NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL FINANCIAL REPORT 2017/18

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NARRATIVE REPORT

Introduction

1. The Authority's Statement of Accounts for the year 2017/18 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 2017/18 (the Code) issued by Chartered Institute of Public Finance and Accountancy (CIPFA). The statements also comply with appropriate guidance notes issued by CIPFA covering International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) and IFRS Interpretations Committee (IFRIC) as they apply to local authorities.

2. 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 2017/18;
   - 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 County Council and its accounts.

4. **Annual Governance Statement**
   Alongside the Statement of Accounts the Authority publishes an Annual Governance Statement which sets out the Authority's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The Statement also summarises the Authority's review of the effectiveness of internal control and highlights significant internal control issues and the actions to be taken in order to address these. In May 2018, the 2017/18 Statement was reported to Governance and Ethics Committee and details can be found by following the link here

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

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

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

8. **Comprehensive Income and Expenditure Statement**

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

9. **Balance Sheet**

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

10. **Cash Flow Statement**

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

11. **Pension Fund Accounts**

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

12. **Pension Net Assets Statement**

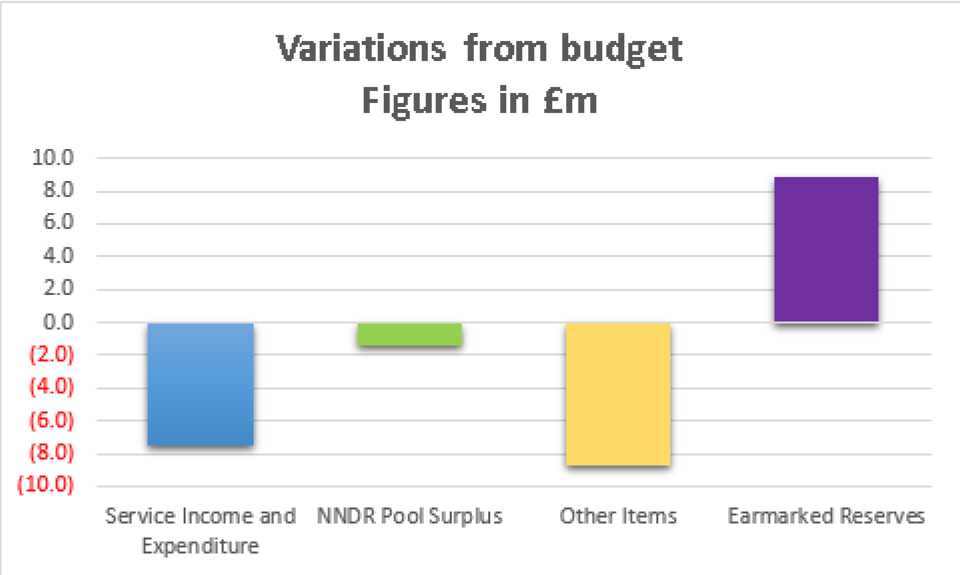
This Statement shows the net current assets and liabilities arising from the operation of the Authority's Pension Scheme (LGPS). This Statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the Balance Sheet.

Revenue Expenditure

13. The revised budget estimated that there would be a £5.5 million contribution from General Fund balances. The final accounts show that there was an increase of £3.2 million in General Fund balances.

	Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	(333.8)	(333.8)	-
Non Domestic Rate Income	(103.0)	(104.4)	(1.4)
Revenue Support Grant	(38.5)	(38.5)	-
	(475.3)	(476.7)	(1.4)
NET EXPENDITURE (inc appropriations)	**480.8**	**473.5**	**(7.3)**
Contribution to/(from) General Fund Balances	**(5.5)**	**3.2**	**8.7**

The main variations to net expenditure were:



14. The Authority's Medium Term Financial Strategy (MTFS) has identified the need for further significant savings. Budget savings of £15.6 million were approved in February 2018 with a further £54.2 million required by 2021/22. All savings are monitored with a status update included in the monthly report to Finance and Major Contracts Management Committee, and also in regular reports to Improvement and Change Sub Committee.

Capital Expenditure and Financing

15. The Authority's capital expenditure in 2017/18 was £92.1 million. The external capital financing costs amounted to £34.6 million, which included interest on PFI schemes.

16. The Authority's borrowings, used to finance the past acquisitions of assets, were £589.3 million at 31 March 2018. This includes long term borrowings, loans to be repaid within

one year, deferred liabilities and finance leases related to PFI schemes. The Authority makes use of financial instruments called Lenders' Option Borrowers' Option (LOBOs) which offer attractive borrowing rates of interest as well as greater flexibility. At 31 March 2018 the amount owed on these type of borrowings was £70.0 million.

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

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

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

Trends

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

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

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

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

- The population of Nottinghamshire increased by 5% between the census in 2001 and that in 2011 and currently stands at 810,700. The total population of Nottinghamshire is expected to increase by 75,400 over the next 15 years to 2033 and will then be 886,100. 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 2016 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 30% to reach 189,000 by 2033. 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 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 the future live alone will increase by 44% by 2030 and our aging and increasingly isolated population has implications for future planning and delivery of services in order to meet their health and wellbeing needs.

- Whilst the average annual earnings of full-time workers in Nottinghamshire at £33,433 are below the UK level of £35,423, house prices, as quoted in the House Price Index, are much more affordable with the average house price in Nottinghamshire in 2017 being £170,092 compared to £225,047 in UK.

- There have been a number of changes to the way in which Key Stage 4 results are reported this year. New more challenging GCSEs in English language, English literature and mathematics (taught in schools from September 2015) are reported in a new grading scale of 9 to 1, with 9 being the top grade (not A*-G as previously). These three subjects are the first to use the new grading structure. Eventually all GCSEs taken in England will receive numerical grades.

- Final KS4 results for 2017 show that 45.5% of pupils achieved a strong pass in both GCSE English and mathematics (grade 9-5). Nationally 42.9% of state funded schools achieved this measure. Comparisons to previous years cannot be made due to the change in grading structure in 2017. In this measure Nottinghamshire is placed 44th out of 151 local authorities nationally (where 1st is best). Comparisons to statistical neighbours shows the average for this measure to be 42.4% with Nottinghamshire placed 2nd amongst all 11 local authorities. At the standard pass, final results for 2017 show 65.9% of pupils achieved grades 9-4 in both GCSE English and mathematics. This represents no change when compared with A*-C outcomes in 2016. Nottinghamshire is placed 54th out of 151 local authorities for this measure (a fall from 41st in 2016).

- People in Nottinghamshire generally feel safe within their communities with 83% of respondents in the 2017 Residents Survey stating they were satisfied with their local area as a place to live.

- In Nottinghamshire, 72% of households are within 15 minutes travel time of a GP Surgery/health centre by public transport and 84% of households within 30 minutes travelling time.

- The County has already exceeded the national average with 97.5% of households and businesses now having access to constant and seamless superfast internet speeds. The numbers are continuing to grow, with some of the highest take-up of premises switching to superfast broadband in the country at over 50%. We are now moving into our third broadband contract with BT and will concentrate on raising the levels of superfast coverage in Bassetlaw and Newark & Sherwood, two areas needing extra intervention to enable them to be on a level footing with the remaining 5 districts/boroughs in the County. This will help reinforce Nottinghamshire's position as a leading digital economy in the UK.

- 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 is due to open this summer 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

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

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

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

Environmental

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

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

People

22. The Authority is the largest employer in the County with a headcount of 5,457 centrally employed permanent and temporary staff, as at April 2017

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

Vision

24. 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

25. The Council Plan 2017-2021 was agreed by 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 Council 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.

26. 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.

27. Key highlights from across the priorities in 2017/18 include:

- Our good performance, when compared against national and regional attainments, in respect of permanent admissions of older people (aged 65 and over) to residential and nursing care homes indicates that service users are being able to retain their independence for as long as is possible. By performing at better than the national average the Council is also ensuring that NHS service users who are medically fit leave hospital with a minimum of delay enabling them to continue their recovery in a non-hospital setting and freeing up beds for others.

- 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 540 days to 432 days.

- More Nottinghamshire pupils (45.5%) achieved a strong pass in both GCSE English and mathematics (grade 9-5) in 2017 compared with the national average (42.9%).

- Nottinghamshire County Council met the Department for Education target to convert all pupils on Statements of Special Educational Needs on to Education, Health and Care Plans before the deadline of 31st March 2018.

- The percentage of municipal waste sent to landfill has continued to reduce with latest figures showing this at 6.5%, 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 Council continues to support businesses by ensuring that over 95% of supplier invoices are paid on time.

28. The Authority has also identified a number of key challenges and pressures that may affect performance over 2018/19 and will seek to assess and pro-actively manage these through the coming year.

Summary

29. The Authority will continue to seek savings and, as an example, has worked with 7 other Local Authorities to set up LGPS Central Ltd as part of the national pooling agenda for pension fund investments. This new company will take responsibility for the investment of pension fund assets and, through economies of scale and internal delivery of investment services, aims to significantly reduce the costs for the constituent pension funds.

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

Nigel Stevenson
Service Director (Finance, Procurement & Improvement)

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

We have audited the financial statements of Nottinghamshire County Council ('the Authority') for the year ended 31 March 2018 which comprise the Authority Comprehensive Income and Expenditure Statement(s), the Authority Balance Sheet, the Authority Movement in Reserves Statement, the Authority Cash Flow Statement, the Fund Account and Net Assets Statement for the Nottinghamshire Pension Fund and the related notes, including the accounting policies and the Pension Fund accounting policies.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Nottinghamshire Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Service Director (Finance, Procurement & Improvement) is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Service Director (Finance, Procurement & Improvement) responsibilities

As explained more fully in the statement set out on page 15, the Service Director (Finance, Procurement & Improvement) is responsible for: the preparation of the Authority's 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 2017/18; 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; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

Report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Nottinghamshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether Nottinghamshire County Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Nottinghamshire County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Statutory reporting matters

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the 30 July 2018

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

Due to the Pension Fund Annual Report not being prepared by 30 July 2018

We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Nottingham Pension Fund with the pension fund accounts included in the financial statements of Nottinghamshire County Council. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December following the end of the relevant financial year. As the authority has not yet prepared the Pension Fund Annual Report we have not issued our report on the financial statements included in the Pension Fund Annual Report. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Due to matters brought to our attention by a local authority elector

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

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

25th July 2018

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, Procurement and 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, Procurement & Improvement)

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code;

- 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 2018 and of its income and expenditure for the year then ended.

Nigel Stevenson
Service Director (Finance, Procurement & Improvement)
31 May 2018

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts were approved by a meeting of the Governance and Ethics Committee on 25 July 2018. The Service Director (Finance, Procurement & Improvement) is satisfied with the position set out in the Statement of Accounts. As Chairman of the Governance and Ethics Committee, I am satisfied that the approval process for the Statement of Accounts has now been completed satisfactorily and that the Statement of Accounts may now be issued.

Councillor Bruce Laughton
Chairman of the Governance and Ethics Committee
25 July 2018

STATEMENT OF ACCOUNTING POLICIES

1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. 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.

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.

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.

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.

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 2017/18 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 2018 issued by Ms Mona Walsh MRICS, Team Manager – Property and Estates from the Authority’s Place Department on 29th May 2018. 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 2017/18 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.

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.

