million. The external capital financing costs amounted to £37.4 million, which included interest on PFI schemes.

15. The Authority's borrowings, used to finance the past acquisitions of assets, were £599.4 million at 31 March 2019. 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 offered attractive borrowing rates of interest as well as greater flexibility. At 31 March 2019 the amount owed on these type of borrowings was £90.0 million.

16. The Authority has entered into Private Finance Initiative (PFI) partnerships. The 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 14 to the Accounts.

Trends

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

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

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

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

- The population of Nottinghamshire increased by 5% between the census in 2001 and that in 2011 and currently stands at 817,900. The total population of Nottinghamshire is expected to increase by 69,300 over the next 15 years to 2034 and will then be 887,200. Projections estimate that this is due primarily to an increase in net migration of people from both other areas of the UK and abroad, and an increase in life expectancy.

- The population of Nottinghamshire is slightly older than the national average, with 20% aged 65+ in 2017 compared with 18% in England and this is due to continue over the next 15 years with the number of 65-84 year olds increasing by over 30% to reach 191,300 by 2034. As people live longer they are more likely to experience disability and life limiting long-term illnesses.

- The health of the average person in Nottinghamshire has improved greatly over the last fifty years with people now living longer and healthier lives. We are lucky to live in a period when life expectancy at birth has increased to 79.5 years for men and 83.1 years for women and the average Nottinghamshire resident is expected to live in good health until the age of almost 63 which is more than 75% of their lives.

- It is anticipated that the number of older people in Nottinghamshire who will in future live alone will increase by 26% by 2030 and our aging and increasingly isolated population has implications for future planning and delivery of services in order to meet their health and wellbeing needs.

- Whilst the average annual earnings of full-time workers in Nottinghamshire at £34,894 are below the UK level of £36,611, house prices, as quoted in the House Price Index, are much more affordable with the average house price in Nottinghamshire in 2018 being £176,700 compared to £230,100 in UK.

- Final KS4 results for 2018 show that 45.6% of pupils achieved a strong pass in both GCSE English and mathematics (grade 9-5). Nationally 43.5% of state funded schools achieved this measure. Nottinghamshire is placed 52nd out of 151 local authorities nationally (where 1st is best). Comparisons to statistical neighbours shows the average for this measure to be 42.7% with Nottinghamshire placed 2nd amongst all 11 local authorities. At the standard pass (grades 9-4) final data shows 66.6% of Nottinghamshire pupils achieved grades 9-4 in both English and mathematics, an increase of 0.7 percentage points on 2017. Nationally there was a slight increase of 0.2 percentage points to 64.4%. Nottinghamshire remains above both national and statistical neighbour averages. Comparisons with all authorities nationally place Nottinghamshire 53rd. Against statistical neighbours Nottinghamshire improved its position amongst 11 authorities and is placed 2nd.

- People in Nottinghamshire generally feel safe within their communities with 80% of respondents in the 2018 Residents Survey stating they were satisfied with their local area as a place to live.

- In Nottinghamshire, 53% of households are within 15 minutes travel time of a GP Surgery/health centre by public transport and 71% of households within 30 minutes travelling time. These figures assume a maximum of 5 minutes or a 400 metre walk from home to the nearest bus stop.

- Through the Better Broadband for Nottinghamshire project, the Council has achieved 98% superfast coverage of the county, which is 2% higher than the national average and over 3.5% on average higher than our neighbouring counties. Since 2014, Better Broadband for Nottingham (BBfN) has delivered fibre broadband to over 80,000 premises of which 18,700 are business premises (i.e. 66% of all businesses based in the county). This will rise to 23,300 (i.e. 83% of all businesses based in the county) as part of almost 85,000 premises by the end of its upcoming phase 3 roll-out by the end of 2020. An independent social-economic report on the Better Broadband for Nottinghamshire project found that, over a 15-year period, this project would generate £302 million for the Nottinghamshire economy - representing a return of £11 for every £1 of public and private investment. About 60% of homes and businesses in the county have already switched to superfast broadband speeds. People living in some of the most remote communities in Nottinghamshire are to receive another boost to broadband availability in their area as the County Council secured an extra £1 million to extend its on-going roll-out of digital infrastructure - and move the county closer to 100% coverage.

- Important visitor hubs include Rufford Abbey, the National Civil War Centre in Newark, Sherwood Forest and Holme Pierrepont Country Park. A new visitor centre at Sherwood Forest opened in August 2018 and further historical interpretation facilities to recognise the County's place in the history of the Pilgrim Fathers are also likely. It should be noted that not all of these facilities are owned by NCC and some are run in partnership with other organisations.

Risks and Uncertainties

18. The Risk, Safety and Emergency Management Board (RSEMB) has the lead role in creating and maintaining the Authority's capacity to respond to emergencies in the community and for internal resilience to the effects of significant business interruptions. The RSEMB is chaired by the Service Director for Place and Communities and comprises of departmental representatives plus specialist officers from emergency

planning, health and safety, risk and insurance, facilities management, property and ICT.

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

Environmental

20. Nottinghamshire is a unique county with a heritage and countryside that we all want to protect and promote. We will ensure our environment is well managed and our countryside is protected. We need road and transport systems that are fit for purpose and help companies to invest in Nottinghamshire. We will provide a reliable transport system which supports a growing economy whilst encouraging sustainable and healthy travel. We will ensure we are well prepared during severe weather by gritting major roads and bus routes to help both residents and businesses carry on as normal. In addition, the Authority will:-

- Work with partners to act as a champion protecting the environment within Nottinghamshire
- Work in partnership with district councils and the private sector to provide waste management facilities and encourage changes in behaviour
- Act as a community leader, by using the resources and expertise of the Authority to reduce our environmental impact
- Deliver a road and transport infrastructure that seeks to meet the needs of our residents and businesses
- Work in partnership with bus companies and community transport providers to improve usage of public transport
- We will continue our investment in LED street lighting, renewable energy and energy efficiency measures across the corporate estate and schools to reduce energy use and cut carbon dioxide emissions

People

21. The Authority is the largest employer in the County with a headcount of 5,467 directly employed permanent and temporary staff, as at April 2018.

22. Detailed workforce profile information is produced annually by the Authority and the most recent published information was presented to Personnel Committee on 3 October 2018.

Vision

23. Your Nottinghamshire Your Future is the Council Plan for 2017 – 2021. The plan is focused around four vision statements:

A Great place to bring up your family

- We want Nottinghamshire to be a great place to bring up a family so that children get the best possible start in life.
- Support will be provided to those who need it most, to ensure that children remain safe and healthy.
- Working in partnership with early years' providers, schools, colleges and our universities, we will make sure that people have the opportunity to acquire the skills and qualifications they need to build a rewarding life and career.

- We will focus on encouraging those children who are high performers, whilst supporting those who are not yet achieving their full potential, for whatever reason.
- We want all children to have the same opportunities and life chances.

A great place to fulfil your ambition

- We want Nottinghamshire to be seen as a great place for those starting out or progressing their careers.
- Attracting a new and talented generation who have grown up with modern technologies will be instrumental in generating a strong and vibrant economy in our county.
- We know that a good choice of housing, excellent transport links, a healthy environment and a wide range of recreational facilities are all influential in persuading people to move into an area or stay there, so we will do everything possible to ensure Nottinghamshire leads the way on quality of life.

A great place to enjoy your later life

- Our ambition is to make Nottinghamshire a place where as many people as possible are healthy and happy as they grow older.
- As people live longer, many will find themselves working much later in life than previous generations.
- We will encourage a jobs market that values the skills and experience this older generation can offer.
- This will help to develop strong communities with many more people remaining active and independent for as long as possible.
- Our focus will be on helping people to help themselves and offering a variety of services which are accessible in middle and later life.

A great place to start and grow your business

- We want to build on Nottinghamshire's proud heritage of innovation and create a great place to start or grow a business.
- We want to accelerate this growth by attracting more trade, visitors and investment.
- Nottinghamshire is well placed to do this because of our position in the centre of the country, with motorways, mainline railways and international airports either in or near our county.
- Our economy has already diversified and has strong foundations for the future.
- Our strengths include food and drink production, manufacturing, life sciences, construction and the visitor economy.
- We will promote the conditions that will help businesses thrive and prosper – a skilled and highly productive workforce, great transport links and access to superfast broadband delivered through a network of high quality and innovative business parks.
- We will lobby Government for more devolution of powers and resources because we think we can make decisions better locally.

Performance

24. The Council Plan 2017-2021 was agreed by Full Council in July 2017 and articulates the ambition to provide the best possible services for local people, improve the place in which we live, and give good value for money. The Plan sets out our 12 commitments for Nottinghamshire and how we will measure our success in delivering them. The aspirations, priorities and outcomes that the Authority works towards are developed and articulated through four Departmental Strategies which set out the:

- Priorities and Key Activities that support the delivery of the Council Plan;
- Department Improvement and Change Portfolio;

- Department Core Dataset.

25. The Council's Planning and Performance Framework was agreed by Policy Committee on 21 June 2017 and sets out the approach the Council will take to planning and managing its performance. As part of the Framework, the measurement of the Council's performance is set out through core data sets in the Council Plan and Departmental Strategies with the monitoring, evaluation and benchmarking of progress managed through a Business Intelligence Hub. The Authority proactively manages performance with Members and senior officers regularly reviewing performance information to identify and manage emerging challenges.

26. Key highlights from across the priorities in 2018/19 include:

- Recent year-end performance data demonstrates that the use of reablement has enabled greater numbers of service users to retain their independence for as long as possible. During 2017/18, 1,160 service users received START reablement and subsequently required no further Homecare Support. During 2018/19 this figure had increased to 1,335 service users

- Provisional year-end figures for the average number of days between a child coming into Council care and moving in with their adoptive family indicate a significant improvement, over the last three years reducing from 444 days to 395 days.

- The percentage of municipal waste sent to landfill has continued to reduce with latest figures showing this at 4.5%, below the target of 8%. This has been achieved through the increased use of the Eastcroft and Sheffield Energy from Waste Plants, waste processed as Refuse Derived Fuel and by improved recycling and composting performance.

- The Authority continues to support businesses by ensuring that over 95% of undisputed supplier invoices are paid on time.

27. The Authority has also identified a number of key challenges and pressures that may affect performance over 2019/20 and will seek to assess and pro-actively manage these through the coming year.

Summary

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

Nigel Stevenson
Service Director (Finance, Infrastructure & Improvement & Section 151 Officer)

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

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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 (the Service Director - Finance, Infrastructure & Improvement) has responsibility for the administration of those affairs;

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

- Approve the Statement of Accounts.

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

The Service Director (Finance, Infrastructure & Improvement) is responsible for the preparation of the Authority's 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 (”the Code”).

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code;

- kept proper accounting records which were up to date;

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

- assessed the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern;

- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and

- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended.

Nigel Stevenson
Service Director (Finance, Infrastructure & Improvement & Section 151 Officer)
31 May 2019

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts were approved by a meeting of the Governance and Ethics Committee on XX July 2019. The Service Director (Finance, Infrastructure & Improvement) is satisfied with the position set out in the Statement of Accounts. As Chairman of the Governance and Ethics Committee, I am satisfied that the approval process for the Statement of Accounts has now been completed satisfactorily and that the Statement of Accounts may now be issued.

Councillor Bruce Laughton
Chairman of the Governance and Ethics Committee
XX July 2019

Movement in Reserves Statement 2018/19

	Usable Revenue Reserves Balance £000	Capital Receipts and Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2018	**188,018**	**3,902**	**191,920**	**(486,294)**	**(294,374)**
Movement in Reserves during 2018/19					
Total Comprehensive Income and Expenditure	(67,568)	1	(67,567)	160,188	92,621
Adjustments between accounting and funding basis under regulations					
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.					
Pensions Costs	44,762	-	44,762	(44,762)	-
Financial Instruments	2,382	-	2,382	(2,382)	-
Collection Fund Adjustments (Council Tax and NNDR)	468	-	468	(468)	-
Employee Benefits	(2,619)	-	(2,619)	2,619	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	94,202	-	94,202	(94,202)	-
Total Adjustments to Revenue Resources	**139,195**	**-**	**139,195**	**(139,195)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(15,248)	-	(15,248)	15,248	-
Capital Expenditure Charged in the year to the General Fund	(6,521)	-	(6,521)	6,521	-
Total Adjustments between Revenue and Capital Resources	**(21,769)**	**-**	**(21,769)**	**21,769**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(55,380)	55,380	-	-	-
Application of grants to capital financing transferred to CAA	-	(50,519)	(50,519)	50,519	-
Total Adjustments to Capital Resources	**(55,380)**	**4,861**	**(50,519)**	**50,519**	**-**
Increase or (Decrease) in 2018/19	**(5,522)**	**4,862**	**(660)**	**93,281**	**92,621**
Balance at 31 March 2019	**182,496**	**8,764**	**191,260**	**(393,013)**	**(201,753)**

