NOTTINGHAMSHIRE COUNTY COUNCIL
ANNUAL FINANCIAL REPORT 2022/23

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NARRATIVE REPORT

Introduction

1. The Authority's Statement of Accounts for the year 2022/23 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 2022/23 (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 2022/23;
   - 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, 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 2022/23 Statement was reported to Governance and Ethics Committee on 3 May 2023.

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 statutory provisions'.

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.

Budget Monitoring

12. The financial position of the Authority has continued to be monitored throughout the financial year, with monthly reports to the Corporate Leadership Team and the Cabinet Member for Finance or Cabinet, providing an update of progress and thus ensuring decision makers had access to financial information on a timely basis.

13. The Budget Report 2023/24 that was approved at Full Council on 9 February 2023 sets out that the Authority's budget aims to protect and enhance key services for residents whilst making the organisation financially sustainable for the medium to long term. The Authority's objective is to reach a position, through transforming the way it delivers services over a number of years, where it is able to both offer more support within communities and simultaneously be more efficient and effective with its spending.

14. Whilst having a clear view of the funding position for 2023/24, the Government's further one-year Local Government Financial Settlement means funding for the final three years of the Medium-Term Financial Strategy (MTFS) remains unclear. This will continue to be the case until announcements regarding the longer-term future of local government financing are made.

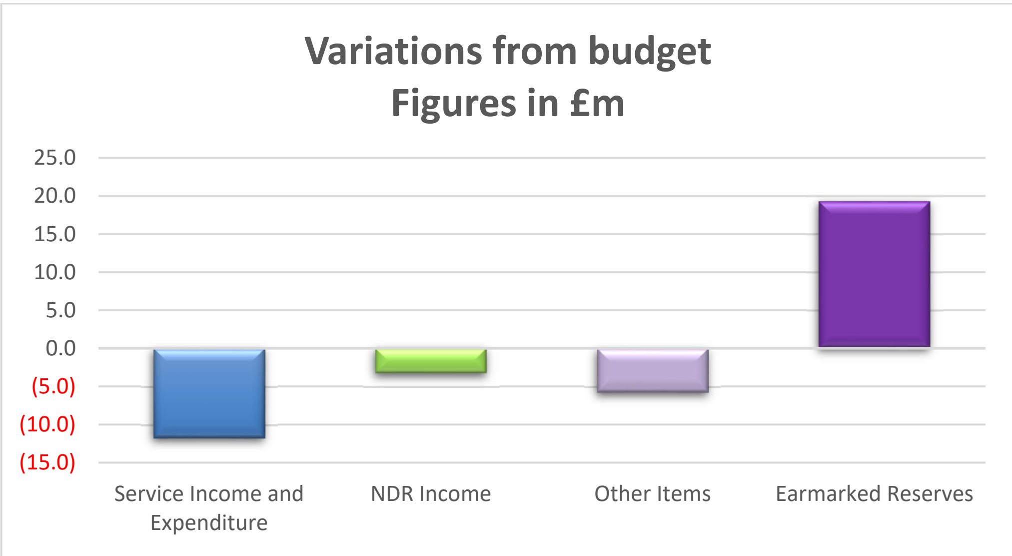
15. The MTFS approved at Full Council in February 2023 shows that, whilst the Council can deliver a balanced budget in 2023/24 and 2024/25, based on current assumptions further significant savings will need to be identified in each of the following years to 2026/27.

Revenue Expenditure

16. The budget estimated that there would be no net movement in relation to General Fund balances. The draft management accounts show that the final contribution to the General Fund was £1.6 million.

	Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	(431.4)	(431.4)	-
Non-Domestic Rate Income	(120.8)	(124.1)	(3.3)
Revenue Support Grant	(7.3)	(7.3)	-
	(559.5)	(562.8)	(3.3)
NET EXPENDITURE (inc appropriations)	**559.5**	**561.2**	**1.7**
Contribution to/(from) General Fund Balances	**0.0**	**1.6**	**1.6**

The main variations to net expenditure were:



17. As shown above, service areas underspent by £11.8 million which can mainly be attributed to various costs being covered by temporary specific Government grants and contributions. Furthermore, underspends have been caused by high vacancy rates owing to a challenging recruitment environment. Also within the overall budget variance, owing to treasury management outcomes, the Authority has benefitted from favourable interest rate movements. This has enabled costs to be absorbed without a need to draw down the budgeted extent of earmarked reserves. Full details of these and other variations are set out in the draft management accounts report to Cabinet on 20 July 2023.

18. The Authority's MTFS, reported to Cabinet in January 2023, has identified the need for further significant savings. Budgeted savings of £9.2 million were approved in February 2023 with a further £31.7 million required by 2026/27. All savings are monitored with a status update included in the monthly report to the Cabinet Member for Finance.

Capital Expenditure and Financing

19. The Authority's capital expenditure in 2022/23 was £93.2 million. That total includes capital expenditure of £2.4 million incurred at schools and £0.7 million incurred on the Waste PFI scheme. The external capital financing costs relating to borrowing incurred by Treasury Management totalled £19.0million.

20. The Authority's borrowings, used to finance the past acquisitions of assets, were £493.1 million at 31 March 2023, excluding 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 2023 the amount owed on these types of borrowings was £60.0 million. The Finance Lease Liability relating to PFI schemes and finance leases as at 31 March 2023 totalled £96.3million.

21. 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 January 2009.

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

Balance Sheet

22. The Authority holds £1,520m of long-term assets (£1,546m as at 31 March 2022), which is primarily made up of property, plant and equipment held by the Authority. Details on these balances can be found in notes as referenced in the Balance Sheet. In addition to these balances, the Authority holds material balances relating to pension liabilities and borrowing:-

- The pension liability recognised on the Authority's Balance Sheet has a significant impact on the net worth of the Authority. Pension benefits do not become payable until employees retire, however, the Authority is required to account for the future obligations at the same time as the employees accrue pension benefits. The pension liability is calculated by an independent actuary, Barnett Waddingham. The net Local Government Pension Scheme liability is estimated to be £297m at the Balance Sheet date (£1,317m as at 31 March 2022); a decrease of £1,020m.