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.

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

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. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. The Authority's collections of Heritage Assets are accounted for as follows:

Ceremonial Regalia and Art Collection

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

Architectural Drawings and Records

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

Heritage Assets – General

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

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.

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

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 2018 for the 2017/18 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 of Non Distributed Costs
  - 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.

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

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

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 into two types:

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

Loans and Receivables

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

However, the Authority, for policy reasons, can make loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

19. Inventories

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

20. Joint Operations

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

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

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

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.

22. The Carbon Reduction Scheme

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

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.

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 2018.

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.

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.

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.

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.

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

Expenditure and Funding Analysis 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**		

Expenditure and Funding Analysis 2016/17

As Restated

	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	108,291	22,977	131,268
Schools	5,330	(199)	5,131
Adult Social Care & Public Health	206,561	3,603	210,164
Communities & Place	100,010	21,765	121,775
Policy	30,565	5,011	35,576
Finance & Major Contracts Management	2,729	157	2,886
Governance & Ethics	6,878	183	7,061
Personnel	15,208	2,053	17,261
Cost of Services	**475,572**	**55,550**	**531,122**
Other Income and Expenditure	(465,304)	(30,638)	(495,942)
(Surplus) or Deficit on Provision of Services	**10,268**	**24,912**	**35,180**
Opening Usable Revenue Reserves	**191,997**		
Surplus or (Deficit) on Provision of Services	(10,268)		
Closing Usable Revenue Reserves	**181,729**		

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)**

Movement in Reserves Statement 2016/17

	Usable Revenue Reserves Balance £000	Capital Receipts and Grants Unapplied Reserve £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 2016	**191,997**	**2,984**	**194,981**	**(375,607)**	**(180,626)**
Movement in Reserves during 2016/17					
Total Comprehensive Income and Expenditure	(35,182)	1	(35,181)	(315,099)	(350,280)
Adjustments between accounting and funding basis under regulations					
Adjustments to Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements.					
Pensions Costs	14,307	-	14,307	(14,307)	-
Financial Instruments	(17)	-	(17)	17	-
Collection Fund Adjustments (Council Tax and NNDR)	1,677	-	1,677	(1,677)	-
Employee Benefits	592	-	592	(592)	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	78,603	-	78,603	(78,603)	-
Total Adjustments to Revenue Resources	**95,162**	**-**	**95,162**	**(95,162)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(8,603)	-	(8,603)	8,603	-
Capital Expenditure Charged in the year to the General Fund	(6,917)	-	(6,917)	6,917	-
Total Adjustments between Revenue and Capital Resources	**(15,520)**	**-**	**(15,520)**	**15,520**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(54,728)	54,728	-	-	-
Application of grants to capital financing transferred to CAA	-	(53,507)	(53,507)	53,507	-
Movement in Deferred Capital Receipts	-	-	-	-	-
Total Adjustments to Capital Resources	**(54,728)**	**1,221**	**(53,507)**	**53,507**	**-**
Increase or (Decrease) in 2016/17	**(10,268)**	**1,222**	**(9,046)**	**(341,234)**	**(350,280)**
Balance at 31 March 2017	**181,729**	**4,206**	**185,935**	**(716,841)**	**(530,906)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Note	2016/17 As Restated Gross Expenditure £000	2016/17 As Restated Income £000	2016/17 As Restated Net Expenditure £000	2017/18 Gross Expenditure £000	2017/18 Income £000	2017/18 Net Expenditure £000
Gross expenditure, gross income and net expenditure of continuing operations							
Children & Young People		154,668	(23,400)	131,268	124,852	(25,548)	99,304
Schools		360,407	(355,276)	5,131	354,477	(350,624)	3,853
Adult Social Care & Public Health		373,286	(163,122)	210,164	385,835	(182,051)	203,784
Communities & Place		156,323	(34,548)	121,775	148,321	(30,629)	117,692
Policy		56,802	(21,226)	35,576	58,616	(21,887)	36,729
Finance & Major Contracts Management		4,621	(1,735)	2,886	5,082	(1,691)	3,391
Governance & Ethics		7,574	(513)	7,061	8,071	(509)	7,562
Personnel		30,257	(12,996)	17,261	30,349	(12,081)	18,268
Internal Recharges Adjustment		(40,314)	40,314	-	(39,183)	39,183	-
Cost of services		**1,103,624**	**(572,502)**	**531,122**	**1,076,420**	**(585,837)**	**490,583**
Other Operating Expenditure							
Loss on Disposal of non-current assets		39,255	-	39,255	55,554	-	55,554
Change in fair value of Assets Held for Sale	17	743	-	743	15	-	15
Other Operating Income and Expenditure		(17,035)	(346)	(17,381)	(46,541)	(159)	(46,700)
Financing and Investment Income and Expenditure							
Interest Payable	29	34,757	-	34,757	34,573	-	34,573
Net Interest on the defined liability/(asset)	22	31,653	-	31,653	30,961	-	30,961
Interest and Investment Income	29	-	(1,061)	(1,061)	-	(1,226)	(1,226)
Income and Expenditure in relation to Investment Properties and changes in their fair value	14	1,696	(488)	1,208	(9,094)	(574)	(9,668)
Net (Surplus)/Deficit of Trading Undertakings	33	51,678	(50,486)	1,192	43,222	(40,288)	2,934
Insurance Revenue	35	(3,437)	(1,287)	(4,724)	(5,550)	(64)	(5,614)
Taxation and Non-Specific Grant Income							
Recognised capital grants and contributions	27			(75,983)			(59,002)
Income from Council Tax				(312,551)			(331,409)
General Government Grants	27			(77,182)			(56,448)
National Non-Domestic Rates Distribution				(103,813)			(107,649)
New Homes Bonus Scheme				(3,774)			(3,119)
Transition Grant				(1,980)			(1,984)
Education Services Grant				(6,301)			(1,569)
(Surplus)/Deficit on Provision of Services				35,180			(9,768)
(Surplus)/Deficit on Revaluation of non current assets				15,890			(113,948)
Actuarial (gains) / losses on pensions assets / liabilities	22			298,509			(114,108)
Any other (gains) and losses				701			1,292
Total Comprehensive Income and Expenditure				**350,280**			**(236,532)**

BALANCE SHEET

	Note	31 March 2017 £000	31 March 2017 £000	31 March 2018 £000	31 March 2018 £000
Property, Plant and Equipment (PPE)	10				
Land and Buildings		606,279		716,685	
Vehicles, Plant, Furniture and Equipment		40,673		40,047	
Infrastructure Assets		523,585		544,333	
Community Assets		30		29	
Surplus Assets		53,854		60,712	
Assets Under Construction		10,612	1,235,033	8,248	1,370,054
Heritage Assets	16	481		420	
Investment Property	14	16,439		25,516	
Intangible Assets	15	5,698		4,215	
Long Term Advances	28	3,965		4,441	
Long Term Investments	28	2,516		-	
Long Term Debtors	20	511	29,610	368	34,960
Total Long Term Assets			**1,264,643**		**1,405,014**
Short Term Investments	28	32,036		4,550	
Inventories	19	1,571		2,172	
Short Term Debtors	20	53,427		76,678	
Less allowance for Bad Debts	20	(6,246)		(6,099)	
Cash and Cash Equivalents	38	68,396		61,069	
Assets Held for Sale	17	1,105		738	
Total Current Assets			**150,289**		**139,108**
Short Term Creditors	23	(103,448)		(112,841)	
Short Term Provisions	24	(2,394)		(2,570)	
Loans to be repaid within 1 year	28, 31	(18,087)		(22,182)	
Short Term Finance Lease Liability	12, 13, 28, 31	(4,517)	(128,446)	(6,554)	(144,147)
Total Assets less Current Liabilities			**1,286,486**		**1,399,975**
Long Term Provisions	24	(14,059)		(11,729)	
Long Term Borrowing	28, 31	(428,876)		(443,922)	
Long Term Finance Lease Liability	12, 13, 28, 31	(120,600)		(115,560)	
Deferred Liability	29	(1,161)		(1,084)	
Capital Grants Receipts in Advance	27	(4,641)	(569,337)	(9,786)	(582,081)
IAS 19 Pensions Liability	22		(1,248,055)		(1,112,268)
Total Net Assets			**(530,906)**		**(294,374)**
Usable Reserves	34				
Capital Receipts and Grants Unapplied Reserve		4,206		3,902	
Other Earmarked Reserves		111,702		116,229	
General Insurance	35	16,285		21,000	
Schools Statutory Reserves	36	26,036		19,919	
General Fund Balance		27,706	185,935	30,870	191,920
Unusable Reserves	37				
Capital Adjustment Account		399,301		416,882	
Revaluation Reserve		143,275		244,368	
IAS 19 Pensions Reserves	22	(1,248,055)		(1,138,407)	
Deferred Capital Receipts		-		3,672	
Financial Instruments Adjustment Account		(70)		(56)	
Collection Fund Adjustment Account		3,585		1,444	
Employee Benefits Account		(14,877)	(716,841)	(14,197)	(486,294)
Net Worth / Total Reserves			**(530,906)**		**(294,374)**

CASH FLOW STATEMENT

	Note	2016/17	2017/18
		£000	£000
Net (surplus) or deficit on the provision of services		35,180	(9,768)
Adjust for non-cash movements			
Depreciation and amortisation		(41,565)	(40,766)
Revaluation / Impairment of Property, Plant and Equipment		(10,634)	35,633
Donated Assets		21,254	9,831
Movement in current assets and liabilities		(20,213)	10,331
Movement in reserves and provisions		1,559	2,154
Adjustments in respect of pension charges		(14,307)	(3,168)
Grants applied		54,728	49,170
Carrying value of assets disposed of		(42,055)	(62,398)
Other		(2,354)	9,268
		(53,587)	**10,055**
Adjust for items included in investing or financing		2,798	3,173
Net cash flows from operating activities		**(15,609)**	**3,460**
Investing activities	40	14,062	22,253
Financing activities	41	(931)	(18,386)
Net (increase)/decrease in cash and cash equivalents		**(2,478)**	**7,327**
Cash and cash equivalents at beginning of period		**65,918**	**68,396**
Cash and cash equivalents at end of period		**68,396**	**61,069**

NOTES TO THE STATEMENT OF ACCOUNTS

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

There are no prior period adjustments to report in the 2017/18 accounts. To aid year on year comparisons, some accounts have been restated to reflect the Authority's revised committee structure as approved at the Full Council meeting on 25 May 2017.

2. 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.

IFRS 9 Financial Instruments - introduces extensive changes to the classification and measurement of financial assets and a new expected credit loss model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets.

IFRS 15 Revenue from Contracts with Customers - presents new requirements for the recognition of revenue based on a control based revenue recognition model. The Authority does not have any material revenue streams within the scope of the new standard.

From 2019/20, 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.

3. Critical Judgements in Applying Accounting Policies

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

- The Authority has made detailed assessment and applied judgement regarding the extent of control exercised over schools run under various arrangements to determine whether associated assets 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 2017/18 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 and Via East Midlands Ltd are considered to be joint operations but they have not been fully consolidated into the Authority's accounts as a joint operation because there is no material difference to the costs already reflected.

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

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

The items in the Authority's Balance Sheet at 31 March 2018 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 £0.8 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 2017/18 would equate to an impairment variation of £12.4 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 £11.2 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 £1.1 million on the provision required.

