NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL FINANCIAL REPORT 2020/21

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NARRATIVE REPORT

Introduction

1. The Authority's Statement of Accounts for the year 2020/21 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 2020/21 (the Code) issued by CIPFA. The statements also comply with appropriate guidance notes issued by CIPFA covering International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations of the Standing Interpretations Committee (SIC) and IFRS Interpretations Committee (IFRIC) as they apply to Local Authorities.

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

   - Understand the overarching financial position of the Authority and the outturn for 2020/21;
   - Have confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner; and
   - Be assured that the financial position of the Authority is sound and secure.

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

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

4. **Annual Governance Statement**
   Alongside the Statement of Accounts, the Authority publishes an Annual Governance Statement which sets out the Authority's responsibility for internal control and describes both the purpose of internal control and the internal control environment. The Statement also summarises the Authority's review of the effectiveness of internal control and highlights significant internal control issues and the actions to be taken in order to address these. The 2020/21 Statement was reported to Governance and Ethics Committee on 23 June 2021.

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

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

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

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

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

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

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

COVID19 Pandemic

12. The COVID19 pandemic has had a considerable impact on the Authority. A large number of services, resources, functions, plans and programmes have been re- and de-prioritised as the Authority has had to respond to a rapidly changing and fluid situation that has included the regular provision of new guidance and legislation.

Additional costs and lost income directly associated with the crisis in 2020/21 were in the region of £83m and the Authority has managed to deal with this through a combination of Central Government support, expenditure controls and re-prioritisation of discretionary spend.

It is important to note that considerable uncertainty remains regarding aspects of the pandemic and, as such, the situation will continue to be monitored closely. In particular, information continues to be developed regarding significant risk areas in the Authority's budget including Home to School Transport, Looked After Children (LAC) and Adult Social Care and Health services. It is expected that the financial impact of the pandemic will continue to be felt for several years and the Authority's Medium-Term Financial Strategy will be adjusted accordingly.

Despite the COVID19 pandemic, the financial position of the County Council has continued to be monitored throughout the financial year, with monthly reports to the Corporate Leadership Team and the Finance and Major Contracts Management

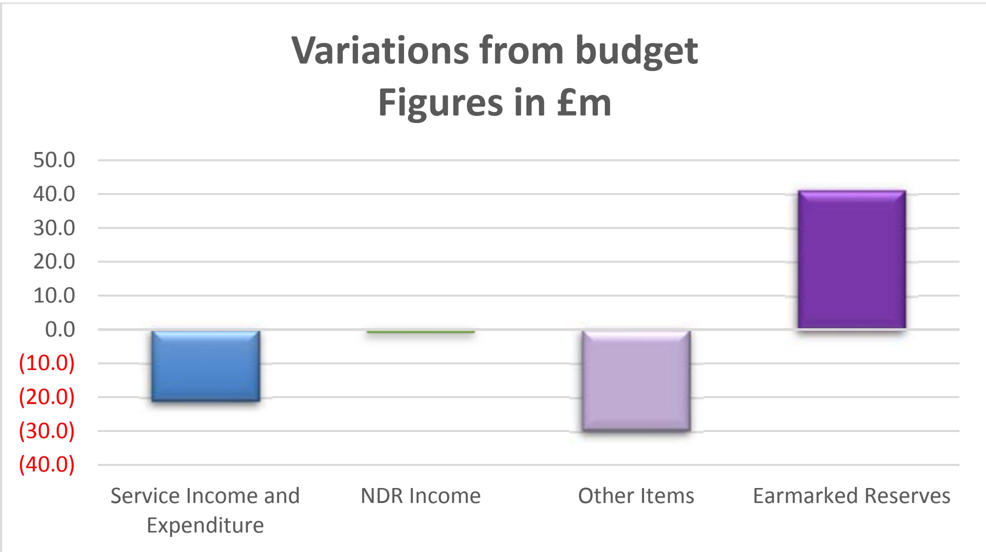
Committee providing an update of progress, thus ensuring decision makers had access to financial information on a timely basis.

Revenue Expenditure

13. The budget estimated that there would be a £0.6 million contribution from General Fund balances. The final management accounts show that the final contribution was £10.2m to reserves.

	Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	(389.1)	(389.1)	-
Non Domestic Rate Income	(116.4)	(117.3)	(0.9)
Revenue Support Grant	(7.1)	(7.1)	-
	(512.6)	(513.5)	(0.9)
NET EXPENDITURE (inc appropriations)	**513.2**	**503.3**	**(9.9)**
Contribution to/(from) General Fund Balances	**(0.6)**	**10.2**	**10.8**

The main variations to net expenditure were:



As shown above, service areas underspent by £20m, mainly as a result of reductions in the cost of long and short term residential and nursing care. This was due to many of the costs being covered by specific Government grants and contributions from Health during the pandemic. The Other items variation mainly relates to general COVID 19 grants received from Government which have been carried forward to cover on going additional costs. Earmarked Reserves have increased more than budget as a result of the carry forward. Full details of these and other variations are set out in the Draft Management Accounts report to Finance Committee on 28 June 2021.

14. The Authority’s Medium-Term Financial Strategy (MTFS) has identified the need for further significant savings. Budget savings of £1.9 million were approved in February 2021 with a further £47.7 million required by 2024/25. All savings are monitored with a status update included in the monthly report to Finance Committee.

Capital Expenditure and Financing

15. The Authority's capital expenditure in 2020/21 was £104.2 million. In addition, capital expenditure of £2.5m was incurred at schools and £0.5m on the Waste PFI scheme. The external capital financing costs amounted to £34.5 million, which included interest on PFI schemes.

16. The Authority’s borrowings, used to finance the past acquisitions of assets, were £624.0 million at 31 March 2021. This includes long term borrowings, loans to be repaid within one year, deferred liabilities and finance leases related to PFI schemes. The Authority makes use of financial instruments called Lenders' Option Borrowers' Option (LOBOs) which offered attractive borrowing rates of interest as well as greater flexibility. At 31 March 2021 the amount owed on these types of borrowings was £60.0 million.

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

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

Further details of all PFI contracts are set out in Note 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 833,400. The total population of Nottinghamshire is expected to increase by around 75,000 over the next 13 years to 2034 and will then total approximately 908,000.

- The population of Nottinghamshire is slightly older than the national average, with 21% aged 65+ in 2020 compared with 18.5% in England and this is due to continue over the next 13 years with the number of 65-84 year olds increasing by 25% to reach 192,000 by 2034. As people live longer, they are more likely to experience disability and life limiting long-term illnesses.

- The health of the average person in Nottinghamshire has improved greatly over the last fifty years with people now living longer and healthier lives. We are lucky to live in a period when life expectancy at birth has increased to 79.6 years for men and 82.7 years for women and the average Nottinghamshire resident is expected to live in good health until the age of almost 63 which is more than 75% of their lives.

- It is anticipated that the number of older people in Nottinghamshire who will in future live alone will increase by 26% by 2030 and our ageing 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 2020 annual earnings of full-time workers in Nottinghamshire at £30,000 are below the UK level of £31,461, house prices, as quoted in the House Price Index, are much more affordable with the average house price in Nottinghamshire in 2020 (December) being £194,900 compared to £250,000 in the UK.

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

- Important visitor hubs include Rufford Abbey, the National Civil War Centre in Newark, Sherwood Forest and Holme Pierrepont Country Park. 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 Authority's capacity to respond to emergencies in the community and for internal resilience to the effects of significant business interruptions. The RSEMB is chaired by the Service Director for Place and Communities and comprises of departmental representatives plus specialist officers from emergency planning, health and safety, risk and insurance, facilities management, property and ICT.

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

Environmental

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
- Continue our investment in LED street lighting, renewable energy and energy efficiency measures across the corporate estate and schools to reduce energy use and cut carbon dioxide emissions.

People

22. The Authority is the largest employer in the County with a headcount of 5,318 directly employed permanent and temporary staff, as at April 2020.

23. Detailed workforce profile information is produced annually by the Authority and the most recent published information was presented to Personnel Committee on 16 September 2020.

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.

Following the May 2021 Local Election, the Authority's new administration will be presenting the new County Council vision for approval at a forthcoming Full Council meeting.

Performance

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

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

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 2020/21 include:

    - Our ambition is to make Nottinghamshire a place where as many people as possible are healthy and happy as they grow older. At the end of 20/21, 85% of older people were still living at home after discharge from hospital into reablement/rehabilitation services. This is higher than the most recently published national average of 82% and has improved over the past 2 years; the equivalent figure at the end of 18/19 was 78%. Additionally, 39% of adults supported in the community receive support in the form of a direct payment, higher than the most recent national average of 27.9%. This enables people to choose and purchase the services they feel they need, giving them more independence and control over their own lives.

- We want Nottinghamshire to be a great place to bring up a family so that children get the best possible start in life. We work in partnership with schools and educators so that more Nottinghamshire pupils (51.2%) achieved a strong pass in both GCSE English and mathematics (grade 9-5) in 2020.

- We promote the conditions that will help businesses thrive and prosper. As a Council we continue to support businesses by ensuring that the vast majority of undisputed supplier invoices are paid on time.

- The digital age is rapidly transforming the way we live, do business and spend our leisure time. We are reflecting this by continuing to introduce new technology with more of our services, managers and leadership teams now able to receive bespoke business intelligence (BI) and analysis as the Council continues to implement its BI Strategy.

28. The Authority has also identified a number of key challenges and pressures that may affect performance over 2021/22 and will seek to assess and proactively manage these through the coming year.

Summary

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

The COVID19 pandemic has had a profound impact on all aspects of life in Nottinghamshire, however the Authority will continue to respond to this and other changes and will deliver the savings required to meet the budget requirements.

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

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 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;

have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Service Director - Finance, Infrastructure & Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Service Director - Finance, Infrastructure & Improvement with respect to going concern are described in the 'Responsibilities of the Authority, the Service Director - Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements' section of this report.

Other information

The Service Director - Finance, Infrastructure & Improvement is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application 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 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Service Director - Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director - Finance, Infrastructure & Improvement. The Service Director - Finance, Infrastructure & Improvement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Service Director - Finance, Infrastructure & Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director - Finance, Infrastructure & Improvement is responsible for 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 unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Governance and Ethics Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

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 an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, and the Local Government Act 1972.

We enquired of senior officers and the Governance and Ethics Committee, concerning the Authority’s policies and procedures relating to:

the identification, evaluation and compliance with laws and regulations;

the detection and response to the risks of fraud; and

the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Governance and Ethics committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected, or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, misstatement of significant estimates due to fraud and related party transactions. We determined that the principal risks were in relation to:

The use of journal entries.

Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias.

Related party transactions undertaken outside the normal course of business.

Our audit procedures involved:

evaluation of the design effectiveness of controls that the Service Director - Finance, Infrastructure & Improvement has in place to prevent and detect fraud;

journal entry testing, with a focus on manual postings; entries containing key words or blank descriptions; entries posted by unusual or inappropriate posters; entries which were self-approved.

challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations;

assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.
Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation knowledge of the local government sector understanding of the legal and regulatory requirements specific to the Authority including:

the provisions of the applicable legislation

guidance issued by CIPFA, LASAAC and SOLACE

the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

the Authority’s operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

Matter on which we are required to report by exception – the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Nottinghamshire County Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

John Gregory, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date: 08 November 2021

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Service Director - Finance, Infrastructure & Improvement) has responsibility for the administration of those affairs;

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

- Approve the Statement of Accounts.

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

The Service Director (Finance, Infrastructure & Improvement) is responsible for the preparation of the Authority's Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code").

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

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the Code;

- kept proper accounting records which were up to date;

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

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.

Nigel Stevenson
Service Director (Finance, Infrastructure & Improvement & Section 151 Officer)
09 July 2021

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

Governance and Ethics Committee, at the meeting held on 30 September 2021, approved that the Statement of Accounts 2020/21 would be approved by the Section 151 Officer in consultation with the Chairman of the Governance and Ethics Committee.

I, as Section 151 Officer, am satisfied with the position set out in the Statement of Accounts. Following consultation with the Chairman of the Governance and Ethics, 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.

Signed

Nigel Stevenson
(Finance Director – Finance, Infrastructure and Improvement & Section 151 Officer).

08 November 2021

Signed

Councillor Philip Owen
Chairman of the Governance and Ethics Committee
08 November 2021

STATEMENT OF ACCOUNTING POLICIES

1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 are primarily based on the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, which is based on 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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-minimis levels for 2020/21 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	£10,000
Other assets	£10,000

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 – historical cost (depreciated where appropriate)
- 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). Where no market exists to allow a valuation on an EUV basis (e.g. schools), the Depreciated Replacement Cost method (DRC) is used. This is the sum of the fair value for the existing use of the land and the current gross replacement cost of the building, less allowances for physical deterioration, obsolescence and optimisation.
- 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 participant's 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 2021 issued by Mr N Gamble MRICS, Group Manager – Property Asset Management from the Authority's Place Department on 13 July 2021. 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-minimis of £0.5 million. For the 2020/21 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 Initiatives (PFI) and Similar Contracts

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

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Bassetlaw Schools PFI scheme and

East Leake Schools PFI scheme, the liability was written down by initial capital contributions of £9.0 million and £2.9 million respectively.

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

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

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

12. Heritage Assets

Tangible and Intangible Heritage Assets

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment.

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

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 Properties

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 2021 for the 2020/21 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include changes 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 Other Operating Income and Expenditure
    - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

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

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

Discretionary Benefits

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

16. Cash and Cash Equivalents

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

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

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

17. Financial Instruments

Financial Liabilities

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

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

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

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

20. Interests in Companies and Other Entities

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

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. 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.

23. 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 2021.

24. 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.

25. 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.

26. 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.

27. 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.