- The Authority continues to be in a positive cash position and therefore continues to pursue a strategy of temporarily borrowing using its internal resources to finance capital expenditure. Long-term borrowing is £474.7m (£486.6m as at 31 March 2023)

Governance

23. At the Full Council meeting on 31 March 2022 the Authority unanimously approved the move from the Committee system of governance to the executive (Leader and Cabinet) model. This new model of governance became operational in May 2022 and the main implications of this change in governance can be seen in detail within the report that was approved at Full Council on 12 May 2022.

24. A Member Working Group is undertaking a 12-month review of the operation of the new governance model with a view to reporting recommendations for improvements in Spring 2023.

Context

25. The Authority has looked at the major trends and issues affecting the County now and into the future. It has collected and analysed the latest statistics about Nottinghamshire's communities, economy, and environment.

- 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

- There are over 2,500 hectares of ancient woodland, 64 Sites of Special Scientific Interest, 67 nature reserves and over 1,400 local wildlife sites

- The population of Nottinghamshire currently stands at 824,823. The overall population is predicted to jump to 908,000 (10%) by 2034

- Our ageing population (the over 65s) is expected to increase over 30% by 2034, or an extra 53,000 people. The number of older people expected to live alone is thought to increase by 33% between 2020 and 2035

- Nottinghamshire's economic landscape has changed significantly over the last 30 years, with growth largely mirroring the national economy. However, while the south and east of the County are generally performing at or around the national average, the north, especially Ashfield and Mansfield, are below the national average in terms of education, skills, training, annual earnings and business growth

- The majority of residents feel positive about the places where they live. In 2021, 83% of Nottinghamshire residents were either very or fairly satisfied with their local area, an increase of 7% since 2019. Resident satisfaction with the County Council has also improved, with 66% saying they were very or fairly satisfied (compared to 56% in 2019) and 13% dissatisfied (compared to 22% in 2019).

Risks and Uncertainties

26. 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 Interim 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.

27. 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

28. The Authority approved its Corporate Environment Policy Statement and Corporate Environment Strategy in March 2020. These documents set out the commitment to protecting and enhancing the environment and are accompanied by an action plan setting out activities that must take place to support this, around five key areas:

- Natural environment – looking at biodiversity and habitat management, improvements to our green spaces and flood management

- Built environment – this area includes conservation and enhancement of heritage sites, production of renewable energy on the Authority's estate and the way in which we approach our current estate and the design specifications of any new developments

- Resources – encompasses how we reduce generation of waste across Council activities, increase recycling, reduce consumption of water, energy and use of single-use plastics and paper

- Travel and transport – looking at encouraging our staff to utilise greener modes of transport, increasing the number of Council vehicles which use greener fuels and improving electric vehicle charging infrastructure across the County

- Community leadership, health, and the economy – actions around how we influence our staff to take positive environmental action both at work and at home, how we work with partners, schools and communities to encourage them to take positive steps to protect and enhance the environment, being environmentally responsible through our procurement of goods and services and linking with Public Health colleagues and partners to improve air quality and support the development of healthy and sustainable places across Nottinghamshire.

29. The Authority declared a climate emergency in May 2021, furthering the commitment to tackle climate change and ensure Nottinghamshire has a greener future. The Transport and Environment Committee were tasked with driving forward the Authority's commitment to achieving carbon neutrality in all its activities by 2030. Following the move to a Cabinet system the Cabinet Member for Transport and Environment has subsequently received a number of reports on progress including reviewing the Corporate Environment Policy to incorporate the 2030 target noted above, receiving the Councils Greenhouse Gas Report for 2019/20 and agreeing projects to be funded through the Green Investment Fund.

30. Furthermore, work continues with the development of a carbon reduction plan due to be published in Spring 2023, input into the Corporate Property Strategy review and design standards and supporting Highways and Transport colleagues to 'green' the internal fleet. In addition, Departmental working groups are now established and the Employee Green Initiatives Group has been re-launched and supported on an on-going basis.

People

31. As a major employer in Nottinghamshire, the County Council's ambition is to contribute to build a more prosperous local community by modelling good employment practice,

including ensuring fairness in the way that it pays and rewards its existing and future employees.

32. The Authority also wishes to be an attractive source of potential employment to job seekers across its community and is committed to using its resources to create meaningful and fairly-remunerated employment opportunities for local people.

33. The Authority remains amongst the largest employer in the county with a headcount of 7,293 directly employed permanent and temporary staff, as of February 2023.

34. Nottinghamshire County Council's Pay Policy Statement 2023/24 is produced annually by the Authority and the most recent published information was presented to Full Council on 30 March 2023.

Vision

35. The Nottinghamshire Plan 2021 - 2031 was agreed by Full Council in November 2021 and sets out the strategic vision for the future of Nottinghamshire and the Local Authority. The Plan is built around achieving a bold 10-year vision for a 'healthy, prosperous and greener future for everyone'. It focuses on:

- Improving health and well-being in all our communities
- Growing our economy and improving living standards
- Reducing the County's impact on the environment
- Helping everyone access the best of Nottinghamshire.

36. This vision is supported by nine ambitions and commitments to 2025 which will act as a framework for all County Council activity.

a. Helping our people live healthier, more independent lives
b. Supporting communities and families
c. Keeping children, vulnerable adults, and communities safe
d. Building skills that help people to get good local jobs
e. Strengthening businesses and creating more good-quality jobs
f. Making Nottinghamshire somewhere people love to live, work and visit
g. Attracting investment in infrastructure, the economy, and green growth
h. Improving transport and digital connections
i. Protecting the environment and reducing our carbon footprint.

A tenth ambition 'A forward-looking and resilient Council' describes the Authority's ambitions and commitments in terms of internal corporate improvement.