Movement in Reserves Statement 2017/18

	Usable Revenue Reserves Balance £000	Capital Receipts and Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2017	**181,729**	**4,206**	**185,935**	**(716,841)**	**(530,906)**
Movement in Reserves during 2017/18					
Total Comprehensive Income and Expenditure	9,769	(1)	9,768	226,764	236,532
Adjustments between accounting and funding basis under regulations					
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.					
Pensions Costs	3,168	-	3,168	(3,168)	-
Financial Instruments	(15)	-	(15)	15	-
Collection Fund Adjustments (Council Tax and NNDR)	2,142	-	2,142	(2,142)	-
Employee Benefits	(680)	-	(680)	680	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	56,797	-	56,797	(56,797)	-
Total Adjustments to Revenue Resources	**61,412**	**-**	**61,412**	**(61,412)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(5,868)	-	(5,868)	5,868	-
Capital Expenditure Charged in the year to the General Fund	(6,182)	-	(6,182)	6,182	-
Total Adjustments between Revenue and Capital Resources	**(12,050)**	**-**	**(12,050)**	**12,050**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(49,170)	49,170	-	-	-
Application of grants to capital financing transferred to CAA	-	(49,473)	(49,473)	49,473	-
Movement in Deferred Capital Receipts	(3,672)	-	(3,672)	3,672	-
Total Adjustments to Capital Resources	**(52,842)**	**(303)**	**(53,145)**	**53,145**	**-**
Increase or (Decrease) in 2017/18	**6,289**	**(304)**	**5,985**	**230,547**	**236,532**
Balance at 31 March 2018	**188,018**	**3,902**	**191,920**	**(486,294)**	**(294,374)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		2017/18 As Restated			2018/19		
	Note	Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Gross expenditure, gross income and net expenditure of continuing operations							
Children & Young People		112,504	(13,200)	99,304	153,547	(18,750)	134,797
Schools		354,094	(350,241)	3,853	340,472	(345,393)	(4,921)
Adult Social Care & Public Health		385,708	(181,924)	203,784	401,123	(191,853)	209,270
Communities & Place		137,414	(19,722)	117,692	143,242	(21,302)	121,940
Policy		52,705	(15,976)	36,729	49,654	(12,217)	37,437
Finance & Major Contracts Management		3,806	(415)	3,391	3,720	(423)	3,297
Governance & Ethics		7,892	(330)	7,562	8,015	(317)	7,698
Personnel		22,324	(4,056)	18,268	21,025	(4,022)	17,003
Cost of Services		**1,076,447**	**(585,864)**	**490,583**	**1,120,798**	**(594,277)**	**526,521**
Other Operating Expenditure							
Loss on Disposal of non-current assets		55,554	-	55,554	36,818	-	36,818
Change in fair value of Assets Held for Sale	18	15	-	15	60	-	60
Other Operating Income and Expenditure		(46,568)	(132)	(46,700)	1,684	(107)	1,577
Total Other Operating Expenditure		**9,001**	**(132)**	**8,869**	**38,562**	**(107)**	**38,455**
Financing and Investment Income and Expenditure							
Interest Payable	29	34,573	-	34,573	37,409	-	37,409
Net Interest on the defined liability/(asset)	22	30,961	-	30,961	27,638	-	27,638
Interest and Investment Income	29	-	(1,226)	(1,226)	-	(823)	(823)
Income and Expenditure in relation to Investment Properties and changes in their fair value	15	(9,094)	(574)	(9,668)	(1,545)	(474)	(2,019)
Net (Surplus)/Deficit of Trading Undertakings	33	22,401	(19,467)	2,934	24,988	(22,812)	2,176
Insurance Revenue	35	(5,550)	(64)	(5,614)	(1,603)	(1,010)	(2,613)
Total Financing and Investment Income and Expenditure		**73,291**	**(21,331)**	**51,960**	**86,887**	**(25,119)**	**61,768**
Taxation and Non-Specific Grant Income							
Recognised Capital Grants and Contributions	27			(59,002)			(55,415)
Income from Council Tax				(331,409)			(351,519)
General Government Grants	27			(56,448)			(39,365)
National Non-Domestic Rates Distribution				(107,649)			(110,835)
New Homes Bonus Scheme				(3,119)			(2,041)
Transition Grant				(1,984)			-
Education Services Grant				(1,569)			-
Total Taxation and Non-Specific Grant Income				**(561,180)**			**(559,175)**
(Surplus)/Deficit on Provision of Services				**(9,768)**			**67,569**
(Surplus)/Deficit on Revaluation of non current assets				(113,948)			(3,891)
Actuarial (gains) / losses on pensions assets / liabilities	22			(114,108)			(156,358)
Other Comprehensive Income and Expenditure				1,292			60
Total Comprehensive Income and Expenditure				**(236,532)**			**(92,620)**

BALANCE SHEET

	Note	31 March 2018 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Property, Plant and Equipment (PPE)	11				
Land and Buildings		716,685		683,168	
Vehicles, Plant, Furniture and Equipment		40,047		43,616	
Infrastructure Assets		544,333		566,468	
Community Assets		29		28	
Surplus Assets		60,712		53,960	
Assets Under Construction		8,248	1,370,054	14,736	1,361,976
Heritage Assets	17	420		420	
Investment Property	15	25,516		25,904	
Intangible Assets	16	4,215		4,881	
Long Term Advances	28	4,441		4,078	
Long Term Investments	28	-		5,025	
Long Term Debtors	20	368	34,960	4,384	44,692
Total Long Term Assets			**1,405,014**		**1,406,668**
Short Term Investments	28	4,550		15,011	
Inventories		2,172		2,013	
Short Term Debtors	20	70,579		74,974	
Cash and Cash Equivalents	38	61,069		56,308	
Assets Held for Sale	18	738		1,145	
Total Current Assets			**139,108**		**149,451**
Short Term Creditors	23	(112,841)		(118,100)	
Short Term Provisions	24	(2,570)		(3,666)	
Loans to be repaid within 1 year	28, 31	(22,182)		(22,110)	
Other Short Term Liabilities	13, 14, 28, 31	(6,554)	(144,147)	(3,104)	(146,980)
Total Assets less Current Liabilities			**1,399,975**		**1,409,139**
Long Term Provisions	24	(11,729)		(12,857)	
Long Term Borrowing	28, 31	(443,922)		(460,220)	
Long Term Creditors	23	-		(4,151)	
Other Long Term Liabilities	13, 14, 28, 31	(115,560)		(112,981)	
Deferred Liability	29	(1,084)		(1,007)	
Capital Grants Receipts in Advance	27	(9,786)		(5,875)	
IAS 19 Pensions Liability	22	(1,112,268)		(1,013,801)	
Total Long Term Liabilities			**(1,694,349)**		**(1,610,892)**
Total Net Assets			**(294,374)**		**(201,753)**
Usable Reserves	34				
Capital Receipts and Grants Unapplied Reserve		3,902		8,764	
Other Earmarked Reserves		116,229		105,786	
General Insurance	35	21,000		29,588	
Schools Statutory Reserves	36	19,919		23,051	
General Fund Balance		30,870	191,920	24,071	191,260
Unusable Reserves	37				
Capital Adjustment Account		416,882		414,947	
Revaluation Reserve		244,368		231,952	
IAS 19 Pensions Reserves	22	(1,138,407)		(1,026,871)	
Deferred Capital Receipts		3,672		-	
Financial Instruments Adjustment Account		(56)		(2,438)	
Collection Fund Adjustment Account		1,444		975	
Employee Benefits Account		(14,197)	(486,294)	(11,578)	(393,013)
Net Worth / Total Reserves			**(294,374)**		**(201,753)**

CASH FLOW STATEMENT

	Note	2017/18	2018/19
		£000	£000
Net (surplus) or deficit on the provision of services		(9,768)	67,569
Adjust for non-cash movements			
Depreciation and amortisation		(40,766)	(43,226)
Revaluation / Impairment of Property, Plant and Equipment		35,633	(3,592)
Donated Assets		9,831	35
Movement in current assets and liabilities		10,331	7,583
Movement in reserves and provisions		2,154	(2,224)
Adjustments in respect of pension charges		(3,168)	(57,832)
Grants applied		49,170	55,380
Carrying value of assets disposed of		(62,398)	(38,180)
Other		9,268	471
		10,055	**(81,585)**
Adjust for items included in investing or financing		3,173	600
Net cash flows from operating activities		**3,460**	**(13,416)**
Investing activities	40	22,253	27,823
Financing activities	41	(18,386)	(9,646)
Net (increase)/decrease in cash and cash equivalents		**7,327**	**4,761**
Cash and cash equivalents at beginning of period		**68,396**	**61,069**
Cash and cash equivalents at end of period		**61,069**	**56,308**

NOTES TO THE STATEMENT OF ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 General Policies

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the Service Reporting Code of Practice 2018/19, 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.

1.2 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.

1.3 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.

1.4 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the 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.

1.5 Costs of Support Services

The costs of overheads and support services are charged to services in accordance with the Authority's arrangements for reporting accountability and financial performance.

1.6 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 Authority 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.

1.7 Charges to Revenue for Non-Current Assets

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

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

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

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

1.8 Property, Plant and Equipment (PPE)

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 2018/19 set out below:

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

Measurement

Assets are initially measured at cost, comprising:

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

The Authority does not capitalise borrowing costs.

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

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

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

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

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

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

The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2019 issued by Ms M Walsh MRICS, Team Manager – Property and Estates from the Authority's Place Department on 29th May 2019. A rolling 5 year revaluation programme is in place to maintain the accuracy of the valuations. When significant changes occur in any year they are included in the revaluation schedule undertaken during that year.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

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

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

Where an item of PPE 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 2018/19 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.

Accounting for Schools Property, Plant and Equipment

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

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

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

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 PPE 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve and can then be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement).

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.

1.9 Revenue Expenditure Funded from Capital under Statute (REFfCUS)

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.

1.10 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.

1.11 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 capital maintenance of the Property, Plant and Equipment debited to the relevant scheme.

1.12 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.

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.

1.13 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.

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.

1.14 Investment Property

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

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

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

1.15 Employee Benefits and Pensions

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.

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

Post-Employment Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Young People and Schools line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme (LGPS)

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. In assessing these liabilities at 31 March 2019 for the 2018/19 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.
- 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:

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

    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – 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.

1.16 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, and amounts held in notice accounts are not readily convertible to known amounts of cash. Fixed deals and notice periods 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 such 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.

1.17 Financial Instruments

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

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

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

Expected Credit Loss Model

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

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

1.18 Fair Value Measurement

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

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability

1.19 Inventories

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

1.20 Interests in Companies and Other Entities

The Authority has involvement with a number of entities where interests are not considered to be material. The nature and value of the relationships are disclosed within the single entity accounts. In line with the Code requirement on group accounts and consolidation, maintained schools within the county are considered to be entities controlled by the Authority. The income, expenditure, assets and liabilities, reserves and cash flows of these schools are recognised within the Authority's single entity accounts rather than group accounts.

1.21 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.

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

1.22 The Carbon Reduction Scheme

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

1.23 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.

1.24 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 2019.

1.25 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.

1.26 Schools

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

1.27 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.

1.28 Accounting for Council Tax and NNDR

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

1.29 Accounting Policies not relevant or material

All accounting policies are reviewed annually to ensure on-going relevance. The following policies have been omitted on the basis of having a non-material impact on the financial statements:

- Valuation of available for sale assets
- Intangible assets – recognition of internally generated assets
- Exceptional Items

2. Prior Period Adjustments

There are no prior period adjustments to report in the 2018/19 accounts. To aid year on year comparisons, the Comprehensive Income and Expenditure Statement and Note 10 have been re-stated to reflect the Local Authority's revised treatment of internal recharges.

3. Accounting Standards issued but not yet Adopted

IAS 8 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.

From 2020/21, IFRS 16 will require Local Authorities that are lessees to recognise most leases on their balance sheets as right of use assets with corresponding lease liabilities (there is exemption for low-value short term leases.) The impact of this change will be assessed in due course.

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

4. Critical Judgements in Applying Accounting Policies

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

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

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

- The 2018/19 Code of Practice clarifies the requirements for valuing property, plant and equipment (PPE) to ensure valuations are "sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period". To achieve this objective, the Authority has consulted its professional valuers who have affirmed that there is no such material deviation from current value at the Balance Sheet date for those assets not subject to a formal in-year valuation.

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

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

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

5. 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 2019 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 £0.7 million for every year that useful lives had to be reduced.

Land and Building assets that are required to be measured at current value are revalued on a 5 year rolling basis by the Authority's internal team of valuers. Each property is assessed and valued on its own merits and the valuation is determined with due regard to any changes or uncertainties which may affect the specific property. It is estimated that a theoretical 1% market drop applied across all properties valued in 2018/19 would equate to an impairment variation of £1.2 million to be expensed through the surplus / deficit on the provision of services.

- **Fair Value**

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

- **Insurance**

The Authority operates a self insurance scheme and has established a provision of £11.9 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 and is contained in Note 22.

- **Britain's Exit from the European Union**

There are high levels of uncertainty in relation to the implications of leaving the European Union and the potential impact on the value of the Authority's assets and liabilities. At the Balance Sheet date, the assumption has been made that there will be no significant impairment to the Net worth of the Authority. This assumption will be regularly reviewed in the coming months.

6. Post Balance Sheet Events

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

7. Adjustments between Accounting Basis and Funding Basis under Regulations

The adjustments between the accounting basis and the funding basis under regulations are shown in the Expenditure and Funding Analysis (note 8) and the Movement in Reserves Statement.

8. Expenditure and Funding Analysis

2018/19

	Net Expenditure Chargeable to the General Fund £000	Total Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children & Young People	113,068	21,729	134,797
Schools	(5,341)	420	(4,921)
Adult Social Care & Public Health	199,009	10,261	209,270
Communities & Place	99,503	22,437	121,940
Policy	30,045	7,392	37,437
Finance & Major Contracts Management	2,963	334	3,297
Governance & Ethics	7,283	415	7,698
Personnel	14,506	2,497	17,003
Cost of Services	**461,036**	**65,485**	**526,521**
Other Income and Expenditure	(455,514)	(3,438)	(458,952)
(Surplus) or Deficit on Provision of Services	**5,522**	**62,047**	**67,569**
Opening Usable Revenue Reserves	**188,018**		
Surplus or (Deficit) on Provision of Services	(5,522)		
Closing Usable Revenue Reserves	**182,496**		

2017/18

	Net Expenditure Chargeable to the General Fund £000	Total Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children & Young People	106,245	(6,941)	99,304
Schools	3,380	473	3,853
Adult Social Care & Public Health	192,961	10,823	203,784
Communities & Place	100,665	17,027	117,692
Policy	28,849	7,880	36,729
Finance & Major Contracts Management	2,956	435	3,391
Governance & Ethics	7,387	175	7,562
Personnel	15,147	3,121	18,268
Cost of Services	**457,590**	**32,993**	**490,583**
Other Income and Expenditure	(463,879)	(36,472)	(500,351)
(Surplus) or Deficit on Provision of Services	**(6,289)**	**(3,479)**	**(9,768)**
Opening Usable Revenue Reserves	**181,729**		
Surplus or (Deficit) on Provision of Services	6,289		
Closing Usable Revenue Reserves	**188,018**		

2018/19

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £000	Net change for Employee Adjustments under IAS19 £000	Other Differences £000	Total Differences £000
Children & Young People	16,313	5,416	-	**21,729**
Schools	-	420	-	**420**
Adult Social Care & Public Health	3,655	6,606	-	**10,261**
Communities & Place	21,295	1,156	(14)	**22,437**
Policy	6,388	1,004	-	**7,392**
Finance & Major Contracts Management	-	334	-	**334**
Governance & Ethics	-	415	-	**415**
Personnel	345	2,152	-	**2,497**
Net Cost of Services	**47,996**	**17,503**	**(14)**	**65,485**
Other Income and Expenditure	(30,942)	24,641	2,863	**(3,438)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**17,054**	**42,144**	**2,849**	**62,047**

2017/18

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £000	Net change for Employee Adjustments under IAS19 £000	Other Differences £000	Total Differences £000
Children & Young People	(16,841)	9,900	-	**(6,941)**
Schools	-	473	-	**473**
Adult Social Care & Public Health	3,811	7,012	-	**10,823**
Communities & Place	15,556	1,472	(1)	**17,027**
Policy	6,115	1,778	(13)	**7,880**
Finance & Major Contracts Management	-	435	-	**435**
Governance & Ethics	-	175	-	**175**
Personnel	648	2,473	-	**3,121**
Net Cost of Services	**9,289**	**23,718**	**(14)**	**32,993**
Other Income and Expenditure	(17,383)	(21,230)	2,141	**(36,472)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**(8,094)**	**2,488**	**2,127**	**(3,479)**

9. Segmental Income

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

	2017/18 £000	2018/19 £000
Children & Young People	(23,041)	(25,084)
Schools	(350,624)	(346,320)
Adult Social Care & Public Health	(220,164)	(235,826)
Communities & Place	(32,469)	(33,316)
Policy	(31,438)	(32,554)
Finance & Major Contracts Management	(1,691)	(1,654)
Governance & Ethics	(509)	(508)
Personnel	(12,081)	(11,864)
Total	**(672,017)**	**(687,126)**