Movement in Reserves Statement 2020/21

	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 2020	**192,020**	**1,682**	**193,702**	**(529,575)**	**(335,873)**
Movement in Reserves during 2020/21					
Total Comprehensive Income and Expenditure	22,186	-	22,186	(337,682)	(315,496)
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	42,719	-	42,719	(42,719)	-
Financial Instruments	(73)	-	(73)	73	-
Collection Fund Adjustments (Council Tax and NNDR)	(3,861)	-	(3,861)	3,861	-
Employee Benefits	(5,331)	-	(5,331)	5,331	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	80,517	-	80,517	(80,517)	-
Total Adjustments to Revenue Resources	**113,971**	**-**	**113,971**	**(113,971)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(18,196)	-	(18,196)	18,196	-
Capital Expenditure Charged in the year to the General Fund	(4,839)	-	(4,839)	4,839	-
Total Adjustments between Revenue and Capital Resources	**(23,035)**	**-**	**(23,035)**	**23,035**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(64,780)	64,780	-	-	-
Application of grants to capital financing transferred to CAA	-	(63,574)	(63,574)	63,574	-
Movement in deferred Capital Receipts	(1,891)	-	(1,891)	1,891	-
Total Adjustments to Capital Resources	**(66,671)**	**1,206**	**(65,465)**	**65,465**	**-**
Total Adjustments between Accounting Basis and Funding Basis under Statutory Provisions	**24,265**	**1,206**	**25,471**	**(25,471)**	**-**
Increase or (Decrease) in 2020/21	**46,451**	**1,206**	**47,657**	**(363,153)**	**(315,496)**
Balance at 31 March 2021	**238,471**	**2,888**	**241,359**	**(892,728)**	**(651,369)**

Movement in Reserves Statement 2019/20

	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 2019	**182,496**	**8,764**	**191,260**	**(480,482)**	**(289,222)**
Movement in Reserves during 2019/20					
Total Comprehensive Income and Expenditure	(66,745)	(1)	(66,746)	20,095	(46,651)
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	51,387	-	51,387	(51,387)	-
Financial Instruments	(47)	-	(47)	47	-
Collection Fund Adjustments (Council Tax and NNDR)	(1,694)	-	(1,694)	1,694	-
Employee Benefits	4,841	-	4,841	(4,841)	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	73,318	-	73,318	(73,318)	-
Total Adjustments to Revenue Resources	**127,805**	**-**	**127,805**	**(127,805)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(9,753)	-	(9,753)	9,753	-
Capital Expenditure Charged in the year to the General Fund	(5,518)	-	(5,518)	5,518	-
Total Adjustments between Revenue and Capital Resources	**(15,271)**	**-**	**(15,271)**	**15,271**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(36,265)	36,265	-	-	-
Application of grants to capital financing transferred to CAA	-	(43,346)	(43,346)	43,346	-
Movement in deferred Capital Receipts	-	-	-	-	-
Total Adjustments to Capital Resources	**(36,265)**	**(7,081)**	**(43,346)**	**43,346**	**-**
Total Adjustments between Accounting Basis and Funding Basis under Statutory Provisions	**76,269**	**(7,081)**	**69,188**	**(69,188)**	**-**
Increase or (Decrease) in 2019/20	**9,524**	**(7,082)**	**2,442**	**(49,093)**	**(46,651)**
Balance at 31 March 2020	**192,020**	**1,682**	**193,702**	**(529,575)**	**(335,873)**

Comprehensive Income and Expenditure Statement 2020/21

	Note	2019/20 Gross Expenditure £000	2019/20 Income £000	2019/20 Net Expenditure £000	2020/21 Gross Expenditure £000	2020/21 Income £000	2020/21 Net Expenditure £000
Gross expenditure, gross income and net expenditure of continuing operations							
Children & Young People		188,537	(23,788)	164,749	190,491	(20,108)	170,383
Schools		338,271	(339,695)	(1,424)	340,849	(347,813)	(6,964)
Adult Social Care & Public Health		414,431	(202,983)	211,448	456,821	(266,081)	190,740
Communities & Place		159,188	(20,306)	138,882	155,027	(25,851)	129,176
Policy		52,900	(13,595)	39,305	57,863	(20,221)	37,642
Finance & Major Contracts Management		4,194	(564)	3,630	3,935	(642)	3,293
Governance & Ethics		8,253	(367)	7,886	8,480	(374)	8,106
Personnel		21,499	(3,764)	17,735	20,018	(3,842)	16,176
Cost of Services		**1,187,273**	**(605,062)**	**582,211**	**1,233,484**	**(684,932)**	**548,552**
Other Operating Expenditure							
Loss on Disposal of non-current assets		11,883	-	11,883	18,546	-	18,546
Change in fair value of Assets Held for Sale	17	33	-	33	200	-	200
Other Operating Income and Expenditure		2,845	(22,385)	(19,540)	1,271	(25,710)	(24,439)
Total Other Operating Expenditure		**14,761**	**(22,385)**	**(7,624)**	**20,017**	**(25,710)**	**(5,693)**
Financing and Investment Income and Expenditure							
Interest Payable	28	32,423	-	32,423	34,511	-	34,511
Net Interest on the defined liability/(asset)	21	25,776	-	25,776	25,792	-	25,792
Interest and Investment Income	28	-	(1,891)	(1,891)	-	(563)	(563)
Income and Expenditure in relation to Investment Properties and changes in their fair value	14	(8,965)	(596)	(9,561)	(2,334)	(542)	(2,876)
Net (Surplus)/Deficit of Trading Undertakings	32	22,763	(18,726)	4,037	20,243	(15,391)	4,852
Insurance Revenue	34	(2,022)	(1,500)	(3,522)	(2,623)	-	(2,623)
Total Financing and Investment Income and Expenditure		**69,975**	**(22,713)**	**47,262**	**75,589**	**(16,496)**	**59,093**
Taxation and Non-Specific Grant Income							
Recognised Capital Grants and Contributions	26			(36,310)			(64,817)
Income from Council Tax				(371,299)			(388,238)
General Government Grants	26			(28,997)			(44,402)
National Non-Domestic Rates Distribution				(116,769)			(124,807)
New Homes Bonus Scheme				(1,728)			(1,873)
Total Taxation and Non-Specific Grant Income				**(555,103)**			**(624,137)**
(Surplus)/Deficit on Provision of Services				**66,746**			**(22,185)**
(Surplus)/Deficit on Revaluation of non current assets				886			(13,920)
Remeasurement of the net defined benefit liability	21			(21,804)			350,769
Other Comprehensive Income and Expenditure				823			832
Total Comprehensive Income and Expenditure				**46,651**			**315,496**

Balance Sheet 2020/21

	Note	31 March 2020 £000	31 March 2020 £000	31 March 2021 £000	31 March 2021 £000
Property, Plant and Equipment (PPE)	10				
Land and Buildings		642,056		644,336	
Vehicles, Plant, Furniture and Equipment		44,588		43,090	
Infrastructure Assets		584,712		599,140	
Community Assets		27		27	
Surplus Assets		73,135		74,346	
Assets Under Construction		24,679	1,369,197	37,677	1,398,616
Heritage Assets	16	420		420	
Investment Properties	14	56,912		51,811	
Intangible Assets	15	4,721		6,081	
Long Term Advances	27	4,012		3,382	
Long Term Investments	27	5,025		5,025	
Long Term Debtors	19	4,205	75,295	3,838	70,557
Total Long Term Assets			**1,444,492**		**1,469,173**
Short Term Investments	27	-		20,001	
Inventories		1,069		1,114	
Short Term Debtors	19	63,671		124,412	
Cash and Cash Equivalents	37	54,895		83,909	
Assets Held for Sale	17	4,746		5,318	
Total Current Assets			**124,381**		**234,754**
Short Term Creditors	22	(119,278)		(166,626)	
Short Term Provisions	23	(1,701)		(1,862)	
Loans to be repaid within 1 year	27, 30	(20,792)		(18,671)	
Other Short Term Liabilities	12, 13, 27, 30	(6,920)	(148,691)	(6,808)	(193,967)
Total Assets less Current Liabilities			**1,420,182**		**1,509,960**
Long Term Provisions	23	(11,843)		(12,289)	
Long Term Borrowing	27, 30	(478,051)		(497,135)	
Long Term Creditors	22	(4,336)		(5,465)	
Other Long Term Liabilities	12, 13, 27, 30	(107,392)		(101,369)	
Deferred Liability	28	(928)		(853)	
Capital Grants Receipts in Advance	26	(8,759)		(19,545)	
IAS 19 Pensions Liability	21	(1,144,746)		(1,524,673)	
Total Long Term Liabilities			**(1,756,055)**		**(2,161,329)**
Total Net Assets			**(335,873)**		**(651,369)**
Usable Reserves	33				
Capital Receipts and Grants Unapplied Reserve		1,682		2,888	
Other Earmarked Reserves		113,046		141,145	
General Insurance	34	34,093		36,679	
Schools Statutory Reserves	35	22,920		28,528	
General Fund Balance		21,961	193,702	32,119	241,359
Unusable Reserves	36				
Capital Adjustment Account		406,901		422,853	
Revaluation Reserve		224,411		228,472	
Deferred Capital Receipts		-		1,891	
IAS 19 Pensions Reserves	21	(1,144,746)		(1,539,068)	
Financial Instruments Adjustment Account		(2,391)		(2,318)	
Collection Fund Adjustment Account		2,669		6,530	
Employee Benefits Account		(16,419)	(529,575)	(11,088)	(892,728)
Net Worth / Total Reserves			**(335,873)**		**(651,369)**

CASH FLOW STATEMENT

	Note	2019/20 £000	2020/21 £000
Net (surplus) or deficit on the provision of services		66,746	(22,185)
Adjust for non-cash movements			
Depreciation and amortisation		(44,556)	(44,520)
Revaluation / Impairment of Property, Plant and Equipment		(18,610)	(6,153)
Donated Assets		46	37
Movement in current assets and liabilities		(18,251)	(2,668)
Movement in reserves and provisions		2,979	(607)
Adjustments in respect of pension charges		(64,457)	(28,326)
Carrying amount of non-current assets sold		(12,482)	(27,853)
Other		5,554	2,049
		(149,777)	**(108,041)**
Adjust for items included in investing or financing activities		36,865	72,196
Net cash flows from operating activities		**(46,164)**	**(58,030)**
Investing activities	39	62,314	39,053
Financing activities	40	(14,737)	(10,037)
Net (increase)/decrease in cash and cash equivalents		**1,413**	**(29,014)**
Cash and cash equivalents at beginning of period		**56,308**	**54,895**
Cash and cash equivalents at end of period	37	**54,895**	**83,909**

NOTES TO THE STATEMENT OF ACCOUNTS

1. Explanation of Prior Period Adjustments

There are no prior period adjustments to report in the 2020/21 accounts.

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.

From 2022/23, the adoption of IFRS16 Leases 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 and short-term leases.) This will involve a change in accounting policy however the quantifiable impact is not known or reasonably estimable at this stage.

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 in relation to School non-current assets is as follows:

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

- The 2020/21 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.

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 2021 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

- **Property, Plant and Equipment**

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.

The 2020/21 financial year has continued to be dominated by the COVID19 pandemic. Although evidence from our property portfolio throughout the year has been one of continuing activity, less weight can be attached to previous market evidence to inform opinions of value as there remains an unprecedented set of circumstances on which to base a judgement.

It is estimated that a theoretical 2.5% market drop applied across all properties valued in 2020/21 would equate to an impairment variation of £4.1 million to be expensed through the surplus / deficit on the provision of services. In terms of the materiality threshold set for this Statement of Accounts, such a decrease in market values would reduce the combined value of Property, Plant and Equipment by approximately £6.9m. This equates to 0.5% of carrying value at the Balance Sheet date.

The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Authority’s internal valuers. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of an asset is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.7 million for every year that useful lives had to be reduced.

- **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, professional judgement is required in order to determine a fair value and the Authority uses relevant experts to ensure that appropriate valuation techniques are employed given full consideration of risk and uncertainty.

- **Insurance**

The Authority operates a self insurance scheme and has established a provision of £10.8 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 21.

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 (note 7) and the Movement in Reserves Statement.

7. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's Committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

		2020/21	
	Net Expenditure Chargeable to the General Fund	**Total Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**
Children & Young People	134,486	35,897	170,383
Schools	(7,320)	356	(6,964)
Adult Social Care & Public Health	185,568	5,172	190,740
Communities & Place	110,691	18,485	129,176
Policy	31,918	5,724	37,642
Finance & Major Contracts Management	3,009	284	3,293
Governance & Ethics	7,841	265	8,106
Personnel	14,632	1,544	16,176
Cost of Services	**480,825**	**67,727**	**548,552**
Other Income and Expenditure	(527,276)	(43,462)	(570,738)
(Surplus) or Deficit on Provision of Services	**(46,451)**	**24,265**	**(22,186)**
Opening Usable Revenue Reserves	**192,020**		
Surplus or (Deficit) on Provision of Services	46,451		
Closing Usable Revenue Reserves	**238,471**		

		2019/20	
	Net Expenditure Chargeable to the General Fund	**Total Adjustments between Funding and Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
	£000	**£000**	**£000**
Children & Young People	122,741	42,008	164,749
Schools	(2,570)	1,146	(1,424)
Adult Social Care & Public Health	200,766	10,682	211,448
Communities & Place	101,917	36,965	138,882
Policy	36,063	3,242	39,305
Finance & Major Contracts Management	3,097	533	3,630
Governance & Ethics	7,402	484	7,886
Personnel	14,806	2,929	17,735
Cost of Services	**484,222**	**97,989**	**582,211**
Other Income and Expenditure	(493,746)	(21,719)	(515,465)
(Surplus) or Deficit on Provision of Services	**(9,524)**	**76,270**	**66,746**
Opening Usable Revenue Reserves	**182,496**		
Surplus or (Deficit) on Provision of Services	9,524		
Closing Usable Revenue Reserves	**192,020**		

2020/21				
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	30,130	5,767	-	35,897
Schools	-	356	-	356
Adult Social Care & Public Health	1,519	3,653	-	5,172
Communities & Place	16,065	2,444	(24)	18,485
Policy	5,300	424	-	5,724
Finance & Major Contracts Management	-	284	-	284
Governance & Ethics	-	265	-	265
Personnel	160	1,384	-	1,544
Net Cost of Services	**53,174**	**14,577**	**(24)**	**67,727**
Other Income and Expenditure	(62,363)	22,811	(3,910)	**(43,462)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**(9,189)**	**37,388**	**(3,934)**	**24,265**

2019/20				
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	31,215	10,793	-	42,008
Schools	-	1,146	-	1,146
Adult Social Care & Public Health	3,189	7,493	-	10,682
Communities & Place	33,114	3,849	2	36,965
Policy	1,068	2,174	-	3,242
Finance & Major Contracts Management	-	533	-	533
Governance & Ethics	-	484	-	484
Personnel	223	2,706	-	2,929
Net Cost of Services	**68,809**	**29,178**	**2**	**97,989**
Other Income and Expenditure	(47,026)	27,050	(1,743)	**(21,719)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**21,783**	**56,228**	**(1,741)**	**76,270**

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.