Performance

37. The Council continues to make progress against the Nottinghamshire Plan 2021-31. The following are just a few tangible outcomes from the 2022/23 financial year which are furthering the Council's ability to meet the needs of residents:-

- Two new primary schools and a broader expansion of school places across the county to ensure a school place for every child
- Delivery of a successful Tour of Britain stage for a crowd of 200,000, generating £4m of economic benefit for Nottinghamshire
- Secured £18m investment in our Bus Services Improvement Programme to deliver enhanced bus services across the county
- Delivered a range of activities in the Highways Improvement Programme to ensure a "right first time" approach to our road repairs and to maximise the impact of the £15m additional investment being made into highways maintenance over the current Medium-Term Financial Strategy

- In partnership with other Councils, we secured a ground-breaking devolution deal for the East Midlands that will generate £1bn investment into the East Midlands region over the next 30 years
- The Joint Health and Wellbeing Strategy is starting to drive a focus on tackling health and inequality across the Integrated Care System in Nottinghamshire
- Established a joint Care Quality Team with the Integrated Care Board. This will support social care market quality and be central to delivering market sustainability
- Rolled out an innovative approach in all our adult social care assessments called '3 conversations'. These conversations strengthen the focus on how an individual can use the support around them and access resources in their community
- Published the Carers Strategy which sets out what we will do, together with Nottingham City Council and the Integrated Care Board, to improve the health and wellbeing of carers
- As part of the Council's Whole Family Safeguarding transformation programme we have:-
  - Launched a Stronger Families Team to support young people on the edge of care
  - Established a multi-disciplinary approach dedicated to the needs of the whole family to support families to help themselves
  - Launched a Kinship Support Service that will provide support to people looking after children within their family and friends' network
  - Increased the fees that we pay to foster carers to support them with the increased cost of living, supporting them to continue to provide family homes for children who need care
  - Secured funding to increase the number of residential places in Nottinghamshire so that young people who need a residential place can live closer to their family home.

38. Further details of actions that have been completed and benefits delivered as part of the 2022/23 Annual Delivery Plan, will be provided as part of the upcoming Annual Report that details our achievements and reports our progress against these key measures of success. In addition, further plans for 2023/24 can be found in the Annual Delivery Plan 2023/24 on the Council's website.

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 deliver on our vision of a healthy, prosperous and greener future for everyone.

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

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Nottinghamshire County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Statement of Accounting Policies, the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Notes to the Statement of Accounts. 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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 2022/23 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 2022) 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.

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.

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.

Our responsibilities and the responsibilities of the Service Director - Finance, Infrastructure & Improvement with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Governance Statement and the Annual Financial Report, other than the financial statements, our auditor's report thereon and our auditor's report on the pension fund financial statements. The Service Director - Finance, Infrastructure & Improvement is responsible for the other information. 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.

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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, the other information published together with the financial statements in the Annual Financial Report 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 and the Service Director - Finance, Infrastructure & Improvement

As explained more fully 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 Annual Financial Report, 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 2022/23, 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of management 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 management, 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 manual 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 management has in place to prevent and detect fraud,
  - journal entry testing, with a focus on with a focus on large and manual postings; entries containing key words or blank descriptions; entries posted after the year end, entries which were self-approved, and entries which were made by users with excessive access privileges,
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of income and expenditure accruals, valuations of land and buildings, surplus assets, investment properties and the net defined benefit pensions liability.
  - 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuations of land and buildings, surplus assets, investment property and defined benefit pensions liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- Our 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.

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.

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 2023.

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

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.

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 January 2023. 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 – Audit certificate

We certify that we have completed the audit of Nottinghamshire County Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

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 44 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

Andrew Smith, Key Audit Partner

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

Birmingham

01 March 2024

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 2023 and of its income and expenditure for the year then ended.

Nigel Stevenson

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

28 February 2024

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

Governance and Ethics Committee, at the meeting held on 10 January 2024, approved that the Statement of Accounts 2022/23 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

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

28 February 2024

Signed

Councillor Philip Owen

Chairman of the Governance and Ethics Committee

28 February 2024

STATEMENT OF ACCOUNTING POLICIES

1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23, 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.

As a rule, assets are only recognised when they exceed the de-minimis levels set out below. However, assets below de-minimis meeting all other criteria may still be capitalised if it is deemed appropriate. Most commonly this will be when capitalisation leads to greater utilisation of available funding.

Asset Type	**De minimis**
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:

- Highways Infrastructure Assets - measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost
- 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, in line with the methodology for Modern Equivalent Asset (MEA); less allowances for physical deterioration, obsolescence and optimisation.
- Non-Operational Assets (i.e. surplus assets) – 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 land and building 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 2023 issued by Mr N Gamble MRICS, Group Manager – Property Asset Management from the Authority’s Place Department on 26 May 2023. 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	15 – 40
IT and other equipment	3 – 10
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 2022/23 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 2023 for the 2022/23 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 discount rate, 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 at fair value. 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 2023.

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, for both revenue and capital, 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 2022/23

	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 2022	**289,901**	**7,743**	**297,644**	**(582,750)**	**(285,106)**
Movement in Reserves during 2022/23					
Total Comprehensive Income and Expenditure	(71,348)	-	(71,348)	1,121,177	1,049,829
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	85,803	-	85,803	(85,803)	-
Financial Instruments	(57)	-	(57)	57	-
Collection Fund Adjustments (Council Tax and NNDR)	5,719	-	5,719	(5,719)	-
Employee Benefits	(1,268)	-	(1,268)	1,268	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	69,255	-	69,255	(69,255)	-
Total Adjustments to Revenue Resources	**159,452**	**-**	**159,452**	**(159,452)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(18,759)	-	(18,759)	18,759	-
Capital Expenditure Charged in the year to the General Fund	(12,318)	-	(12,318)	12,318	-
Total Adjustments between Revenue and Capital Resources	**(31,077)**	**-**	**(31,077)**	**31,077**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(40,411)	40,411	-	-	-
Application of grants to capital financing transferred to CAA	-	(44,335)	(44,335)	44,335	-
Movement in deferred Capital Receipts	-	-	-	-	-
Total Adjustments to Capital Resources	**(40,411)**	**(3,924)**	**(44,335)**	**44,335**	**-**
Other Movements	**57**	**(57)**	**-**	**-**	**-**
Total Adjustments between Accounting Basis and Funding Basis under Statutory Provisions	**88,021**	**(3,981)**	**84,040**	**(84,040)**	**-**
Increase or (Decrease) in 2022/23	**16,673**	**(3,981)**	**12,692**	**1,037,137**	**1,049,829**
Balance at 31 March 2023	**306,574**	**3,762**	**310,336**	**454,387**	**764,723**