10. Expenditure and Income Analysed by Nature

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

	2017/18 As Restated £000	2018/19 £000
Expenditure		
Employee expenses	488,438	470,534
Other operating expenses	583,840	655,868
Depreciation, amortisation & impairment	5,133	46,818
Other Expenditure relating to held for sale & investment properties	(9,653)	(1,959)
Interest Payments	34,573	37,409
Precepts & Levies	280	284
Gains or Losses on disposal of Non Current Assets	55,554	36,818
Total Expenditure	**1,158,165**	**1,245,772**
Income		
Fees, charges & other service income	(186,294)	(190,134)
Interest & Investment Income	(1,226)	(823)
Income from Council Tax, NNDR	(439,058)	(462,354)
Government grants	(541,355)	(524,892)
Total Income	**(1,167,933)**	**(1,178,203)**
(Surplus)/Deficit on Provision of Services	**(9,768)**	**67,569**

11. Property, Plant and Equipment

Movement in 2018/19

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2018	719,077	83,737	764,629	36	61,129	8,248	1,636,856	47,663
Additions	11,300	11,021	41,243	-	142	6,794	70,500	925
Donations	-	35	-	-	-	-	35	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10,341	-	-	-	(8,653)	-	1,688	2,788
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(5,313)	-	-	-	(459)	-	(5,772)	-
Derecognition - disposals	(37,553)	(6,449)	(1,579)	-	(269)	-	(45,850)	-
Derecognition - other	-	-	-	-	-	(390)	(390)	-
Assets reclassified (to)/from Held for Sales/Investment Property	765	-	-	-	(154)	-	611	-
Other Transfers between Asset Categories	(2,809)	-	-	-	2,681	128	-	-
Other Movements in cost or valuation	1	1	-	(1)	-	-	1	-
At 31 March 2019	**695,809**	**88,345**	**804,293**	**35**	**54,417**	**14,780**	**1,657,679**	**51,376**
Accumulated Depreciation and Impairment								
At 1 April 2018	(2,392)	(43,690)	(220,296)	(7)	(417)	-	(266,802)	(3,682)
Depreciation charge	(15,473)	(6,950)	(19,108)	(1)	(60)	-	(41,592)	(8,227)
Depreciation written out to the Revaluation Reserve	2,197	-	-	-	6	-	2,203	584
Depreciation written out to the Surplus/Deficit on Provision of Services	2,170	-	-	-	10	-	2,180	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	813	5,911	1,579	-	4	-	8,307	-
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	44	-	-	-	-	(44)	-	-
Other movements in depreciation and impairment	-	-	-	1	-	-	1	-
At 31 March 2019	**(12,641)**	**(44,729)**	**(237,825)**	**(7)**	**(457)**	**(44)**	**(295,703)**	**(11,325)**
Net Book Value								
At 31 March 2019	**683,168**	**43,616**	**566,468**	**28**	**53,960**	**14,736**	**1,361,976**	**40,051**
At 31 March 2018	**716,685**	**40,047**	**544,333**	**29**	**60,712**	**8,248**	**1,370,054**	**43,981**

11 .Property, Plant and Equipment (Continued)

Movement in 2017/18

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2017	626,466	85,532	725,745	36	54,270	10,704	1,502,753	28,773
Additions	21,214	7,981	35,968	-	4,131	6,402	75,696	703
Donations	9,831	-	-	-	-	-	9,831	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	89,011	-	-	-	1,376	-	90,387	13,653
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	34,111	-	-	-	(2,337)	-	31,774	4,534
Derecognition - disposals	(57,908)	(10,042)	(20)	-	(5,720)	-	(73,690)	-
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	-	-	-	-	(161)	-	(161)	-
Other Transfers between Asset Categories	(3,649)	265	2,936	-	9,571	(8,857)	266	-
Other Movements in cost or valuation	1	1	-	-	(1)	(1)	-	-
At 31 March 2018	**719,077**	**83,737**	**764,629**	**36**	**61,129**	**8,248**	**1,636,856**	**47,663**
Accumulated Depreciation and Impairment								
At 1 April 2017	(20,187)	(44,859)	(202,160)	(6)	(416)	(92)	(267,720)	(3,294)
Depreciation charge	(12,822)	(7,777)	(18,136)	(1)	(33)	-	(38,769)	(1,262)
Depreciation written out to the Revaluation Reserve	23,616	-	-	-	6	-	23,622	877
Depreciation written out to the Surplus/Deficit on Provision of Services	3,860	-	-	-	-	-	3,860	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	3,234	9,058	20	-	-	-	12,312	-
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	(93)	(112)	(20)	-	26	92	(107)	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	(3)
At 31 March 2018	**(2,392)**	**(43,690)**	**(220,296)**	**(7)**	**(417)**	**-**	**(266,802)**	**(3,682)**
Net Book Value								
At 31 March 2018	**716,685**	**40,047**	**544,333**	**29**	**60,712**	**8,248**	**1,370,054**	**43,981**
At 31 March 2017	**606,279**	**40,673**	**523,585**	**30**	**53,854**	**10,612**	**1,235,033**	**25,479**

12. Valuation of Property, Plant and Equipment (PPE)

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

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

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

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

Revaluation of Property, Plant and Equipment

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

Basis of Measurement	Op Land & Bldgs £000	Surplus Assets £000	Other PPE Assets £000	Total £000
Valued at current value as at:				
31/03/2019	165,380	16,484		181,864
31/03/2018	476,433	23,378		499,811
31/03/2017	11,823	4,368		16,191
31/03/2016	17,710	9,730		27,440
31/03/2015	11,822	-		11,822
Valued at historic cost			624,848	624,848
Total	**683,168**	**53,960**	**624,848**	**1,361,976**

Fair Value Hierarchy

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

Surplus Assets by type	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/19 £000
Strategic regeneration sites	-	5,503	26,959	**32,462**
Cleared land	-	6,667	8,474	**15,141**
Vacant premises	-	4,677	1,680	**6,357**
	-	**16,847**	**37,113**	**53,960**

2017/18 Comparative

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/18 £000
Strategic regeneration sites	-	7,264	35,354	**42,618**
Cleared land	-	6,594	8,259	**14,853**
Vacant premises	-	3,027	214	**3,241**
	-	**16,885**	**43,827**	**60,712**

Transfers between levels of the Fair Value Hierarchy

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

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

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

Reconciliation of Fair Value Measurements within Level 3

	2018/19
	£000
Opening Balance	**43,827**
Transfers into Level 3	1,534
Transfers out of Level 3	(301)
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	(242)
Unrealised gains / (losses)	(7,737)
Additions	124
Disposals	(47)
Other	(45)
Closing Balance	**37,113**

Impairment review

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

The Authority recognised no impairment losses in the CIES during the year (£1.9m 2017/18).

13. Leases

Authority as Lessee

Finance Leases

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

Land & Buildings - Highways Depot

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

	2017/18	2018/19
	£000	£000
Other Land & Buildings	2,680	2,848
	2,680	**2,848**

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

	2017/18	2018/19
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):		
- current	1	1
- non-current	878	878
Finance costs payable in future years	4,710	4,661
Minimum lease payments	**5,589**	**5,540**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Not later than one year	48	48	1	1
Later than one year and not later than five years	241	241	1	1
Later than five years	5,300	5,251	877	877
	5,589	**5,540**	**879**	**879**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £0.01m of contingent rents were payable by the Authority (£0.01m in 2017/18).

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:

	2017/18	2018/19
	£000	£000
Not later than one year	409	352
Later than one year and not later than five years	972	913
Later than five years	1,406	1,146
	2,787	**2,411**

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

	2017/18	2018/19
	£000	£000
Minimum lease payments	474	363
Contingent rents	36	35
	510	**398**

Authority as Lessor

Finance Leases

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

Operating Leases

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

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

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

	2017/18	2018/19
	£000	£000
Not later than one year	971	830
Later than one year and not later than five years	1,361	959
Later than five years	1,768	1,499
	4,100	**3,288**

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 2018/19 £0.1m contingent rents were receivable by the Authority (£0.1m in 2017/18).

14. 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 2019 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	576	235	689	816	377	**2,693**
Within 2-5 years	2,366	1,304	3,220	2,531	1,624	**11,045**
Within 6-10 years	2,044	728	4,144	947	1,686	**9,549**
	4,986	**2,267**	**8,053**	**4,294**	**3,687**	**23,287**

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 2019 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	6,251	1,082	3,848	8,070	425	**19,676**
Within 2-5 years	26,865	6,663	17,757	28,482	1,132	**80,899**
Within 6-10 years	38,219	11,573	31,674	24,506	517	**106,489**
Within 11-15 years	29,219	9,855	30,944	6,780	(198)	**76,600**
	100,554	**29,173**	**84,223**	**67,838**	**1,876**	**283,664**

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 2019 including an estimate of inflation at 2.5% but excluding any performance or availability deductions, are as follows:

	Service Charge	Lifecycle Replacement	Finance Liability	Interest	Contingent Rent	Total
	£000	£000	£000	£000	£000	£000
Payable within 1 year	18,772	6,474	(1,432)	2,228	387	**26,429**
Within 2-5 years	79,884	5,448	10,561	10,658	9,317	**115,868**
Within 6-10 years	111,616	2,574	8,199	11,221	17,682	**151,292**
Within 11-15 years	99,763	438	5,604	3,943	18,868	**128,616**
	310,035	**14,934**	**22,932**	**28,050**	**46,254**	**422,205**

15. 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.

	2017/18 £000	2018/19 £000
Rental income from Investment Property	(574)	(474)
Direct operating expenses arising from Investment Property	26	169
Net (income)/expenditure	**(548)**	**(305)**

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 Ms M Walsh 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:

	2017/18 £000	2018/19 £000
Balance at start of year	**16,439**	**25,516**
Additions:		
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	9,120	1,714
Transfers:		
(to)/from PPE	(43)	(1,327)
Other Movements	-	1
Balance at end of year	**25,516**	**25,904**

Fair Value Hierarchy

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

Investment Properties by Type	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/19 £000
Industrial	-	-	3,596	**3,596**
Land	-	646	18,763	**19,409**
Residential	245	438	-	**683**
Smallholding	-	-	2,216	**2,216**
	245	**1,084**	**24,575**	**25,904**

2017/18 Comparative

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/18 £000
Industrial	-	-	4,312	**4,312**
Land	-	604	17,870	**18,474**
Residential	-	944	-	**944**
Smallholding	-	-	1,786	**1,786**
	-	**1,548**	**23,968**	**25,516**

Transfers between levels of the Fair Value Hierarchy

Assets with a value of £0.2m transferred between levels 1 and 2 of the hierarchy during the year.

Valuation techniques used to determine Fair value

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

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

Reconciliation of Fair Value Measurements within Level 3

	2018/19
	£000
Opening Balance	**23,968**
Transfers into Level 3	-
Transfers out of Level 3	(1,015)
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	1,622
Additions	-
Disposals	-
Closing Balance	**24,575**

16. 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 £1.6 million in 2018/19 (£2.0 million in 2017/18) was charged to the CIES.

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

	2017/18 Purchased Software Licences £000	2018/19 Purchased Software Licences £000
Balance at start of year		
Gross carrying amounts	17,678	6,963
Accumulated amortisation	(11,980)	(2,748)
Net carrying amount at start of year	**5,698**	**4,215**
Purchases	1,137	2,301
Disposals	(470)	-
Amortisation for the period	(1,997)	(1,635)
Other Movements	(153)	-
Net carrying amount at end of year	**4,215**	**4,881**
Comprising		
Gross carrying amounts	6,963	7,475
Accumulated amortisation	(2,748)	(2,594)
	4,215	**4,881**

Fully amortised assets with a gross value of £1.8 million were disposed of in year.

17. Heritage Assets

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

	2017/18 £000	2018/19 £000
Balance at 1 April	481	420
Additions	-	-
Revaluations	(61)	-
Balance at 31 March	**420**	**420**

Further Information on Heritage Assets

Savile of Rufford Abbey estate records

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

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

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

The drawings were passed down to the present Lord Savile by descent. They were purchased at Sotheby'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.

18. Assets Held for Sale

	Current Assets	
	2017/18 £000	2018/19 £000
Balance at start of year	**1,105**	**738**
Assets newly qualified as Held for Sale:		
Property, Plant and Equipment	753	1,130
Revaluation losses	(15)	(60)
Revaluation gains	-	-
Declassified		
Property, Plant and Equipment	(555)	(414)
Assets sold	(550)	(249)
Balance at end of year	**738**	**1,145**

There are no non-current assets held for sale.

19. Capital Expenditure and Financing

	Note	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement (CFR)		**716,239**	**739,752**
Capital Investment			
Property, Plant and Equipment	11	75,157	74,232
Intangible Assets	16	1,137	2,301
Amounts treated as revenue expenditure in accordance with the Code but which are classified as capital expenditure under statute		14,377	16,002
Additions/Reductions to PFI finance liability		1,464	920
Sources of finance			
Capital receipts		(448)	(681)
Government grants and other contributions		(56,124)	(58,246)
Sums set aside from revenue (Inc. MRP)		(7,582)	(14,821)
Repayment of PFI finance liability		(4,468)	(6,948)
Other adjustments		-	(59)
Closing Capital Financing Requirement (CFR)		**739,752**	**752,452**
Movement in year			
Change in underlying need to borrow (unsupported by Government financial assistance)		23,513	12,700
		23,513	**12,700**

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 2019 are:

	£000
2019/20	33,309
2020/21	1,941
2021/22	519
2022/23	585
	36,354

The committed projects for 2019/20 are:

	£000
School Projects	27,681
Country Parks	638
Better Broadband for Nottinghamshire	3,307
Other	1,683
	33,309

20. Debtors and Long-Term Debtors

Debtors less than one year	2017/18 £000	2018/19 £000
Central government bodies	13,702	13,481
Other local authorities	19,750	7,775
NHS bodies	4,572	9,893
Public corporations and trading funds	38	72
Other entities and individuals	38,616	49,999
	76,678	**81,220**
Less allowance for bad and doubtful debt	(6,099)	(6,246)
Total	**70,579**	**74,974**

Long term debtors	2017/18 £000	2018/19 £000
Adult care property debt	334	447
PFI prepayment	-	3,913
Other	34	24
Total	**368**	**4,384**

Analysis of allowance for bad and doubtful debt	2017/18 £000	2018/19 £000
Opening allowance for bad and doubtful debt	**6,246**	**6,099**
Amounts paid	(2,522)	(447)
Amounts written off	(651)	(821)
Allowance adjustment	3,026	1,415
Closing allowance for bad and doubtful debt	**6,099**	**6,246**

21. Pensions – Contributions

Teachers

In 2018/19, the Authority paid £15.0 million to the Teacher's Pension Agency (£16.4 million in 2017/18) in respect of teachers' pension costs, which represents 16.48% of teachers' pensionable pay. In addition the Authority is responsible for all pension payments relating to added years it has awarded together with the related inflation increases. In 2018/19, this was £5.5 million (£6.0 million in 2017/18), representing 6.03% of pensionable pay (6.00% in 2017/18). The Authority is allowed to enhance lump sum retirement payments to teachers and in 2018/19 no payments were made (nil in 2017/18).