	2019/20 £000	2020/21 £000
Children & Young People	(29,815)	(31,800)
Schools	(339,398)	(348,412)
Adult Social Care & Public Health	(256,246)	(325,653)
Communities & Place	(32,706)	(37,690)
Policy	(32,711)	(33,094)
Finance & Major Contracts Management	(1,743)	(5,601)
Governance & Ethics	(686)	(730)
Personnel	(11,773)	(11,655)
Total	**(705,078)**	**(794,635)**

9. Expenditure and Income Analysed by Nature

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

	2019/20 £000	2020/21 £000
Expenditure		
Employee expenses	475,797	469,435
Other operating expenses	697,402	757,783
Depreciation, amortisation & impairment	63,150	50,656
Other Expenditure relating to held for sale & investment properties	(9,527)	(2,134)
Interest Payments	32,423	34,511
Precepts & Levies	288	293
Gains or Losses on disposal of Non Current Assets	11,883	18,546
Total Expenditure	**1,271,416**	**1,329,090**
Income		
Fees, charges & other service income	(198,267)	(220,023)
Interest & Investment Income	(1,891)	(563)
Income from Council Tax, NNDR	(488,068)	(513,045)
Government grants	(516,442)	(617,644)
Total Income	**(1,204,668)**	**(1,351,275)**
(Surplus)/Deficit on Provision of Services	**66,748**	**(22,185)**

10. Property, Plant and Equipment

Movement in 2020/21

	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 2020	645,881	92,427	842,231	35	73,649	24,723	1,678,946	53,332
Additions	16,332	6,796	35,202	-	903	26,988	86,221	134
Donations	-	37	-	-	-	-	37	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,125	-	-	-	3,473	-	10,598	(772)
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(8,960)	-	-	-	(47)	-	(9,007)	(60)
Derecognition - disposals	(16,822)	(3,969)	(67)	-	-	-	(20,858)	(23)
Derecognition - other	-	-	-	-	-	(712)	(712)	-
Assets reclassified (to)/from Held for Sales/Investment Property	-	-	-	-	(3,987)	-	(3,987)	-
Other Transfers between Asset Categories	12,440	-	-	-	882	(13,322)	-	-
Other Movements in cost or valuation	-	(1)	1	-	(2)	1	(1)	-
At 31 March 2021	**655,996**	**95,290**	**877,366**	**35**	**74,871**	**37,677**	**1,741,235**	**52,611**
Accumulated Depreciation and Impairment								
At 1 April 2020	(3,825)	(47,839)	(257,519)	(8)	(514)	(44)	(309,749)	(5,194)
Depreciation charge	(14,364)	(7,697)	(20,773)	(1)	(56)	-	(42,891)	-
Depreciation written out to the Revaluation Reserve	3,303	-	-	-	19	-	3,322	-
Depreciation written out to the Surplus/Deficit on Provision of Services	2,830	-	-	-	24	-	2,854	(1,649)
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	240
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	412
Derecognition - disposals	397	3,336	67	-	-	-	3,800	-
Derecognition - other	-	-	-	-	-	44	44	-
Change in category	-	-		-	-	-	-	23
Other movements in depreciation and impairment	(1)	-	(1)	1	2	-	1	-
At 31 March 2021	**(11,660)**	**(52,200)**	**(278,226)**	**(8)**	**(525)**	**-**	**(342,619)**	**(6,168)**
Net Book Value								
At 31 March 2021	**644,336**	**43,090**	**599,140**	**27**	**74,346**	**37,677**	**1,398,616**	**46,443**
At 31 March 2020	**642,056**	**44,588**	**584,712**	**27**	**73,135**	**24,679**	**1,369,197**	**48,137**

10 .Property, Plant and Equipment (Continued)

Movement in 2019/20

	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 2019	695,809	88,345	804,293	35	54,417	14,780	1,657,679	51,376
Additions	18,135	8,568	38,384	-	669	19,856	85,612	1,496
Donations	-	46	-	-	-	-	46	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(19,030)	-	-	-	16,467	-	(2,563)	(462)
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(42,777)	-	-	-	2,095	-	(40,682)	922
Derecognition - disposals	(12,364)	(4,531)	(445)	-	-	-	(17,340)	-
Derecognition - other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(586)	-	-	-	(3,219)	-	(3,805)	-
Other Transfers between Asset Categories	6,694	-	-	-	3,219	(9,913)	-	-
Other Movements in cost or valuation	-	(1)	(1)	-	1	-	(1)	-
At 31 March	**645,881**	**92,427**	**842,231**	**35**	**73,649**	**24,723**	**1,678,946**	**53,332**
Accumulated Depreciation and Impairment								
At 1 April 2019	(12,641)	(44,729)	(237,825)	(7)	(457)	(44)	(295,703)	(4,565)
Depreciation charge	(15,401)	(7,452)	(20,139)	(1)	(68)	-	(43,061)	(1,496)
Depreciation written out to the Revaluation Reserve	1,672	-	-	-	6	-	1,678	447
Depreciation written out to the Surplus/Deficit on Provision of Services	22,067	-	-	-	5	-	22,072	420
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-
Derecognition - disposals	476	4,342	445	-	-	-	5,263	-
Derecognition - other	-	-	-	-	-	-	-	-
Change in category	2	-	-	-	-	-	2	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March	**(3,825)**	**(47,839)**	**(257,519)**	**(8)**	**(514)**	**(44)**	**(309,749)**	**(5,194)**
Net Book Value								
At 31 March 2020	**642,056**	**44,588**	**584,712**	**27**	**73,135**	**24,679**	**1,369,197**	**48,137**
At 31 March 2019	**683,168**	**43,616**	**566,468**	**28**	**53,960**	**14,736**	**1,361,976**	**46,811**

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 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.

Details of the Valuation methods used can be found in Accounting Policy 8.

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

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

Revaluation of Property, Plant and Equipment

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

Basis of Measurement	**Op Land & Bldgs £000**	**Surplus Assets £000**	**Other PPE Assets £000**	**Total £000**
Valued at current value as at:				
31/03/2021	215,793	34,584		250,377
31/03/2020	376,750	16,856		393,606
31/03/2019	14,595	3,352		17,947
31/03/2018	24,698	15,191		39,889
31/03/2017	12,500	4,363		16,863
Valued at historic cost			679,934	679,934
Total	**644,336**	**74,346**	**679,934**	**1,398,616**

Fair Value Hierarchy

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

Surplus Assets by type	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/21 £000**
Strategic development site	-	4,676	38,225	**42,901**
Cleared land	-	8,903	14,521	**23,424**
Vacant premises	-	4,528	3,493	**8,021**
	-	**18,107**	**56,239**	**74,346**

2019/20 Comparative

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/20 £000**
Strategic development site	-	6,004	43,565	**49,569**
Cleared land	-	5,652	8,526	**14,178**
Vacant premises	-	5,831	3,557	**9,388**
	-	**17,487**	**55,648**	**73,135**

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

	2020/21 £000
Opening Balance	**55,648**
Transfers into Level 3	2,444
Transfers out of Level 3	(4,175)
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	(426)
Unrealised gains / (losses)	2,143
Additions	624
Disposals	-
Other	(19)
Closing Balance	**56,239**

Impairment review

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

The Authority recognised no impairment losses in the CIES during the year (£0.0m 2019/20).

12. Leases

Authority as Lessee

Finance Leases

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

Land & Buildings - Highways Depot
Vehicles

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

	2019/20 £000	2020/21 £000
Other Land & Buildings	2,817	2,780

	2019/20	2020/21
Vehicles, Plant, Furniture and Equipment	-	46
	2,817	**2,826**

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:

	2019/20 £000	2020/21 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	1	7
- non-current	878	891
Finance costs payable in future years	4,613	3,644
Minimum lease payments	**5,492**	**4,542**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2019/20 £000	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
Not later than one year	48	47	1	7
Later than one year and not later than five years	193	175	1	15
Later than five years	5,251	4,320	876	876
	5,492	**4,542**	**878**	**898**

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 2020/21 £0.0m of contingent rents were payable by the Authority (£0.0m in 2019/20).

Operating Leases

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

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

	2019/20 £000	2020/21 £000
Not later than one year	926	1,555
Later than one year and not later than five years	942	3,209
Later than five years	629	2,061
	2,497	**6,825**

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

	2019/20 £000	2020/21 £000
Minimum lease payments	1,107	1,753
Contingent rents	37	66
	1,144	**1,819**

These payments have increased compared to the previous year due to a review of payments made in advance of the implementation of IFRS16 (Leases), which has identified a number of current payments which should be classified as operating leases.

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:

	2019/20	2020/21
	£000	£000
Not later than one year	578	829
Later than one year and not later than five years	686	1,102
Later than five years	813	488
	2,077	**2,419**

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 2020/21 £0.1m contingent rents were receivable by the Authority (£0.1m in 2019/20).

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 2021 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	587	360	735	674	384	**2,740**
Within 2-5 years	2,408	1,193	4,006	1,846	1,786	**11,239**
Within 6-10 years	824	178	1,911	212	725	**3,850**
	3,819	**1,731**	**6,652**	**2,732**	**2,895**	**17,829**

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 2021 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	6,590	1,658	4,208	7,350	267	**20,073**
Within 2-5 years	28,332	7,386	21,001	24,901	970	**82,590**
Within 6-10 years	40,323	14,070	36,779	18,223	(544)	**108,851**
Within 11-15 years	12,271	2,922	14,723	1,592	603	**32,111**
	87,516	**26,036**	**76,711**	**52,066**	**1,296**	**243,625**

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 2021 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	19,596	869	1,857	2,473	2,390	**27,185**
Within 2-5 years	83,410	6,160	9,988	10,102	10,376	**120,036**
Within 6-10 years	116,544	1,356	8,710	9,163	20,058	**155,831**
Within 11-15 years	50,798	-	3,360	1,332	9,892	**65,382**
	270,348	**8,385**	**23,915**	**23,070**	**42,716**	**368,434**

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

	2019/20 £000	2020/21 £000
Rental income from Investment Properties	(596)	(542)
Direct operating expenses arising from Investment Properties	106	145
Net (income)/expenditure	**(490)**	**(397)**

There are no restrictions on the Authority's ability to realise the value inherent in its Investment Properties 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 Properties or to undertake repairs, maintenance or enhancement.

Investment Properties have been valued as at the Balance Sheet date by the Authority's estate specialist Mr N Gamble 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:

	2019/20 £000	2020/21 £000
Balance at start of year	**25,904**	**56,912**
Additions:		
Subsequent expenditure	22,143	-
Disposals	(155)	(7,580)
Net gains/(losses) from fair value adjustments	9,071	2,479
Transfers:		
(to)/from PPE	(50)	-
Other Movements	(1)	-
Balance at end of year	**56,912**	**51,811**

Fair Value Hierarchy

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

Investment Properties by Type	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/21 £000
Industrial	-	-	4,886	**4,886**
Land	-	21,684	22,913	**44,597**
Residential	-	615	73	**688**
Smallholding	-	-	1,640	**1,640**
	-	**22,299**	**29,512**	**51,811**

2019/20 Comparative

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/20 £000
Industrial	-	-	4,694	**4,694**
Land	-	22,281	27,198	**49,479**
Residential	-	549	-	**549**
Smallholding	-	-	2,190	**2,190**
	-	**22,830**	**34,082**	**56,912**

Transfers between levels of the Fair Value Hierarchy

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

Valuation techniques used to determine Fair value

Significant Observable Inputs - Level 2

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

Significant Unobservable Inputs - Level 3

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

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

Reconciliation of Fair Value Measurements within Level 3

	2020/21
	£000
Opening Balance	**34,082**
Transfers into Level 3	18
Transfers out of Level 3	
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	2,992
Additions	-
Disposals	(7,580)
Closing Balance	**29,512**

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 £1.6 million in 2020/21 (£1.5 million in 2019/20) was charged to the CIES.

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

	2019/20 Purchased Software Licences £000	2020/21 Purchased Software Licences £000
Balance at start of year		
Gross carrying amounts	7,475	8,646
Accumulated amortisation	(2,594)	(3,925)
Net carrying amount at start of year	**4,881**	**4,721**
Purchases	1,334	2,989
Disposals	-	-
Amortisation for the period	(1,495)	(1,629)
Other Movements	1	-
Net carrying amount at end of year	**4,721**	**6,081**
Comprising		
Gross carrying amounts	8,646	10,464
Accumulated amortisation	(3,925)	(4,383)
	4,721	**6,081**

Fully amortised assets with a gross value of £1.2 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.

	2019/20 £000	2020/21 £000
Balance at 1 April	420	420
Additions	-	-
Revaluations	-	-
Balance at 31 March	**420**	**420**

Further Information on Heritage Assets

Savile of Rufford Abbey estate records

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

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

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

The drawings were passed down to the present Lord Savile by descent. They were purchased at Sotheby's auction by Nottinghamshire Archives in July 2010, with the assistance of then Museums Libraries 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	
	2019/20	**2020/21**
	£000	**£000**
Balance at start of year	**1,145**	**4,746**
Assets newly qualified as Held for Sale:		
Property, Plant and Equipment	4,159	3,987
Revaluation losses	(33)	(200)
Revaluation gains	-	-
Declassified		
Property, Plant and Equipment	(307)	-
Assets sold	(250)	(3,215)
Other Movements	32	-
Balance at end of year	**4,746**	**5,318**

There are no non-current assets held for sale.

18. Capital Expenditure and Financing

	2019/20 £000	2020/21 £000
Opening Capital Financing Requirement (CFR)	**752,452**	**809,709**
Capital Investment		
Property, Plant and Equipment	106,310	85,736
Intangible Assets	1,334	2,989
Amounts treated as revenue expenditure in accordance with the Code but which are classified as capital expenditure under statute	15,098	18,024
Additions/(Reductions) to finance liability	1,477	485
Sources of finance		
Capital receipts	-	(5,208)
Government grants and other contributions	(51,691)	(72,088)
Sums set aside from revenue (Inc. MRP)	(12,020)	(16,416)
Repayment of PFI finance liability	(3,251)	(6,594)
Finance lease payments	-	(26)
Closing Capital Financing Requirement (CFR)	**809,709**	**816,611**
Movement in year		
Change in underlying need to borrow (unsupported by Government financial assistance)	57,257	6,902
	57,257	**6,902**

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 2021 are:

	£000
2021/22	34,022
2022/23	3,970
2023/24	951
2024/25	448
	39,391

The committed projects for 2021/22 are:

	£000
School Projects	13,145
Top Wighay Development	1,581
Better Broadband for Nottinghamshire	1,295
Lindhurst Project	3,187
Investing in Nottinghamshire	8,506
Other	6,308
	34,022

19. Debtors and Long-Term Debtors

Debtors less than one year	2019/20 £000	2020/21 £000
Central government bodies	14,250	20,078
Other local authorities	10,009	2,133
NHS bodies	4,914	18,317
Public corporations and trading funds	-	86
Other entities and individuals	52,424	105,267
	81,597	**145,881**
Less impairment allowance for bad and doubtful debts	(17,926)	(21,469)
Total	**63,671**	**124,412**

Long term debtors	2019/20 £000	2020/21 £000
Adult care property debt	549	460
PFI prepayment	3,633	3,354
Other	23	24
Total	**4,205**	**3,838**

Analysis of allowance for bad and doubtful debt	2019/20 £000	2020/21 £000
Opening allowance for bad and doubtful debt	**6,246**	**17,926**
Amounts paid	(3,868)	(4,390)
Amounts written off	(552)	(674)
Allowance adjustment	5,387	5,998
Collection Fund Impairments	10,713	2,609
Closing allowance for bad and doubtful debt	**17,926**	**21,469**

20. Pensions – Contributions

Teachers

In 2020/21, the Authority paid £20.7 million to the Teacher's Pension Agency (£18.2 million in 2019/20) in respect of teachers' pension costs, which represents 23.68% of teachers' pensionable pay (16.48% up to August 2019).

In addition the Authority is responsible for all pension payments relating to added years it has awarded together with the related inflation increases. In 2020/21, this was £5.5 million (£5.5 million in 2019/20), representing 6.24% of pensionable pay (5.12% in 2019/20). The Authority is allowed to enhance lump sum retirement payments to teachers however, in 2020/21 no payments were made (nil in 2019/20).

Other Employees

During 2020/21, the net cost of pensions and other benefits amounted to £45.1 million (£43.5 million in 2019/20), which represented 22.20% of pensionable pay (22.20% in 2019/20).

The Actuarial report upon which the 2020/21 accounts are based is for a 3 year period commencing 1 April 2020. The report indicated rates that will provide the cost for 100% of pension funding in accordance with IAS19.

This is a combined rate of 18.7% and an additional amount to be contributed is as follows:

	Additional contribution £000
2020/21	7,169
2021/22	7,169
2022/23	7,169

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 2020/21 these amounted to £2.4 million (£2.4 million in 2019/20), representing 1.4% of pensionable pay (1.75% in 2019/20). The Authority also paid £0.9 million into the Pension Fund in 2020/21 (£0.9 million for 2019/20) to fund the non-discretionary additional strain on the pension fund of early retirements.

21. Pensions – IAS19

The IAS19 position as at 31 March 2021 was a net liability as set out in the table below :

	2019/20	2020/21
	£000	£000
Local Government Pension Scheme	(1,068,666)	(1,444,429)
Teachers Unfunded Defined Benefit Scheme	(76,080)	(80,244)
Total Net Liability	**(1,144,746)**	**(1,524,673)**

Assets have been valued using the market value at 31 March 2021. 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 2021 provided by the Authority during February/March 2021.

A ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements put in place when moving from final salary to average salary scheme arrangements. The Court of Appeal judgements were made in cases affecting judges' pensions (the McCloud Judgement) and firefighter pensions (the Sergeant Judgement). The ruling may have implications for the Local Government Pension Scheme which also moved from a final salary to a career average salary scheme.