Pensions

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

5. Post Balance Sheet Events

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

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

7. Note to the Expenditure and Funding Analysis

	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)**

	2016/17 As Restated			
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	22,575	402	-	**22,977**
Schools	-	(199)	-	**(199)**
Adult Social Care & Public Health	1,430	2,173	-	**3,603**
Communities & Place	21,298	484	(17)	**21,765**
Policy	4,707	304	-	**5,011**
Finance & Major Contracts Management	-	157	-	**157**
Governance & Ethics	-	183	-	**183**
Personnel	1,307	746	-	**2,053**
Net Cost of Services	**51,317**	**4,250**	**(17)**	**55,550**
Other Income and Expenditure	(42,964)	10,649	1,677	**(30,638)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**8,353**	**14,899**	**1,660**	**24,912**

8. 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.

	2016/17 As Restated £000	2017/18 £000
Children & Young People	(21,176)	(23,041)
Schools	(355,275)	(350,624)
Adult Social Care & Public Health	(182,534)	(220,164)
Communities & Place	(36,053)	(32,469)
Policy	(29,661)	(31,438)
Finance & Major Contracts Management	(1,735)	(1,691)
Governance & Ethics	(513)	(509)
Personnel	(12,996)	(12,081)
Total	**(639,943)**	**(672,017)**

9. Expenditure and Income Analysed by Nature

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

	2016/17 £000	2017/18 £000
Expenditure		
Employee expenses	487,616	488,438
Other operating expenses	626,391	604,661
Depreciation, amortisation & impairment	52,199	5,133
Other Expenditure relating to held for sale & investment properties	1,951	(9,653)
Interest Payments	34,757	34,573
Precepts & Levies	276	280
Gains or Losses on disposal of Non Current Assets	39,255	55,554
Total Expenditure	**1,242,445**	**1,178,986**
Income		
Fees, charges & other service income	(214,903)	(207,115)
Interest & Investment Income	(1,061)	(1,226)
Income from Council Tax, NNDR	(416,364)	(439,058)
Government grants	(574,937)	(541,355)
Total Income	**(1,207,265)**	**(1,188,754)**
(Surplus)/Deficit on Provision of Services	**35,180**	**(9,768)**

10. Property, Plant and Equipment

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**

10 .Property, Plant and Equipment (Continued)

Movement in 2016/17

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000	As Restated PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2016	650,174	91,296	691,001	35	72,351	3,919	1,508,776	28,943
Additions	17,152	8,550	34,195	-	1,921	5,755	67,573	2,197
Donations	21,254	-	-	-	-	-	21,254	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(270)	-	-	-	(20,706)	-	(20,976)	(829)
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(15,141)	-	-	-	(747)	-	(15,888)	(125)
Derecognition - disposals	(41,640)	(14,315)	(1)	-	(655)	-	(56,611)	(1,372)
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(1,008)	-	-	-	(374)	-	(1,382)	-
Other Transfers between Asset Categories	(4,054)	-	548	-	2,477	1,029	-	-
Other Movements in cost or valuation	(1)	1	2	1	3	1	7	(41)
At 31 March 2017	**626,466**	**85,532**	**725,745**	**36**	**54,270**	**10,704**	**1,502,753**	**28,773**
Accumulated Depreciation and Impairment								
At 1 April 2016	(19,922)	(49,505)	(184,891)	(5)	(242)	-	(254,565)	(3,727)
Depreciation charge	(13,386)	(8,314)	(17,267)	(1)	(30)	-	(38,998)	(1,340)
Depreciation written out to the Revaluation Reserve	5,080	-	-	-	6	-	5,086	204
Depreciation written out to the Surplus/Deficit on Provision of Services	5,254	-	-	-	-	-	5,254	196
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	2,533	12,963	-	-	8	-	15,504	1,372
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	254	-	-	-	(156)	(92)	6	-
Other movements in depreciation and impairment	-	(3)	(2)	-	(2)	-	(7)	1
At 31 March 2017	**(20,187)**	**(44,859)**	**(202,160)**	**(6)**	**(416)**	**(92)**	**(267,720)**	**(3,294)**
Net Book Value								
At 31 March 2017	**606,279**	**40,673**	**523,585**	**30**	**53,854**	**10,612**	**1,235,033**	**25,479**
At 31 March 2016	**630,252**	**41,791**	**506,110**	**30**	**72,109**	**3,919**	**1,254,211**	**25,216**

11. 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 that 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 fair value.

Revaluation of Property, Plant and Equipment

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

Basis of Measurement	**Op Land & Bldgs £000**	**Surplus Assets £000**	**Other PPE Assets £000**	**Total £000**
Valued at current value as at:				
31/03/2018	649,817	43,862		693,679
31/03/2017	13,648	3,350		16,998
31/03/2016	19,045	13,500		32,545
31/03/2015	15,869	-		15,869
31/03/2014	18,306	-		18,306
Valued at historic cost			592,657	592,657
Total	**716,685**	**60,712**	**592,657**	**1,370,054**

Fair Value Hierarchy

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

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/18 £000**
Surplus Assets	-	16,885	43,827	**60,712**

2016/17 Comparative Figures

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

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

	2017/18 £000
Opening Balance	**23,995**
Transfers into Level 3	14,379
Transfers out of Level 3	(680)
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	(694)
Unrealised gains / (losses)	3,460
Additions	3,388
Disposals	-
Other	(21)
Closing Balance	**43,827**

Impairment review

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

The Authority also recognised impairment losses totalling £1.9m in the CIES due to the demolition of various buildings prior to derecognition.

12. Leases

Authority as Lessee

Finance Leases

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

Land & Buildings - Highways Depot

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

	2016/17 £000	2017/18 £000
Other Land & Buildings	3,487	2,680
	3,487	**2,680**

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:

	2016/17 £000	2017/18 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	1	1
- non-current	878	878
Finance costs payable in future years	4,758	4,710
Minimum lease payments	**5,637**	**5,589**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £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	5,348	5,300	877	877
	5,637	**5,589**	**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 2017/18 £0.01m of contingent rents were payable by the Authority (£0.01m in 2016/17).

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:

	2016/17 £000	2017/18 £000
Not later than one year	374	409
Later than one year and not later than five years	1,114	972
Later than five years	1,007	1,406
	2,495	**2,787**

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

	2016/17 £000	2017/18 £000
Minimum lease payments	562	474
Contingent rents	36	36
	598	**510**

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:

	2016/17	2017/18
	£000	£000
Not later than one year	865	971
Later than one year and not later than five years	1,574	1,361
Later than five years	1,528	1,768
	3,967	**4,100**

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 2017/18 £0.1m contingent rents were receivable by the Authority (£0.1m in 2016/17).

13. Private Finance Initiative (PFI)

East Leake Schools

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

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

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

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2018 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	571	236	623	879	359	**2,668**
Within 2-5 years	2,343	1,191	2,996	2,835	1,575	**10,940**
Within 6-10 years	2,645	1,077	5,056	1,459	2,119	**12,356**
	5,559	**2,504**	**8,675**	**5,173**	**4,053**	**25,964**

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 2018 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	6,074	733	3,723	8,427	510	**19,467**
Within 2-5 years	26,108	6,005	16,558	30,068	1,271	**80,010**
Within 6-10 years	37,136	11,628	28,846	27,270	367	**105,247**
Within 11-15 years	37,309	11,540	38,819	10,499	239	**98,406**
	106,627	**29,906**	**87,946**	**76,264**	**2,387**	**303,130**

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 2018 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	18,560	-	2,208	2,786	2,255	**25,809**
Within 2-5 years	78,009	10,050	8,340	11,555	7,327	**115,281**
Within 6-10 years	109,001	3,643	8,198	13,391	16,304	**150,537**
Within 11-15 years	123,317	1,256	5,868	6,431	22,723	**159,595**
	328,887	**14,949**	**24,614**	**34,163**	**48,609**	**451,222**

14. Investment Properties

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

	2016/17 £000	2017/18 £000
Rental income from Investment Property	(488)	(574)
Direct operating expenses arising from Investment Property	28	26
Net (income)/expenditure	**(460)**	**(548)**

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:

	2016/17 £000	2017/18 £000
Balance at start of year	**18,004**	**16,439**
Additions:		
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(1,668)	9,120
Transfers:		
(to)/from PPE	103	(43)
Balance at end of year	**16,439**	**25,516**

Fair Value Hierarchy

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

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/18 £000
Investment Properties	-	1,548	23,968	**25,516**

2016/17 Comparative Figures

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

Transfers between levels of the Fair Value Hierarchy

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

Valuation techniques used to determine Fair value

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

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

Reconciliation of Fair Value Measurements within Level 3

	2017/18
	£000
Opening Balance	**7,430**
Transfers into Level 3	7,460
Transfers out of Level 3	(91)
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	9,169
Additions	-
Disposals	-
Closing Balance	**23,968**

15. Intangible Assets

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

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

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

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £2.0 million in 2017/18 (£2.6 million in 2016/17) was charged to the CIES.

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

	2016/17 Purchased Software Licences £000	2017/18 Purchased Software Licences £000
Balance at start of year		
Gross carrying amounts	17,620	17,678
Accumulated amortisation	(10,301)	(11,980)
Net carrying amount at start of year	**7,319**	**5,698**
Purchases	946	1,137
Disposals	-	(470)
Amortisation for the period	(2,567)	(1,997)
Other Movements	-	(153)
Net carrying amount at end of year	**5,698**	**4,215**
Comprising		
Gross carrying amounts	17,678	6,963
Accumulated amortisation	(11,980)	(2,748)
	5,698	**4,215**

Fully amortised assets with a gross value of £10.1 million were disposed of in year.

16. Heritage Assets

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

	2016/17 £000	2017/18 £000
Balance at 1 April	481	481
Additions	-	-
Revaluations	-	(61)
Balance at 31 March	**481**	**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 Council and Archives Council (now Arts Council)/ Victoria and Albert Museum Purchase Grant Fund and the friends of the National Libraries.

Ceremonial Regalia and Art Collection

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

17. Assets Held for Sale

	Current Assets	
	2016/17	2017/18
	£000	£000
Balance at start of year	**1,523**	**1,105**
Assets newly qualified as Held for Sale:		
Property, Plant and Equipment	1,523	753
Revaluation losses	(743)	(15)
Revaluation gains	-	-
Declassified		
Property, Plant and Equipment	(250)	(555)
Assets sold	(948)	(550)
Balance at end of year	**1,105**	**738**

There are no non-current assets held for sale.