Other Employees

During 2018/19, the net cost of pensions and other benefits amounted to £42.8 million (£42.4 million in 2017/18), which represented 22.20% of pensionable pay (22.20% in 2017/18).

The Actuarial report upon which 2018/19 accounts are based is for a 3 year period commencing 1 April 2017. The report indicated rates that will provide the cost for 100% of pension funding in accordance with IAS19.

This is a combined rate of 15.40% and a value to be contributed:

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

The Authority is responsible for all pension payments relating to historical, discretionary added years benefits it has awarded, together with the related inflation increases. In 2018/19 these amounted to £2.4 million (£2.4 million in 2017/18), representing 1.78% of pensionable pay (1.30% in 2017/18). The Authority also paid £2.1 million into the Pension Fund in 2018/19 (£1.5 million for 2017/18) to fund the non-discretionary additional strain on the the pension fund of early retirements.

22. Pensions – IAS19

The IAS19 position as at 31 March 2019 was a net liability as set out in the table below :

	2017/18 £000	2018/19 £000
Local Government Pension Scheme	(1,008,288)	(915,048)
Teachers Unfunded Defined Benefit Scheme	(103,980)	(98,753)
Total Net Liability	**(1,112,268)**	**(1,013,801)**

Assets have been valued using the market value at 31 December 2018 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 2019 provided by the Authority during February/March 2019. The actual figures for 2018/19 are not considered materially different from the estimates provided.

The difference between the total net liability and the IAS19 Pension Reserve is due to a 3 year upfront cash payment which is recognised in the net liability.

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:

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current service cost	(77,866)	(74,051)
- Past service cost (including curtailments)	(2,748)	(4,358)
- Liabilities (assumed) / extinguished on settlements	109,378	16,780
- Settlement Prices received / (paid)	(52,139)	(7,782)
Other Operating Expenditure		
- Administration Expenses	(657)	(632)
Financing and Investment Income and Expenditure		
- Net interest on the defined (liability) / asset	(28,691)	(25,164)
Net Charge to the Comprehensive Income and Expenditure Statement	**(52,723)**	**(95,207)**
Movement in Reserves		
- Reversal of net charges made for retirement benefits in accordance with IAS19	52,723	95,207
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	46,372	46,874

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.

	2017/18 £000	2018/19 £000
Actuarial gains / (losses)	110,724	154,702

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2017/18 £000	2018/19 £000
At 1 April	**2,831,487**	**2,707,927**
Current service cost	77,866	74,051
Interest cost	73,594	68,039
Change in Financial Assumptions	(109,343)	125,284
Change in Demographic Assumptions	-	(153,183)
Experience loss/(gain) on Defined Benefit Obligation	-	-
Past service costs/(gain)	2,748	4,358
Liabilities extinguished on settlements	(109,378)	(16,780)
Benefits paid	(68,689)	(74,240)
Contributions by scheme participants	11,780	12,135
Unfunded pension payments	(2,138)	(2,091)
at 31 March	**2,707,927**	**2,745,500**

Reconciliation of fair value of the scheme assets:

	2017/18 £000	2018/19 £000
At 1 April	**1,694,492**	**1,699,639**
Interest on assets	44,903	42,875
Return on assets less interest	230	125,652
Other actuarial gains/(losses)	-	-
Administration expenses	(657)	(632)
Employer contributions	70,707	33,744
Contributions by scheme participants	11,780	12,135
Estimated benefits paid	(70,827)	(76,331)
Settlement prices received/(paid)	(52,139)	(7,782)
Other Movements*	1,150	1,152
At 31 March	**1,699,639**	**1,830,452**
Opening Net Position	**(1,136,995)**	**(1,008,288)**
Closing Net Position	**(1,008,288)**	**(915,048)**

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

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2018 for the year to 31 March 2019). 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

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Present value of liabilities	(2,445.6)	(2,275.7)	(2,831.5)	(2,707.9)	(2,745.5)
Fair value of scheme assets	1,458.6	1,436.0	1,694.5	1,699.6	1,830.5
Surplus/(deficit) in the scheme	(987.0)	(839.7)	(1,137.0)	(1,008.3)	(915.0)
Cumulative actuarial gain/(loss)	**(514.3)**	**(319.7)**	**(598.9)**	**(488.2)**	**(333.5)**

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

	£000
2017/18	13,454
2018/19	13,776
2019/20	14,105

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2020 is £30.0 million.

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

		31 March 2018	31 March 2019
Rate of inflation - RPI Increases		3.3%	3.4%
Rate of inflation - CPI Increases		2.3%	2.4%
Rate of increase in salaries		3.8%	3.9%
Rate of increase in pensions		2.3%	2.4%
Discount rate		2.6%	2.4%
Mortality assumptions:			
Longevity at 65 for current pensioners:			
Men	(years)	22.6	21.6
Women	(years)	25.6	24.4
Longevity at 65 for future pensioners:			
Men	(years)	24.8	23.3
Women	(years)	27.9	26.2
Estimated return on assets		3.0%	10.0%
Proportion of employees opting to take an increased lump sum/reduced pension		50.0%	50.0%

The Authority's estimated asset allocation, which is 33% of the whole fund is as follows:

	31 March 2018		31 March 2019	
	£000	%	£000	%
Assets				
Equities	1,117,572	66	1,099,714	60
Gilts	38,936	2	52,568	3
Other Bonds	198,541	12	182,108	10
Property	213,507	13	284,582	16
Cash	33,581	2	55,110	3
Inflation-linked pooled fund	42,050	2	66,197	3
Infrastructure	55,453	3	90,173	5
Total	**1,699,640**	**100**	**1,830,452**	**100**

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

Sensitivity analysis

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

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,694,510	2,745,500	2,797,506
Projected Service Cost	72,146	73,916	75,731
Adjustment to long term Salary Increase	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,749,728	2,745,500	2,741,302
Projected Service Cost	73,916	73,916	73,916
Adjustment to pensions Increase and Deferred revaluation	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,793,227	2,745,500	2,698,659
Projected Service Cost	75,729	73,916	72,144
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	2,849,737	2,745,500	2,645,196
Projected Service Cost	76,274	73,916	71,631

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:

	2017/18 £000	2018/19 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Past service (cost) / gain	-	-
- Gains / (losses) on curtailments	-	-
Financing and Investment Income and Expenditure		
- Interest cost	(2,270)	(2,474)
Net Charge to the Comprehensive Income and Expenditure Statement	**(2,270)**	**(2,474)**

Movement in Reserves	2017/18 £000	2018/19 £000
- Reversal of net charges made for retirement benefits in accordance with IAS19	2,270	2,474
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	5,966	6,045

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.

	2017/18 £000	2018/19 £000
Actuarial gains / (losses)	3,384	1,656

Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2017/18 £000	2018/19 £000
Deficit at 1 April	**111,060**	**103,980**
Interest cost	2,270	2,474
Actuarial (gains) / losses	(3,384)	3,618
Change in demographic assumptions	-	(5,274)
Experience loss / (gain)	-	-
Unfunded pension payments	(5,966)	(6,045)
Deficit at 31 March	**103,980**	**98,753**

Scheme History

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Present value of liabilities	(100.7)	(94.8)	(111.1)	(104.0)	(98.8)
Fair value of scheme assets	-	-	-	-	-
Surplus/(deficit) in the scheme	**(100.7)**	**(94.8)**	**(111.1)**	**(104.0)**	**(98.8)**

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

	31 March 2018	31 March 2019
Rate of inflation - RPI Increases	3.4%	3.5%
Rate of inflation - CPI Increases	2.4%	2.5%
Rate of increase in pensions	2.4%	2.5%
Discount rate	2.5%	2.3%

Mortality assumptions:

Longevity at 65 for current pensioners:

Men	(years)	22.6	21.6
Women	(years)	25.6	24.4

23. Creditors and Long-Term Creditors

Creditors less than one year	2017/18 £000	2018/19 £000
Central government bodies	11,817	10,017
Other local authorities	7,804	4,826
NHS bodies	3,014	2,659
Public corporations and trading funds	166	532
Other entities and individuals	90,040	100,066
Total	**112,841**	**118,100**

Long Term Creditors	2017/18 £000	2018/19 £000
Other entities and individuals	-	4,151
	-	**4,151**

24. General Provisions

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

Short Term Provisions	2017/18 £000	Movement £000	2018/19 £000
General Insurance Claims prior to 1/4/98	494	(31)	463
General Insurance Claims from 1/4/98	623	102	725
Corporate Redundancy Provision	811	1,127	1,938
NDR provision for backdated appeals	418	122	540
Provisions below £200,000	224	(224)	-
Total	**2,570**	**1,096**	**3,666**

Long Term Provisions	2017/18 £000	Movement £000	2018/19 £000
General Insurance Claims prior to 1/4/98	4,441	(275)	4,166
General Insurance Claims from 1/4/98	5,618	914	6,532
NDR provision for backdated appeals	1,670	489	2,159
Total	**11,729**	**1,128**	**12,857**

25. Contingent Liabilities

Insurance

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

Independent Inquiry into Child Sexual Abuse (IICSA)

The IISCA public inquiry into the Nottinghamshire Councils strand of work took place in autumn of 2018. The report on the findings is due out in summer 2019.

26. Specific Revenue Grants

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

Committee Segments	2017/18 £000	2018/19 £000
Children & Young People	3,544	5,231
Schools	335,724	335,528
Adult Social Care & Public Health	68,290	76,522
Communities & Place	6,143	7,157
Policy	5,241	3,504
Governance & Ethics	61	74
Personnel	233	55
	419,236	**428,071**
Grants		
Dedicated Schools Grant (DFE)	299,684	295,676
Pupil Premium (DFE)	15,032	13,690
Public Health Grant (DOH)	42,194	41,109
Better Care Fund (MHCLG)	22,019	28,031
Other Grants	40,307	49,565
	419,236	**428,071**

Analysis of Revenue Receipts in Advance

Ministry of Housing, Communities & Local Government	659	320
Department for Education	1,244	235
Department of Health & Social Care	163	126
Department for Transport	17	17
Other Grants & Contributions	92	66
	2,175	**764**

27. General Government Grants Income and Taxation

The Authority set the 2018/19 Council Tax for a Band D property at £1,419.43 including the Adult Social Care Precept (£1,351.97 in 2017/18). 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 in the following 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 2018/19 decreased by £0.2 million (£2.3 million decrease in 2017/18) 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.

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

Credited to Taxation & Non Specific Grant Income	**2017/18 £000**	**2018/19 £000**
Department for Education	13,912	23,773
Department of Health & Social Care	338	-
Department for Transport	30,435	25,781
Other Grants & Contributions	4,486	5,826
Donations	9,831	35
Recognised Capital Grants & Contributions	**59,002**	**55,415**

	2017/18 £000	**2018/19 £000**
Revenue Support Grant	38,510	22,553
PFI	14,395	14,377
Adult Social Care Support Grant	3,543	2,204
Other Grants & Contributions	-	231
General Government Grants	**56,448**	**39,365**

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

Capital Grants Receipts in Advance	**2017/18 £000**	**2018/19 £000**
Ministry of Housing, Communities & Local Government	1,032	1,032
Department for Education	9	9
Department for Transport	1,675	1,134
Other Grants & Contributions	7,070	3,700
Total	**9,786**	**5,875**

28. Financial Instruments Balance

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

	Borrowings		Creditors	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Long term financial liabilities at amortised cost	559,482	573,201	-	4,151
Short term financial liabilities at amortised cost	28,736	25,214	102,157	108,833
Total Financial Liabilities	**588,218**	**598,415**	**102,157**	**112,984**

	Investments		Debtors	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Long term financial assets at amortised cost	4,441	9,103	368	4,384
Short term financial assets at amortised cost	4,550	15,011	55,019	60,772
Total Financial Assets	**8,991**	**24,114**	**55,387**	**65,156**

The Authority does not hold any financial liabilities at fair value through profit and loss or at fair value through other comprehensive income.

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

Financial liabilities at amortised cost

Long term

	2017/18	2018/19
	£000	£000
(a) Long Term Borrowing		
Amounts still owed on loans received from external sources to acquire capital assets such as roads, buildings & equipment.		
Long Term Borrowing for repayment after 1 year	443,922	460,220
(b) Other Long Term Liabilities		
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	115,560	112,981
Total Long Term Borrowing at 31 March	**559,482**	**573,201**

	2017/18	2018/19
	£000	£000
(c) Long Term Creditors	-	4,151

Short term

	2017/18	2018/19
	£000	£000
(d) Borrowing		
Long term borrowing for repayment within 1 year	22,182	22,110
Other long term liabilities related to PFI schemes and long term finance leases for repayment within 1 year	6,554	3,104
Total Borrowing at 31 March	**28,736**	**25,214**

	2017/18	2018/19
	£000	£000
(e) Trade Creditors	102,157	108,833

Financial Assets at amortised cost

Long term

(a) Long term Investments	**2017/18 £000**	**2018/19 £000**
Long term investments with other local authorities, local authority subsidiary and financial institutions	-	5,025

(b) Long term Advances	**2017/18 £000**	**2018/19 £000**
Nottinghamshire County Cricket Club	2,494	2,430
Adult Care Property Debt - Deferred Payment Scheme	1,534	1,416
Other Long Term Advances	413	232
	4,441	**4,078**

Other Long Term Advances

On 19 September 2007 the Authority approved a loan of £1.23m for 20 years to Nottinghamshire County Cricket Club to help fund the £8.2m 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. Consequently, the loan was offered at a discounted rate with a capital repayment holiday for the first 5 years. Security has been set by way of a charge against the fixed assets of the Club to safeguard the interests of the Authority. Since the loan was offered at less than the prevailing rate the figure in the Balance Sheet represents the fair value of the loan carried at its amortised cost. The balancing figure appears in the Financial Instruments Adjustment Account.

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

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

	2017/18 £000	**2018/19 £000**
(c) Long Term Debtors	368	4,384

Short term

(d) Temporary investments	**2017/18 £000**	**2018/19 £000**
Temporary investments with other local authorities and financial institutions	4,550	15,011

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	**2017/18 £000**	**2018/19 £000**
(e) Trade Debtors (less allowance for bad and doubtful debt)	55,019	60,772

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £0.12m (£0.12m in 2017/18) 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 on the Balance Sheet.

Interests in Companies - Joint Ventures, Subsidiaries and Divested Organisations

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

ARC Property Services Partnership Ltd began trading in June 2016. It is a Joint Operation with SCAPE Group where both parties share 50% risk. The company is contracted to deliver property services to the Authority and the predominant place of business is Nottinghamshire. More information is available at the Arc website. https://www.arc-partnership.co.uk/

Via East Midlands Ltd began trading in July 2016. It is a subsidiary of Nottinghamshire County Council following the purchase of residual shares in March 2019. This company is contracted with the Authority for highways services and the predominant place of business is Nottinghamshire. More information is available at the Via website: https://www.viaem.co.uk/

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

29. Financial Instruments Gains/Losses

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

	2017/18			2018/19		
	Financial Liabilities £000	**Financial Assets £000**	**Total £000**	**Financial Liabilities £000**	**Financial Assets £000**	**Total £000**
Interest expense	(34,573)	-	(34,573)	(37,409)	-	(37,409)
Interest payable and similar charges	**(34,573)**	**-**	**(34,573)**	**(37,409)**	**-**	**(37,409)**
Interest income	-	1,226	1,226	-	823	823
Interest and investment income	**-**	**1,226**	**1,226**	**-**	**823**	**823**

The average cost of external borrowing was 4.23% (4.39% in 2017/18).