Movement in Reserves Statement 2021/22

	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 2021	**238,471**	**2,888**	**241,359**	**(892,728)**	**(651,369)**
Movement in Reserves during 2021/22					
Total Comprehensive Income and Expenditure	(6,480)	-	(6,480)	372,743	366,263
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	79,734	-	79,734	(79,734)	-
Financial Instruments	(35)	-	(35)	35	-
Collection Fund Adjustments (Council Tax and NNDR)	271	-	271	(271)	-
Employee Benefits	(1,277)	-	(1,277)	1,277	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to Capital expenditure	79,439	-	79,439	(79,439)	-
Total Adjustments to Revenue Resources	**158,132**	**-**	**158,132**	**(158,132)**	**-**
Adjustments between Revenue and Capital Resources					
Statutory provision for the financing of capital investment	(18,595)	-	(18,595)	18,595	-
Capital Expenditure Charged in the year to the General Fund	(12,853)	-	(12,853)	12,853	-
Total Adjustments between Revenue and Capital Resources	**(31,448)**	**-**	**(31,448)**	**31,448**	**-**
Adjustments to Capital Resources					
Capital Grants unapplied credited to CI&E	(68,770)	68,770	-	-	-
Application of grants to capital financing transferred to CAA	-	(63,915)	(63,915)	63,915	-
Movement in deferred Capital Receipts	-	-	-	-	-
Total Adjustments to Capital Resources	**(68,770)**	**4,855**	**(63,915)**	**63,915**	**-**
Other Movements	**(4)**	**-**	**(4)**	**4**	**-**
Total Adjustments between Accounting Basis and Funding Basis under Statutory Provisions	**57,910**	**4,855**	**62,765**	**(62,765)**	**-**
Increase or (Decrease) in 2021/22	**51,430**	**4,855**	**56,285**	**309,978**	**366,263**
Balance at 31 March 2022	**289,901**	**7,743**	**297,644**	**(582,750)**	**(285,106)**

Comprehensive Income and Expenditure Statement 2022/23

	Note	2021/22 Gross Expenditure £000	2021/22 Income £000	2021/22 Net Expenditure £000	2022/23 Gross Expenditure £000	2022/23 Income £000	2022/23 Net Expenditure £000
Gross expenditure, gross income and net expenditure of continuing operations							
Children & Young People		214,759	(35,863)	178,896	239,036	(53,710)	185,326
Schools		349,634	(351,707)	(2,073)	365,501	(378,533)	(13,032)
Adult Social Care & Public Health		485,787	(273,822)	211,965	504,199	(250,795)	253,404
Communities		35,562	(16,186)	19,376	43,542	(23,997)	19,545
Deputy Leader		3,565	(135)	3,430	5,364	(214)	5,149
Finance		20,376	(1,781)	18,595	21,491	(1,531)	19,960
Governance & Ethics*		9,555	(411)	9,145	-	-	-
Personnel		27,614	(4,529)	23,085	37,790	(5,633)	32,157
Economic Development & Asset Management		33,079	(13,025)	20,054	43,140	(20,066)	23,074
Transport & Environment		127,396	(16,604)	110,792	137,556	(18,026)	119,530
Cost of Services		**1,307,327**	**(714,062)**	**593,265**	**1,397,619**	**(752,506)**	**645,113**
Other Operating Expenditure							
Loss on Disposal of non-current assets		36,378	-	36,378	16,193	-	16,193
Change in fair value of Assets Held for Sale	17	285	-	285	689	-	689
Other Operating Income and Expenditure	9	(5,783)	(23,697)	(29,480)	4,215	(1,057)	3,158
Total Other Operating Expenditure		**30,880**	**(23,697)**	**7,183**	**21,097**	**(1,057)**	**20,040**
Financing and Investment Income and Expenditure							
Interest Payable	28	33,695	-	33,695	32,466	-	32,466
Net Interest on the defined liability/asset	21	30,738	-	30,738	34,846	-	34,846
Interest and Investment Income	28	-	(1,111)	(1,111)	-	(5,562)	(5,562)
Income and Expenditure in relation to Investment Properties and changes in their fair value	14	(9,165)	(549)	(9,714)	953	(875)	78
Net (Surplus)/Deficit of Trading Undertakings		28,071	(20,241)	7,830	27,095	(22,463)	4,632
Insurance Revenue	33	(595)	(2,100)	(2,695)	(749)	(1,323)	(2,072)
Total Financing and Investment Income and Expenditure		**82,744**	**(24,001)**	**58,743**	**94,611**	**(30,223)**	**64,388**
Taxation and Non-Specific Grant Income							
Recognised Capital Grants and Contributions	26			(68,770)			(40,411)
Income from Council Tax				(405,400)			(429,161)
General Government Grants	26			(54,889)			(62,681)
National Non-Domestic Rates Distribution				(122,479)			(124,303)
New Homes Bonus Scheme				(1,172)			(1,637)
Total Taxation and Non-Specific Grant Income				**(652,710)**			**(658,193)**
(Surplus)/Deficit on Provision of Services				**6,481**			**71,348**
(Surplus)/Deficit on Revaluation of non current assets				(78,199)			(8,349)
Remeasurement of the net defined benefit liability	21			(294,546)			(1,112,829)
Other Comprehensive Income and Expenditure				2			1
Total Comprehensive Income and Expenditure				**(366,262)**			**(1,049,829)**