18. Capital Expenditure and Financing

	Note	2016/17	2017/18
		£000	£000
Opening Capital Financing Requirement (CFR)		**715,308**	**716,239**
Capital Investment			
Property, Plant and Equipment	10	66,411	75,157
Intangible Assets	15	946	1,137
Amounts treated as revenue expenditure in accordance with the Code but which are classified as capital expenditure under statute		11,100	14,377
Additions/Reductions to PFI finance liability		4,734	1,464
Other adjustments		184	-
Sources of finance			
Capital receipts		(4,349)	(448)
Government grants and other contributions		(62,575)	(56,124)
Sums set aside from revenue (Inc. MRP)		(10,017)	(7,582)
Repayment of PFI finance liability		(5,442)	(4,468)
Repayment of finance lease liability		(61)	-
Closing Capital Financing Requirement (CFR)		**716,239**	**739,752**
Movement in year			
Change in underlying need to borrow (unsupported by Government financial assistance)		931	23,513
		931	**23,513**

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 2018 are:

	£000
2018/19	26,718
2019/20	2,177
2020/21	1,001
2021/22	519
	30,415

The committed projects for 2018/19 are:

	£000
School Projects	17,444
Country Parks	2,072
Better Broadband for Nottinghamshire	1,942
Microsoft Enterprise Agreement	739
Other	4,521
	26,718

19. Inventories

	Raw Materials		Finished Goods		Totals	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Opening Balance	**1,699**	**717**	**1,041**	**854**	**2,740**	**1,571**
Purchases	8,174	8,498	6,303	6,181	14,477	14,679
Expended	(8,863)	(8,610)	(6,396)	(5,468)	(15,259)	(14,078)
Written Off	-	-	(3)	-	(3)	-
Transfer to new provider	(293)	-	(91)	-	(384)	-
Closing Balance	**717**	**605**	**854**	**1,567**	**1,571**	**2,172**

20. Debtors and Long Term Debtors

Debtors less than one year	2016/17 £000	2017/18 £000
Central government bodies	7,076	13,702
Other local authorities	20,486	19,750
NHS bodies	3,456	4,572
Public corporations and trading funds	49	38
Other entities and individuals	22,360	38,616
	53,427	**76,678**
Less allowance for bad and doubtful debt	(6,246)	(6,099)
Total	**47,181**	**70,579**

Long term debtors	2016/17 £000	2017/18 £000
Adult care property debt	479	334
Other	32	34
Total	**511**	**368**

Analysis of allowance for bad and doubtful debt	2016/17 £000	2017/18 £000
Opening allowance for bad and doubtful debt	**5,976**	**6,246**
Amounts paid	(2,317)	(2,522)
Amounts written off	(436)	(651)
Allowance adjustment	3,023	3,026
Closing allowance for bad and doubtful debt	**6,246**	**6,099**

21. Pensions – Contributions

Teachers

In 2017/18, the Authority paid £16.4 million to the Teacher's Pension Agency (£17.7 million in 2016/17) 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 2017/18, this was £6.0 million (£5.7 million in 2016/17), representing 6.00% of pensionable pay (5.35% in 2016/17). The Authority is allowed to enhance lump sum retirement payments to teachers and in 2017/18 no payments were made (nil in 2016/17).

Other Employees

During 2017/18, the net cost of pensions and other benefits amounted to £42.4 million (£39.1 million in 2016/17), which represented 22.20% of pensionable pay (20.00% in 2016/17).

The Actuarial report upon which 2017/18 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 2017/18 these amounted to £2.4 million (£2.4 million in 2016/17), representing 1.30% of pensionable pay (1.30% in 2016/17). The Authority also paid £1.5 million into the Pension Fund in 2017/18 (£1.2 million for 2016/17) 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 2018 was a net liability as set out in the table below :

	2016/17 £000	**2017/18 £000**
Local Government Pension Scheme	(1,136,995)	(1,008,288)
Teachers Unfunded Defined Benefit Scheme	(111,060)	(103,980)
Total Net Liability	**(1,248,055)**	**(1,112,268)**

Assets have been valued using the market value at 31 December 2017 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 2018 provided by the Authority during February/March 2018. The actual figures for 2017/18 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:

	2016/17	2017/18
	£000	**£000**
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current service cost	(51,073)	(77,866)
- Past service cost (including curtailments)	(2,020)	(2,748)
- Liabilities (assumed) / extinguished on settlements	58,080	109,378
- Settlement Prices received / (paid)	(35,597)	(52,139)
Other Operating Expenditure		
- Administration Expenses	(510)	(657)
Financing and Investment Income and Expenditure		
- Net interest on the defined (liability) / asset	(28,895)	(28,691)
Net Charge to the Comprehensive Income and Expenditure Statement	**(60,015)**	**(52,723)**
Movement in Reserves		
- Reversal of net charges made for retirement benefits in accordance with IAS19	60,015	52,723
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	42,694	46,372

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.

	2016/17	2017/18
	£000	**£000**
Actuarial gains / (losses)	(279,249)	110,724

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2016/17	2017/18
	£000	**£000**
At 1 April	**2,275,706**	**2,831,487**
Current service cost	51,073	77,866
Interest cost	79,286	73,594
Change in Financial Assumptions	588,715	(109,343)
Change in Demographic Assumptions	16,136	-
Experience loss/(gain) on Defined Benefit Obligation	(63,979)	-
Past service costs/(gain)	2,020	2,748
Liabilities extinguished on settlements	(58,080)	(109,378)
Benefits paid	(69,202)	(68,689)
Contributions by scheme participants	12,029	11,780
Unfunded pension payments	(2,217)	(2,138)
at 31 March	**2,831,487**	**2,707,927**

Reconciliation of fair value of the scheme assets:

	2016/17 £000	2017/18 £000
At 1 April	**1,435,981**	**1,694,492**
Interest on assets	50,391	44,903
Return on assets less interest	271,938	230
Other actuarial gains/(losses)	(11,466)	-
Administration expenses	(510)	(657)
Employer contributions	41,994	70,707
Contributions by scheme participants	12,029	11,780
Estimated benefits paid	(71,419)	(70,827)
Settlement prices received/(paid)	(35,597)	(52,139)
Other Movements*	1,151	1,150
At 31 March	**1,694,492**	**1,699,639**
Opening Net Position	**(839,725)**	**(1,136,995)**
Closing Net Position	**(1,136,995)**	**(1,008,288)**

*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 2017 for the year to 31 March 2018). 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

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Present value of liabilities	(2,050.6)	(2,445.6)	(2,275.7)	(2,831.5)	(2,707.9)
Fair value of scheme assets	1,325.8	1,458.6	1,436.0	1,694.5	1,699.6
Surplus/(deficit) in the scheme	(724.8)	(987.0)	(839.7)	(1,137.0)	(1,008.3)
Cumulative actuarial gain (loss)	**(286.4)**	**(514.3)**	**(319.7)**	**(598.9)**	**(488.2)**

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 2019 is £26.2 million.

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

		31 March 2017	31 March 2018
Rate of inflation - RPI Increases		3.6%	3.3%
Rate of inflation - CPI Increases		2.7%	2.3%
Rate of increase in salaries		4.2%	3.8%
Rate of increase in pensions		2.7%	2.3%
Discount rate		2.7%	2.6%
Mortality assumptions:			
Longevity at 65 for current pensioners:			
Men	(years)	22.5	22.6
Women	(years)	25.5	25.6
Longevity at 65 for future pensioners:			
Men	(years)	24.7	24.8
Women	(years)	27.8	27.9
Estimated return on assets		23.0%	3.0%
Proportion of employees opting to take an increased lump sum/reduced pension		50.0%	50.0%

The Authority's estimated asset allocation, which is 34% of the whole fund is as follows:

	31 March 2017		31 March 2018	
	£000	%	£000	%
Assets				
Equities	1,185,131	70	1,117,572	66
Gilts	51,801	3	38,936	2
Other Bonds	102,232	6	198,541	12
Property	188,401	11	213,507	13
Cash	85,250	5	33,581	2
Inflation-linked pooled fund	42,301	3	42,050	2
Infrastructure	39,376	2	55,453	3
Total	**1,694,492**	**100**	**1,699,640**	**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	2,657,708	2,707,927	2,759,146
Projected Service Cost	63,047	64,591	66,175
Adjustment to long term Salary Increase	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,712,023	2,707,927	2,703,856
Projected Service Cost	64,591	64,591	64,591
Adjustment to pensions Increase and Deferred revaluation	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,755,125	2,707,927	2,661,609
Projected Service Cost	66,177	64,591	63,041
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	2,811,022	2,707,927	2,608,732
Projected Service Cost	66,651	64,591	62,595

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:

	2016/17 £000	2017/18 £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	(2,758)	(2,270)
Net Charge to the Comprehensive Income and Expenditure Statement	**(2,758)**	**(2,270)**

Movement in Reserves	2016/17 £000	2017/18 £000
- Reversal of net charges made for retirement benefits in accordance with IAS19	2,758	2,270
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	5,772	5,966

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.

	2016/17 £000	2017/18 £000
Actuarial gains / (losses)	(19,260)	3,384

Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2016/17 £000	2017/18 £000
Deficit at 1 April	**94,814**	**111,060**
Interest cost	2,758	2,270
Actuarial (gains) / losses	14,371	(3,384)
Change in demographic assumptions	(191)	-
Experience loss / (gain)	5,080	-
Unfunded pension payments	(5,772)	(5,966)
Deficit at 31 March	**111,060**	**103,980**

Scheme History

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Present value of liabilities	(95.1)	(100.7)	(94.8)	(111.1)	(104.0)
Fair value of scheme assets	-	-	-	-	-
Surplus/(deficit) in the scheme	**(95.1)**	**(100.7)**	**(94.8)**	**(111.1)**	**(104.0)**

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

	31 March 2017	31 March 2018
Rate of inflation - RPI Increases	3.2%	3.4%
Rate of inflation - CPI Increases	2.3%	2.4%
Rate of increase in pensions	2.3%	2.4%
Discount rate	2.1%	2.5%

Mortality assumptions:
Longevity at 65 for current pensioners:

		31 March 2017	31 March 2018
Men	(years)	22.5	22.6
Women	(years)	25.5	25.6

23. Creditors

Creditors less than one year	**2016/17 £000**	**2017/18 £000**
Central government bodies	9,976	11,817
Other local authorities	10,077	7,804
NHS bodies	3,221	3,014
Public corporations and trading funds	19	166
Other entities and individuals	80,155	90,040
Total	**103,448**	**112,841**

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	**2016/17 £000**	**Movement £000**	**2017/18 £000**
General Insurance Claims prior to 1/4/98	650	(156)	494
General Insurance Claims from 1/4/98	653	(30)	623
Corporate Redundancy Provision	509	302	811
NDR provision for backdated appeals	582	(164)	418
Provisions below £200,000	-	224	224
Total	**2,394**	**176**	**2,570**

Long Term Provisions	**2016/17 £000**	**Movement £000**	**2017/18 £000**
General Insurance Claims prior to 1/4/98	5,846	(1,405)	4,441
General Insurance Claims from 1/4/98	5,887	(269)	5,618
NDR provision for backdated appeals	2,326	(656)	1,670
Total	**14,059**	**(2,330)**	**11,729**

25. Contingent Liabilities

Insurance

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

Social Care

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

26. Specific Revenue Grants

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

Committee Segments	2016/17 As Restated £000	2017/18 £000
Children & Young People	7,803	3,544
Schools	335,352	335,724
Adult Social Care & Public Health	54,555	68,290
Communities & Place	6,998	6,143
Policy	4,632	5,241
Governance & Ethics	79	61
Personnel	289	233
	409,708	**419,236**
Funding Body		
Ministry of Housing, Communities & Local Government	10,690	28,239
Department for Education	346,107	340,006
Department for Environment, Food & Rural Affairs	73	-
Department of Health & Social Care	44,942	43,411
Department for Transport	2,445	1,396
Department for Work & Pensions	55	574
Home Office	1,228	1,158
Other Grants & Contributions	4,168	4,452
	409,708	**419,236**
Analysis of Revenue Receipts in Advance		
Ministry of Housing, Communities & Local Government	300	659
Department for Education	628	1,244
Department of Health & Social Care	121	163
Department for Transport	17	17
Other Grants & Contributions	113	92
	1,179	**2,175**

27. General Government Grants Income and Taxation

The Authority set the 2017/18 Council Tax for a Band D property at £1,351.97 including the Adult Social Care precept (£1,290.66 in 2016/17). 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 2017/18 decreased by £2.3 million (£2.1 million decrease in 2016/17) which is reversed out of the General Fund in the Movement in Reserves Statement and held in the Balance Sheet in the Collection Fund Adjustment Account.