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 £10m. 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:

	2017/18 £000	2018/19 £000
Loan taken over from District Councils when the responsibility for services was transferred to the Authority on local government reorganisation in 1974.	1,084	1,007

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

Financial liabilities and financial assets 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 2018 and 2019 as follows:

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

	2017/18		2018/19	
Financial Liabilities	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Public Works Loan Board	356,510	488,045	387,382	534,971
External Bonds and Loans	106,281	125,939	91,183	162,763
Finance Leases related to PFI and other schemes	122,114	207,652	116,085	198,722
Salix Loan	3,313	3,306	3,765	3,684
Trade Creditors	102,157	102,157	108,833	108,833
Long Term Creditors	-	-	4,151	4,151
Total Financial Liabilities	**690,375**	**927,099**	**711,399**	**1,013,124**

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.

Financial Assets at amortised cost	2017/18 Carrying Amount £000	2017/18 Fair Value £000	2018/19 Carrying Amount £000	2018/19 Fair Value £000
Short Term Investments	4,550	4,550	15,011	15,011
Trade Debtors (less credit loss allowance)	55,019	55,019	60,772	60,772
Long Term Investment	-	-	5,025	5,025
Long Term Advance	4,441	4,464	4,078	4,127
Long Term Debtor	368	368	4,384	4,384
Total	**64,378**	**64,401**	**89,270**	**89,319**

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

Fair Value Hierarchy

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

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/19 £000
Financial liabilities	-	1,013,124	-	1,013,124
Financial Assets at amortised cost	-	84,294	5,025	89,319

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/18 £000 As Restated
Financial liabilities	-	927,099	-	927,099
Financial Assets at amortised cost	-	64,401	-	64,401

Valuation techniques used to determine Fair Value

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

Reconciliation of Fair Value Measurements within Level 3

	2018/19 £000
Opening Balance	**-**
Transfers into Level 3	-
Transfers out of Level 3	-
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	-
Additions	5,025
Disposals	-
Closing Balance	**5,025**

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

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

- credit risk – the risk of failure by a counterparty to meet its contractual obligations under an investment, borrowing, capital, project or partnership financing.
- liquidity risk – the risk that cash will not be available when it is needed, thereby causing additional unbudgeted costs with consequent impact on the Authority's business/service objectives.
- market risk – the risk that, through adverse market fluctuations in the value of the principal sums the Authority borrows and invests, its stated treasury management policies are compromised.

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

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

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

Credit Risk

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

	Amounts at 31/3/19 £000	Historical experience of default	Historical experience adjusted for market conditions at 31/3/19	Estimated maximum exposure to default and uncollecta-bility £000
Deposits with banks and financial institutions	15,011	-	-	-
Customers	34,076	0.30%	0.30%	102

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 an impairment allowance for bad and doubtful debts in order to minimise the effect of default. At the end of 2018/19 this impairment allowance was £6.2 million (£6.1 million in 2017/18).

The Authority does not generally allow credit for customers, such that £18.0 million (£12.4 million in 2017/18) of the £34.1 million (£26.1 million in 2017/18) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	9,728
Three to six months	1,921
Six months to one year	1,909
More than one year	4,402
	17,960

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 50 years with a maximum of any one year's maturity around 6.3% of the total. However, since the Authority's future borrowing requirement is fairly sizeable in relation to current debt, the prudential indicator for debt maturity has been set as part of the annual Treasury Management Strategy. The strategy for new loans is to borrow each year close to the lowest rate available and, where economic circumstances make it favourable, early repayment of fixed rate loans will be considered.

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

The maturity analysis of financial liabilities is as follows:

	2017/18 £000	**%**	**2018/19 £000**	**%**
Maturity date				
Within 1 year	28,736	4.9	25,214	4.2
1 year and up to 2 years	20,142	3.4	21,693	3.6
2 years and up to 5 years	58,048	9.9	57,262	9.5
5 years and up to 10 years	90,852	15.4	101,449	17.0
10 years and up to 15 years	90,446	15.4	81,806	13.7
15 years and up to 20 years	49,123	8.4	50,121	8.4
20 years and up to 25 years	50,003	8.5	40,003	6.7
25 years and over	200,868	34.1	220,867	36.9
	588,218	**100.0**	**598,415**	**100.0**

	2017/18 £000	**2018/19 £000**
Source of Borrowing		
Public Works Loan Board	356,510	387,382
External Bonds and Loans	106,281	91,183
Finance Leases related to PFI and other schemes	122,114	116,085
Salix Loan	3,313	3,765
	588,218	**598,415**

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

Market risk

Interest rate risk

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

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

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

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

The Authority has no variable rate borrowings and minimal variable rate investments. A 1% change in interest rates would therefore have no material impact on the Comprehensive Income and Expenditure Statement. If interest rates had been 1% higher at 31 March 2019, with all other variables held constant, the fair value of fixed rate borrowings would be lower but with no impact on the Comprehensive Income and Expenditure Statement.

Price risk

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

Foreign exchange risk

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

32. Related Parties

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

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant part 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). Grants received from Government Departments are set out in the subjective analysis in Notes 26 and 27.

Members

Members of the Council have direct control over the Authority's financial and operating policies. The total of Members allowances paid in 2018/19 is shown in Note 49. During 2018/19, there were no works or services commissioned from companies in which Members had an interest (2017/18 - none). Any contracts would have been entered into in full compliance with the Authority's standing orders. Grants totalling £1,440,661 were paid to 9 organisations in which 11 Members had positions on the governing body (2017/18 £1,883,906 to 10 organisations, 12 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 this address:
http://www.nottinghamshire.gov.uk/council-and-democracy/councillors/allowances-expenses-conduct

There are 2 Members on the board of Culture, Learning and Libraries (Midlands) trading as "Inspire" and the transactions with the Authority have been examined. There were no material direct grants paid to Inspire.

Senior Employees

In accordance with section 117 of the Local Government Act 1972, senior employees must declare their interest in any organisations which have received grant payments. During 2018/19, £11,085 in grant was paid to an organisation where 2 senior employees declared an interest (in 2017/18 £6,651 was made, 2 senior employees). There are 2 senior employees on the board of Via with transactions between Via and the Authority detailed below.

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

The Authority has a pooled budget arrangement with Integrated Community Equipment Loan Service (ICELS). The Authority has also entered into a pooled budget arrangement with NHS bodies called the Better Care Fund (BCF). Balances are detailed in Note 47.

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

Entities Controlled or Significantly Influenced by the Authority

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

SCAPE Group Ltd - See note 28

Arc Property Partnership Ltd

	Audited 2017/18 £000	Unaudited 2018/19 £000
Revenue	35,248	27,940
Profit / (loss)	(427)	(86)
Total Assets	8,486	4,829
Total Liabilities	(10,825)	(6,729)
Equity and Reserves	(2,339)	(1,900)

The liabilities total includes £6.7m of pension liability (£6.6m 2017/18) not covered in the shareholder agreement split 50:50.

Nottinghamshire County Council had the following transactions with Arc:

	2017/18 £000	2018/19 £000
Purchases of works and services	35,125	27,268
Service Level Agreements	(428)	266
Other	37	(13)
Loan interest	(9)	(2)

Via East Midlands Ltd

	Audited 2017/18 £000	Unaudited 2018/19 £000
Revenue	64,554	71,899
Profit / (loss)	1,839	512
Total Assets	16,180	13,744
Total Liabilities	(14,678)	(12,287)
Equity and Reserves	1,502	1,457

Nottinghamshire County Council had the following transactions with Via:

	2017/18 £000	2018/19 £000
Purchases of works and services	61,555	65,631
Service Level Agreements	(1,441)	(860)
Other	(1,524)	10

Futures Advice, Skills & Employment Ltd (Futures)

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

	Audited 2017/18 £000	Unaudited 2018/19 £000
Revenue	18,027	14,328
Profit / (loss)	48	(1,057)
Total Assets	7,553	7,440
Total Liabilities	(22,588)	(19,474)
Equity and Reserves	(15,035)	(12,034)

Nottinghamshire County Council had the following transactions with Futures:

	2017/18 £000	2018/19 £000
Grants given	1,750	1,350
Purchases of works and services	127	83

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

Culture, Learning and Libraries (Midlands), trading as Inspire, is an independent Community Benefit Society launched by the Authority. Although the Authority does not control this entity, it does exercise power due to contract volume, being lessor of most of the properties and providing some support services. However, it has been agreed that the value does not meet the Authority's group accounts materiality threshold. The total expenditure is £16.6m (£13.4m in 2017/18) and income is £0.3m (£1.3m in 2017/18). More information can be found on the Inspire website https://www.inspireculture.org.uk/

33. Summary Revenue Accounts of Trading Undertakings

Note		2017/18 Turnover	2017/18 Expend-iture	2017/18 Surplus/ (Deficit)	2018/19 Turnover	2018/19 Expend-iture	2018/19 Surplus/ (Deficit)
		£000	£000	£000	£000	£000	£000
1	**Direct Services** *Cleaning, catering, grounds maintenance to the Authority. Some work is undertaken on behalf of external clients.*	35,373	37,821	(2,448)	36,013	37,890	(1,877)
	County Supplies *A purchasing and supply service to the Authority and some external public bodies*	4,401	4,800	(399)	4,495	5,188	(693)
	Clayfields Secure Unit *Specialist children's services to the Youth Justice Board and Local Authorities*	4,305	4,392	(87)	5,656	5,262	394
	Total	44,079	47,013	(2,934)	46,164	48,340	(2,176)

34. Movement on Usable Reserves

	2016/17 £000	Transfers Out £000	Transfers In £000	2017/18 £000	Transfers Out £000	Transfers In £000	2018/19 £000
General Fund Balance	27,706	-	3,164	30,870	(6,799)	-	24,071
Schools Statutory Reserves	26,036	(6,350)	233	19,919	-	3,132	23,051
General Insurance Reserve	16,285	-	4,715	21,000	-	8,588	29,588
Capital Receipts and Grants Unapplied Reserve	4,206	(59,487)	59,183	3,902	(54,830)	59,692	8,764
Corporate Reserves							
Earmarked Reserves	9,616	(6,263)	-	3,353	(2,849)	944	1,448
Capital Projects Reserve	13,608	(3,881)	2,791	12,518	(7,617)	397	5,298
NDR Pool Reserve	6,003	(1,797)	3,920	8,126	(2,812)	2,708	8,022
East Leake PFI Schools	3,241	(13)	7	3,235	-	93	3,328
Bassetlaw PFI Schools	569	-	96	665	-	1,240	1,905
Waste PFI Reserve	25,651	(737)	669	25,583	(718)	128	24,993
Workforce Reserve	6,419	(37)	1,929	8,311	-	436	8,747
IICSA Reserve	341	(271)	2,700	2,770	(1,030)	-	1,740
Strategic Development Fund	4,692	(2,000)	200	2,892	-	-	2,892
Earmarked for Services Reserves							
Trading Activities	2,586	(1,160)	245	1,671	(1,478)	840	1,033
Departmental Reserves	7,888	(1,290)	5,093	11,691	(2,647)	638	9,682
Revenue Grants	15,944	(3,653)	4,847	17,138	(5,163)	4,121	16,096
Section 256 Grants	15,144	(1,367)	4,499	18,276	(2,148)	4,474	20,602
Total Other Earmarked Reserves	**111,702**	**(22,469)**	**26,996**	**116,229**	**(26,462)**	**16,019**	**105,786**
Total Usable Reserves	**185,935**	**(88,306)**	**94,291**	**191,920**	**(88,091)**	**87,431**	**191,260**

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

Schools Statutory Reserves - See note 36

General Insurance Reserve - See note 35

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

<u>Corporate Reserves</u>

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

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

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

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

Workforce Reserve created from merging the corporate redundancy and surplus pensions reserves to provide for a more wide ranging reserve, to cover pay protection, national living wage increases and pension strain as well as covering pension deficit contributions and redundancy.

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

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

Earmarked for Services Reserves

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

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

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

35. Insurance Reserve and Account

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

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

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

General Insurance Reserve	**Note**	**2017/18**	**2018/19**
		£000	**£000**
General Insurance Reserve		**21,000**	**29,588**

Insurance Account		**2017/18**	**2018/19**
		£000	**£000**
Premiums paid		1,764	1,867
Claims made		1,699	2,415
Contribution (from)/to Provision		(2,340)	616
Contribution to Closed Fund from County Council		-	763
Miscellaneous charges		40	24
		1,163	5,685
Less charges to Departments	1	(7,294)	(7,060)
Future Liabilities of Nottm City Council Adjustment		581	(228)
Total Expenditure		**(5,550)**	**(1,603)**
		2017/18	**2018/19**
		£000	**£000**
External Premiums		(64)	(12)
Contribution to Closed Fund from City and County Council's		-	(998)
Total Income		**(64)**	**(1,010)**
Net (surplus)/deficit		**(5,614)**	**(2,613)**

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

36. Schools Statutory Reserves

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 Reserves are committed to be spent on schools and is not available to the Authority for general use.

During 2018/19 the overall reserve has increased by £3.1 million to £23.1 million. Within the total reserve school accumulated balances increased by £0.3 million to £18.8 million; of this, £3.1 million is to fund capital schemes.

The reserves also includes £4.6 million relating to the non-ISB (Individual Schools Budget) element of the Schools Budget.

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

School Balances	2017/18	Movement in year	2018/19
	£000	£000	£000
Balances held by schools	18,396	346	18,742
Non ISB Balances	1,972	2,660	4,632
School Loan Scheme	(449)	126	(323)
School Statutory Reserves Total	**19,919**	**3,132**	**23,051**

37. Unusable Reserves

	2017/18	2018/19
	£000	£000
Revaluation Reserve	244,368	231,952
Capital Adjustment Account	416,882	414,947
Financial Instruments Adjustment Account	(56)	(2,438)
IAS 19 Pensions Reserve	(1,138,407)	(1,026,871)
Collection Fund Adjustment Account	1,444	975
Deferred Capital Receipts	3,672	-
Employee Benefits Account	(14,197)	(11,578)
Total Unusable Reserves	**(486,294)**	**(393,013)**

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.