Balance Sheet 2022/23

	Note	31 March 2022 £000	31 March 2022 £000	31 March 2023 £000	31 March 2023 £000
Property, Plant and Equipment (PPE)	10				
Land and Buildings		615,020		612,358	
Vehicles, Plant, Furniture and Equipment		46,695		46,558	
Infrastructure Assets	10(b)	651,451		680,442	
Community Assets		1,404		1,818	
Surplus Assets		132,817		94,934	
Assets Under Construction		17,812	1,465,199	3,263	1,439,373
Heritage Assets	16	420		420	
Investment Properties	14	61,085		60,506	
Intangible Assets	15	7,755		8,803	
Long Term Advances	27	3,258		2,825	
Long Term Investments	27	5,025		5,025	
Long Term Debtors	19	3,098	80,641	2,818	80,397
Total Long Term Assets			**1,545,840**		**1,519,770**
Short Term Investments	27	80,029		126,047	
Inventories		3,848		1,769	
Short Term Debtors	19	101,684		101,054	
Cash and Cash Equivalents	36	106,872		85,696	
Assets Held for Sale	17	8,599		33,799	
Total Current Assets			**301,032**		**348,365**
Short Term Creditors	22	(152,565)		(156,013)	
Short Term Provisions	23	(1,668)		(1,665)	
Loans to be repaid within 1 year	27, 30	(18,870)		(18,393)	
Other Short Term Liabilities	12, 13, 27, 30	(6,242)	(179,345)	(7,425)	(183,496)
Total Assets less Current Liabilities			**1,667,527**		**1,684,639**
Long Term Provisions	23	(10,389)		(11,349)	
Long Term Borrowing	27, 30	(486,627)		(474,678)	
Long Term Creditors	22	(4,966)		(4,930)	
Other Long Term Liabilities	12, 13, 27, 30	(95,992)		(88,876)	
Deferred Liability	28	(780)		(705)	
Capital Grants Receipts in Advance	26	(36,793)		(42,150)	
IAS 19 Pensions Liability	21	(1,317,087)		(297,230)	
Total Long Term Liabilities			**(1,952,634)**		**(919,918)**
Total Net Assets			**(285,107)**		**764,721**
Usable Reserves	32				
Capital Receipts and Grants Unapplied Reserve		7,743		3,762	
Other Earmarked Reserves		185,217		186,342	
General Insurance	33	39,373		41,445	
Schools Statutory Reserves	34	30,087		41,924	
General Fund Balance		35,224	297,644	36,861	310,334
Unusable Reserves	35				
Capital Adjustment Account		454,793		467,740	
Revaluation Reserve		292,547		294,106	
Deferred Capital Receipts		-		-	
IAS 19 Pensions Reserves	21	(1,324,256)		(297,230)	
Financial Instruments Adjustment Account		(2,283)		(2,226)	
Collection Fund Adjustment Account		6,259		540	
Employee Benefits Account		(9,811)	(582,751)	(8,543)	454,387
Net Worth / Total Reserves			**(285,107)**		**764,721**

Cash Flow Statement 2022/23

	Note	2021/22 £000	2022/23 £000
Net (surplus) or deficit on the provision of services		6,481	71,348
Adjust for non-cash movements			
Depreciation and amortisation		(45,740)	(49,679)
Revaluation / Impairment of Property, Plant and Equipment		(2,138)	(720)
Donated Assets		-	-
Movement in current assets and liabilities		5,383	(7,825)
Movement in reserves and provisions		2,094	(957)
Adjustments in respect of pension charges		(86,958)	(92,971)
Carrying amount of non-current assets sold		(42,279)	(22,184)
Other		9,385	(140)
		(160,253)	**(174,476)**
Adjust for items included in investing or financing activities		74,670	46,402
Net cash flows from operating activities		**(79,102)**	**(56,726)**
Investing activities	38	39,515	59,018
Financing activities	39	16,624	18,884
Net (increase)/decrease in cash and cash equivalents		**(22,963)**	**21,176**
Cash and cash equivalents at beginning of period		**83,909**	**106,872**
Cash and cash equivalents at end of period	36	**106,872**	**85,696**

NOTES TO THE STATEMENT OF ACCOUNTS

1. Explanation of Prior Period Adjustments

There are no prior period adjustments to report in the 2022/23 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.

There are a number of 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:

- **School Assets**

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

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

The basis of recognition requires the assets of a school to be interpreted as controlled directly by the Authority (Community Schools) or indirectly via the school's governing body (Foundation Schools). However, for Voluntary Aided and Voluntary Controlled schools where non-current assets are owned by religious bodies, the assets are deemed to be held under "mere licences" and not substantively within the control of the school. As such, associated assets are not recognised as the risks and rewards of ownership have not been transferred to the Authority from the relevant Diocese.

- **Funding Levels**

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 2023 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 2022/23 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.

It is estimated that a theoretical 2.5% market drop applied across all properties valued in 2022/23 would equate to an impairment variation of £5.6m expensed through the surplus/deficit on the provision of services. In addition, this would result in a £12.6m reversal of prior gains through the Revaluation Reserve. Such a decrease in market values would reduce the combined value of Property, Plant and Equipment by approximately £18.3m. This equates to 1.2% of carrying value at the Balance Sheet date.

The estimated remaining useful life of all operational assets is reviewed annually based on 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 £0.9 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. Further detail on the fair value measurement of property assets can be found in disclosure Notes 11 and 14.

- **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

Where there is a material post balance sheet event before the date the accounts are authorised, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will be shown 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.

	2022/23		
	Net Expenditure Chargeable to the General Fund * £000	Total Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children & Young People	153,670	31,656	185,326
Schools	(13,032)	-	(13,032)
Adult Social Care & Public Health	241,293	12,111	253,404
Communities	17,352	2,193	19,545
Deputy Leader	4,398	751	5,149
Finance	12,658	7,302	19,960
Personnel	26,969	5,188	32,157
Economic Development & Asset Management	17,901	5,173	23,074
Transport & Environment	92,733	26,797	119,530
Cost of Services	**553,942**	**91,171**	**645,113**
Other Income and Expenditure	(570,556)	(3,209)	(573,765)
(Surplus) or Deficit on Provision of Services	**(16,614)**	**87,962**	**71,348**
Opening Usable Revenue Reserves	**289,901**		
Surplus or (Deficit) on Provision of Services	16,614		
Transfers to/(from) other Earmarked Reserves	57		
Closing Usable Revenue Reserves	**306,572**		

*The figures in this column have been adjusted from the published management accounts to remove income and expenditure that is not chargeable to the General Fund.

	2021/22		
	Net Expenditure Chargeable to the General Fund * £000	Total Adjustments between Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children & Young People	141,268	37,627	178,895
Schools	(2,073)	-	(2,073)
Adult Social Care & Public Health	196,994	14,971	211,965
Communities	16,152	3,224	19,376
Deputy Leader	2,939	491	3,430
Finance	11,605	6,990	18,595
Governance & Ethics	8,165	980	9,145
Personnel	17,305	5,780	23,085
Economic Development & Asset Management	17,024	3,030	20,054
Transport & Environment	87,874	22,918	110,792
Cost of Services	**497,253**	**96,011**	**593,264**
Other Income and Expenditure	(548,683)	(38,101)	(586,784)
(Surplus) or Deficit on Provision of Services	**(51,430)**	**57,910**	**6,480**
Opening Usable Revenue Reserves	**238,471**		
Surplus or (Deficit) on Provision of Services	51,430		
Transfers to/(from) other Earmarked Reserves	-		
Closing Usable Revenue Reserves	**289,901**		

*The figures in this column have been adjusted from the published management accounts to remove income and expenditure that is not chargeable to the General Fund.