A number of grants and contributions are paid to the Authority directly by the Government. During 2017/18, the Authority recognised donated assets of £9.8 million (£20.8 million in 2016/17) in relation to new school buildings financed by the Education Funding Agency as part of the Priority School Building Programme (PSBP). Such assets have been recognised on the Balance Sheet at fair value.

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	**2016/17**	**2017/18**
	£000	**£000**
Department for Education	24,677	13,912
Department of Health & Social Care	1	338
Department for Transport	24,445	30,435
Other Grants & Contributions	5,994	4,486
Donations	20,866	9,831
Recognised Capital Grants & Contributions	**75,983**	**59,002**

	2016/17	**2017/18**
	£000	**£000**
Revenue Support Grant	63,234	38,510
PFI	13,948	14,395
Adult Social Care Support Grant	-	3,543
General Government Grants	**77,182**	**56,448**

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	**2016/17 £000**	**2017/18 £000**
Ministry of Housing, Communities & Local Government	32	1,032
Department for Education	9	9
Department for Transport	-	1,675
Other Grants & Contributions	4,600	7,070
Total	**4,641**	**9,786**

28. Financial Instruments Balance

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

	Long-term		**Current**	
	2016/17	**2017/18**	**2016/17**	**2017/18**
	£000	**£000**	**£000**	**£000**
Financial liabilities at amortised cost	549,476	559,482	116,013	130,893
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	**549,476**	**559,482**	**116,013**	**130,893**
Loans and receivables	6,481	4,441	67,065	59,569
Available for sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	**6,481**	**4,441**	**67,065**	**59,569**

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

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

Financial liabilities at amortised cost

Long-term

	2016/17 £000	2017/18 £000
(a) Long Term Borrowing		
Amounts still owed on loans received from external sources to acquire capital assets such as roads, buildings & equipment.		
Long Term Borrowing for repayment after 1 year	428,876	443,922
(b) Finance Lease Liability		
Amounts still owed on finance leases taken with external sources to acquire capital assets for PFI Schemes and long term finance leases for repayment after 1 year	120,600	115,560
Total Long Term Borrowing at 31 March	**549,476**	**559,482**

Current

	2016/17 £000	2017/18 £000
(c) Borrowing		
Long term borrowing for repayment within 1 year	18,087	22,182
Finance leases and PFI schemes for repayment within 1 year	4,517	6,554
Total Borrowing at 31 March	**22,604**	**28,736**

	2016/17 £000	2017/18 £000
(d) Trade Creditors	93,409	102,157

Financial Assets - Loans & Receivables

Long-term

	2016/17 £000	2017/18 £000
(a) Long-term Investments		
Long term investments with other local authorities and financial institutions	2,516	-

	2016/17 £000	2017/18 £000
(b) Long-term Advances		
Car and Bike Loans	120	80
Nottinghamshire Cricket Club	1,663	2,494
Academies	211	126
Adult Care Property Debt - Deferred Payment Scheme	1,754	1,534
Funding Circle	17	7
ARC	200	200
	3,965	**4,441**

Car and Bike Loans

The Authority has made loans for car and bike purchases to 23 employees (2016/17 35 employees) in the Authority who are in posts that require them to drive regularly on the Authority's business. These loans are not subsidised.

Car and Bike Loans Breakdown:

	2016/17	2017/18
	£000	£000
Opening balance	198	120
Advances	20	26
Repayments	(98)	(66)
Closing Balance	**120**	**80**

	2016/17	2017/18
Car Loans Breakdown:	£000	£000
One year or less	60	34
More than one year	60	46
	120	**80**

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 2016/17 and 2017/18 as required, and the interest rate is fixed at the 20 year annuity PWLB rate at the time of the legal agreement plus 2%.

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

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

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

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

The Authority has partnered with Scape Group Ltd to set up Arc Property Partnership Ltd to deliver property design and operations functions. An amount of £0.2m has been provided to Arc as a short term loan to avoid excessive overdraft costs. The interest rate is PWLB rate at the time of the loan plus 4%.

Current

(c) Temporary investments	2016/17 £000	2017/18 £000
Temporary investments with other local authorities and financial institutions	32,036	4,550

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	2016/17 £000	2017/18 £000
(d) Trade Debtors (less allowance for bad and doubtful debt)	35,029	55,019

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £0.12m (£0.12m in 2016/17) 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 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 new company is contracted to deliver property services to the Authority and the predominant place of business is Nottinghamshire. More information is available here:

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

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:

	2016/17			2017/18		
	Financial Liabilities £000	Financial Assets £000	Total £000	Financial Liabilities £000	Financial Assets £000	Total £000
Interest expense	(34,757)	-	(34,757)	(34,573)	-	(34,573)
Losses on derecognition	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Interest payable and similar charges	**(34,757)**	**-**	**(34,757)**	**(34,573)**	**-**	**(34,573)**
Interest income	-	1,061	1,061	-	1,226	1,226
Gains on derecognition	-	-	-	-	-	-
Interest and investment income	**-**	**1,061**	**1,061**	**-**	**1,226**	**1,226**

The average cost of external borrowing was 4.39% (4.54% in 2016/17).

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:

	2016/17 £000	2017/18 £000
Loan taken over from District Councils when the responsibility for services was transferred to the Authority on local government reorganisation in 1974.	1,161	1,084

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

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

- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

For long term borrowings and investments, fair values have been calculated by reference to relevant interest rates in force as at 31 March 2017 and 2018 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.

	2016/17		2017/18	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	665,489	912,972	690,375	927,099

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.

	2016/17		2017/18	
	Carrying Amount £000	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables	73,546	76,096	64,010	64,033

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 31/3/18 £000
Financial liabilities	-	-	927,099	927,099
Loans and receivables	-	-	64,033	64,033

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

Valuation techniques used to determine Fair Value

Significant Unobservable Inputs - Level 3

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

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

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

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

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

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

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

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 31/3/18 £000	**Historical experience of default**	**Historical experience adjusted for market conditions at 31/3/18**	**Estimated maximum exposure to default and uncollecta-bility £000**
Deposits with banks and financial institutions	4,544	-	-	-
Customers	26,121	0.20%	0.20%	52

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 allowance for bad and doubtful debts in order to minimise the effect of default. At the end of 2017/18 the allowance for bad and doubtful debt was £6.1 million (£6.2 million in 2016/17).

The Authority does not generally allow credit for customers, such that £12.4 million (£8.4 million in 2016/17) of the £26.1 million (£22.4 million in 2016/17) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	5,228
Three to six months	1,370
Six months to one year	1,496
More than one year	4,280
	12,374

Liquidity risk

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

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

The maturity analysis of financial liabilities is as follows:

	2016/17		2017/18	
	£000	%	£000	%
Maturity date				
Within 1 year	22,604	4.0	28,736	4.9
1 year and up to 2 years	19,243	3.4	20,142	3.4
2 years and up to 5 years	57,883	10.1	58,048	9.9
5 years and up to 10 years	88,373	15.4	90,852	15.4
10 years and up to 15 years	92,686	16.2	90,446	15.4
15 years and up to 20 years	60,419	10.6	49,123	8.4
20 years and up to 25 years	50,003	8.7	50,003	8.5
25 years and over	180,869	31.6	200,868	34.1
	572,080	**100.0**	**588,218**	**100.0**

	2016/17	2017/18
	£000	£000
Source of Borrowing		
Public Works Loan Board	336,712	356,510
External Bonds and Loans	106,282	106,281
Finance Leases related to PFI and other schemes	125,117	122,114
Salix Loan	3,969	3,313
	572,080	**588,218**

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 2018, 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 and 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 2017/18 is shown in Note 48. During 2017/18, there were no works or services commissioned from companies in which Members had an interest (2016/17 - none). Any contracts would have been entered into in full compliance with the Authority's standing orders. Grants totalling £1,883,906 were paid to 10 organisations in which 12 Members had positions on the governing body (2016/17 £2,895,109 to 8 organisations, 9 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 link: here

There are 2 Members on the board of 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 2017/18, £6,651 grant was paid to the organisation where 2 senior employees declared an interest (in 2016/17 none was made). There are 2 senior officers on the board of Via with transactions between Via and the Authority are noted below.

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

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

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

Entities Controlled or Significantly Influenced by the Authority

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

SCAPE Group Ltd - See note 28

Arc Property Partnership Ltd

	Audited 2016/17 £000	Unaudited 2017/18 £000
Revenue	21,254	35,248
Profit / (loss)	(743)	(427)
Total Assets	8,533	8,611
Total Liabilities	(11,120)	(10,880)
Equity and Reserves	(2,587)	(2,269)

The liabilities total includes £6.6m of pension liability (£6.1m 2016/17) not covered in the shareholder agreement split 50:50.

Nottinghamshire County Council had the following transactions with Arc:

	2016/17 £000	2017/18 £000
Purchases of works and services	19,069	35,125
Service Level Agreements	(140)	(428)
Other	(28)	37
Loan	200	(9)

Via East Midlands Ltd

	Audited 2016/17 £000	Unaudited 2017/18 £000
Revenue	36,293	64,554
Profit / (loss)	507	1,359
Total Assets	6,547	13,134
Total Liabilities	(6,142)	(11,748)
Equity and Reserves	405	1,386

Nottinghamshire County Council had the following transactions with Via:

	2016/17 £000	2017/18 £000
Purchases of works and services	39,472	61,555
Service Level Agreements	41	(1,441)
Other	(2,000)	(1,524)

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 2016/17 £000	Unaudited 2017/18 £000
Revenue	17,704	18,223
Profit / (loss)	345	158
Total Assets	6,616	7,788
Total Liabilities	(23,492)	(22,621)
Equity and Reserves	(16,876)	(14,833)

Nottinghamshire County Council had the following transactions with Futures:

	2016/17 £000	2017/18 £000
Grants given	2,100	1,750
Purchases of works and services	744	127

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

Culture, Learning and Libraries (Midlands), trading as Inspire, is an independent Community Benefit Society launched by the Authority. Although the Authority does not control this entity, it does exercise power due to contract volume, being lessor of most of the properties and providing some support services. However, it has been agreed that the value does not meet the Authority's group accounts materiality threshold. The total expenditure is £13.4m (£13.0m in 2016/17) and income is £1.3m (£1.9m in 2016/17). More information can be found at the link here