	2017/18	2018/19
	£000	£000
Balance at 1 April	**143,275**	**244,368**
Upward revaluation of assets	126,619	20,888
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(12,671)	(16,996)
Surplus/(deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	113,948	3,892
Difference between fair value depreciation and historic cost depreciation	(1,706)	(3,968)
Accumulated gains on assets sold or scrapped	(11,149)	(12,340)
Amount written off to the Capital Adjustment Account	(12,855)	(16,308)
Balance at 31 March	**244,368**	**231,952**

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**399,301**	**416,882**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation on non-current assets	(38,769)	(41,591)
Revaluation and Impairments on PPE	35,633	(3,592)
Amortisation of intangible assets	(1,997)	(1,635)
Revenue expenditure funded from capital under statute	(15,301)	(16,392)
Transformation funded under Capital Direction	(2,724)	(3,591)
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	(59,226)	(33,146)
	(82,384)	**(99,947)**
Adjusting amounts written out of the Revaluation Reserve	12,855	16,308
Net written out amount of the cost of non-current assets consumed in the year	**(69,529)**	**(83,639)**
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	9,831	35
Application of grants to capital financing from the Capital Grants Unapplied Account	56,124	58,246
Statutory provision for the financing of capital investment charged against the General Fund	5,868	15,248
Capital expenditure charged against the General Fund	6,182	6,521
	78,005	**80,050**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	9,120	1,714
Movement in the fair value of Non Current Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	(15)	(60)
Balance at 31 March	**416,882**	**414,947**

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**(70)**	**(56)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	(2,396)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	14	14
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	14	(2,382)
Balance at 31 March	**(56)**	**(2,438)**

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**(1,248,055)**	**(1,138,407)**
Actuarial gains / (losses) on pensions assets and liabilities	114,108	156,358
Other gains / (losses)	(1,292)	(60)
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	(54,993)	(97,681)
Employer's pensions contributions and direct payments to pensioners payable in the year	51,825	52,919
Balance at 31 March	**(1,138,407)**	**(1,026,871)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2017/18 £000	2018/19 £000
Balance at 1 April	**3,585**	**1,444**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(2,337)	(224)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from NNDR income calculated for the year in accordance with statutory requirements	196	(245)
Balance at 31 March	**1,444**	**975**

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**-**	**3,672**
Movement in Deferred Capital Receipts held	3,672	(3,672)
Balance at 31 March	**3,672**	**-**

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.

	2017/18 £000	2018/19 £000
Balance at 1 April	**(14,877)**	**(14,197)**
Settlement or cancellation of accrual made at the end of the preceding year	14,877	14,197
Amounts accrued at the end of the current year	(14,197)	(11,578)
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	680	2,619
Balance at 31 March	**(14,197)**	**(11,578)**

38. Cash and Cash Equivalents

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

The analysis of cash and cash equivalents is as follows:

	2017/18 £000	2017/18 £000	2018/19 £000	2018/19 £000
Amounts held in call accounts and money market funds		49,089		45,335
Main overdraft		(18,498)		(19,209)
School bank accounts:				
Main Authority accounts	24,793		25,877	
Other bank accounts	5,685	30,478	4,305	30,182
		61,069		**56,308**

39. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2017/18 £000	2018/19 £000
Interest received	(1,193)	(839)
Interest paid	34,701	36,232

40. Cash Flow Statement - Investing Activities

	2017/18 £000	2018/19 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	83,165	64,763
Purchase of short and long-term investments	3,450	15,000
Purchase of shares in a subsidiary	-	5,025
Pensions Deficit Payment	26,139	-
Other payments for investing activities	1,078	283
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(3,173)	(600)
Capital Grants and contributions received	(54,315)	(51,469)
Proceeds from short-term and long-term investments	(33,480)	(4,506)
Net other receipts from investing activities	(611)	(673)
Net cash flows from investing activities	**22,253**	**27,823**

41. Cash Flow Statement - Financing Activities

	2017/18 £000	2018/19 £000
Cash receipts of short and long-term borrowing	(44,857)	(64,881)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	806	5,326
Repayments of short and long-term borrowing	25,665	49,909
Net cash flows from financing activities	**(18,386)**	**(9,646)**

42. Reconciliation of Liabilities Arising from Financing Activities

	2018/19 01-Apr £000	Financing Cash flows £000	Non Cash Acquisition £000	Other £000	2018/19 31-Mar £000
Long term borrowings	443,922	16,298	-	-	460,220
Short term borrowings	22,182	(72)	-	-	22,110
Lease liabilities	878	-	-	-	878
On balance sheet PFI liabilities	121,236	(6,732)	703	-	115,207
Total liabilities from financing activities	**588,218**	**9,494**	**703**	**-**	**598,415**

	2017/18 01-Apr £000	Financing Cash flows £000	Non Cash Acquisition £000	Other £000	2017/18 31-Mar £000
Long term borrowings	428,876	15,046	-	-	443,922
Short term borrowings	18,087	4,095	-	-	22,182
Lease liabilities	878	-	-	-	878
On balance sheet PFI liabilities	124,239	(5,200)	2,197	-	121,236
Total liabilities from financing activities	**572,080**	**13,941**	**2,197**	**-**	**588,218**

43. Minimum Revenue Provision (MRP)

Regulations require local authorities to calculate a prudent MRP charge each year to provide for the redemption of outstanding debt. Depreciation charged to the Comprehensive Income and Expenditure Statement is reversed out of General Fund balances through the Movement in Reserves Statement and replaced by the calculated calculated MRP charge.

The amount required under the MRP regulations for 2018/19 is £15.2m (£5.9m for 2017/18) of which £6.9m (£4.5m for 2017/18) relates to repayments of the PFI and finance lease liabilities. The amount of depreciation and amortisation charged was £43.2m (£40.8m for 2017/18).

44. Audit Fees

The Authority has been advised of the following fees payable to Grant Thornton (UK) LLP for 2018/19. The previous audit team were KPMG (UK) LLP. All fees have been included for the period to which they relate except grant claims.

	2017/18 £000	2018/19 £000
External Audit Fees	98	76
Other	36	18
	134	**94**

45. 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					
		2017/18			2018/19		
		Exc Redundancy		Inc. Redundancy	Exc Redundancy		Inc. Redundancy
		Schools	Non Schools	Total	Schools	Non Schools	Total
£175,000	£179,999	-	-	-	-	1	1
£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	1
£135,000	£139,999	-	1	1	-	-	-
£130,000	£134,999	-	-	-	-	-	-
£125,000	£129,999	-	1	1	-	1	1
£120,000	£124,999	-	2	2	-	-	2
£115,000	£119,999	-	-	-	-	-	-
£110,000	£114,999	-	-	1	-	-	-
£105,000	£109,999	1	-	1	-	1	2
£100,000	£104,999	-	1	1	-	-	-
£95,000	£99,999	-	1	2	-	-	-
£90,000	£94,999	-	5	5	2	6	8
£85,000	£89,999	1	4	6	-	4	4
£80,000	£84,999	1	1	3	2	2	5
£75,000	£79,999	1	1	2	3	-	3
£70,000	£74,999	12	3	15	9	6	16
£65,000	£69,999	30	11	41	30	11	42
£60,000	£64,999	45	14	62	45	13	60
£55,000	£59,999	70	32	102	53	34	88
£50,000	£54,999	74	28	104	95	28	126
		235	**106**	**350**	**239**	**108**	**360**

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

2018/19

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances) £	Expenses £	Compen-sation for Loss of Office £	Employer Pension contri-butions* £	Total Remuneratio n £
Chief Executive - A May		176,886	1,524	-	39,269	217,679
Corporate Director of CFCS		140,373	-	-	31,163	171,536
Corporate Director of ASC & PH (and Deputy Chief Executive) (to Jan 2019)	4	108,088	-	-	23,974	132,062
Corporate Director of ASC & PH (From Jan 2019)	5	27,159	26	-	6,029	33,214
Corporate Director of Place & Communities (and Deputy Chief Executive)	3	127,136	1,297	-	28,253	156,686
Corporate Director of Resources	1	30,953	291	119,050	6,871	157,165
Service Director (Customers, Governance and Employees)	6	93,845	-	-	20,834	114,679
Director of Public Health		89,082	771	-	12,810	102,663
Service Director (Finance, Infrastructure & Improvement)	2	93,845	1,063	-	20,834	115,742

*Pension Contributions are estimated at 22.2% to account for the pensions deficit (see note 21), excluding the Director of Public Health.

Please note within the relevant accounting period there has remained a maximum of 7 senior employees, as defined by the Accounts and Audit (England) Regulations 2015.

1. The Corporate Director of Resources post was deleted from the establishment in July 2018. The post had the statutory responsibility of Monitoring Officer.

2. The post of Service Director (Finance, Infrastructure and Improvement) has the statutory responsibility of S151 Officer.

3. The post of Corporate Director of Place & Communities assumed the Deputy Chief Executive role from Feb 2019. Their annualised salary is £131,288 including an allowance of £5,000 for the Deputy Chief Executive role from 14/01/2019 pro rata.

4. The Corporate Director for Adult Social Care and Public Health left the role in Jan 2019. Their annualised salary was £129,494 which included an allowance of £5,000 for the Deputy Chief Executive role.

5. New Corporate Director for Adult Social Care and Public Health took up the role in Jan 2019. Their annualised salary is £126,288.

6. The Service Director for Customers, Governance and Employees gained responsibility for the Monitoring Officer post in July 2018. Their annualised salary for the relevant period is £94,335.

2017/18

Post Holder information (Post title and name (where applicable))	Note	Salary (including fees & allowances) £	Expenses £	Compen-sation for Loss of Office £	Employer Pension contri-butions* £	Total Remuneration £
Chief Executive - A May		173,417	989	-	38,499	212,905
Corporate Director of CYP		137,620	1,339	-	30,552	169,511
Corporate Director of ASC&PH		128,922	-	-	28,596	157,518
Corporate Director of Place & Communities		123,811	671	-	27,486	151,968
Corporate Director of Resources	1	123,811	751	-	27,486	152,048
Director of Public Health	4	7,809	-	-	1,123	8,932
Director of Public Health - (interim)	3	76,806	970	-	11,045	88,821
Service Director (Finance, Procurement & Improvement)	2	88,644	836	-	19,679	109,159

*Pension Contributions are estimated at 22.2% to account for the pensions deficit (see note 21), excluding the Director of Public Health.

1. The post of Corporate Director of Resources has the statutory responsibility of Monitoring Officer.
2. The post of Service Director (Finance, Procurement and Improvement) has the statutory responsibility of Section 151 Officer.
3. The interim Director of Public Health annualised salary is £76,668. They left the post in March 2018.
4. The incumbent Director of Public Health started on 01 March 2018 and their annualised salary is £86,848.

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

Payment Ranges	Number of Compulsory Redundancies 2017/18	Number of Compulsory Redundancies 2018/19	Number of Other Departures Agreed 2017/18	Number of Other Departures Agreed 2018/19	Total Number of Exit Packages 2017/18	Total Number of Exit Packages 2018/19	Total Cost of Exit Packages £ 2017/18	Total Cost of Exit Packages £ 2018/19
£0 - £20,000	58	63	26	73	84	136	620,579	1,024,616
£20,001 - £40,000	9	4	26	29	35	33	1,003,896	936,318
£40,001 - £60,000	3	-	9	6	12	6	595,090	316,232
£60,001 - £80,000	1	2	8	7	9	9	616,931	650,230
£80,001 - £100,000	-	1	4	2	4	3	347,993	266,301
£100,001 - £150,000	-	-	3	3	3	3	358,145	335,203
£150,001 - £200,000	-	1	2	1	2	2	333,312	359,444
Over £200,000	-	-	-	2	-	2	-	712,348
	71	**71**	**78**	**123**	**149**	**194**	**3,875,946**	**4,600,692**

46. Deployment of Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2018/19 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	**Individual Schools Budget (ISB) £000**	**Total £000**
Final DSG for 2018/19 before Academy recoupment			587,724
Academy figure recouped for 2018/19			(292,048)
Total DSG after Academy recoupment for			295,676
Brought Forward 2017/18			1,972
Carry Forward to 2019/20 agreed in advance			-
Agreed initial budgeted distribution for	**54,691**	**242,957**	**297,648**

	Central Expenditure £000	**Individual Schools Budget (ISB) £000**	**Total £000**
In year adjustments	(7,633)	8,415	782
Final budgeted distribution for 2018/19	47,058	251,372	298,430
Actual central expenditure	(42,426)	-	(42,426)
Actual ISB deployed to schools	-	(251,372)	(251,372)
Plus Local Authority contribution for 2018/19	-	-	-
Carried forward to 2019/20	**4,632**	**-**	**4,632**

47. Pooled Budgets

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

Integrated Community Equipment Loan Service (ICELS) - Nottinghamshire

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

Pooled Budgets Memo Account	**2017/18 £000**	**2018/19 £000**
Net (surplus) / deficit brought forward	**(529)**	**(188)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(1,504)	(1,779)
Nottinghamshire County Council CYP	(253)	(391)
Nottingham City Council	(985)	(1,011)
Bassetlaw CCG	(449)	(537)
Nottinghamshire County CCGs	(2,630)	(3,068)
Nottingham City CCG	(1,097)	(1,173)
Continuing Healthcare Specialist Equipment	(185)	-
Other	(19)	(55)
Total Funding	**(7,122)**	**(8,014)**

Expenditure met from the pooled budget:	**2017/18 £000**	**2018/19 £000**
Partnership Management and Administration Costs	643	733
Contract Management Fee	1,361	1,262
Continuing Healthcare Specialist Equipment	114	-
Equipment	5,047	5,316
Minor Adaptations	298	166
Direct Payments	-	1
Total Expenditure	**7,463**	**7,478**
Net (surplus) / deficit carried forward	**(188)**	**(724)**

The current contract began on 1 April 2016 for a period of 5 years with the option to extend for a further 2 years.

Better Care Fund

The Better Care Fund (BCF) was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. In 2018/19, the Nottinghamshire Clinical Commissioning Groups contributed the values in the table below towards creation of a BCF pooled budget in Nottinghamshire of £58.9m (£57.5m in 2017/18).

The Spending Reviews from 2015 to 2017 have identified temporary funding for Adult Social Care in the form of the Improved Better Care Fund (iBCF). This element of the BCF is paid directly to Local Authorities.

Further information is reported to MHCLG and can be found in the Council Diary pages
http://www.nottinghamshire.gov.uk/dmsadmin/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/3968/Committ

Assessment of the operation of the BCF pooled fund identified that it does not constitute a joint arrangement and therefore requirements of IFRS11 are not met.

Pooled Budgets Memo Account	**2017/18 £000**	**2018/19 £000**
Net (surplus) / deficit brought forward	**(3,364)**	**(3,139)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(5,958)	(6,441)
Bassetlaw CCG	(7,690)	(7,836)
Mansfield & Ashfield CCG	(12,815)	(13,059)
Newark & Sherwood CCG	(8,146)	(8,301)
Nottingham North & East CCGs	(9,409)	(9,588)
Nottingham West CCG	(6,378)	(6,499)
Rushcliffe CCG	(7,099)	(7,234)
iBCF	(16,061)	(21,590)
Total Funding	**(73,556)**	**(80,548)**

Expenditure met from the pooled budget:	**2017/18 £000**	**2018/19 £000**
Nottinghamshire County Council ASC&PH	26,191	26,829
Bassetlaw CCG	4,763	4,854
Mansfield & Ashfield CCG	7,929	8,085
Newark & Sherwood CCG	5,180	5,273
Nottingham North & East CCGs	5,711	5,820
Nottingham West CCG	3,615	3,684
Rushcliffe CCG	4,331	4,413
iBCF (various projects)	16,061	21,590
Total Expenditure	**73,781**	**80,548**
Net (surplus) / deficit carried forward	**(3,139)**	**(3,139)**

48. Termination Benefits

The Authority terminated the contracts of a number of employees in 2018/19, with a net value of £6.1 million (£3.6 million in 2017/18). These figures include accounting entries required by The Code.