The Government Actuary's Department has undertaken a scheme level review for England and Wales to assess the impact on the Local Government Pension Scheme in respect of the potential impact on scheme liabilities and service cost and the IAS19 figures included in the accounts reflect the estimated impact of the McCloud and Sergeant Judgements.

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:

	2019/20 £000	2020/21 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current service cost	(79,961)	(75,679)
- Past service cost (including curtailments)	(3,502)	(1,031)
- Liabilities (assumed) / extinguished on settlements	7,084	9,904
- Settlement Prices received / (paid)	(4,396)	(5,056)
Other Operating Expenditure		
- Administration Expenses	(748)	(818)
Financing and Investment Income and Expenditure		
- Net interest on the defined (liability) / asset	(23,622)	(24,103)
Net Charge to the Comprehensive Income and Expenditure Statement	**(105,145)**	**(96,783)**

Movement in Reserves

- Reversal of net charges made for retirement benefits in accordance with IAS19	105,145	96,783
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	48,014	48,412

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.

	2019/20	2020/21
	£000	£000
Actuarial gains / (losses)	3,088	343,010

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2019/20	2020/21
	£000	£000
At 1 April	**2,868,199**	**2,754,982**
Current service cost	79,961	75,679
Interest cost	67,951	63,826
Change in Financial Assumptions	(280,226)	733,368
Change in Demographic Assumptions	(48,024)	(30,105)
Experience loss/(gain) on Defined Benefit Obligation	140,118	(36,172)
Past service costs/(gain)	1,715	1,031
Liabilities extinguished on settlements	(7,084)	(9,904)
Benefits paid	(78,543)	(79,957)
Contributions by scheme participants	12,951	13,348
Unfunded pension payments	(2,036)	(1,964)
at 31 March	**2,754,982**	**3,484,132**

Reconciliation of fair value of the scheme assets:

	2019/20	2020/21
	£000	£000
At 1 April	**1,865,681**	**1,686,316**
Interest on assets	44,329	39,723
Return on assets less interest	(169,722)	324,081
Other actuarial gains/(losses)	(16,473)	-
Administration expenses	(748)	(817)
Employer contributions	34,121	64,029
Contributions by scheme participants	12,951	13,348
Estimated benefits paid	(80,579)	(81,921)
Settlement prices received/(paid)	(4,396)	(5,056)
Other Movements*	1,152	-
At 31 March	**1,686,316**	**2,039,703**
Opening Net Position	**(1,002,518)**	**(1,068,666)**
Closing Net Position	**(1,068,666)**	**(1,444,429)**

*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 2020 for the year to 31 March 2021). 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

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Present value of liabilities	(2,831.5)	(2,803.4)	(2,868.1)	(2,754.9)	(3,484.1)
Fair value of scheme assets	1,694.5	1,752.1	1,865.6	1,686.3	2,039.7
Surplus/(deficit) in the scheme	(1,137.0)	(1,051.3)	(1,002.5)	(1,068.6)	(1,444.4)
Cumulative actuarial gain/(loss)	**(598.9)**	**(488.2)**	**(353.5)**	**(350.4)**	**(7.4)**

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2022 is £37.9 million.

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

		31 March 2020	31 March 2021
Rate of inflation - RPI Increases		2.7%	3.2%
Rate of inflation - CPI Increases		1.9%	2.8%
Rate of increase in salaries		2.9%	3.8%
Rate of increase in pensions		1.9%	2.8%
Discount rate		2.4%	2.0%
Mortality assumptions:			
Longevity at 65 for current pensioners:			
Men	(years)	21.8	21.6
Women	(years)	24.4	24.3
Longevity at 65 for future pensioners:			
Men	(years)	23.2	22.9
Women	(years)	25.8	25.7
Proportion of employees opting to take an increased lump sum/reduced pension		50.0%	50.0%

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

	31 March 2020 £000	%	31 March 2021 £000	%
Assets				
Equities	973,231	58	1,321,231	65
Gilts	70,067	4	68,530	3
Other Bonds	154,943	9	139,801	7
Property	251,439	15	208,374	10
Cash	68,723	4	92,747	5
Inflation-linked pooled fund	63,001	4	98,698	5
Infrastructure	104,912	6	110,321	5
Total	**1,686,316**	**100**	**2,039,702**	**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	3,415,904	3,484,132	3,553,791
Projected Service Cost	102,958	105,952	109,026
Adjustment to long term Salary Increase	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	3,490,329	3,484,132	3,477,982
Projected Service Cost	106,010	105,952	105,894
Adjustment to pensions Increase and Deferred revaluation	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	3,546,978	3,484,132	3,422,512
Projected Service Cost	108,994	105,952	102,986
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	3,643,164	3,484,132	3,332,198
Projected Service Cost	110,726	105,952	101,362

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:

	2019/20 £000	2020/21 £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	(2,154)	(1,689)
Net Charge to the Comprehensive Income and Expenditure Statement	**(2,154)**	**(1,689)**

Movement in Reserves	2019/20 £000	2020/21 £000
- Reversal of net charges made for retirement benefits in accordance with IAS19	2,154	1,689
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	6,111	5,284

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.

	2019/20 £000	2020/21 £000
Actuarial gains / (losses)	18,716	(7,759)

Liabilities in relation to retirement benefits
Reconciliation of present value of the scheme liabilities:

	2019/20 £000	2020/21 £000
Deficit at 1 April	**98,753**	**76,080**
Interest cost	2,154	1,689
Actuarial (gains) / losses	(4,847)	9,671
Change in demographic assumptions	(2,294)	(916)
Experience loss / (gain)	(11,575)	(996)
Unfunded pension payments	(6,111)	(5,284)
Deficit at 31 March	**76,080**	**80,244**

Scheme History

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Present value of liabilities	(111.1)	(104.0)	(98.8)	(76.1)	(80.2)
Fair value of scheme assets	-	-	-	-	-
Surplus/(deficit) in the scheme	**(111.1)**	**(104.0)**	**(98.8)**	**(76.1)**	**(80.2)**

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

	31 March 2020	31 March 2021
Rate of inflation - RPI Increases	2.7%	3.5%
Rate of inflation - CPI Increases	1.9%	2.9%
Rate of increase in pensions	1.9%	2.9%
Discount rate	2.3%	1.8%

Mortality assumptions:
Longevity at 65 for current pensioners

Men	(years)	21.8	21.6
Women	(years)	24.4	24.3

22. Creditors and Long-Term Creditors

Creditors less than one year	2019/20 £000	2020/21 £000
Central government bodies	9,686	34,116
Other local authorities	12,885	3,394
NHS bodies	4,747	1,909
Public corporations and trading funds	119	688
Other entities and individuals	91,843	126,519
Total	**119,280**	**166,626**

Long Term Creditors	2019/20 £000	2020/21 £000
Other entities and individuals	4,336	5,465

23. 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	**2019/20**	**Movement**	**2020/21**
	£000	**£000**	**£000**
General Insurance Claims prior to 1/4/98	434	(33)	401
General Insurance Claims from 1/4/98	664	13	677
Corporate Redundancy Provision	110	(99)	11
NDR provision for backdated appeals	493	156	649
Provisions below £200,000	-	124	124
Total	**1,701**	**161**	**1,862**

Long Term Provisions	**2019/20**	**Movement**	**2020/21**
	£000	**£000**	**£000**
General Insurance Claims prior to 1/4/98	3,896	(300)	3,596
General Insurance Claims from 1/4/98	5,976	123	6,099
NDR provision for backdated appeals	1,971	623	2,594
Total	**11,843**	**446**	**12,289**

24. Contingent Liabilities

Insurance

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

25. Specific Revenue Grants

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

Committee Segments	2019/20 £000	2020/21 £000
Children & Young People	5,949	11,876
Schools	332,075	339,079
Adult Social Care & Public Health	81,381	114,784
Communities & Place	6,655	10,206
Policy	71	5,953
Governance & Ethics	81	65
Personnel	1,229	17
Finance & Contracts Management	22,346	24,992
	449,787	**506,972**
Grants		
Dedicated Schools Grant (DFE)	292,641	302,314
Pupil Premium (DFE)	13,262	13,043
Public Health Grant (DOH)	40,535	41,561
Better Care Fund (MHCLG)	26,484	30,011
COVID19 (MHCLG)	22,346	24,991
COVID19 (DOH)	-	11,455
Other (DFE)	-	29,133
Other Grants	54,520	54,464
	449,787	**506,972**

Analysis of Revenue Receipts in Advance	2019/20 £000	2020/21 £000
Ministry of Housing, Communities & Local Government	6,748	113
Department for Education	363	68
Department of Health & Social Care	119	20,150
Department for Transport	-	2,146
Other Grants & Contributions	67	66
	7,297	**22,543**

26. General Government Grants Income and Taxation

The Authority set the 2020/21 Council Tax for a Band D property at £1,534.95 including the Adult Social Care Precept (£1,476.06 in 2019/20). 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 2020/21 increased by £3.9 million (£1.5 million increase in 2019/20) which is reversed out of the General Fund in the Movement in Reserves Statement and held in the Balance Sheet in the Collection Fund Adjustment Account

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

Credited to Taxation & Non Specific Grant Income	**2019/20 £000**	**2020/21 £000**
Department for Education	5,944	5,595
Department for Transport	19,231	31,808
Other Grants & Contributions	11,089	27,379
Donations	46	35
Recognised Capital Grants & Contributions	**36,310**	**64,817**

	2019/20 £000	**2020/21 £000**
Revenue Support Grant	6,951	7,064
PFI	14,377	14,377
Adult Social Care Support Grant	6,025	20,387
Other Grants & Contributions	1,644	2,574
General Government Grants	**28,997**	**44,402**

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	**2019/20 £000**	**2020/21 £000**
Ministry of Housing, Communities & Local Government	1,032	209
Department for Education	9	9
Department for Transport	376	3,030
Other Grants & Contributions	7,342	16,297
Total	**8,759**	**19,545**

27. Financial Instruments Balance

The financial assets (excluding Cash and Cash Equivalents - see note 38) and financial liabilities disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Borrowings		**Creditors**	
	2019/20 £000	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
Long term financial liabilities at amortised cost	585,443	598,504	4,336	5,465
Short term financial liabilities at amortised cost	27,712	25,479	103,575	130,423
Total Financial Liabilities	**613,155**	**623,983**	**107,911**	**135,888**

	Investments		**Debtors**	
	2019/20 £000	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
Long term financial assets at amortised cost	9,037	8,407	572	484
Short term financial assets at amortised cost	-	20,001	44,199	100,471
Total Financial Assets	**9,037**	**28,408**	**44,771**	**100,955**

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

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

Financial liabilities at amortised cost

Long term

	2019/20 £000	2020/21 £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	478,051	497,135
(b) Other Long Term Liabilities		
Amounts still owed on finance leases taken with external sources to acquire capital assets for PFI Schemes and long term finance leases for repayment after 1 year	107,392	101,369
Total Long Term Borrowing at 31 March	**585,443**	**598,504**

	2019/20 £000	2020/21 £000
(c) Long Term Creditors	4,336	5,465

Short term

	2019/20 £000	2020/21 £000
(d) Borrowing		
Long term borrowing for repayment within 1 year	20,792	18,671
Other long term liabilities related to PFI schemes and long term finance leases for repayment within 1 year	6,920	6,808
Total Borrowing at 31 March	**27,712**	**25,479**

	2019/20 £000	2020/21 £000
(e) Trade Creditors	103,575	130,423

Financial Assets at amortised cost

Long Term Investments

	2019/20 £000	2020/21 £000
(a) Long term Investments		
Long term investments with other local authorities, local authority subsidiary and financial institutions	5,025	5,025

Long Term Advances	2019/20 £000	2020/21 £000
(b) Long term Advances		
Nottinghamshire County Cricket Club	2,387	2,159
Adult Care Property Debt - Deferred Payment Scheme	1,357	879
Other Long Term Advances	268	344
	4,012	**3,382**

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 allowed the club to invest £8.1m in a media facility, refurbish the Pavilion, and enhance 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 has been drawn upon as required, and the interest rate is fixed at the 20 year annuity PWLB rate plus 2%.

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

	2019/20 Restated £000	2020/21 £000
(c) Long Term Debtors	572	484

Short term

(d) Temporary investments	2019/20 £000	2020/21 £000
Temporary investments with other local authorities and financial institutions	-	20,001

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	2019/20 £000	2020/21 £000
(e) Trade Debtors (less allowance for bad and doubtful debt)	44,199	100,471

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £0.12m (£0.12m in 2019/20) that have been written off to the Comprehensive Income and Expenditure Account to reflect the high risk of the investment. Consequently, their fair value has been assessed as nil on the Balance Sheet.

Interests in Companies - Joint Ventures, Subsidiaries and Divested Organisations

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

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

Via East Midlands Ltd began trading in July 2016. It is a subsidiary of Nottinghamshire County Council. The company is contracted to deliver highways services to the Authority and the predominant place of business is Nottinghamshire. More information is available at the Via website: https://www.viaem.co.uk/

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

The East Midlands Development Corporation Limited has been established as an interim vehicle which will take forward propositions for a new era of growth across the regional economy. This vehicle was incorporated on 4 May 2021, after the balance sheet date, and will be funded initially by contributions from Nottinghamshire County Council and four other Local Authorities.

28. 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:

	2019/20			2020/21		
	Financial Liabilities £000	Financial Assets £000	Total £000	Financial Liabilities £000	Financial Assets £000	Total £000
Interest expense	(32,423)	-	(32,423)	(34,511)	-	(34,511)
Interest payable and similar charges	**(32,423)**	**-**	**(32,423)**	**(34,511)**	**-**	**(34,511)**
Interest income	-	1,891	1,891	-	563	563
Interest and investment income	**-**	**1,891**	**1,891**	**-**	**563**	**563**

The average cost of external borrowing was 4.01% (4.09% in 2019/20).

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 Statement.

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:

	2019/20 £000	2020/21 £000
Loan taken over from District Councils when the responsibility for services was transferred to the Authority on local government reorganisation in 1974.	928	853

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

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

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

For long term borrowings and investments, fair values have been calculated by reference to relevant interest rates in force as at 31 March 2020 and 2021 as follows:

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

	2019/20		2020/21	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial Liabilities	**£000**	**£000**	**£000**	**£000**
Public Works Loan Board	403,532	429,201	420,961	485,367
External Bonds and Loans	91,197	114,736	91,184	127,411
Finance Leases related to PFI and other schemes	114,312	184,483	108,176	176,517
Salix Loan	4,114	3,991	3,661	3,600
Trade Creditors	103,575	103,575	130,423	130,423
Long Term Creditors	4,336	4,336	5,465	5,465
Total Financial Liabilities	**721,066**	**840,322**	**759,870**	**928,783**

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.

	2019/20		2020/21	
	Carrying Amount Restated	**Fair Value Restated**	**Carrying Amount**	**Fair Value**
Financial Assets at amortised cost	**£000**	**£000**	**£000**	**£000**
Short Term Investments	-	-	20,001	20,001
Trade Debtors (less credit loss allowance)	44,199	44,199	100,471	100,471
Long Term Investments	5,025	5,025	5,025	5,025
Long Term Advances	4,012	4,010	3,382	3,514
Long Term Debtors	572	572	484	484
Cash	54,895	54,895	83,889	83,889
Total	**108,703**	**108,701**	**213,252**	**213,384**

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 IFRS13 (see Statement of Accounting Policies for further detail).