2022/23

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	12,225	19,431		31,656
Schools	-			-
Adult Social Care & Public Health	1,074	11,037		12,111
Communities	1,011	1,191	(9)	2,193
Deputy Leader	-	751		751
Finance	5,316	1,986		7,302
Personnel	100	5,088		5,188
Economic Development & Asset Management	4,037	1,136		5,173
Transport & Environment	23,532	3,265		26,797
Net Cost of Services	**47,295**	**43,885**	**(9)**	**91,171**
Other Income and Expenditure	(49,528)	40,649	5,670	**(3,209)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**(2,233)**	**84,534**	**5,661**	**87,962**

2021/22

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	14,374	23,253	-	37,627
Schools	-	-	-	-
Adult Social Care & Public Health	908	14,063	-	14,971
Communities	1,682	1,528	14	3,224
Deputy Leader	-	491	-	491
Finance	4,534	2,456	-	6,990
Governance & Ethics	-	980	-	980
Personnel	136	5,644	-	5,780
Economic Development & Asset Management	1,809	1,221	-	3,030
Transport & Environment	18,722	4,196	-	22,918
Net Cost of Services	**42,165**	**53,832**	**14**	**96,011**
Other Income and Expenditure	(62,944)	24,627	216	**(38,101)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure surplus or deficit	**(20,779)**	**78,459**	**230**	**57,910**

8. Expenditure and Income Analysed by Nature

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

	2021/22 £000	2022/23 £000
Expenditure		
Employee expenses	523,540	538,519
Other operating expenses	787,215	873,816
Depreciation, amortisation & impairment	47,863	50,382
Other Expenditure relating to held for sale & investment properties	(9,429)	767
Interest Payments	33,695	32,466
Precepts & Levies	302	309
Gains or Losses on disposal of Non Current Assets	36,378	16,193
Total Expenditure	**1,419,564**	**1,512,452**
Income		
Fees, charges & other service income	(238,491)	(237,479)
Interest & Investment Income	(1,111)	(5,562)
Income from Council Tax, NNDR	(527,879)	(553,464)
Government grants	(645,603)	(644,599)
Total Income	**(1,413,084)**	**(1,441,104)**
(Surplus)/Deficit on Provision of Services	**6,480**	**71,348**

9. Other Income and Expenditure

	2021/22 Exp £000	2021/22 Inc £000	2021/22 Net £000	2022/23 Exp £000	2022/23 Inc £000	2022/23 Net £000
Capital Direction	3,321	(40)	3,281	-	-	-
Covid & Health Grant	-	(22,274)	(22,274)	-	-	-
IAS19 Non Distributed Costs	(11,338)	-	(11,338)	1,229	-	1,229
Other Central items	2,234	(1,383)	851	2,986	(1,057)	1,929
Other Income and Expenditure	**(5,783)**	**(23,697)**	**(29,480)**	**4,215**	**(1,057)**	**3,158**

10 (a). Property, Plant and Equipment

Movement in 2022/23

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £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 2022	633,235	101,950	1,413	133,345	17,812	887,754	50,629
Additions	13,277	8,612	240	16	2,230	24,375	856
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(31)	-	-	(7,796)	-	(7,827)	3,803
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(5,160)	-	-	(367)	-	(5,527)	81
Derecognition - disposals	(16,359)	(13,997)	-	(43)	-	(30,399)	-
Derecognition - other	-	-	-	-	(24)	(24)	-
Assets reclassified (to)/from Held for Sales/Investment Property	(1,234)	-	-	(30,740)	-	(31,974)	-
Other Transfers between Asset Categories	(385)	-	175	1,086	(16,755)	(15,879)	-
Other Movements in cost or valuation	-	(2)	-	1	-	(1)	-
At 31 March 2023	**623,342**	**96,563**	**1,828**	**95,502**	**3,263**	**820,497**	**55,369**
Accumulated Depreciation and Impairment							
At 1 April 2022	(18,215)	(55,255)	(9)	(528)	-	(74,006)	(5,784)
Depreciation charge	(14,315)	(8,449)	(1)	(78)	-	(22,843)	(1,218)
Depreciation written out to the Revaluation Reserve	16,169	-	-	8	-	16,177	862
Depreciation written out to the Surplus/Deficit on Provision of Services	4,807	-	-	-	-	4,807	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	516	13,699	-	-	-	14,215	-
Derecognition - other	-	-	-	-	-	-	-
Change in category	54	-	-	30	-	84	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-
At 31 March 2023	**(10,984)**	**(50,005)**	**(10)**	**(568)**	**-**	**(61,566)**	**(6,140)**
Net Book Value							
At 31 March 2023	**612,358**	**46,558**	**1,818**	**94,934**	**3,263**	**758,931**	**49,229**
At 31 March 2022	**615,020**	**46,695**	**1,404**	**132,817**	**17,812**	**813,748**	**44,845**

10 (a).Property, Plant and Equipment (Continued)