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 £1,539,767 (£1,490,353 in 2017/18). In addition to this, Members were reimbursed a total of £61,739 (£60,277 in 2017/18) for expenses incurred on Authority business.

50. 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:

	2017/18		2018/19	
	£000	£000	£000	£000
	Expenditure	Income	Expenditure	Income
Administration and Professional Services				
NHS Trusts	66,144	(66,144)	66,767	(66,767)
Other Authorities	5,464	(5,464)	6,580	(6,580)
Schools and Colleges	71	(71)	6	(6)
Maintenance works				
Other Authorities	170	(170)	174	(174)
Schools and Colleges	29	(29)	25	(25)
	71,878	**(71,878)**	**73,552**	**(73,552)**

51. 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 2018/19 these powers were not used.

52. 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:

	2017/18	2018/19
	£000	£000
Advertising for staff	297	278
Other advertising, including education courses	395	301
Public Relations - salaries and running costs	1,133	1,023
Other publicity expenditure	250	352
	2,075	**1,954**
As a percentage of gross expenditure (cost of services)	0.19%	0.17%

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Introduction

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

The Authority administers the pension fund for over 400 participating employers and over 136,000 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.

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

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

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

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

The accounts of the fund are set out over the following pages. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 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	2017/18 £000	2018/19 £000
Contributions	4		
Employer contributions		(193,459)	(135,001)
Member contributions		(45,176)	(46,216)
		(238,635)	**(181,217)**
Transfers in from other pension funds		(9,813)	(9,473)
Benefits	5		
Pensions		153,122	162,268
Commutation of pensions and lump sum retirement benefits		27,700	34,937
Lump sum death benefits		4,741	4,495
		185,563	**201,700**
Payments to and on account of leavers	6	16,713	34,732
Net (additions)/withdrawals from dealings with members		**(46,172)**	**45,742**
Administration expenses	7	1,953	2,112
Oversight and governance expenses	8	488	1,630
Investment Income	9	(149,816)	(162,772)
Profits & losses on disposal of investments & changes in value		(51,189)	(154,446)
Taxes on income		620	850
Investment management expenses	10	4,895	5,410
Net Returns on Investments		**(195,490)**	**(310,958)**
Net (increase)/decrease in net assets available for benefits during the year		**(239,221)**	**(261,474)**
Opening net assets of the Fund		4,932,368	5,171,589
Net assets available to fund benefits		**5,171,589**	**5,433,063**

Payments to and on account of leavers in 2018/19 includes an amount of £20.2 million in respect of the transfer out of liabilities relating to North Notts College. Excluding this bulk transfer, the net withdrawal from dealings with members was £26.6 million.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT FOR THE YEAR ENDED

	Notes	31 March 2018 £000	31 March 2019 £000
Investment Assets	11 & 15		
Fixed Interest Securities		716,004	677,054
Equities		2,032,516	1,008,561
Pooled Investment Vehicles		1,807,298	3,107,133
Property		438,470	483,262
Forward Foreign Exchange		103	(25)
Cash deposits		146,032	130,653
Other Investment Balances	13	31,062	28,944
Investment liabilities	13	(3,772)	(3,967)
		5,167,713	**5,431,615**
Current assets	14	11,773	11,038
Current liabilities	14	(7,897)	(9,590)
		3,876	**1,448**
Net assets of the fund available to pay benefits at the year end		**5,171,589**	**5,433,063**

The actuarial present value of promised retirement benefits, as required by the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* , is shown at note 2c.

NOTES TO THE ACCOUNTS

1. Accounting Policies

(a) Basis of Preparation
The Pension Fund accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19* (the Code). On issues where there is no clear guidance in the Code, reference has been made under the hierarchy of standards to *Financial Reports of Pension Schemes: a Statement of Recommended Practice 2015* (the Pensions SORP) or to individual International Acccounting Standards (IAS). Disclosures in the Pension Fund accounts have been limited to those required by the Code.

(b) Debtors and Creditors
The accruals concept is applied to these accounts in compliance with the Code.

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

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

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

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

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

Forward foreign exchange contracts are "over the counter contracts" under which two parties agree to exchange two currencies on a specified future date at an agreed rate of exchange. These are used to manage the economic exposure to bond markets and hedge against foreign currency movements. These contracts are included at fair value by determining the gain or loss that would arise from closing out the contract at the Net Assets Statement date by entering into an equal and opposite contract at that date. The movements on these contracts during the year are shown in the reconciliation of opening and closing balances of investments at note 11(b).

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

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

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

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

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

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

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

(j) Other Expenses
Management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. Nottinghamshire County Council charges the Fund with the costs it incurs in administering the scheme and the Fund. Fees and charges within pooled investment vehicles have the effect of reducing the fair value of those investments. These embedded costs are disclosed at note 10.

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

2. Operation of the fund

(a) Contributions and Solvency

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

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

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

(b) Actuarial Valuations

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

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

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

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

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

A number of employers have made accelerated payments for their future years deficit recovery amounts.

(c) Actuarial Present Value of Promised Retirement Benefits

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

	31 March 2017		31 March 2018		31 March 2019	
	% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
RPI Increases	3.6	-	3.3	-	3.4	-
CPI increases	2.7	(0.9)	2.3	(0.9)	2.4	(1.0)
Salary Increases	4.2	0.6	3.8	0.5	3.9	0.5
Pension Increases	2.7	(0.9)	2.3	(0.9)	2.4	(1.0)
Discount Rate	2.8	(0.8)	2.6	(0.8)	2.4	(1.0)

The net liability under IAS 19 is shown below.

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000
Present value of funded obligation	8,332,963	8,442,517	8,701,221
Fair value of scheme assets	4,895,150	5,132,636	5,406,638
Net Liability	**3,437,813**	**3,309,881**	**3,294,583**

The present value of funded obligation consists of £8,428.8 million in respect of vested obligation and £272.5 million in respect of non-vested obligation.

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

(d) Investment Strategy

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

During 2018/19 the Nottinghamshire Pension Fund Committee, was responsible for determining the investment strategy of the Fund and the type of investment management to be used. The Pension Fund Committee consisted of nine elected County Councillors (voting members), 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 (non voting members). Meetings were also attended by an independent adviser and representatives of the Chief Financial Officer.

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

(e) External Audit

A separate fee is payable to Grant Thornton UK 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 2018/19 is £23,043 (£29,926 for 2017/18).

3. Contributors and Pensioners

	Members at 31 March 2019				
	County Council	City Council	District Councils	Other	Total
Contributors	16,282	7,616	3,224	20,067	47,189
Deferred Beneficiaries	23,878	12,370	4,335	14,045	54,628
Pensioners	17,053	7,465	4,851	7,556	36,925
					138,742

	Members at 31 March 2018				
	County Council	City Council	District Councils	Other	Total
Contributors	17,102	7,968	3,141	19,194	47,405
Deferred Beneficiaries	23,441	12,137	4,301	13,798	53,677
Pensioners	16,521	7,152	4,797	7,365	35,835
					136,917

4. Analysis of Contributions

	Employers		Members		Total	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
County Council	70,101	31,902	11,894	12,131	81,995	44,033
Scheduled Bodies	116,383	94,718	30,713	31,721	147,096	126,439
Admitted Bodies	6,975	8,381	2,569	2,364	9,544	10,745
	193,459	**135,001**	**45,176**	**46,216**	**238,635**	**181,217**

5. Analysis of Benefits

	2017/18 £000	2018/19 £000
Pensions	153,122	162,268
Commutation and lump sum	27,700	34,937
Lump sum death benefits	4,741	4,495
	185,563	**201,700**
Comprising of:		
County Council	71,902	77,848
Scheduled Bodies	105,158	115,236
Admitted Bodies	8,503	8,616
	185,563	**201,700**

6. Payments to and on account of leavers

	2017/18 £000	2018/19 £000
Refunds to members leaving the fund	484	452
Payments for members joining state scheme	59	190
Group transfers to other funds	-	-
Individual transfers to other funds	16,170	34,090
	16,713	**34,732**

7. Administration Expenses

	2017/18 £000	2018/19 £000
Printing and stationery	8	14
Legal fees	6	22
Other external fees	313	280
Administering Authority Costs	1,626	1,796
	1,953	**2,112**

8. Oversight and Governance Expenses

	2017/18 £000	2018/19 £000
Training and conferences	10	3
Printing and stationery	1	1
Subscriptions and membership fees	42	29
Actuarial fees	23	34
Audit fees	30	27
Legal fees	3	2
Other external fees	(28)	1,139
Administering Authority Costs	407	395
	488	**1,630**

Other external fees includes the Fund's share of the running costs of LGPS Central Ltd.

9. Investment Income

Analysis by type of investment	2017/18 £000	2018/19 £000
Interest from fixed interest securities	(31,194)	(27,553)
Income from index-linked securities	-	-
Dividends from equities	(67,735)	(57,604)
Income from pooled investment vehicles	(27,049)	(52,655)
Income from property pooled vehicles	(4,971)	(5,340)
Net rents from property	(16,950)	(17,646)
Interest on cash deposits	(580)	(1,246)
Other	(1,337)	(728)
	(149,816)	**(162,772)**

	2017/18 £000	2018/19 £000
Directly held property		
Rental income	(18,810)	(20,068)
Less operating expenses	1,860	2,422
Net rents from property	**(16,950)**	**(17,646)**

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

	2017/18 £000	2018/19 £000
Within one year	18,890	20,802
Between one and five years	71,609	71,097
Later than five years	203,342	188,470
Future lease payments due under existing contracts	**293,841**	**280,369**

10. Investment Management Expenses

	2017/18 £000	2018/19 £000
Custody fees	352	417
Investment management fees	4,364	4,803
Other external fees	161	172
Administering Authority Costs	18	18
	4,895	**5,410**

The investment management fees shown above are those fees attributable to external managers and charged directly to the Fund. Additional fees and charges are incurred through pooled investment vehicles. These have the effect of reducing the fair value of the investments. The estimated embedded costs within pooled investment vehicles were £13.3 million in 2018/19 (£10.5 million in 2017/18).

11. Investments

(a) **Investment Analysis**	**31 March 2018 £000**	**31 March 2019 £000**
Fixed Interest Securities		
UK Public Sector	125,381	176,070
UK Other	564,823	488,039
Overseas Other	25,800	12,945
Equities		
UK	1,188,878	821,987
Overseas	836,114	179,050
Unlisted	7,524	7,524
Pooled Investment Vehicles		
Unit Trusts	761,045	968,072
Other Managed Funds	793,502	1,890,700
Pooled Vehicles Invested in Property		
Property Unit Trusts	152,051	122,251
Other Managed Funds	100,700	126,110
Property	438,470	483,262
Forward Foreign Exchange	103	(25)
Cash and Currency	146,032	130,653
Investment Liabilities	-	-
Total Investments	**5,140,423**	**5,406,638**

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

	31 March 2018 £000	**31 March 2019 £000**
Market Value	5,140,423	5,406,638
Original Value	3,719,836	4,553,254
Excess/(Deficit) of Market Value over Original Value	**1,420,587**	**853,384**

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 contained 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 2018/19

	Value at 1 April 2018 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2019 £000
Fixed Interest Securities	716,004	319,584	(353,860)	(4,674)	677,054
Equities	2,032,516	313,317	(1,443,685)	106,413	1,008,561
Pooled Investment Vehicles	1,554,547	1,496,162	(237,167)	45,230	2,858,772
Property Pooled Vehicles	252,751	(4,008)	(1,327)	945	248,361
Property	438,470	37,459	-	7,333	483,262
	4,994,288	**2,162,514**	**(2,036,039)**	**155,247**	**5,276,010**
Forward Foreign Exchange	103	121,688	(121,014)	(801)	(25)
	4,994,391	**2,284,202**	**(2,157,053)**	**154,446**	**5,275,985**
Cash deposits	146,032				130,653
	5,140,423				**5,406,638**

Reconciliation of Opening and Closing Values of Investments 2017/18

	Value at 1 April 2017 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2018 £000
Fixed Interest Securities	745,298	128,873	(133,315)	(24,852)	716,004
Equities	1,998,629	256,950	(184,836)	(38,227)	2,032,516
Pooled Investment Vehicles	1,477,708	330,379	(333,498)	79,958	1,554,547
Property Pooled Vehicles	204,072	38,212	-	10,467	252,751
Property	367,175	60,044	(10,739)	21,990	438,470
	4,792,882	**814,458**	**(662,388)**	**49,336**	**4,994,288**
Forward Foreign Exchange	-	110,364	(112,114)	1,853	103
	4,792,882	**924,822**	**(774,502)**	**51,189**	**4,994,391**
Cash deposits	102,267				146,032
	4,895,149				**5,140,423**

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 £3.4 million in 2018/19 (£3.9 million in 2017/18). 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 2018 £000		31 March 2019 £000	
Core Index	1,489,164	29.0%	1,361,636	25.2%
Schroder Investment Management	1,409,787	27.4%	1,509,073	27.9%
Kames Capital	741,001	14.4%	690,557	12.8%
Aberdeen Property Investors	452,933	8.8%	499,881	9.2%
Specialist	1,047,538	20.4%	1,345,491	24.9%
Total	**5,140,423**	**100.0%**	**5,406,638**	**100.0%**

A breakdown of material pooled holdings managed by external managers within the Core Index and Specialist portfolios is shown below:

	31 March 2018 £000	31 March 2019 £000
Core Index		
Legal & General	315,215	1,329,955
Specialist		
Kames Capital	189,494	279,317
RWC Capital	244,347	245,858
Aberdeen Standard	97,525	128,494

(d) Asset Allocation

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

	31 March 2018 £000		31 March 2019 £000	
UK Fixed Interest	690,204	13.5%	664,109	12.3%
Overseas Fixed Interest	25,800	0.5%	12,945	0.2%
UK Equities	1,227,158	24.0%	1,314,735	24.3%
Overseas Equities:				
US	857,461	16.7%	829,170	15.3%
Europe	469,744	9.2%	447,427	8.3%
Japan	257,278	5.0%	242,487	4.5%
Pacific Basin	136,352	2.7%	143,438	2.7%
Emerging Markets	246,446	4.8%	235,623	4.4%
Global Equities	-	-	9,484	0.2%
UK Property	611,444	11.9%	628,945	11.6%
Overseas Property	79,777	1.6%	102,678	1.9%
Private Equity	94,394	1.8%	188,213	3.5%
Infrastructure	169,219	3.3%	260,281	4.8%
Multi-Asset	129,011	2.5%	196,475	3.6%
Forward Foreign Exchange	103	-	(25)	-
Cash	146,032	2.5%	130,653	2.4%
Total	**5,140,423**	**100.0%**	**5,406,638**	**100.0%**

(e) Property

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

	31 March 2018 £000	31 March 2019 £000
Freehold	406,370	451,662
Leasehold more than 50 years	32,100	31,600
	438,470	**483,262**
Original Value	351,889	382,211

Details of movement on directly owned properties is as follow.