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/21 £000**
Financial liabilities	-	928,783	-	928,783
Financial Assets at amortised cost	-	208,359	5,025	213,384

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Fair Value as at 31/3/20 £000**
Financial liabilities	-	840,322	-	840,322
Financial Assets at amortised cost	-	103,104	5,025	108,129

Valuation techniques used to determine Fair Value

Significant Observable Inputs - Level 2

Assets and liabilities at Level 2 are those where the quoted market prices are not available. The prices used in calculating the fair values are based upon inputs from observable market data - see above for relevant rates used.

Significant Unobservable Inputs - Level 3

Assets and liabilities at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Reconciliation of Fair Value Measurements within Level 3

	2019/20	2020/21
	£000	£000
Opening Balance	**5,025**	**5,025**
Transfers into Level 3	-	-
Transfers out of Level 3	-	-
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	-	-
Additions	-	-
Disposals	-	-
Closing Balance	**5,025**	**5,025**

30. 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 Code of Practice, the Authority sets an annual Treasury Management Strategy by March each year. This contains a number of measures to control the key financial instrument risks above including:

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

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

Credit Risk

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

	Amounts at 31/3/21 £000	Historical experience of default	Historical experience adjusted for market conditions at 31/3/21	Estimated maximum exposure to default and uncollecta-bility £000
Deposits with banks and financial institutions	20,001	-	-	-
Customers	43,372	0.36%	0.36%	156

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

Customers are assessed, taking into account their financial position, past experience and other factors. The Authority's policy is to set aside an impairment allowance for bad and doubtful debts in order to minimise the effect of default. As at 31 March 2021, the Authority had an outstanding balance of short-term debtors of £120.3m (£63.7m in 2019/20) including government grants, receipts in advance and the Authority's share of Council Tax and Business Rates debtors. In line with the Expected Credit Loss Model set out in Accounting policy 17, an impairment allowance of £8.1m has been calculated (£7.2m in 2019/20). It is not certain that this impairment will be sufficient as the Authority cannot assess with certainty which debts will be collected or not. The economic impact of the COVID19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts. There is no current evidence to suggest that general debtors are increasing due to COVID19. Debtors will however continue to be monitored regularly and should general debtors rise in 2021/22 the Authority may consider raising the impairment allowance.

The Authority does not generally allow credit for customers, such that £14.9 million (£12.0 million in 2019/20) of the £43.4 million (£32.3 million in 2019/20) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	4,476
Three to six months	2,212
Six months to one year	2,695
More than one year	5,553
	14,936

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that a significant proportion of borrowings will mature at a time of unfavourable interest rates. Current borrowings are spread over 50 years with a maximum of any one year's maturity around 5.9% 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:

	2019/20 £000	%	2020/21 £000	%
Maturity date				
Within 1 year	27,712	4.5	25,479	4.1
1 year and up to 2 years	19,976	3.3	20,055	3.2
2 years and up to 5 years	58,533	9.6	59,800	9.6
5 years and up to 10 years	101,437	16.5	102,568	16.4
10 years and up to 15 years	73,506	12.0	65,208	10.5
15 years and up to 20 years	51,121	8.3	50,003	8.0
20 years and up to 25 years	30,003	4.9	20,004	3.2
25 years and over	250,867	40.9	280,865	45.0
	613,155	**100.0**	**623,982**	**100.0**

	2019/20 £000	2020/21 £000
Source of Borrowing		
Public Works Loan Board	403,532	420,961
External Bonds and Loans	91,197	91,184
Finance Leases related to PFI and other schemes	114,312	108,176
Salix Loan	4,114	3,661
	613,155	**623,982**

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 2021, 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.

31. 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 Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Central Government

Central Government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant part of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills). Grants received from Government Departments are set out in the subjective analysis in Notes 25 and 26.

Members

Members of the Authority have direct control over the Authority's financial and operating policies. The total of Members allowances paid in 2020/21 is shown in Note 48. During 2020/21, there were no works or services commissioned from companies in which Members had an interest (2019/20 - none). Any contracts would have been entered into in full compliance with the Authority's standing orders. Grants totalling £16,001 were paid to six organisations in which four Members had positions on the governing body (2019/20 £9,063 to five organisations, five Members). No material grants were made to organisations whose senior management included close members of the families of a Members or Senior Officers. In all instances, the grants were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members Interests which is open to public inspection and is also available on the Authority's website at this address:
http://www.nottinghamshire.gov.uk/council-and-democracy/councillors/allowances-expenses-conduct

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

Senior Employees

In accordance with section 117 of the Local Government Act 1972, senior employees must declare their interest in any organisations which have received grant payments. During 2020/21, £450 in a grant was paid to an organisation where one senior employee declared an interest (in 2019/20 £250 was made, one senior employee). There was a senior employee (now resigned) on the board of Via with transactions between Via and the Authority detailed below.

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

The Authority has a pooled budget arrangement with Integrated Community Equipment Loan Service (ICELS). The Authority has also entered into a pooled budget arrangement with NHS bodies called the Better Care Fund (BCF). Balances are detailed in Note 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 or controlled by the Authority through its representation on the board or ownership of shares.

SCAPE Group Ltd - See note 27.

ARC Property Partnership Ltd

	Audited 2019/20 £000	Unaudited 2020/21 £000
Revenue	45,693	39,439
Profit / (loss)	(418)	(496)
Total Assets	12,583	11,674
Total Liabilities	(13,987)	(17,853)
Equity and Reserves	(1,404)	(6,179)

The liabilities total includes £12.7m of pension liability (£7.5m 2019/20) not covered in the shareholder agreement split 50:50.

Nottinghamshire County Council had the following transactions with ARC:

	2019/20 £000	2020/21 £000
Purchases of works and services	46,071	42,353
Service Level Agreements	(91)	(35)

Via East Midlands Ltd

	Audited 2019/20 £000	Unaudited 2020/21 £000
Revenue	67,436	80,751
Profit / (loss)	788	541
Total Assets	12,462	17,119
Total Liabilities	(11,173)	(15,825)
Equity and Reserves	1,289	1,294

Nottinghamshire County Council had the following transactions with Via:

	2019/20 £000	2020/21 £000
Purchases of works and services	66,955	75,347
Service Level Agreements	(6,959)	(3,700)
Other	4	-

Futures Advice, Skills & Employment Ltd (Futures)

	Audited 2019/20 £000	Unaudited 2020/21 £000
Revenue	14,595	15,695
Profit / (loss)	(2,288)	(794)
Total Assets	7,441	14,692
Total Liabilities	(24,984)	(42,048)
Equity and Reserves	(17,543)	(27,356)

Nottinghamshire County Council had the following transactions with Futures:

	2019/20 £000	2020/21 £000
Grants given	-	-
Purchases of works and services	1,415	51

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. However, it has been agreed that the value does not meet the Authority's group accounts materiality threshold.

The total Authority expenditure with Inspire is £13.9m (£22.0m in 2019/20) and income is £1.1m (£1.1m in 2019/20). More information can be found on the Inspire website https://www.inspireculture.org.uk/

32. Summary Revenue Accounts of Trading Undertakings

	2019/20			2020/21		
	Turnover	Expend-iture	Surplus/ (Deficit)	Turnover	Expend-iture	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Direct Services *Cleaning, catering, grounds maintenance to external clients and within the Authority*	33,104	35,968	(2,864)	25,616	30,412	(4,796)
County Supplies *A purchasing and supply service. Transferred June 2019 to Herts CC The figures presented in the accounts show some residual transactions arising from its previous operations*	328	360	(32)	20	1	19
Clayfields Secure Unit *Specialist children's services to the Youth Justice Board and Local Authorities*	4,483	5,625	(1,142)	5,843	5,918	(75)
Total	**37,915**	**41,953**	**(4,037)**	**31,479**	**36,331**	**(4,852)**

33. Movement on Usable Reserves

	2018/19 £000	Transfers Out £000	Transfers In £000	2019/20 £000 Restated	Transfers Out £000	Transfers In £000	2020/21 £000
General Fund Balance	24,071	(2,110)	-	21,961	-	10,158	32,119
Schools Statutory Reserves	23,051	(131)	-	22,920	-	5,608	28,528
General Insurance Reserve	29,588	-	4,505	34,093	-	2,586	36,679
Capital Receipts and Grants Unapplied Reserve	8,764	(60,882)	53,801	1,682	(466)	1,672	2,888
Corporate Reserves							
Earmarked Reserves	1,448	-	1,756	3,204	-	-	3,204
Capital Projects Reserve	5,298	(4,391)	2,253	3,160	(721)	5,099	7,538
NDR Pool Reserve	8,022	(473)	2,607	10,156	(1,188)	2,514	11,482
East Leake PFI Schools	3,328	(508)	16	2,836	-	73	2,909
Bassetlaw PFI Schools	1,905	(2,312)	502	95	-	781	876
Waste PFI Reserve	24,993	(981)	131	24,143	-	132	24,275
Workforce Reserve	8,747	(2,597)	-	6,150	-	-	6,150
COVID Recovery Reserve	-	-	-	-	-	19,283	19,283
IICSA Reserve	1,740	(263)	-	1,477	(83)	-	1,394
Strategic Development Fund	2,892	(77)	-	2,815	-	9,600	12,415
Covid-19 Reserve	-	-	22,346	22,346	(22,346)	-	-
Council Tax Equalisation Reserve	-	-	-	-	-	2,350	2,350
Earmarked for Services Reserves							
Trading Activities	1,033	(1,379)	588	242	(145)	528	625
Departmental Reserves	9,682	(2,062)	1,488	9,108	(946)	1,247	9,409
Revenue Grants	16,096	(5,208)	2,822	13,710	(4,607)	7,503	16,606
Section 256 Grants	20,602	(7,226)	228	13,604	(1,542)	10,567	22,629
Total Other Earmarked Reserves	**105,786**	**(27,477)**	**34,737**	**113,046**	**(31,578)**	**59,677**	**141,145**
Total Usable Reserves	**191,260**	**(90,600)**	**93,043**	**193,702**	**(32,044)**	**79,701**	**241,359**

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

Schools Statutory Reserves - See note 35

General Insurance Reserve - See note 34

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

Corporate Reserves

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

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

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

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

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

COVID19 Recovery Reserve will assist the Authority in its continued response to the pandemic by helping to mitigate against significant uncertainty in relation to both service demand and the economic impact on Authority funding.

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

Strategic Development Fund will support future year costs associated with the Authority's Transformation agenda.

COVID19 Reserve held funding received from Central Government on 27 March 2020 to help alleviate the immediate financial pressures caused by the pandemic. This funding was utilised in full during 2020/21 as part of the Authority's response to the pandemic.

Council Tax Equalisation Reserve recognises the impact of the phasing arrangement mandated by Central Government in relation to the estimated anomalous deficit on the 2020/21 Collection Fund owing to the pandemic

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.

34. 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 Council's in the proportion of 23.55% City and 76.45% County.

The amount set aside in the Insurance Provision is detailed in Note 23. The Insurance Reserve is shown below:

General Insurance Reserve	**Note**	**2019/20**	**2020/21**
		£000	**£000**
General Insurance Reserve		**34,093**	**36,679**

Insurance Account		**2019/20**	**2020/21**
		£000	**£000**
Premiums paid		1,788	1,765
Claims made		2,831	1,770
Contribution (from)/to Provision		(1,009)	(300)
Contribution to Closed Fund from County Council		1,147	-
Miscellaneous charges		34	28
		4,791	3,263
Less charges to Departments	1	(6,978)	(6,120)
Future Liabilities of Nottm City Council Adjustment		165	234
Total Expenditure		**(2,022)**	**(2,623)**

		2019/20	**2020/21**
		£000	**£000**
External Premiums		-	-
Contribution to Closed Fund from City and County Council		(1,500)	-
Total Income		**(1,500)**	**-**
Net (surplus)/deficit		**(3,522)**	**(2,623)**

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

35. 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 are not available to the Authority for general use.

During 2020/21 the overall reserve has increased by £5.6 million to £28.5 million. Within the total reserve school accumulated balances increased by £7.3 million to £24.7 million; of this, £1.8 million is to fund capital schemes.

The reserves also includes £4.0 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	2019/20 £000	Movement in year £000	2020/21 £000
Balances held by schools	17,403	7,277	24,680
Non ISB Balances	5,709	(1,727)	3,982
School Loan Scheme	(192)	58	(134)
School Statutory Reserves Total	**22,920**	**5,608**	**28,528**

36. Unusable Reserves

	2019/20 £000	2020/21 £000
Revaluation Reserve	224,411	228,472
Capital Adjustment Account	406,901	422,853
Financial Instruments Adjustment Account	(2,391)	(2,318)
IAS 19 Pensions Reserve	(1,144,746)	(1,539,068)
Collection Fund Adjustment Account	2,669	6,530
Deferred Capital Receipts	-	1,891
Employee Benefits Account	(16,419)	(11,088)
Total Unusable Reserves	**(529,575)**	**(892,727)**

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.

	2019/20 £000	2020/21 £000
Balance at 1 April	**231,952**	**224,411**
Upward revaluation of assets	35,611	21,747
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(36,496)	(7,826)
Surplus/(deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(885)	13,921
Difference between fair value depreciation and historic cost depreciation	(4,042)	(3,258)
Accumulated gains on assets sold or scrapped	(2,614)	(6,601)
Amount written off to the Capital Adjustment Account	(6,656)	(9,860)
Balance at 31 March	**224,411**	**228,472**

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.

	2019/20	2020/21
	£000	£000
Balance at 1 April	**414,947**	**406,901**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation on non-current assets	(43,061)	(42,891)
Revaluation and Impairments on PPE	(18,610)	(6,153)
Amortisation of intangible assets	(1,495)	(1,629)
Revenue expenditure funded from capital under statute	(15,098)	(18,028)
Transformation costs funded under Capital Direction	(600)	(2,208)
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	(11,883)	(20,437)
	(90,747)	**(91,345)**
Adjusting amounts written out of the Revaluation Reserve	6,656	9,860
Net written out amount of the cost of non-current assets consumed in the year	**(84,091)**	**(81,485)**
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	46	37
Application of grants to capital financing from the Capital Grants Unapplied Account	51,691	72,087
Statutory provision for the financing of capital investment charged against the General Fund	9,753	18,196
Capital expenditure charged against the General Fund	5,518	4,839
	67,008	**95,159**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	9,071	2,479
Movement in the fair value of Non Current Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	(33)	(200)
Other Movements	(1)	-
Balance at 31 March	**406,901**	**422,853**

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.

	2019/20	2020/21
	£000	£000
Balance at 1 April	**(2,438)**	**(2,391)**
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	47	73
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	47	73
Balance at 31 March	**(2,391)**	**(2,318)**

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.

	2019/20	2020/21
	£000	£000
Balance at 1 April	**(1,114,340)**	**(1,144,746)**
Actuarial gains / (losses) on pensions assets and liabilities	21,804	(350,769)
Other gains / (losses)	(823)	(834)
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	(105,512)	(92,716)
Employer's pensions contributions and direct payments to pensioners payable in the year	54,125	49,997
Balance at 31 March	**(1,144,746)**	**(1,539,068)**

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.

	2019/20	2020/21
	£000	£000
Balance at 1 April	**975**	**2,669**
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	1,467	(847)
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	227	4,708
Balance at 31 March	**2,669**	**6,530**

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.

	2019/20	2020/21
	£000	£000
Balance at 1 April	**-**	**-**
Movement in Deferred Capital Receipts held	-	1,891
Balance at 31 March	**-**	**1,891**

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.