33. Summary Revenue Accounts of Trading Undertakings

Note		2016/17 Turnover	2016/17 Expend-iture	2016/17 Surplus/ (Deficit)	2017/18 Turnover	2017/18 Expend-iture	2017/18 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.*	45,661	46,440	(779)	35,373	37,821	(2,448)
	County Supplies *A purchasing and supply service to the Authority and some external public bodies*	4,815	5,041	(226)	4,401	4,800	(399)
	Clayfields Secure Unit *Specialist children's services to the Youth Justice Board and Local Authorities*	4,197	4,384	(187)	4,305	4,392	(87)
	Total	54,673	55,865	(1,192)	44,079	47,013	(2,934)

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

34. Movement on Usable Reserves

	2015/16 £000	Transfers Out £000	Transfers In £000	2016/17 £000	Transfers Out £000	Transfers In £000	2017/18 £000
General Fund Balance	24,017	-	3,689	27,706	-	3,164	30,870
Schools Statutory Reserves	34,380	(8,559)	215	26,036	(6,350)	233	19,919
General Insurance Reserve	11,884	-	4,401	16,285	-	4,715	21,000
Capital Receipts and Grants Unapplied Reserve	2,984	(68,904)	70,126	4,206	(59,487)	59,183	3,902
Corporate Reserves							
Earmarked Reserves	9,665	(6,608)	6,559	9,616	(6,263)	-	3,353
Capital Projects Reserve	12,088	(1,385)	2,905	13,608	(3,881)	2,791	12,518
NDR Pool Reserve	5,312	(1,368)	2,059	6,003	(1,797)	3,920	8,126
East Leake PFI Schools	3,213	-	28	3,241	(13)	7	3,235
Bassetlaw PFI Schools	304	-	265	569	-	96	665
Waste PFI Reserve	27,773	(2,209)	87	25,651	(737)	669	25,583
Corporate Pay Review Reserve	710	(710)	-	-	-	-	-
Surplus Pension Contributions	302	(118)	-	184	(37)	-	147
Corporate Redundancy Reserve	5,053	-	1,182	6,235	-	1,929	8,164
Historic Abuse Inquiry Reserve	-	-	341	341	(271)	2,700	2,770
Strategic Development Fund	7,652	(3,160)	200	4,692	(2,000)	200	2,892
Earmarked for Services Reserves							
Trading Activities	3,631	(2,355)	1,310	2,586	(1,160)	245	1,671
Departmental Reserves	11,602	(5,326)	1,612	7,888	(1,290)	5,093	11,691
Revenue Grants	17,586	(7,104)	5,462	15,944	(3,653)	4,847	17,138
Section 256 Grants	16,825	(2,241)	560	15,144	(1,367)	4,499	18,276
Total Other Earmarked Reserves	**121,716**	**(32,584)**	**22,570**	**111,702**	**(22,469)**	**26,996**	**116,229**
Total Usable Reserves	**194,981**	**(110,047)**	**101,001**	**185,935**	**(88,306)**	**94,291**	**191,920**

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 new 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.

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

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

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

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

Earmarked for Services Reserves

Trading 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**	**2016/17**	**2017/18**
		£000	**£000**
General Insurance Reserve		**16,285**	**21,000**

Insurance Account	**Note**	**2016/17**	**2017/18**
		£000	**£000**
Premiums paid		1,718	1,764
Claims made		2,329	1,699
Contribution (from)/to Provision		(1,688)	(2,340)
Contribution to Closed Fund from County Council		974	-
Miscellaneous charges		35	40
		3,368	1,163
Less charges to Departments	1	(7,524)	(7,294)
Future Liabilities of Nottm City Council Adjustment		719	581
Total Expenditure		**(3,437)**	**(5,550)**

	2016/17	**2017/18**
	£000	**£000**
External Premiums	(13)	(64)
Contribution to Closed Fund from City and County Council's	(1,274)	-
Total Income	**(1,287)**	**(64)**
Net (surplus)/deficit	**(4,724)**	**(5,614)**

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 2017/18 the overall reserve has reduced by £6.1 million to £19.9 million. Within the total reserve school accumulated balances decreased by £1.6 million to £18.4 million; of this, £1.8 million is to fund capital schemes.

The reserves also include £2.0 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	**2016/17**	**Movement in year**	**2017/18**
	£000	**£000**	**£000**
Balances held by schools	19,994	(1,598)	18,396
Non ISB Balances	6,724	(4,752)	1,972
School Loan Scheme	(682)	233	(449)
School Statutory Reserves Total	**26,036**	**(6,117)**	**19,919**

37. Unusable Reserves

	2016/17	**2017/18**
	£000	**£000**
Revaluation Reserve	143,275	244,368
Capital Adjustment Account	399,301	416,882
Financial Instruments Adjustment Account	(70)	(56)
IAS 19 Pensions Reserve	(1,248,055)	(1,138,407)
Collection Fund Adjustment Account	3,585	1,444
Deferred Capital Receipts	-	3,672
Employee Benefits Account	(14,877)	(14,197)
Total Unusable Reserves	**(716,841)**	**(486,294)**

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.

	2016/17	**2017/18**
	£000	**£000**
Balance at 1 April	**167,531**	**143,275**
Upward revaluation of assets	21,006	126,619
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(36,896)	(12,671)
Surplus/(deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(15,890)	113,948
Difference between fair value depreciation and historic cost depreciation	(1,935)	(1,706)
Accumulated gains on assets sold or scrapped	(6,431)	(11,149)
Amount written off to the Capital Adjustment Account	(8,366)	(12,855)
Balance at 31 March	**143,275**	**244,368**

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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**398,757**	**399,301**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation on non-current assets	(38,998)	(38,769)
Revaluation and Impairments on PPE	(10,634)	35,633
Amortisation of intangible assets	(2,567)	(1,997)
Revenue expenditure funded from capital under statute	(14,673)	(15,301)
Transformation funded under Capital Direction	-	(2,724)
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	(37,500)	(59,226)
	(104,372)	**(82,384)**
Adjusting amounts written out of the Revaluation Reserve	8,366	12,855
Net written out amount of the cost of non-current assets consumed in the year	**(96,006)**	**(69,529)**
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	20,865	9,831
Application of grants to capital financing from the Capital Grants Unapplied Account	62,575	56,124
Statutory provision for the financing of capital investment charged against the General Fund	8,603	5,868
Capital expenditure charged against the General Fund	6,917	6,182
	98,960	**78,005**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(1,667)	9,120
Movement in the fair value of Non Current Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	(743)	(15)
Balance at 31 March	**399,301**	**416,882**

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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**(88)**	**(70)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	18	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	18	14
Balance at 31 March	**(70)**	**(56)**

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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**(934,539)**	**(1,248,055)**
Actuarial gains / (losses) on pensions assets and liabilities	(298,509)	114,108
Other gains / (losses)	(700)	(1,292)
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	(62,773)	(54,993)
Employer's pensions contributions and direct payments to pensioners payable in the year	48,466	51,825
Balance at 31 March	**(1,248,055)**	**(1,138,407)**

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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**5,262**	**3,585**
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	(2,149)	(2,337)
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	472	196
Balance at 31 March	**3,585**	**1,444**

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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**1,755**	-
Movement in Deferred Capital Receipts held	(1,755)	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.

	2016/17 £000	2017/18 £000
Balance at 1 April	**(14,285)**	**(14,877)**
Settlement or cancellation of accrual made at the end of the preceding year	14,285	14,877
Amounts accrued at the end of the current year	(14,877)	(14,197)
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	(592)	680
Balance at 31 March	**(14,877)**	**(14,197)**

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:

	2016/17		2017/18	
	£000	£000	£000	£000
Amounts held in call accounts and money market funds		46,474		49,089
Main overdraft		(12,310)		(18,498)
School bank accounts:				
Main Authority accounts	27,101		24,793	
Other bank accounts	7,131	34,232	5,685	30,478
		68,396		**61,069**

39. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2016/17	2017/18
	£000	£000
Interest received	(1,085)	(1,193)
Interest paid	34,832	34,701

40. Cash Flow Statement - Investing Activities

	2016/17	2017/18
	£000	£000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	68,220	83,165
Purchase of short and long-term investments	162,000	3,450
Pensions Deficit Payment	-	26,139
Other payments for investing activities	1,566	1,078
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(2,798)	(3,173)
Capital Grants and contributions received	(52,187)	(54,315)
Proceeds from short-term and long-term investments	(162,002)	(33,480)
Net other receipts from investing activities	(737)	(611)
Net cash flows from investing activities	**14,062**	**22,253**

41. Cash Flow Statement - Financing Activities

	2016/17	2017/18
	£000	£000
Cash receipts of short and long-term borrowing	(11,753)	(44,857)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(851)	806
Repayments of short and long-term borrowing	11,673	25,665
Net cash flows from financing activities	**(931)**	**(18,386)**

42. Minimum Revenue Provision (MRP)

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

The amount required under the MRP regulations for 2017/18 is £5.9m (£8.6m for 2016/17) of which £4.5m (£5.5m for 2016/17) relates to repayments of the PFI and finance lease liabilities. The amount of depreciation and amortisation charged was £40.8m (£41.6m for 2016/17).

43. Audit Fees

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

	2016/17 £000	2017/18 £000
External Audit Fees	98	98
Work undertaken on Objection	-	30
Grant Claims	9	6
	107	**134**

44. Employee Remuneration

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

Pay Band		Number of Staff					
		2016/17			2017/18		
		Exc Redundancy		Inc. Redundancy	Exc Redundancy		Inc. Redundancy
		Schools	Non Schools	Total	Schools	Non Schools	Total
£170,000	£174,999	-	1	1	-	1	1
£165,000	£169,999	-	-	-	-	-	-
£160,000	£164,999	-	-	-	-	-	-
£155,000	£159,999	-	-	-	-	-	-
£150,000	£154,999	-	-	-	-	-	-
£145,000	£149,999	-	-	-	-	-	-
£140,000	£144,999	-	-	-	-	-	-
£135,000	£139,999	-	2	2	-	1	1
£130,000	£134,999	-	-	-	-	-	-
£125,000	£129,999	-	1	1	-	1	1
£120,000	£124,999	-	1	1	-	2	2
£115,000	£119,999	-	-	-	-	-	-
£110,000	£114,999	-	-	1	-	-	1
£105,000	£109,999	-	1	1	1	-	1
£100,000	£104,999	1	-	2	-	1	1
£95,000	£99,999	-	-	1	-	1	2
£90,000	£94,999	2	1	3	-	5	5
£85,000	£89,999	2	7	9	1	4	6
£80,000	£84,999	1	5	8	1	1	3
£75,000	£79,999	4	-	6	1	1	2
£70,000	£74,999	6	4	10	12	3	15
£65,000	£69,999	30	13	44	30	11	41
£60,000	£64,999	47	9	58	45	14	62
£55,000	£59,999	76	32	106	70	32	102
£50,000	£54,999	87	20	111	74	28	104
		256	**97**	**365**	**235**	**106**	**350**

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

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 (and Deputy Chief Executive)		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 19).
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.

2016/17

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

*Pension Contributions are estimated at 20.0% to account for the pensions deficit (see note 21).
1.The post of Corporate Director of Resources has the statutory responsibility of Monitoring Officer.
2.The post of Service Director (Finance, Procurement and Improvement) has the statutory responsibility of Section 151 Officer.
3.The Director of Public Health left on 30 April 2016. The salary shown includes some arrears for service in previous financial years. Their annualised salary was £102,466.
4.The incumbent Director of Public Health started on 01 May 2016. Their annualised salary is £74,371.
5.The Corporate Director of Place left in December 2016. Their annualised salary was £122,585.
6.The incumbent Corporate Director of Place started in December 2016. Their annualised salary is £122,585.