Movement in 2021/22

	Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant & Equipment £000
Cost or Valuation							
At 1 April 2021	655,996	95,290	35	74,871	37,677	863,869	48,813
Additions	12,213	11,516	699	760	7,972	33,160	587
Donations	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,176	-	-	67,386	-	73,562	127
Revaluation increases/(decreases) recognised in the surplus/deficit on Provision of Services	(3,993)	-	-	(505)	-	(4,498)	1,102
Derecognition - disposals	(38,153)	(4,856)	-	-	-	(43,009)	-
Derecognition - other	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sales/Investment Property	(1,760)	-	175	(6,792)	-	(8,377)	-
Other Transfers between Asset Categories	2,755	-	504	(2,375)	(27,837)	(26,953)	-
Other Movements in cost or valuation	-	-	-	-	(1)	(1)	-
At 31 March 2023	**633,235**	**101,950**	**1,413**	**133,345**	**17,812**	**887,754**	**50,629**
Accumulated Depreciation and Impairment							
At 1 April 2021	(11,660)	(52,200)	(8)	(525)	-	(64,393)	(5,215)
Depreciation charge	(14,689)	(7,592)	(1)	(63)	-	(22,345)	(1,210)
Depreciation written out to the Revaluation Reserve	4,592	-	-	46	-	4,638	641
Depreciation written out to the Surplus/Deficit on Provision of Services	2,345	-	-	14	-	2,359	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	1,197	4,536	-	-	-	5,733	-
Derecognition - other	-	-	-	-	-	-	-
Change in category	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	1	-	-	-	2	-
At 31 March 2022	**(18,215)**	**(55,255)**	**(9)**	**(528)**	**-**	**(74,006)**	**(5,784)**
Net Book Value							
At 31 March 2022	**615,020**	**46,695**	**1,404**	**132,817**	**17,812**	**813,748**	**44,845**
At 31 March 2021	**644,336**	**43,090**	**27**	**74,346**	**37,677**	**799,476**	**43,598**

10 (b). Highways Infrastructure Assets

In accordance with the temporary relief offered by the update to the Code on the disclosure of infrastructure assets, this note does not report gross cost and accumulated depreciation because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

	2021/22	2022/23
Net book value (modified historical cost)		
At 1 April	599,140	651,451
Additions	47,010	37,715
Disposals	-	-
Depreciation charge	(21,652)	(24,602)
Impairment	-	-
Transfers between Asset Categories	26,953	15,878
At 31 March	**651,451**	**680,442**

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:				
31/03/2023	428,584	67,485		496,069
31/03/2022	64,601	10,557		75,158
31/03/2021	38,589	9,771		48,360
31/03/2020	69,547	4,769		74,316
31/03/2019	11,037	2,352		13,389
Valued at historic cost			732,081	732,081
Total	**612,358**	**94,934**	**732,081**	**1,439,373**

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 31/3/23 £000
Strategic development site	-	24,068	46,237	**70,305**
Cleared land	-	5,069	7,230	**12,299**
Vacant premises	-	5,367	6,963	**12,330**
	-	**34,504**	**60,430**	**94,934**

2021/22 Comparative

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/22 £000
Strategic development site	-	7,872	96,822	**104,694**
Cleared land	-	4,832	15,865	**20,697**
Vacant premises	-	4,085	3,341	**7,426**
	-	**16,789**	**116,028**	**132,817**

Transfers between levels of the Fair Value Hierarchy

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

Valuation Techniques used to measure Fair Value

The fair value has been derived using either the market approach or investment method, predominantly the former. The market approach applies current market conditions and recent sales prices and other relevant information for similar assets with similar characteristics in the local authority area. The investment method is based on discounted cashflows 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 inputs to determine a fair value. There is no reasonably available information to indicate that market participants would use different assumptions.

If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorised within Level 3 of the Fair Value hierarchy. If the inputs are categorised in different levels of the hierarchy, the asset is categorised at the same level as the lowest level input that is significant to the entire measurement.

Reconciliation of Fair Value Measurements within Level 3

	2022/23 £000
Opening Balance	**116,028**
Transfers into Level 3	876
Transfers out of Level 3**	(47,885)
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	(367)
Unrealised gains / (losses)	(8,208)
Additions	16
Disposals	-
Other	(30)
Closing Balance	**60,430**

** Transfers out of £47.9m consist of £30.9m transfer to Other PPE and £17.0m transfer to Level 2

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 impairment losses of £0.1m in the CIES during the year (£0.0m 2021/22).

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:

	2021/22 £000	2022/23 £000
Other Land & Buildings	2,744	2,869
Vehicles, Plant, Furniture and Equipment	41	38
	2,785	**2,907**

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:

	2021/22 £000	2022/23 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	7	7
- non-current	884	876
Finance costs payable in future years	3,603	3,564
Minimum lease payments	**4,494**	**4,447**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Not later than one year	47	47	7	7
Later than one year and not later than five years	167	160	8	1
Later than five years	4,280	4,240	876	875
	4,494	**4,447**	**891**	**883**

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 2022/23 £0.0m of contingent rents were payable by the Authority (£0.0m in 2021/22).

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:

	2021/22	2022/23
	£000	£000
Not later than one year	1,677	1,895
Later than one year and not later than five years	2,739	3,764
Later than five years	1,749	2,381
	6,165	**8,040**

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

	2021/22	2022/23
	£000	£000
Minimum lease payments	1,860	1,896
Contingent rents	72	101
	1,932	**1,997**

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. In addition two community leisure centres acquired as part of the PFI for Bassetlaw Schools have been leased to Bassetlaw District Council for 60 year terms on peppercorn rentals and have been derecognised from the Authority's balance sheet.

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:

	2021/22	2022/23
	£000	£000
Not later than one year	1,099	1,169
Later than one year and not later than five years	1,258	1,664
Later than five years	480	832
	2,837	**3,665**

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 2022/23 £0.1m contingent rents were receivable by the Authority (£0.1m in 2021/22).

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 2023 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	639	371	912	512	549	**2,983**
Within 2-5 years	2,176	775	4,144	947	2,122	**10,164**
	2,815	**1,146**	**5,056**	**1,459**	**2,671**	**13,147**

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 2023 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	7,623	1,894	5,047	6,483	349	**21,396**
Within 2-5 years	32,779	10,758	23,799	20,787	98	**88,221**
Within 6-10 years	40,593	12,555	38,819	10,499	280	**102,746**
	80,995	**25,207**	**67,665**	**37,769**	**727**	**212,363**

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 2023 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	24,072	2,186	1,457	2,283	3,389	**33,387**
Within 2-5 years	102,437	2,042	11,356	8,605	19,109	**143,549**
Within 6-10 years	143,124	1,457	9,882	5,860	30,192	**190,515**
	269,633	**5,685**	**22,695**	**16,748**	**52,690**	**367,451**

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

	2021/22	2022/23
	£000	£000
Rental income from Investment Properties	(549)	(875)
Direct operating expenses arising from Investment Properties	241	244
Net (income)/expenditure	**(308)**	**(631)**