	2019/20 £000	2020/21 £000
Balance at 1 April	**(11,578)**	**(16,419)**
Settlement or cancellation of accrual made at the end of the preceding year	11,578	16,419
Amounts accrued at the end of the current year	(16,419)	(11,088)
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	(4,841)	5,331
Balance at 31 March	**(16,419)**	**(11,088)**

37. 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:

	2019/20 £000	£000	2020/21 £000	£000
Amounts held in call accounts and money market funds		44,207		72,185
Main Bank accounts:				
Main Authority accounts		6,557		5,888
Other bank accounts		4,131		5,836
		54,895		**83,909**

38. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest received	6,939	184
Interest paid	(32,690)	(34,281)
Dividends received	1,284	400
	(24,467)	**(33,697)**

39. Cash Flow Statement - Investing Activities

	2019/20 £000	2020/21 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	112,104	98,840
Purchase of short and long-term investments	-	20,000
Purchase of shares in a subsidiary	5,025	-
Other payments for investing activities	2,653	2,154
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(600)	(3,591)
Capital Grants and contributions received	(39,149)	(75,566)
Proceeds from short-term and long-term investments	(15,000)	-
Net other receipts from investing activities	(2,719)	(2,784)
Net cash flows from investing activities	**62,314**	**39,053**

40. Cash Flow Statement - Financing Activities

	2019/20 £000	2020/21 £000
Cash receipts of short and long-term borrowing	(34,660)	(30,735)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	3,250	6,620
Repayments of short and long-term borrowing	16,673	14,078
Net cash flows from financing activities	**(14,737)**	**(10,037)**

41. Reconciliation of Liabilities Arising from Financing Activities

	2020/21 01-Apr £000	Financing Cash flows £000	Non Cash Acquisition £000	Other £000	2020/21 31-Mar £000
Long term borrowings	478,051	19,084	-	-	497,135
Short term borrowings	20,792	(2,121)	-	-	18,671
Lease liabilities	878	(26)	46	-	898
On balance sheet PFI liabilities	113,434	(6,594)	439	-	107,279
Total liabilities from financing activities	**613,155**	**10,343**	**485**	**-**	**623,983**

	2019/20 01-Apr £000	Financing Cash flows £000	Non Cash Acquisition £000	Other £000	2019/20 31-Mar £000
Long term borrowings	460,220	17,831	-	-	478,051
Short term borrowings	22,110	(1,318)	-	-	20,792
Lease liabilities	878	-	-	-	878
On balance sheet PFI liabilities	115,207	(296)	(1,477)	-	113,434
Total liabilities from financing activities	**598,415**	**16,217**	**(1,477)**	**-**	**613,155**

42. Minimum Revenue Provision (MRP)

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

The amount required under the MRP regulations for 2020/21 is £18.2m (£9.8m for 2019/20) of which £6.6m (£3.3m for 2019/20) relates to repayments of the PFI and finance lease liabilities. The amount of depreciation and amortisation charged was £44.5m (£44.6m for 2019/20).

43. Audit Fees

The Authority has been advised of the following fees payable for 2020/21. Fees have been included for an objection now resolved and grant claims.

	2019/20 £000	2020/21 £000
External Audit Fees	84	120
Teachers Pension Agency Grant (prior year)	4	4
Objection work (KPMG)	10	-
Non audited related services provided	16	16
	113	**140**

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					
		2019/20			2020/21		
		Exc Redundancy		Inc. Redundancy	Exc Redundancy		Inc. Redundancy
		Schools	Non Schools	Total	Schools	Non Schools	Total
£185,000	£189,999	-	-	-	-	1	1
£180,000	£184,999	-	1	1	-	-	-
£175,000	£179,999	-	-	-	-	-	-
£170,000	£174,999	-	-	-	-	-	-
£165,000	£169,999	-	-	-	-	-	-
£160,000	£164,999	-	-	-	-	-	-
£155,000	£159,999	-	-	-	-	-	-
£150,000	£154,999	-	-	-	-	-	-
£145,000	£149,999	-	-	-	-	1	1
£140,000	£144,999	-	1	1	-	-	-
£135,000	£139,999	-	-	-	-	1	1
£130,000	£134,999	-	1	1	-	1	1
£125,000	£129,999	-	1	1	-	-	-
£120,000	£124,999	-	-	-	-	-	-
£115,000	£119,999	-	-	-	-	-	-
£110,000	£114,999	-	-	-	-	-	-
£105,000	£109,999	-	-	-	-	-	-
£100,000	£104,999	-	-	-	-	4	4
£95,000	£99,999	-	3	3	1	5	6
£90,000	£94,999	3	6	9	-	1	1
£85,000	£89,999	1	2	3	3	1	4
£80,000	£84,999	-	-	1	1	4	5
£75,000	£79,999	3	2	5	7	3	10
£70,000	£74,999	16	6	22	16	9	25
£65,000	£69,999	27	10	37	40	18	58
£60,000	£64,999	54	17	72	46	13	59
£55,000	£59,999	53	35	88	69	35	105
£50,000	£54,999	92	38	130	90	48	138
		249	**123**	**374**	**273**	**145**	**419**

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

2020/21

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		185,386	461	-	41,156	227,003
Corporate Director of CFCS		147,118	-	-	32,660	179,778
Corporate Director of ASC & PH		132,356	160	-	29,383	161,899
Corporate Director of Place (and Deputy CEO)	2	137,494	705	-	30,524	168,722
Service Director (Customers, Governance and Employees)	3	102,974	-	-	22,860	125,834
Director of Public Health		98,869	-	-	21,949	120,818
Service Director (Finance, Infrastructure & Improvement)	1	102,974	-	-	22,860	125,834

*Pension Contributions are estimated at 22.2% to account for the pensions deficit (see note 20).

1. The post of Service Director (Finance, Infrastructure and Improvement) has the statutory responsibility of Section 151 Officer.

2. The post of Corporate Director Place previously assumed the Deputy Chief Executive role. Their annualised salary is £132,356 with an additional allowance of £5,138 for the Deputy Chief Executive role.

3. The Service Director for Customers, Governance and Employees has the statutory responsibility of the Monitoring Officer.

2019/20

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		180,424	1,528	-	40,054	222,006
Corporate Director of CFCS		143,181	-	-	31,786	174,967
Corporate Director of ASC & PH		128,814	737	-	28,597	158,147
Corporate Director of Place (and Deputy CEO)	2	133,814	597	-	29,707	164,118
Service Director (Customers, Governance and Employees)	3	98,216	-	-	21,804	120,020
Director of Public Health		92,759	581	-	20,918	114,258
Service Director (Finance, Infrastructure & Improvement)	1	98,216	462	-	21,804	120,482

*Pension Contributions are estimated at 22.2% to account for the pensions deficit (see note 20).
1. The post of Service Director (Finance, Infrastructure and Improvement) has the statutory responsibility of Section 151 Officer.
2. The post of Corporate Director Place assumed the Deputy Chief Executive role. Their annualised salary is £128,814 with an additional allowance of £5,000 for the Deputy Chief Executive role.
3. The Service Director for Customers, Governance and Employees has the statutory responsibility of the Monitoring Officer.

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 £	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
£0 - £20,000	27	20	143	21	170	41	1,189,129	252,121
£20,001 - £40,000	3	2	30	3	33	5	907,994	164,874
£40,001 - £60,000	2	1	9	1	11	2	538,875	90,509
£60,001 - £80,000	-	-	1	1	1	1	66,862	77,375
£80,001 - £100,000	1	-	-	-	1	-	94,271	-
£100,001 - £150,000	2	-	-	3	2	3	217,367	327,377
£150,001 - £200,000	-	-	-	1	-	1	-	176,846
Over £200,000	-	-	-	-	-	-	-	-
	35	**23**	**183**	**30**	**218**	**53**	**3,014,498**	**1,089,102**

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 2020/21 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2020/21 before Academy recoupment			643,680
Academy figure recouped for 2020/21			(340,601)
Total DSG after Academy recoupment for 2020/21			303,079
Brought Forward 2019/20			5,709
Carry Forward to 2021/22 agreed in advance			-
Agreed initial budgeted distribution for 2020/21	**68,708**	**240,080**	**308,788**
In year adjustments	(8,991)	8,238	(753)
Final budgeted distribution for 2020/21	59,717	248,318	308,035
Actual central expenditure	(55,735)	-	(55,735)
Actual ISB deployed to schools	-	(248,318)	(248,318)
Plus Local Authority contribution for 2020/21	-	-	-
Carried forward to 2021/22	**3,982**	**-**	**3,982**

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. ICELS reissued restated accounts in their report to the Partnership Board on 19th May 2020. The restated 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	**2019/20 Restated £000**	**2020/21 £000**
Net (surplus) / deficit brought forward	**(724)**	**(992)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(1,365)	(1,354)
Nottinghamshire County Council CYP	(400)	(400)
Nottingham City Council	(1,109)	(1,133)
Bassetlaw CCG	(647)	(821)
Nottinghamshire County CCGs	(3,560)	(1,604)
Nottingham City CCG	(1,428)	(3,927)
Other	(1)	(7)
Total Funding	**(8,510)**	**(9,246)**

Expenditure met from the pooled budget:	**2019/20 £000**	**2020/21 £000**
Partnership Management and Administration Costs	829	815
Contract Management Fee	1,311	1,327
Equipment	5,983	6,389
Minor Adaptations	119	66
Direct Payments	-	2
Total Expenditure	**8,242**	**8,599**
Net (surplus) / deficit carried forward	**(992)**	**(1,639)**

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

Nottinghamshire County Council and the Nottinghamshire Clinical Commissioning Groups have entered into a framework agreement under section 75 of the National Health Service Act 2006. This is a pooled budget arrangement known as the Better Care Fund (BCF). This Fund enables the local authority and the NHS to better deliver local health and social care services.

Pooled budgets occur where a number of partners agree to set aside funds for a specific purpose that they will pursue jointly, to address common objectives or realise benefits from working together. Whilst partners collectively agree the services to be provided, the agreed services are commissioned by the respective partners via their own contracts with end providers, with the commissioning entity holding end providers to account for the services they provide. On this basis, the Authority has determined that the transactions of these pools are not reflected in the Authority's financial statements, except for expenditure incurred on agreed services commissioned by the Authority via its own contracts with end providers, and the income it receives from the Pools to pay for these services.

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

Pooled Budgets Memo Account	**2019/20 £000**	**2020/21 £000**
Net (surplus) / deficit brought forward	**(3,040)**	**(3,040)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(10,478)	(37,898)
Bassetlaw CCG	(8,181)	(8,601)
Mansfield & Ashfield CCG	(13,850)	-
Newark & Sherwood CCG	(8,844)	-
Nottingham and Nottinghamshire CCGs	-	(49,624)
Nottingham North & East CCGs	(9,991)	-
Nottingham West CCG	(6,676)	-
Rushcliffe CCG	(7,718)	-
iBCF	(26,484)	-
Total Funding	**(92,222)**	**(96,123)**

Expenditure met from the pooled budget:	**2019/20 £000**	**2020/21 £000**
Nottinghamshire County Council ASC&PH	31,930	30,481
Bassetlaw CCG	5,043	5,303
Mansfield & Ashfield CCG	8,617	-
Newark & Sherwood CCG	5,658	-
Nottingham and Nottinghamshire CCGs	-	30,329
Nottingham North & East CCGs	6,026	-
Nottingham West CCG	3,714	-
Rushcliffe CCG	4,750	-
iBCF (various projects)	26,484	30,011
Total Expenditure	**92,222**	**96,124**
Net (surplus) / deficit carried forward	**(3,040)**	**(3,039)**

47. Termination Benefits

The Authority terminated the contracts of a number of employees in 2020/21, with a net value of £0.6 million (£1.2 million in 2019/20). 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 £1,647,785 (£1,595,303 in 2019/20). In addition to this, Members were reimbursed a total of £13,433 (£59,991 in 2019/20) for expenses incurred on Authority business. Travel has been reduced due to the COVID19 pandemic.

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:

	2019/20		2020/21	
	£000	£000	£000	£000
	Expenditure	Income	Expenditure	Income
Administration and Professional Services				
NHS Trusts	70,164	(70,164)	101,633	(101,633)
Other Authorities	9,616	(9,616)	14,104	(14,104)
Colleges	9	(9)	2	(2)
Maintenance works				
Other Authorities	178	(178)	-	-
Colleges	8	(8)	227	(227)
	79,975	**(79,975)**	**115,966**	**(115,966)**

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 2020/21 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:

	2019/20	2020/21
	£000	£000
Advertising for staff	200	168
Other advertising, including education courses	369	221
Public Relations - salaries and running costs	971	798
Other publicity expenditure	465	357
	2,005	**1,544**
As a percentage of gross expenditure (cost of services)	0.17%	0.13%

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT

	Notes	2019/20 £000	2020/21 £000
Contributions	4		
Employer contributions		(137,261)	(201,395)
Member contributions		(47,906)	(49,638)
		(185,167)	**(251,033)**
Transfers in from other pension funds		(9,655)	(5,581)
Benefits	5		
Pensions		171,375	179,425
Commutation of pensions and lump sum retirement benefits		35,699	31,607
Lump sum death benefits		5,050	5,237
		212,124	**216,269**
Payments to and on account of leavers	6	13,657	13,086
Net (additions)/withdrawals from dealings with members		**30,959**	**(27,259)**
Administration expenses	7	2,176	2,692
Oversight and governance expenses	8	1,460	1,804
Investment management expenses	9	4,995	4,370
Net (additions)/withdrawals after fund management expenses		**39,590**	**(18,393)**
Investment Income	10	(130,410)	(84,822)
(Profits)/losses on disposal of investments & changes in value		483,224	(988,631)
Taxes on income		247	172
Net Returns on Investments		**353,061**	**(1,073,281)**
Net (increase)/decrease in net assets available for benefits during the year		**392,651**	**(1,091,674)**
Opening net assets of the Fund		5,433,063	5,040,412
Closing net assets of the Fund		**5,040,412**	**6,132,086**

The notes on pages 3 to 25 form part of these Financial Statements.

NET ASSETS STATEMENT FOR THE YEAR ENDED

	Notes	31 March 2020 £000	31 March 2021 £000
Investment Assets	11 & 15		
Fixed Interest Securities		384,727	307,787
Equities		846,815	1,716,831
Pooled Investment Vehicles		3,145,087	3,517,348
Property		481,379	350,442
Cash deposits		151,744	210,083
Other Investment Balances	13	28,575	24,710
Investment liabilities	13	(5,387)	(4,762)
		5,032,940	**6,122,439**
Current assets	14	15,760	21,345
		5,048,700	6,143,784
Current liabilities	14	(8,288)	(11,698)
Closing net assets of the Fund		**5,040,412**	**6,132,086**

The actuarial present value of promised retirement benefits, as required by the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21* , is shown at note 2c.

The notes on pages 95 to 119 form part of these Financial Statements.

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 2020/21* (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 2018* (the Pensions SORP) or to individual International Accounting Standards (IAS). Disclosures required by IFRS 9 and 15 have been reflected in the accounts where material. Disclosures in the Pension Fund accounts have been limited to those required by the Code. Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. Three accounting standards have been issued but are not yet in force. These are IFRS 16, IAS 28 and IAS 19 - the impact of these on the Fund accounts would be immaterial.

The accounts have been prepared on a going concern basis.

The 2020 accounts were prepared amidst the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation on 11 March 2020 as a “Global Pandemic”. This impacted global financial markets with significant volatility in valuations both before and after year end, and increased the uncertainty of fair value assessments at 31 March 2020.

Market activity was impacted in many sectors. The property valuation was reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.

Furthermore private assets are based on valuations generally a quarter earlier and did not reflect the market impact of the pandemic, however the extent of this was not measurable at year end. Consequently the assessed valuation range in note 15b) was increased for 31 March 2020 to reflect the additional uncertainty.