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

Payment Ranges			Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages		Total Cost of Exit Packages £	
			2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0	-	£20,000	118	58	101	26	219	84	1,196,391	620,579
£20,001	-	£40,000	13	9	42	26	55	35	1,437,391	1,003,896
£40,001	-	£60,000	3	3	7	9	10	12	485,864	595,090
£60,001	-	£80,000	-	1	3	8	3	9	196,262	616,931
£80,001	-	£100,000	1	-	3	4	4	4	351,489	347,993
£100,001	-	£150,000	-	-	1	3	1	3	116,818	358,145
£150,001	-	£200,000	-	-	-	2	-	2	-	333,312
			135	**71**	**157**	**78**	**292**	**149**	**3,784,215**	**3,875,946**

45. 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 2017/18 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2017/18 before Academy recoupment			561,727
Academy figure recouped for 2017/18			(262,043)
Total DSG after Academy recoupment for 2017/18			299,684
Brought Forward 2016/17			6,724
Carry Forward to 2018/19 agreed in advance			-
Agreed initial budgeted distribution for 2017/18	**52,263**	**254,145**	**306,408**

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
In year adjustments	(10,063)	10,617	554
Final budgeted distribution for 2017/18	42,200	264,762	306,962
Actual central expenditure	(40,228)	-	(40,228)
Actual ISB deployed to schools	-	(264,762)	(264,762)
Plus Local Authority contribution for 2017/18	-	-	-
Carried forward to 2018/19	**1,972**	**-**	**1,972**

46. Pooled Budgets

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

Integrated Community Equipment Loan Service (ICELS) - Nottinghamshire

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

Pooled Budgets Memo Account	2016/17 £000	2017/18 £000
Net (surplus) / deficit brought forward	**(110)**	**(529)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(1,527)	(1,504)
Nottinghamshire County Council CYP	(249)	(253)
Nottingham City Council	(1,111)	(985)
Bassetlaw CCG	(477)	(449)
Nottinghamshire County CCGs	(2,937)	(2,630)
Nottingham City CCG	(1,154)	(1,097)
Continuing Healthcare Specialist Equipment	(210)	(185)
Other	(82)	(19)
Total Funding	**(7,747)**	**(7,122)**

Expenditure met from the pooled budget:	2016/17 £000	2017/18 £000
Partnership Management and Administration Costs	615	643
Contract Management Fee	1,264	1,361
Continuing Healthcare Specialist Equipment	252	114
Equipment	4,985	5,047
Minor Adaptations	209	298
Direct Payments	3	-
Total Expenditure	**7,328**	**7,463**
Net (surplus) / deficit carried forward	**(529)**	**(188)**

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 2017/18, the Nottinghamshire Clinical Commissioning Groups contributed the values in the table below towards creation of a BCF pooled budget in Nottinghamshire of £57.5m (£56.1m in 2016/17).

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 new element of the BCF is to be paid directly to Local Authorities. Further information is reported to MHCLG and can be found here

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	**2016/17 £000**	**2017/18 £000**
Net (surplus) / deficit brought forward	**(1,672)**	**(3,364)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(5,475)	(5,958)
Bassetlaw CCG	(7,554)	(7,690)
Mansfield & Ashfield CCG	(12,597)	(12,815)
Newark & Sherwood CCG	(8,020)	(8,146)
Nottingham North & East CCGs	(9,244)	(9,409)
Nottingham West CCG	(6,266)	(6,378)
Rushcliffe CCG	(6,974)	(7,099)
iBCF	-	(16,061)
Total Funding	**(56,130)**	**(73,556)**

Expenditure met from the pooled budget:	**2016/17 £000**	**2017/18 £000**
Nottinghamshire County Council ASC&PH	23,972	26,191
Bassetlaw CCG	4,680	4,763
Mansfield & Ashfield CCG	7,797	7,929
Newark & Sherwood CCG	5,106	5,180
Nottingham North & East CCGs	5,355	5,711
Nottingham West CCG	3,417	3,615
Rushcliffe CCG	4,026	4,331
iBCF (various projects)	-	16,061
Returned to CCGs (prior year underspend)	85	-
Total Expenditure	**54,438**	**73,781**
Net (surplus) / deficit carried forward	**(3,364)**	**(3,139)**

47. Termination Benefits

The Authority terminated the contracts of a number of employees in 2017/18, with a net value of £3.6 million (£2.5 million in 2016/17). These figures include accounting entries required by The Code.

48. Members Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,490,353 (£1,433,507 in 2016/17). In addition to this, Members were reimbursed a total of £60,277 (£68,733 in 2016/17) for expenses incurred on Authority business.

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

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

	2016/17		2017/18	
	£000	£000	£000	£000
	Expenditure	Income	Expenditure	Income
Administration and Professional Services				
NHS Trusts	61,070	(61,070)	66,144	(66,144)
Other Authorities	4,192	(4,192)	5,464	(5,464)
Schools and Colleges	64	(64)	71	(71)
Maintenance works				
Other Authorities	166	(166)	170	(170)
Schools and Colleges	21	(21)	29	(29)
	65,513	**(65,513)**	**71,878**	**(71,878)**

50. Section 137 of the Local Government Act 1972

Local authorities are empowered by Section 137 of the Local Government Act 1972, as amended, to make contributions to certain charitable funds, not for profit bodies providing a public service and mayoral appeals. During 2017/18 these powers were not used.

51. Publicity Work

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

	2016/17 £000	2017/18 £000
Advertising for staff	351	297
Other advertising, including education courses	611	395
Public Relations - salaries and running costs	1,332	1,133
Other publicity expenditure	73	250
	2,367	**2,075**
As a percentage of gross expenditure (cost of services)	0.21%	0.19%

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 2017/18 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	2016/17 £000	2017/18 £000
Contributions	4		
Employer contributions		(135,650)	(193,459)
Member contributions		(43,495)	(45,176)
		(179,145)	**(238,635)**
Transfers in from other pension funds		(4,068)	(9,813)
Benefits	5		
Pensions		146,132	153,122
Commutation of pensions and lump sum retirement benefits		31,093	27,700
Lump sum death benefits		4,726	4,741
		181,951	**185,563**
Payments to and on account of leavers		14,746	16,713
Administration expenses	6	1,703	1,953
Net (additions)/withdrawals from dealings with members		**15,187**	**(44,219)**
Oversight and governance expenses	7	806	488
Investment Income	8	(142,281)	(149,816)
Profits & losses on disposal of investments & changes in value		(744,384)	(51,189)
Taxes on income		593	620
Investment management expenses	9	4,381	4,895
Net Returns on Investments		**(881,691)**	**(195,490)**
Net (increase)/decrease in net assets available for benefits during the year		**(865,698)**	**(239,221)**
Opening net assets of the Fund		4,066,670	4,932,368
Net assets available to fund benefits		**4,932,368**	**5,171,589**

There were no group transfers to or from the scheme during the year.

NET ASSETS STATEMENT FOR THE YEAR ENDED

	Notes	31 March 2017 £000	31 March 2018 £000
Investment Assets	10 & 14		
Fixed Interest Securities		745,298	716,004
Equities		1,998,629	2,032,516
Pooled Investment Vehicles		1,681,780	1,807,298
Property		367,175	438,470
Forward Foreign Exchange		-	103
Cash deposits		102,267	146,032
Other Investment Balances	12	34,094	31,062
Investment liabilities	12	(3,289)	(3,772)
		4,925,954	**5,167,713**
Current assets	13	10,614	11,773
Current liabilities	13	(4,200)	(7,897)
		6,414	**3,876**
Net assets of the fund available to pay benefits at the year end		**4,932,368**	**5,171,589**

The actuarial present value of promised retirement benefits, as required by the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* , 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 2017/18* (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 Accounting Standards (IAS). Disclosures in the Pension Fund accounts have been limited to those required by the Code.

(b) Debtors and Creditors

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

(c) Investments

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

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

- Equities traded through a stock exchange are valued at the latest quoted price. Where more than one price is quoted the 'bid' price is used.

- Unit Trusts and managed funds are valued at the closing single price or the bid price where applicable. These reflect the market value of the underlying investments.

- Unquoted securities and pooled private equity investments are valued at fair value by the fund managers at the year end in accordance with industry accepted guidelines.

- The market value of fixed interest investments is based on the 'clean price', i.e. excludes income accrued at 31 March but not yet due for payment.

- Property investments are stated at open market value based on a quarterly independent valuation at the Net Assets Statement date.

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

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

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

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

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

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

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

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

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

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

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

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

2. Operation of the fund

(a) Contributions and Solvency

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

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

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

(b) Actuarial Valuations

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

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

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

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

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

A number of employers have 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 2016		**31 March 2017**		**31 March 2018**	
	% pa	**Real % pa**	**% pa**	**Real % pa**	**% pa**	**Real % pa**
RPI Increases	3.3	-	3.6	-	3.3	-
CPI increases	2.4	(0.9)	2.7	(0.9)	2.3	(0.9)
Salary Increases	4.2	0.9	4.2	0.6	3.8	0.5
Pension Increases	2.4	(0.9)	2.7	(0.9)	2.3	(0.9)
Discount Rate	3.7	0.4	2.8	(0.8)	2.6	(0.8)

The net liability under IAS 19 is shown below.

	31 March 2016 £000	**31 March 2017 £000**	**31 March 2018 £000**
Present value of funded obligation	6,665,990	8,332,963	8,442,517
Fair value of scheme assets	4,034,292	4,895,150	5,132,636
Net Liability	**2,631,698**	**3,437,813**	**3,309,881**

The present value of funded obligation consists of £8,147.4 million in respect of vested obligation and £295.1 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 purposes under UK pensions legislation.

(d) Investment Strategy

The investment strategy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The 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 2017/18 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 KPMG LLP for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2017/18 is £29,926 (£33,442 for 2016/17).