	31 March 2018 £000	31 March 2019 £000
Opening balance	**367,175**	**438,470**
Additions:		
Purchases	45,973	28,983
New construction	13,157	6726
Subsequent expenditure	913	1,750
Disposals	(8,031)	-
Net increase in market value	19,283	7,333
Other changes in fair value	-	-
Closing balance	**438,470**	**483,262**

(f) Analysis of Pooled Investment Vehicles

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

	31 March 2018 £000	31 March 2019 £000
UK Equities	110,937	617,052
Overseas Equities:		
US	399,306	826,323
Europe	163,553	334,216
Japan	185,510	179,495
Pacific Basin	136,352	143,438
Emerging Markets	215,828	204,012
Global		9,484
UK Property	172,974	145,683
Overseas Property	79,777	102,678
Private Equity	86,871	180,689
Infrastructure	127,179	167,588
Multi-Asset	129,011	196,475
Total	**1,807,298**	**3,107,133**

(g) Private Equity and Infrastructure Funds

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

	Currency	Commitment
Private Equity Funds		millions
Wilton Private Equity Fund LLC	USD	13
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	4
Coller International Partners IV	USD	9
Schroders Private Equity Fund of Funds III	EUR	22
DCM Private Equity Fund II	USD	18
Pantheon Europe Fund V	EUR	15
Coller International Partners V	USD	18
Catapult Growth Fund LP	GBP	4
Altius Associates Private Equity Fund	USD	10
Partners Group Secondary 2008	EUR	13
DCM Private Equity Fund III	USD	16
Coller International Partners VI	USD	16
Altius Associates Private Equity Fund II	USD	15
Foresight Nottingham Fund LP	GBP	10
Aberdeen SVG Private Equity	USD	15
DCM Private Equity Fund IV	USD	16
Coller International VII	USD	16
Pantheon Multi-Strategy	EUR	14
Capital Dynamics CPEV 15-16	GBP	10
Capital Dynamics CPEV 16-17	GBP	10
Capital Dynamics CPEV 17-18	GBP	10
YFM Equity Partners 2016 LP	GBP	10
Darwin Leisure Development Fund	GBP	30
Darwin Leisure Property Fund	GBP	20
Capital Dynamics CPEV 17-18	GBP	10
Darwin Bereavement Services Fund	GBP	20
Capital Dynamics CPEP 18-19	GBP	10
YFM Buyout Fund II LP	GBP	15
LGPS Central PE Primary Fund 2018	GBP	10
LGPS Central PE Co-Investments P 2018 LP	GBP	5
Coller International VIII	USD	35
Infrastructure Funds		
Partners Group Global Infrastructure	EUR	12
Altius Real Assets Fund I	USD	15
Hermes GPE Infrastructure Fund LP	GBP	25
AMP Capital Global Infrastructure Fund	USD	21
SL Capital Infrastructure LP	GBP	15
JP Morgan IIF UK 1	USD	22
Green Investment Bank Offshore Wind Fund	GBP	15
MacQuarie European Infrastructure Fund 5 LP	EUR	30
Equitix Fund IV LP	GBP	20
Hermes GPE Infrastructure II LP	GBP	25
Equitix Fund V LP	GBP	10
SL Capital Infrastructure II LP	EUR	20

These commitments are drawn by the funds over time as investments are made in underlying companies or assets. The undrawn commitments as at 31 March 2019 were £175.9 million (£141.4 million at 31 March 2018). Of the funds above, the following were new commitments made during 2018/19:

	Currency	Commitment millions
Darwin Bereavement Services Fund	GBP	20
Capital Dynamics CPEP 18-19	GBP	10
YFM Buyout Fund II LP	GBP	15
LGPS Central PE Primary Fund 2018	GBP	10
LGPS Central PE Co-Investments P 2018 LP	GBP	5
Coller International VIII	USD	35
Equitix Fund V LP	GBP	10
SL Capital Infrastructure II LP	EUR	20

(h) Analysis of derivatives

Open Forward Foreign Exchange contracts at 31 March 2019

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	13,310	EUR	(15,400)	5	-
Up to 3 months	GBP	5,857	USD	(7,700)	(30)	-
					(25)	**-**
		Total net forward foreign exchange contracts			**(25)**	

Open Forward Foreign Exchange contracts at 31 March 2018

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to 3 months	GBP	5,743	EUR	(6,500)	31	-
Up to 3 months	GBP	25,156	USD	(35,300)	72	-
					103	**-**
		Total net forward foreign exchange contracts			**103**	

12. Contingent Liabilities

The fund has 33 private equity and infrastructure funds which have undrawn commitments as at 31 March 2019 of £175.9 million (£141.4 million at 31 March 2018).

13. Other Investment Balances and Liabilities

	31 March 2018 £000	31 March 2019 £000
Other investment balances		
Outstanding investment transactions	-	-
Investment income	31,062	28,944
	31,062	**28,944**
Investment Liabilities		
Outstanding investment transactions	(230)	(146)
Investment income	(3,542)	(3,821)
	(3,772)	**(3,967)**

14. Current Assets and Liabilities

	31 March 2018 £000	31 March 2019 £000
Current assets		
Contributions due from employers	10,010	9,473
Other	1,763	1,565
	11,773	**11,038**
Current Liabilities		
Payments in advance	-	-
Sundry creditors	(7,553)	(9,155)
Other	(344)	(435)
	(7,897)	**(9,590)**

15. Financial Instruments and Property Investments

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

	31 March 2019			
	Designated at Fair Value through profit and loss £000	Loans and Receivables £000	Financial liabilities at amortised cost £000	Totals £000
Financial Assets				
Fixed Interest Securities	677,054	-	-	677,054
Equities	1,008,561	-	-	1,008,561
Pooled Investment Vehicles	2,858,772	-	-	2,858,772
Property Pooled Vehicles	248,361	-	-	248,361
Forward Foreign Exchange	(25)	-	-	(25)
Cash deposits	-	130,653	-	130,653
Other investment balances	-	28,944	-	28,944
Current Assets	-	11,038	-	11,038
	4,792,723	**170,635**	**-**	**4,963,358**
Financial Liabilities				
Investment Liabilities	-	-	(3,967)	(3,967)
Current Liabilities	-	-	(9,590)	(9,590)
	-	**-**	**(13,557)**	**(13,557)**
	4,792,723	**170,635**	**(13,557)**	**4,949,801**

	31 March 2018			
	Designated at Fair Value through profit and loss	Loans and Receivables	Financial liabilities at amortised cost	Totals
	£000	£000	£000	£000
Financial Assets				
Fixed Interest Securities	716,004	-	-	716,004
Equities	2,032,516	-	-	2,032,516
Pooled Investment Vehicles	1,554,547	-	-	1,554,547
Property Pooled Vehicles	252,751	-	-	252,751
Forward Foreign Exchange	103	-	-	103
Cash deposits	-	146,032	-	146,032
Other investment balances	-	31,062	-	31,062
Current Assets	-	11,773	-	11,773
	4,555,921	**188,867**	**-**	**4,744,788**
Financial Liabilities				
Investment Liabilities	-	-	(3,772)	(3,772)
Current Liabilities	-	-	(7,897)	(7,897)
	-	**-**	**(11,669)**	**(11,669)**
	4,555,921	**188,867**	**(11,669)**	**4,733,119**

No financial assets were reclassified during the accounting period.

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

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

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

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

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

As at 31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fair value through profit and loss				
Financial instruments	4,188,561	248,361	355,801	4,792,723
Freehold and leasehold property	-	-	483,262	483,262
Loans and receivables	170,635	-	-	170,635
Total	**4,359,196**	**248,361**	**839,063**	**5,446,620**
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(13,557)	-	-	(13,557)
Total	**(13,557)**	**-**	**-**	**(13,557)**
Net	**4,345,639**	**248,361**	**839,063**	**5,433,063**

As at 31 March 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
Financial instruments	4,201,252	252,751	101,918	4,555,921
Freehold and leasehold property	-	-	438,470	438,470
Loans and receivables	188,867	-	-	188,867
Total	**4,390,119**	**252,751**	**540,388**	**5,183,258**
Financial Liabilities				
Fair value through profit and loss	-	-	-	-
Financial liabilities	(11,669)	-	-	(11,669)
Total	**(11,669)**	**-**	**-**	**(11,669)**
Net	**4,378,450**	**252,751**	**540,388**	**5,171,589**

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out the consequent potential impact on the closing value of investments held at 31 March 2019.

	Assessed valuation range (+/-)	Value at 31 March 2019 £000	Value on increase £000	Value on decrease £000
Freehold and leasehold property	5%	483,262	507,425	459,099
Private equity and unlisted shares	15%	195,737	225,098	166,376
Total		**678,999**	**732,523**	**625,475**

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

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

The key risks to the achievement of these aims, as well as measures to mitigate those risks, are set out in the various Fund policies (available at www.nottspf.org.uk) including:
- Investment Strategy Statement
- Funding Strategy Statement
- Governance Compliance Statement
- Risk Management Strategy and Risk Register

The Risk Register identifies the highest risks as arising from:
- Fund assets are assessed as insufficient to meet long term liabilities
- Standing data and permanent records are not accurate
- Significant variations from assumptions used in the actuarial valuation

Actions have been agreed to mitigate these risks.

The Fund's primary risk is that its assets fall short of its long term liabilities. The Funding Strategy Statement states that the funding objectives are to:
- Set levels of employer contribution that will build up a fund of assets that will be sufficient to meet all future benefit payments from the Fund
- Build up the required assets in such a way that employer contribution rates are kept as low and stable as possible.

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

Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation (£000)	8,533,032	8,701,221	8,872,895

The Fund deficit at the last triennial valuation was £621 million.

For the first time in 2013/14 there was a net withdrawal from dealings with members. The net withdrawal in 2014/15 would have been marginal but for the transfer out in respect of the Nottinghamshire Probation Trust. The net withdrawal in 2015/16 was again marginal, but in 2016/17 is somewhat larger, but still more than covered by investment income. In 2017/18 a number of employers made lump sum deficit contributions, and for this reason there was a net addition to the fund from dealings with members. In 2018/19 the fund returned to a net withdrawal from dealing with members. Investment income significant exceeded this withdrawal.

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

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

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

16. 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 2018 £000	31 March 2019 £000
Prudential	34,088	31,824
Scottish Widows	3,486	3,962
	37,574	**35,786**

17. 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

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.

LGPS Central Ltd has been established to manage investment assets on behalf of nine LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

£1,315,000 has been invested in share capital and £685,000 in a loan to LGPS Central Ltd. These are the balances at year end. The fund earned £36,000 in interest during the year and £43,000 was owed to the fund at the end of the year.

LGPS Central Ltd commenced operations in April 2018 and during the year has charged £860,000 in operating and investment management costs, of which £161,000 was outstanding at year end.

Nottinghamshire Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation. A Pensions Entry debt of £24,000 arose which was outstanding at year end.

Set up costs in the creation of LGPS Central Ltd were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £499,260 was refunded to Nottinghamshire Pension Fund by LGPS Central Ltd during the year reflecting the cost of setting up the enterprise to the end of March 2018.

GLOSSARY OF TERMS

Accruals	The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.
Actuary	An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary reassesses the rate of employer contributions to the Pension Fund every three years.
Added Years	Additional years of service awarded to increase benefits of employees taking early retirement.
Amortisation	The process of charging asset consumption in relation to Intangible Assets to the Comprehensive Income & Expenditure Statement over a suitable period of time.
Balance Sheet	The accounting statement which sets out the Authority's total net assets and how they were financed.
Budget	The Authority's statement of spending plans and policies for a financial year, expressed in financial terms.
Capital Adjustment Account (CAA)	This account absorbs the timing differences between the consumption of non-current assets and the financing arrangements in respect of their acquisition, creation or enhancement throughout their useful life.
Capital Financing Requirement (CFR)	The Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.
Capital Grants Receipts in Advance	Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable unless conditions apply to the grant/contribution. In which case the grant/contribution is classified as capital grants receipts in advance on the balance sheet.
Carbon Reduction Commitment Efficiency Scheme (CRC)	The CRC Efficiency Scheme is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.
CIPFA	Chartered Institute of Public Finance and Accountancy
Comprehensive Income and Expenditure Statement (CI&ES)	Consolidates all the gains and losses experienced during the financial year.
Community Assets	Assets such as historical structures and artefacts that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.
Creditors	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.

Debtors	Persons or bodies owing sums to the Authority that have not been paid by the end of the financial year.
Depreciation	A charge to reflect the consumption of benefits in relation to tangible fixed assets.
Expenditure and Funding Analysis (EFA)	A statement to show the net expenditure in the CIES statement highlighting the adjustment between funding and accounting basis.
Earmarked Reserves	Reserves set aside for a specific purpose.
Financial Instruments	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. For instance, financial assets could be bank deposits, loans receivable, shares etc, whilst financial liabilities could be borrowings, financial guarantees etc.
General Fund	The account which absorbs the accumulated balances for the cost of providing services funded from Council Tax and Government Grants.
IAS	International Accounting Standard.
IFRS	International Financial Reporting Standard.
IFRIC	The International Financial Reporting Interpretations Committee provides interpretations of IFRS.
Infrastructure Assets	Assets such as roads and bridges, expenditure on which is recoverable only by continued use of the asset. These assets, by their nature, have no practical prospect of being decommissioned and sold or applied to alternative uses.
Impairments	An impairment or loss of value may arise on an asset upon revaluation. Assets which may be impaired are those in the categories of Property, Plant and Equipment and Intangible Assets.
Intangible Assets	Identifiable assets that lack physical substance and are expected to yield benefits to the Authority and the services it provides, e.g. software.
LASAAC	Partnership between CIPFA (England, Northern Ireland and Wales) and the Local Authority (Scotland) Accounts Advisory Committee.
LOBO	Loans which have a fixed primary period at a relatively beneficial interest rate followed by a higher rate for the remaining period which can be changed by the lender at agreed intervals. The Authority, as a borrower, would be able to opt to repay the loan at agreed intervals if the lender chooses to change the quoted rates.
Leasing	A method of financing capital expenditure in which a rental charge for an asset is paid for a specific period.

	There are two forms of lease: ‘finance leases’ which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as ‘operating leases’.
Local Government Pension Scheme (LGPS)	Nottinghamshire County Council is the administrating authority for the LGPS within Nottinghamshire.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.
NDR	Non-Domestic Rates.
PFI	Private Finance Initiative.
PPE	Property, Plant and Equipment.
Precept Income	County Councils obtain part of their income from precepts levied on the District Councils in their area. Precepts, based on the ‘Council Tax bases’ of the District Councils, are levied on each District’s ‘collection fund’.
PWLB	Public Works Loans Board.
Provisions	Sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise. The sums set aside are charged to the appropriate service revenue accounts.
Reserves	Sums of money set aside to cover future eventualities. The sums set aside are charged to the General Fund and not to service revenue accounts.
Revaluation Reserve	Represents the difference between the revalued amount of Property, Plant and Equipment as shown in the accounts and the historic cost.
Revenue Expenditure Financed from Capital Under Statute (REFfCUS)	Legislation permits certain expenditure to be funded by capital resources even though no fixed asset is carried on the Balance Sheet. Examples include works on property not owned by the Authority and grants provided for economic development purposes.