The market situation recovered gradually over the last year with trading having returned in all sectors. Consequently the uncertainty over fair value valuations has returned to close to normal levels at 31 March 2021.

(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 based on earnings, revenues and comparable valuations 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 external valuation in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards at the Net Assets Statement date based on lease terms, nature of tenancies, covenant strength, vacancy levels, estimated rental growth and discount rate.

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

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

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

(d) Investments Income

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

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

(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

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated into sterling at the rate ruling on the date of the transaction. Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

(g) Contributions

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

(h) Benefits Payable

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

(i) Transfers to and from Other Schemes

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

(j) Other Expenses

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

(k) Property related income

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

2. Operation of the Fund

(a) General

Nottinghamshire County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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 510 participating employers and over 145,000 members. The employers include Nottinghamshire County Council, Nottingham 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 in these pages. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 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.

(b) 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.

(c) Actuarial Valuations

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2019. The market value of the Fund's assets at the valuation date was £5,433 million. The Actuary has estimated that the value of the Fund was sufficient to meet 93% of its expected future liabilities in respect of service completed to 31 March 2019. The certified contribution rates are expected to improve this to 100% within a period of 19 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 2019 % pa
Expected investment returns:	
Equities	6.7
Gilts	1.7
Property and Infrastructure	6.1
Discount Rate	4.8
Retail price inflation (RPI)	3.6
Consumer price inflation (CPI)	2.6
Long term pay increases	3.6
Pension Increases	2.6

The 2019 valuation produced an average employer contribution rate of 21.6%. Employer contributions were certified by the actuaries for the years 2020/21 to 2022/23. 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 as certified in the final report:

Certified employer contributions		**2020/21**	**2021/22**	**2022/23**
Nottinghamshire County Council		18.7%	18.7%	18.7%
	Plus:	£7,424,000	£7,695,000	£7,975,000
Nottingham City Council		17.9%	17.9%	17.9%
	Plus:	£8,544,000	£8,855,000	£9,178,000
Ashfield District Council		18.0%	18.0%	18.0%
	Plus:	£1,546,000	£1,603,000	£1,661,000
Bassetlaw District Council		19.6%	19.6%	19.6%
	Plus:	£919,000	£953,000	£988,000
Broxtowe Borough Council		18.0%	18.0%	18.0%
	Plus:	£264,000	£273,000	£283,000
Gedling Borough Council		18.2%	18.2%	18.2%
	Plus:	£413,000	£428,000	£443,000
Mansfield District Council		19.5%	19.5%	19.5%
	Plus:	£1,789,000	£1,855,000	£1,922,000
Newark and Sherwood District Council		17.5%	17.5%	17.5%
	Plus:	£771,000	£800,000	£829,000
Rushcliffe Borough Council		17.6%	17.6%	17.6%
	Plus:	£950,000	£985,000	£1,021,000

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

(d) 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 26. To do this, the actuaries rolled forward the value of the Employers' liabilities calculated for the Triennial valuation as at 31 March 2019 allowing for the different financial assumptions required under IAS 26. The assumptions used for the purposes of the IAS 26 calculations (which are consistent with IAS 19) are as follows:

		31 March 2019		31 March 2020		31 March 2021	
		% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
RPI Increases		3.4	-	2.7	-	3.2	-
CPI increases		2.4	(1.0)	1.9	(0.8)	2.9	(0.3)
Salary Increases		3.9	0.5	2.9	0.2	3.9	0.7
Pension Increases		2.4	(1.0)	1.9	(0.8)	2.9	(0.3)
Discount Rate		2.4	(1.0)	2.4	(0.3)	2.0	(1.2)
Mortality assumptions:							
Longevity at 65 for current pensioners							
Men	(years)				21.8		21.6
Women	(years)				24.4		24.3
Longevity at 65 for future pensioners							
Men	(years)				23.2		22.9
Women	(years)				25.8		25.7
Estimated return on assets					-7%		22%

Members will exchange half of their commutable pension for cash at retirement.

The net liability under IAS 26 is shown below.

	31 March 2019 £000	31 March 2020 £000	31 March 2021 £000
Present value of funded obligation	8,769,711	8,315,005	10,909,533
Fair value of Fund assets	5,406,638	5,009,752	6,102,491
Net Liability	**3,363,073**	**3,305,253**	**4,807,042**

The present value of funded obligation consists of £10,703.2 million in respect of vested obligation and £206.3 million in respect of non-vested obligation.

A ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements put in place when moving from final salary to average salary scheme arrangements. Court of Appeal judgements were made in cases affecting judges' pensions (the McCloud Judgement) and firefighter pensions. The ruling will have implications for the Local Government Pension Scheme which also moved from a final salary to a career average salary scheme. The IAS 26 figures included in the accounts reflect the estimated impact of the McCloud Judgement.

These figures are presented only for the purposes of IAS 26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

(e) 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.

During 2020/21 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.

(f) Critical Judgements

The Fund's investment portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by the Code, therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg if there is a premium paid at the inception of the lease).

(g) Major sources of estimation uncertainty

In applying the accounting policies set out in Note 1 above, the Authority has had to make certain estimates about complex transactions or those involving uncertainty about future events. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual results could differ from the assumptions and estimates.

Pension Fund Liability - The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 2 c). The impact of a 0.1% change in the discount rate is shown in Note 15 c).Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

Property Investments - Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data. The impact of a variation of 5% on valuation is shown in Note 15 b).

Level 3 Investments - Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The impact of a variation of 15% on valuation is shown in Note 15 b).

(h) External Audit

A separate fee is payable to Grant Thornton UK LLP for audit of the Pension Fund. All fees have been included in the accounts for the period to which they relate. The fee for 2020/21 is £35,293 (£27,293 for 2019/20).

Non-audit fees in respect of IAS 19 assurance for 2020/21 are £7,500 (2019/20: £7,500).

3. Contributors and Pensioners

	Members at 31 March 2021				
	County Council	**City Council**	**District Councils**	**Other**	**Total**
Contributors	14,404	7,405	3,328	18,820	43,957
Deferred Beneficiaries	25,405	12,834	4,386	18,310	60,935
Pensioners	18,393	8,233	5,039	8,816	40,481
					145,373

	Members at 31 March 2020				
	County Council	**City Council**	**District Councils**	**Other**	**Total**
Contributors	15,879	8,064	3,428	20,685	48,056
Deferred Beneficiaries	24,150	12,507	4,358	14,987	56,002
Pensioners	17,793	7,826	4,938	8,197	38,754
					142,812

4. Analysis of Contributions

	Employers		**Members**		**Total**	
	2019/20 £000	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
County Council	31,371	60,057	12,267	12,717	43,638	72,774
Scheduled Bodies	98,961	133,910	33,378	34,676	132,339	168,586
Admitted Bodies	6,929	7,428	2,261	2,245	9,190	9,673
	137,261	**201,395**	**47,906**	**49,638**	**185,167**	**251,033**

5. Analysis of Benefits

	2019/20 £000	**2020/21 £000**
Pensions	171,375	179,425
Commutation and lump sum	35,699	31,607
Lump sum death benefits	5,050	5,237
	212,124	**216,269**
Comprising of:		
County Council	79,575	80,726
Scheduled Bodies	122,965	126,936
Admitted Bodies	9,584	8,607
	212,124	**216,269**

6. Payments to and on account of leavers

	2019/20 £000	2020/21 £000
Refunds to members leaving the Fund	497	444
Payments for members joining state scheme	162	(109)
Group transfers to other funds	-	-
Individual transfers to other funds	12,998	12,751
	13,657	**13,086**

7. Administration Expenses

	2019/20 £000	2020/21 £000
Printing and stationery	8	8
Legal fees	16	27
Other external fees	398	502
Bad debts	-	252
Administering Authority Costs	1,754	1,903
	2,176	**2,692**

8. Oversight and Governance Expenses

	2019/20 £000	2020/21 £000
Training and conferences	2	-
Printing and stationery	2	-
Subscriptions and membership fees	40	24
Actuarial fees	70	35
Audit fees	27	35
Legal fees	-	-
Other external fees	965	1,337
Administering Authority Costs	354	373
	1,460	**1,804**

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

9. Investment Management Expenses

	2019/20 £000	2020/21 £000
Legal fees	-	11
Custody fees	299	274
Investment management fees	4,614	4,059
Other external fees	65	10
Administering Authority Costs	17	16
	4,995	**4,370**

The investment management fees shown above are those fees attributable to external managers and charged directly to the Fund. Additional fees and charges are incurred through pooled investment vehicles. These have the effect of reducing the fair value of the investments. The estimated embedded costs within pooled investment vehicles were £13.3 million in 2020/21 (£13.3 million in 2019/20).

10 Investment Income

Analysis by type of investment	2019/20 £000	2020/21 £000
Interest from fixed interest securities	(21,980)	(8,856)
Dividends from equities	(42,287)	(43,080)
Income from pooled investment vehicles	(35,880)	(6,735)
Income from property pooled vehicles	(6,005)	(5,095)
Net rents from property	(22,011)	(19,491)
Interest on cash deposits	(1,335)	(333)
Other	(912)	(1,232)
	(130,410)	**(84,822)**
Directly held property		
Rental income	(23,989)	(21,850)
Less operating expenses	1,978	2,359
Net rents from property	**(22,011)**	**(19,491)**

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

	2019/20 £000	2020/21 £000
Within one year	23,909	18,606
Between one and five years	82,690	65,893
Later than five years	213,681	193,200
Future lease payments due under existing contracts	**320,280**	**277,699**

11. Investments

(a) Investment Analysis

	31 March 2020 £000	31 March 2021 £000
Fixed Interest Securities		
UK Public Sector	208,155	205,032
UK Other	176,572	102,755
Overseas Other	-	-
Equities		
UK	667,552	979,966
Overseas	174,959	734,865
Unlisted	4,304	2,000
Pooled Investment Vehicles		
Unit Trusts	1,252,280	1,176,296
Other Managed Funds	1,627,204	2,068,069
Pooled Vehicles Invested in Property		
Property Unit Trusts	116,997	112,721
Other Managed Funds	148,606	160,262
Property	481,379	350,442
Cash and Currency	151,744	210,083
Total Investments	**5,009,752**	**6,102,491**

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 2020 £000	31 March 2021 £000
Market Value	5,009,752	6,102,491
Original Value	4,733,655	5,195,947
Excess of Market Value over Original Value	**276,097**	**906,544**

(b) Reconciliation of Opening and Closing Values of Investments 2020/21

	Value at 1 April 2020 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2021 £000
Fixed Interest Securities	384,727	80,582	(141,508)	(16,014)	307,787
Equities	846,815	1,010,580	(485,477)	344,913	1,716,831
Pooled Investment Vehicles	2,879,484	260,526	(615,780)	720,135	3,244,365
Property Pooled Vehicles	265,603	14,747	(843)	(6,524)	272,983
Property	481,379	670	(77,728)	(53,879)	350,442
	4,858,008	**1,367,105**	**(1,321,336)**	**988,631**	**5,892,408**
Cash deposits	151,744				210,083
	5,009,752				**6,102,491**

Reconciliation of Opening and Closing Values of Investments 2019/20

	Value at 1 April 2019 £000	Purchases at Cost £000	Proceeds of Sales £000	Change in Market Value £000	Value at 31 March 2020 £000
Fixed Interest Securities	677,054	324,838	(639,019)	21,854	384,727
Equities	1,008,561	290,444	(249,355)	(202,835)	846,815
Pooled Investment Vehicles	2,858,772	565,989	(259,910)	(285,367)	2,879,484
Property Pooled Vehicles	248,361	16,164	(1,551)	2,629	265,603
Property	483,262	28,517	(9,350)	(21,050)	481,379
	5,276,010	**1,225,952**	**(1,159,185)**	**(484,769)**	**4,858,008**
Forward Foreign Exchange	(25)	92,166	(93,686)	1,545	-
	5,275,985	**1,318,118**	**(1,252,871)**	**(483,224)**	**4,858,008**
Cash deposits	130,653				151,744
	5,406,638				**5,009,752**

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the Fund, such as fees, commissions and stamp duty, amounted to £2.3 million in 2020/21 (£1.8 million in 2019/20). 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 six portfolios and a breakdown of these as at the Net Assets Statement date is shown below:

	31 March 2020 £000		31 March 2021 £000	
Core Index	1,110,544	22.2%	1,445,553	23.7%
Schroder Active Equities	1,297,411	25.9%	1,840,496	30.1%
LGPS Central			713,069	11.7%
Fixed Interest	681,429	13.6%	102,755	1.7%
Aberdeen Property	610,486	12.2%	487,880	8.0%
Specialist	1,309,882	26.1%	1,512,738	24.8%
Total	**5,009,752**	**100.0%**	**6,102,491**	**100.0%**

Investments managed by LGPS Central Ltd were brought together in a new portfolio during the year.
The majority of the Fund's Fixed Interest investments are now managed by LGPS Central Ltd.

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

	31 March 2020 £000	31 March 2021 £000
Core Index		
Legal & General	1,065,133	1,428,946
Schroders		
Schroders	533,940	227,251
LGPS Central		
LGPS Central	283,738	507,991
Specialist		
Aegon Asset Management*	265,908	371,778
RWC Capital	177,543	266,767
Darwin	79,444	82,752

* previously Kames Capital

The following investments represent over 5% of the net assets of the Fund.

	Market Value 31 March 2020 £000	% of Fund	Market Value 31 March 2021 £000	% of Fund
Legal & General UK Equity Index	439,566	8.7%	558,323	9.1%
Legal & General North America Equity Index	231,170	4.6%	330,087	5.4%
Schroder North American Equity Fund	409,042	8.1%	-	-
LGPS Central Global Corporate Bonds Fund	283,738	5.6%	315,508	5.2%

The Schroder North American Equity Fund was replaced with directly held stocks during the year.

(d) Asset Allocation

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

	31 March 2020 £000		31 March 2021 £000	
UK Fixed Interest	384,727	7.7%	307,787	5.0%
Overseas Fixed Interest	283,738	5.7%	315,508	5.2%
UK Equities	1,082,969	21.6%	1,502,972	24.6%
Overseas Equities:				-
US	641,947	12.8%	851,016	14.0%
Europe	362,238	7.2%	490,939	8.0%
Japan	241,134	4.8%	319,747	5.2%
Pacific Basin	120,864	2.4%	183,321	3.0%
Emerging Markets	197,797	3.9%	289,497	4.8%
Global Equities	26,085	0.5%	72,112	1.2%
UK Property	636,890	12.7%	514,046	8.4%
Overseas Property	110,092	2.2%	109,379	1.8%
Private Equity	218,264	4.4%	243,328	4.0%
Infrastructure	311,677	6.2%	330,065	5.4%
Credit	52,421	1.0%	67,402	1.1%
Multi-Asset	187,165	3.7%	295,289	4.9%
Forward Foreign Exchange	-	-	-	-
Cash	151,744	3.0%	210,083	3.4%
Total	**5,009,752**	**100.0%**	**6,102,491**	**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 valuation for 31 March 2020 was provided subject to a material uncertainty clause.