3. Contributors and Pensioners

	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

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

4. Analysis of Contributions

	Employers		Members		Total	
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
County Council	39,984	70,101	11,937	11,894	51,921	81,995
Scheduled Bodies	88,994	116,383	29,192	30,713	118,186	147,096
Admitted Bodies	6,672	6,975	2,366	2,569	9,038	9,544
	135,650	**193,459**	**43,495**	**45,176**	**179,145**	**238,635**

5. Analysis of Benefits

	2016/17 £000	2017/18 £000
Pensions	146,132	153,122
Commutation and lump sum	31,093	27,700
Lump sum death benefits	4,726	4,741
	181,951	**185,563**
Comprising of:		
County Council	71,648	71,902
Scheduled Bodies	99,843	105,158
Admitted Bodies	10,460	8,503
	181,951	**185,563**

6. Payments to and on Account of Leavers

	2016/17 £000	2017/18 £000
Refunds to members leaving the fund	405	484
Payments for members joining state scheme	137	59
Group transfers to other funds	-	-
Individual transfers to other funds	14,204	16,170
	14,746	**16,713**

7. Administration Expenses

	2016/17 £000	2017/18 £000
Printing and stationery	14	8
Legal fees	16	6
Other external fees	36	313
Administering Authority Costs	1,637	1,626
	1,703	**1,953**

8. Oversight and Governance Expenses

	2016/17 £000	2017/18 £000
Training and conferences	14	10
Printing and stationery	1	1
Subscriptions and membership fees	43	42
Actuarial fees	66	23
Audit fees	33	30
Legal fees	11	3
Other external fees	238	(28)
Administering Authority Costs	400	407
	806	**488**

9. Investment Income

Analysis by type of investment	2016/17 £000	2017/18 £000
Interest from fixed interest securities	(19,796)	(31,194)
Income from index-linked securities	-	-
Dividends from equities	(72,747)	(67,735)
Income from pooled investment vehicles	(23,888)	(27,049)
Income from property pooled vehicles	(7,201)	(4,971)
Net rents from property	(16,048)	(16,950)
Interest on cash deposits	(813)	(580)
Other	(1,788)	(1,337)
	(142,281)	**(149,816)**

	2016/17 £000	2017/18 £000
Directly held property		
Rental income	(17,746)	(18,810)
Less operating expenses	1,698	1,860
Net rents from property	**(16,048)**	**(16,950)**

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

	2016/17 £000	2017/18 £000
Within one year	16,974	18,890
Between one and five years	61,717	71,609
Later than five years	170,303	203,342
Future lease payments due under existing contracts	**248,994**	**293,841**

10. Investment Management Expenses

	2016/17 £000	2017/18 £000
Custody fees	377	352
Investment management fees	3,823	4,365
Other external fees	160	160
Administering Authority Costs	18	18
Legal fees	3	-
	4,381	**4,895**

The investment management fees shown above are those fees attributable to external managers and charged directly to the Fund. Additional fees and charges are incurred through pooled investment vehicles. These have the effect of reducing the fair value of the investments. The estimated embedded costs within pooled investment vehicles were £10.5 million in 2017/18 (£10.6 million in 2016/17).

11. Investments

(a) **Investment Analysis**	**31 March 2017 £000**	**31 March 2018 £000**
Fixed Interest Securities		
UK Public Sector	155,841	125,381
UK Other	576,684	564,823
Overseas Other	12,773	25,800
Equities		
UK	1,177,651	1,188,878
Overseas	815,967	836,114
Unlisted	5,011	7,524
Pooled Investment Vehicles		
Unit Trusts	711,405	761,045
Other Managed Funds	766,303	793,502
Pooled Vehicles Invested in Property		
Property Unit Trusts	115,737	152,051
Other Managed Funds	88,335	100,700
Property	367,175	438,470
Forward Foreign Exchange	-	103
Cash and Currency	102,267	146,032
Investment Liabilities	-	-
Total Investments	**4,895,149**	**5,140,423**

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 2017 £000	**31 March 2018 £000**
Market Value	4,895,149	5,140,423
Original Value	3,337,794	3,719,836
Excess/(Deficit) of Market Value over Original Value	**1,557,355**	**1,420,587**

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

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

No investments have been made contrary to these limits.

(b) Reconciliation of Opening and Closing Values of Investments 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**

Reconciliation of Opening and Closing Values of Investments 2016/17

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

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 £3.9 million in 2017/18 (£2.8 million in 2016/17). 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 2017 £000		31 March 2018 £000	
In-house	1,552,181	31.6%	1,489,164	29.0%
Schroder Investment Management	1,375,020	28.2%	1,409,787	27.4%
Kames Capital	755,278	15.4%	741,001	14.4%
Aberdeen Property Investors	379,860	7.8%	452,933	8.8%
Specialist	832,810	17.0%	1,047,538	20.4%
Total	**4,895,149**	**100.0%**	**5,140,423**	**100.0%**

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

	31 March 2017 £000	31 March 2018 £000
In-house		
Legal & General	332,354	315,215
Specialist		
Kames Capital	157,879	189,494
RWC Capital	204,874	244,347
Aberdeen Standard	81,843	97,525

(d) Asset Allocation

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

	31 March 2017 £000		31 March 2018 £000	
UK Fixed Interest	732,525	15.0%	690,204	13.4%
Overseas Fixed Interest	12,773	0.3%	25,800	0.5%
UK Equities	1,294,167	26.4%	1,227,158	23.9%
Overseas Equities:				
US	888,602	18.2%	857,461	16.7%
Europe	388,945	7.9%	469,744	9.1%
Japan	194,767	4.0%	257,278	5.0%
Pacific Basin	135,346	2.8%	136,352	2.7%
Emerging Markets	252,095	5.1%	246,446	4.8%
UK Property	495,597	10.1%	611,444	11.9%
Overseas Property	75,650	1.5%	79,777	1.6%
Private Equity	83,402	1.7%	94,394	1.8%
Infrastructure	118,219	2.4%	169,219	3.3%
Multi-Asset	120,794	2.5%	129,011	2.5%
Forward Foreign Exchange	-	-	103	-
Cash	102,267	2.1%	146,032	2.8%
Total	**4,895,149**	**100.0%**	**5,140,423**	**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 2017 £000	31 March 2018 £000
Freehold	350,775	406,370
Leasehold more than 50 years	16,400	32,100
	367,175	**438,470**
Original Value	302,860	351,889

Details of movement on directly owned properties is as follow.

	31 March 2017 £000	31 March 2018 £000
Opening balance	**343,314**	**367,175**
Additions:		
Purchases	24,353	45,973
New construction	5,246	13157.0
Subsequent expenditure	211	913
Disposals	(13,725)	(8,031)
Net increase in market value	7,776	19,283
Other changes in fair value	-	-
Closing balance	**367,175**	**438,470**

(f) Analysis of Pooled Investment Vehicles

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

	31 March 2017 £000	31 March 2018 £000
UK Equities	168,846	110,937
Overseas Equities:		
US	420,577	399,306
Europe	101,558	163,553
Japan	134,213	185,510
Pacific Basin	135,346	136,352
Emerging Markets	224,745	215,828
UK Property	128,422	172,974
Overseas Property	75,650	79,777
Private Equity	78,390	86,871
Infrastructure	93,239	127,179
Multi-Asset	120,794	129,011
Total	**1,681,780**	**1,807,298**

(g) Private Equity and Infrastructure Funds

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

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

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 2018 were £141.4 million (£141.5 million at 31 March 2017). Of the funds above, the following were new commitments made during 2017/18:

	Currency	Commitment
		millions
Equitix Fund IV LP	GBP	20
Hermes GPE Infrastructure II LP	GBP	25

(h) Analysis of derivatives

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**	

Open Forward Foreign Exchange contracts at 31 March 2017

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

12. Contingent Liabilities

The fund has 33 private equity and infrastructure funds which have undrawn commitments as at 31 March 2018 of £141.4 million (£141.5 million at 31 March 2017).

13. Other Investment Balances and Liabilities

	31 March 2017 £000	31 March 2018 £000
Other investment balances		
Outstanding investment transactions	-	-
Investment income	34,094	31,062
	34,094	**31,062**
Investment Liabilities		
Outstanding investment transactions	(325)	(230)
Investment income	(2,964)	(3,542)
	(3,289)	**(3,772)**

14. Current Assets and Liabilities

	31 March 2017 £000	31 March 2018 £000
Current assets		
Contributions due from employers	9,521	10,010
Other	1,093	1,763
	10,614	**11,773**
Current Liabilities		
Payments in advance	-	-
Sundry creditors	(4,000)	(7,553)
Other	(200)	(344)
	(4,200)	**(7,897)**

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 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**

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

No financial assets were reclassified during the accounting period.

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

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

Level 1	Fair values derived from quoted market price. - this includes all quoted equity, fixed interest and index linked instruments.
Level 2	Fair values derived from valuation techniques based significantly on observable inputs. - this includes all pooled property investments.
Level 3	Fair values derived from valuation techniques where at least one significant input is not based on observable market data. - this includes unlisted shares and investments in private equity funds. - following guidance from IFRS13 Property is included in level 3 from 2016/17

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**

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

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 2017.

	Assessed valuation range (+/-)	Value at 31 March 2018 £000	Value on increase £000	Value on decrease £000
Freehold and leasehold property	5%	438,470	460,394	416,547
Private equity and unlisted shares	15.0%	101918.0	117,206	86,630
Total		**540,388**	**577,600**	**503,177**

(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)	8,279,564	8,442,517	8,608,840

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.

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 2017 £000	31 March 2018 £000
Prudential	34,085	34,088
Scottish Widows	4,261	4,300
	38,346	**38,388**

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 potential effect of the relationship on the financial statements.

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

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

No services were provided by LGPS Central Ltd during 2017/18 as operation only commenced in April 2018.

£1,315,000 has been invested in share capital and £685,000 in a loan to LGPS Central during the year. These are the balances at year end.

£400,664 has been spent on setting up LGPS Central during the year. These costs were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £499,260 is due to be refunded to Nottinghamshire Pension Fund by LGPS Central 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.
ASC&PH	Department for Adult Social Care and Public Health
Amortisation	The process of charging asset consumption in relation to Intangible Assets to the Comprehensive Income & Expenditure Statement over a suitable period of time.
Balance Sheet	The accounting statement which sets out the Council's total net assets and how they were financed.
Budget	The Council's statement of spending plans and policies for a financial year, expressed in financial terms.
Capital Adjustment Account (CAA)	This account absorbs the timing differences between the consumption of non-current assets and the financing arrangements in respect of their acquisition, creation or enhancement throughout their useful life.
Capital Financing Requirement (CFR)	The Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.
Capital Grants Receipts in Advance	Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable unless conditions apply to the grant/contribution. In which case the grant/contribution is classified as capital grants receipts in advance on the balance sheet.
Carbon Reduction Commitment Efficiency Scheme (CRC)	The CRC Efficiency Scheme is a mandatory scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations.
CIPFA	Chartered Institute of Public Finance and Accountancy
CYP	The Children and Young People's Committee, served by the Department for Children and Families
Clinical Commissioning Groups (CCG)	The Clinical Commissioning Groups took over from Primary Care Trusts (PCT) with effect from 1 April 2013.
Comprehensive Income and Expenditure Statement (CI&ES)	Consolidates all the gains and losses experienced during the financial year.

Community Assets	Assets such as historical structures and artefacts that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.
Creditors	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.
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.
MHCLG	Ministry of Housing, Communities and Local Government.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.
NNDR	National Non-Domestic Rate.
PFI	Private Finance Initiative.
PPE	Property, Plant and Equipment.
Precept Income	County Councils obtain part of their income from precepts levied on the District Councils in their area. Precepts, based on the 'Council Tax bases' of the District Councils, are levied on each District's 'collection fund'.
PWLB	Public Works Loans Board.
Provisions	Sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise. The sums set aside are charged to the appropriate service revenue accounts.
Reserves	Sums of money set aside to cover future eventualities. The sums set aside are charged to the General Fund and not to service revenue accounts.
Revaluation Reserve	Represents the difference between the revalued amount of Property, Plant and Equipment as shown in the accounts and the historic cost.
Revenue Expenditure Financed from Capital Under Statute (REFfCUS)	Legislation permits certain expenditure to be funded by capital resources even though no fixed asset is carried on the Balance Sheet. Examples include works on property not owned by the Authority and grants provided for economic development purposes.