	31 March 2020 £000	31 March 2021 £000
Freehold	455,029	342,542
Leasehold more than 50 years	26,350	7,900
	481,379	**350,442**
Original Value	410,348	323,203

Details of movements on directly owned properties are as follows:-

	31 March 2020 £000	31 March 2021 £000
Opening balance	**483,262**	**481,379**
Additions:		
Purchases	201	-
New construction	27,605	(2)
Subsequent expenditure	711	663
Disposals	(9,000)	(87,150)
Net (decrease) in market value	(21,400)	(44,448)
Other changes in fair value	-	-
Closing balance	**481,379**	**350,442**

(f) Analysis of Pooled Investment Vehicles

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

	31 March 2020 £000	31 March 2021 £000
Global Fixed Interest	283,738	315,508
UK Equities	512,668	645,457
Overseas Equities:		
US	640,212	330,507
Europe	249,090	356,770
Japan	181,059	241,783
Pacific Basin	120,864	181,099
Emerging Markets	197,797	289,497
Global	26,085	72,112
UK Property	155,511	163,603
Overseas Property	110,092	109,379
Private Equity	213,961	241,328
Infrastructure	214,424	207,614
Credit	52,421	67,402
Multi-Asset	187,165	295,289
Total	**3,145,087**	**3,517,348**

(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	USD	13
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	4
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	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	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 Buyout Fund I	GBP	10
Darwin Leisure Development Fund	GBP	30
Darwin Leisure Property Fund	GBP	20
Capital Dynamics CPEV 17-18	GBP	10
Darwin Bereavement Services Fund	GBP	20
Capital Dynamics CPEP 18-19	GBP	10
YFM Buyout Fund II	GBP	15
LGPS Central PE Primary Fund 2018	GBP	10
LGPS Central PE Co-Investments 2018	GBP	5
Coller International VIII	USD	35
Dorchester Capital Secondaries Offshore V	USD	50
BGF	GBP	7
Infrastructure Funds		
Partners Group Global Infrastructure	EUR	12
Altius Real Assets Fund I	USD	15
Hermes GPE Infrastructure Fund	GBP	25
AMP Capital Global Infrastructure Fund	USD	34
SL Capital Infrastructure	GBP	15
JP Morgan IIF UK 1	USD	22
Green Investment Bank Offshore Wind Fund	GBP	15
MacQuarie European Infrastructure Fund 5	EUR	30
Equitix Fund IV LP	GBP	20
Hermes GPE Infrastructure II	GBP	25
Equitix Fund V	GBP	10
SL Capital Infrastructure II	EUR	30
Capital Dynamics Clean Energy and Infrastructure VIII	GBP	20

These commitments are drawn by the funds over time as investments are made in underlying companies or assets. The undrawn commitments as at 31 March 2021 were £167.2 million (£190.4 million at 31 March 2020). Of the funds above, the following were new commitments made during 2020/21:-

	Currency	Commitment millions
BGF	GBP	7
Capital Dynamics Clean Energy and Infrastructure VIII	GBP	10
SL Capital Infrastructure II	EUR	10

(h) Analysis of derivatives

There were no derivatives held at 31 March 2021 or 31 March 2020.

12. Contingent Liabilities

The Fund has no contingent liabilities.

13. Other Investment Balances and Liabilities

	31 March 2020 £000	31 March 2021 £000
Other investment balances		
Outstanding investment transactions	-	-
Investment income	28,575	24,710
	28,575	**24,710**
Investment Liabilities		
Outstanding investment transactions	-	-
Investment income	(5,387)	(4,762)
	(5,387)	**(4,762)**

14. Current Assets and Liabilities

	31 March 2020 £000	31 March 2021 £000
Current assets		
Contributions due from employers	12,065	17,273
Other	3,696	4,072
	15,760	**21,345**
Current Liabilities		
Payments in advance	-	-
Sundry creditors	(7,809)	(11,097)
Other	(479)	(601)
	(8,288)	**(11,698)**

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 2021			
	Financial assets measured at Fair Value through profit and loss	**Assets at amortised cost**	**Financial liabilities at amortised cost**	**Totals**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fixed Interest Securities	307,787	-	-	307,787
Equities	1,716,831	-	-	1,716,831
Pooled Investment Vehicles	3,244,365	-	-	3,244,365
Property Pooled Vehicles	272,983	-	-	272,983
Cash deposits	-	210,083	-	210,083
Other investment balances	-	24,710	-	24,710
Current Assets	-	21,345	-	21,345
	5,541,966	**256,138**	**-**	**5,798,104**
Financial Liabilities				
Investment Liabilities	-	-	(4,762)	(4,762)
Current Liabilities	-	-	(11,698)	(11,698)
	-	**-**	**(16,460)**	**(16,460)**
	5,541,966	**256,138**	**(16,460)**	**5,781,644**

	31 March 2020			
	Financial assets measured at Fair Value through profit and loss	**Assets at amortised cost**	**Financial liabilities at amortised cost**	**Totals**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fixed Interest Securities	384,727	-	-	384,727
Equities	846,815	-	-	846,815
Pooled Investment Vehicles	2,879,484	-	-	2,879,484
Property Pooled Vehicles	265,603	-	-	265,603
Cash deposits	-	151,744	-	151,744
Other investment balances	-	28,575	-	28,575
Current Assets	-	15,760	-	15,760
	4,376,629	**196,079**	**-**	**4,572,708**
Financial Liabilities				
Investment Liabilities	-	-	(5,387)	(5,387)
Current Liabilities	-	-	(8,288)	(8,288)
	-	**-**	**(13,675)**	**(13,675)**
	4,376,629	**196,079**	**(13,675)**	**4,559,033**

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.

The basis of valuation, inputs and key sensitivities for level 2 and 3 investments are described below.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments – property funds	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Freehold and leasehold properties	Property investments are stated at open market value based on a quarterly independent external valuation in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards at the Net Assets Statement date.	• lease terms • nature of tenancies • covenant strength • vacancy levels • estimated rental growth • discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Unquoted equities	Unquoted securities and pooled private equity investments are valued at fair value by the fund managers in accordance with industry accepted guidelines.	• earnings • revenue • comparable valuations	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts

As at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
Financial instruments	4,750,639	272,983	518,344	5,541,966
Non Financial Assets				
Fair value through profit and loss				
Freehold and leasehold property	-	-	350,442	350,442
Total	**4,750,639**	**272,983**	**868,786**	**5,892,408**
Financial Liabilities				
Liabilities	-	-	-	-
Financial liabilities	(16,460)	-	-	(16,460)
Total	**(16,460)**	**-**	**-**	**(16,460)**
Net	**4,734,179**	**272,983**	**868,786**	**5,875,948**

As at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
Financial instruments	3,625,917	265,603	485,109	4,376,629
Non Financial Assets				
Fair value through profit and loss				
Freehold and leasehold property	-	-	481,379	481,379
Total	**3,625,917**	**265,603**	**966,488**	**4,858,008**
Financial Liabilities				
Liabilities	-	-	-	-
Financial liabilities	(13,675)	-	-	(13,675)
Total	**(13,675)**	**-**	**-**	**(13,675)**
Net	**3,612,242**	**265,603**	**966,488**	**4,844,333**

Reconciliation of Fair Value measurements within Level 3

	Freehold and leasehold property £000	Private equity and unlisted shares £000
Market value 1 April 2020	**481,379**	**485,109**
Transfers into level 3	-	-
Transfers out of level 3	-	-
Purchases during the year	670	12,081
Sales during the year	(77,728)	(6,705)
Unrealised gains / (losses)	(43,793)	5,111
Realised gains / (losses)	(10,086)	22,748
Market value 31 March 2021	**350,442**	**518,344**

Sensitivity of assets valued at level 3

	Assessed valuation range (+/-)	Value at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Freehold and leasehold property	5%	350,442	367,964	332,920
Private equity and unlisted shares	15%	518,344	596,096	440,592
Total		**868,786**	**964,060**	**773,512**

(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:
- Inadequate resources are available to manage the Pension Fund
- 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 movement of 0.1% in the discount rate.

Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present Value of Total Obligation (£000)	10,682,987	10,909,533	11,141,113

The Fund deficit at the last triennial valuation was £405 million.

For the first time in 2013/14 there was a net withdrawal from dealings with members. Since then the net withdrawal/contribution has generally been relatively small. In 2020/21 the Fund experienced a net increase from dealings with members due to employer lump sum deficit contributions.

The Fund continues to receive significant investment income and is therefore unlikely to need to sell assets in order to meet pension benefits in the near future. 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. Specific risks arising from financial instruments include market risk, interest rate risk, currency risk, credit risk and liquidity risk (described in more detail below). These risks are managed within the Fund through diversification of assets, careful selection of managers and counter parties, and prudent treasury management. 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.

Market risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix. The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

Interest rate risk
The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency risk
Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling.

Credit risk
Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner. The Fund has also set limits as to the maximum sum placed on deposit with individual financial institutions. Money market funds chosen all have AAA rating.

The Pension Fund has experienced no defaults from fund managers, brokers or bank accounts over the past five years.

Liquidity risk
Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The pension fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £210.1m (31 March 2020: £151.7m).

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 2016. The value of the separately invested AVCs is shown below:

	31 March 2020 **£000**	**31 March 2021** **£000**
Prudential	32,559	32,559
Scottish Widows	3,275	3,528
	35,834	**36,087**

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. The proportion recharged to the Pension Fund is as follows:-

2020-21

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 Remun-eration £
Service Director (Customers, Governance and Employees)	1	15,446	-	-	3,429	18,875
Service Director (Finance, Infrastructure & Improvement)	2	20,595	-	-	4,572	25,167

*Pension Contributions are estimated at 22.2% to account for the pensions deficit and are adjusted in accordance with IAS19

1. The Service Director for Customers, Governance and Employees has the statutory responsibility of the Monitoring Officer.
2. The post of Service Director (Finance, Infrastructure and Improvement) has the statutory responsibility of S151 Officer.

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 eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool and is a joint venture in accordance with IFRS 11. Control of LGPS Central Ltd is primarily through the Shareholders Forum, governed by a Shareholders Agreement and operating under company law, which has formal decision making powers. Nottinghamshire Pension Fund has equal voting rights alongside the other participating funds and unanimous decisions are required on key strategic matters. These are specified in the Shareholders Agreement and Articles of Association, and include the appointment and dismissal of the company's senior executives, approval of the company's strategic plan and any significant financial transactions, such as major acquisitions, lending or borrowing.

£1,315,000 has been invested in share capital and £685,000 in a loan to LGPS Central Ltd. This is held at historic cost and are the balances at year end, unchanged from 2019/20. The Fund earned £32,000 in interest during the year (£36,000 in 2019/20) and £32,000 was owed to the Fund at the end of the year (£36,000 in 2019/20).

LGPS Central Ltd has charged £1,057,000 in operating and investment management costs during the year (2019/20 £966,000), of which £195,000 (2019/20 £297,000) was outstanding at year end.

Nottinghamshire Pension Fund has guaranteed a share of the pension liability relating to employees of LGPS Central Ltd that transferred into the company on creation.

Over time, LGPS Central Ltd will manage an increasing proportion of the Pension Fund's investments. At 31 March 2021 investments worth £713.02 million (31 March 2020 £398.41 million) were invested in LGPS Central Ltd funds.

18. Post Balance Sheet Events

No post balance sheet events have been identified.

The year end valuation of assets may be significantly different from the valuation of assets at any date after 31 March 2021 due to volatility in the markets. The value of assets as reported in the quarterly valuation report to 30 June 2021 has risen by £285.6m (4.6%). This is considered to be a non-adjusting post balance sheet event that does not change the valuation on 31 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE PENSION FUND

Opinion

We have audited the financial statements of Nottinghamshire Pension Fund (the 'Pension Fund') administered by Nottinghamshire County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and

  have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.
In our evaluation of the Service Director - Finance, Infrastructure & Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Service Director - Finance, Infrastructure & Improvement's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Service Director - Finance, Infrastructure & Improvement with respect to going concern are described in the 'Responsibilities of the Authority, the Service Director - Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements' section of this report.

Other information

The Service Director - Finance, Infrastructure & Improvement is responsible for the other information. The other information comprises the information included in the Annual Financial Report, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Annual Financial Report, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application 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 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Service Director – Finance, Infrastructure & Improvement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts [set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director - Finance, Infrastructure & Improvement. The Service Director - Finance, Infrastructure & Improvement is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund'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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Service Director - Finance, Infrastructure & Improvement is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Governance and Ethics Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of senior officers and the Governance and Ethics Committee, concerning the Authority's policies and procedures relating to:

the identification, evaluation and compliance with laws and regulations;

the detection and response to the risks of fraud; and

the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers, internal audit and the Governance and Ethics Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, misstatement of significant estimates due to fraud and related party transactions. We determined that the principal risks were in relation to:

The use of journal entries and in particular;

Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;

Related party transactions undertaken outside the normal course of business.

Our audit procedures involved:

evaluation of the design effectiveness of controls that the Service Director - Finance, Infrastructure & Improvement has in place to prevent and detect fraud.

journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals.

challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 and level 3 investments and IAS 26 pensions liability valuations. In all cases, management adopted assumptions applied by management's expert in the calculations of estimates

Review for undisclosed related parties and agreement of related party transactions to underlying evidence and consideration of these in line with our understanding of the operations of the pension fund; and

assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition.

Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

knowledge of the local government pensions sector

understanding of the legal and regulatory requirements specific to the Pension Fund including:

the provisions of the applicable legislation

guidance issued by CIPFA, LASAAC and SOLACE

the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

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 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Gregory, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date: 08 November 2021

GLOSSARY OF TERMS

Accruals	The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.
Actuary	An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary reassesses the rate of employer contributions to the Pension Fund every three years.
Added Years	Additional years of service awarded to increase benefits of employees taking early retirement.
Amortisation	The process of charging asset consumption in relation to Intangible Assets to the Comprehensive Income & Expenditure Statement over a suitable period of time.
Balance Sheet	The accounting statement which sets out the Authority's total net assets and how they were financed.
Budget	The Authority's statement of spending plans and policies for a financial year, expressed in financial terms.
Capital Adjustment Account (CAA)	This account absorbs the timing differences between the consumption of non-current assets and the financing arrangements in respect of their acquisition, creation or enhancement throughout their useful life.
Capital Financing Requirement (CFR)	The Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.
Capital Grants Receipts in Advance	Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable unless conditions apply to the grant/contribution, in which case the grant/contribution is classified as Capital Grants Receipts in Advance on the Balance Sheet.
CIPFA	Chartered Institute of Public Finance and Accountancy.
Comprehensive Income and Expenditure Statement (CI&ES)	Consolidates all the gains and losses experienced during the financial year.
Community Assets	Assets such as historical structures and artefacts that the Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.
COVID19	Covid19 refers to the Corona Virus pandemic which hit the UK in March 2020 and is ongoing.
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 Comprehensive Income & Expenditure 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: 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as 'operating leases'
Local Government Pension Scheme (LGPS)	Nottinghamshire County Council is the administrating authority for the LGPS within Nottinghamshire.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.
NDR	Non-Domestic Rates.
PFI	Private Finance Initiative.
PPE	Property, Plant and Equipment.
Precept Income	County Councils obtain part of their income from precepts levied on the District Councils in their area. Precepts, based on the 'Council Tax bases' of the District Councils, are levied on each District's 'collection fund'.
PWLB	Public Works Loans Board.
Provisions	Sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise. The sums set aside are charged to the appropriate service revenue accounts.
Reserves	Sums of money set aside to cover future eventualities. The sums set aside are charged to the General Fund and not to service revenue accounts.
Revaluation Reserve	Represents the difference between the revalued amount of Property, Plant and Equipment as shown in the accounts and the historic cost.
Revenue Expenditure Financed from Capital Under Statute (REFfCUS)	Legislation permits certain expenditure to be funded by capital resources even though no fixed asset is carried on the Balance Sheet. Examples include works on property not owned by the Authority and grants provided for economic development purposes.