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:

	2021/22	2022/23
	£000	£000
Balance at start of year	**51,811**	**61,085**
Additions:		
Subsequent expenditure	60	131
Disposals	(17)	-
Net gains/(losses) from fair value adjustments	9,406	(709)
Transfers:		
(to)/from PPE	(175)	-
Other Movements	-	(1)
Balance at end of year	**61,085**	**60,506**

Fair Value Hierarchy

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

	Level 1	Level 2	Level 3	Fair Value as at 31/3/23
	£000	£000	£000	£000
Investment Properties by Type				
Industrial	-	6,751	-	**6,751**
Land	-	41,366	8,939	**50,305**
Residential	-	795	-	**795**
Smallholding	-	2,655	-	**2,655**
	-	**51,567**	**8,939**	**60,506**

2021/22 Comparative

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/22 £000
Industrial	-	-	6,308	**6,308**
Land	-	23,093	28,352	**51,445**
Residential	-	218	444	**662**
Smallholding	-	-	2,670	**2,670**
	-	**23,311**	**37,774**	**61,085**

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.
All transfers out of Level 3 have transferred to Level 2

Valuation techniques used to determine Fair value

The fair value has been derived using either the market approach or investment method, predominantly the latter. The market approach applies current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. The investment method uses expected cashflows to establish the present value of the net income stream. This approach uses existing lease terms and 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.

If an observable input requires an adjustment using an unobservable input and that adjustment results in a significantly higher or lower fair value measurement, the resulting measurement would be categorised within Level 3. If the inputs are categorised in different levels of the hierarchy, the asset is categorised on the same level as the lowest level input significant to the entire measurement.

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

	2022/23 £000
Opening Balance	**37,774**
Transfers into Level 3	-
Transfers out of Level 3	(27,952)
Total gains (or losses) for the period included in Surplus or Deficit on Provision of Services resulting from changes in Fair Value	(883)
Additions	-
Disposals	-
Closing Balance	**8,939**

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 three to five years.

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

The carrying amount of Intangible Assets is amortised on a straight-line basis. The amortisation of £2.2m in 2022/23 (£1.7 million in 2021/22) was charged to the CIES.

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

	Restated 2021/22 Purchased Software Licences £000	2022/23 Purchased Software Licences £000
Balance at start of year		
Gross carrying amounts	10,464	12,934
Accumulated amortisation	(4,383)	(5,179)
Net carrying amount at start of year	**6,081**	**7,755**
Purchases	3,416	3,283
Disposals	-	-
Amortisation for the period	(1,742)	(2,235)
Other Movements	-	-
Net carrying amount at end of year	**7,755**	**8,803**
Comprising		
Gross carrying amounts	12,934	14,666
Accumulated amortisation	(5,179)	(5,863)
	7,755	**8,803**

Fully amortised assets with a gross value of £1.6 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.

	2021/22 £000	2022/23 £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	
	2021/22	2022/23
	£000	£000
Balance at start of year	**5,318**	**8,599**
Assets newly qualified as Held for Sale:		
Property, Plant and Equipment	8,552	31,889
Revaluation losses	(285)	(689)
Revaluation gains	-	-
Declassified		
Property, Plant and Equipment	-	-
Assets sold	(4,986)	(6,000)
Other Movements	-	-
Balance at end of year	**8,599**	**33,799**

There are no non-current assets held for sale.

18. Capital Expenditure and Financing

	2021/22	2022/23
	£000	£000
Opening Capital Financing Requirement (CFR)	**816,611**	**801,406**
Capital Investment		
Property, Plant and Equipment	79,697	61,528
Intangible Assets	3,416	3,283
Amounts treated as revenue expenditure in accordance with the Code but which are classified as capital expenditure under statute	14,973	27,706
Additions/(Reductions) to finance liability	535	690
Sources of finance		
Capital receipts	(5,088)	(6,034)
Government grants and other contributions	(77,291)	(70,776)
Sums set aside from revenue (Inc. MRP)	(24,970)	(24,453)
Repayment of PFI finance liability	(6,470)	(6,616)
Finance lease payments	(7)	(7)
Closing Capital Financing Requirement (CFR)	**801,406**	**786,727**
Movement in year		
Change in underlying need to borrow (unsupported by Government financial assistance)	(15,205)	(14,679)
	(15,205)	**(14,679)**

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 2023 are:

	2021/22	2022/23
	£000	£000
2023/24	30,146	70,260
2024/25	753	17,566
2025/26	1,211	854
2026/27	806	755
	32,916	**89,435**

The committed projects for 2023/24 are:

	£000
School Projects	51,683
Top Wighay Development	1,344
Mill Adventure Base	1,554
Investing in Nottinghamshire	3,982
Clayfields House	3,105
Other	8,592
	70,260

19. Debtors and Long-Term Debtors

Debtors less than one year	2021/22 £000	2022/23 £000
Central government bodies	20,471	24,392
Other local authorities	13,120	6,317
NHS bodies	17,124	15,979
Public corporations and trading funds	597	79
Other entities and individuals	75,213	83,450
	126,525	**130,217**
Less impairment allowance for bad and doubtful debts	(24,841)	(29,163)
Total	**101,684**	**101,054**

Long term debtors	2021/22 £000	2022/23 £000
PFI prepayment	3,074	2,795
Other	24	23
Total	**3,098**	**2,818**

Analysis of allowance for bad and doubtful debt	2021/22 £000	2022/23 £000
Opening allowance for bad and doubtful debt	**21,469**	**24,841**
Amounts paid	(2,454)	(3,165)
Amounts written off	(698)	(580)
Allowance adjustment	4,883	6,521
Collection Fund Impairments	1,641	1,546
Closing allowance for bad and doubtful debt	**24,841**	**29,163**

20. Pensions – Contributions

Teachers

In 2022/23, the Authority paid £20.4 million to the Teacher's Pension Agency (£20.1 million in 2021/22) in respect of teachers' pension costs, which represents 23.68% of teachers' pensionable pay (23.68% 2021/22).

In addition the Authority is responsible for all pension payments relating to added years it has awarded together with the related inflation increases. In 2022/23, this was £6.0 million (£5.9 million in 2021/22), representing 6.96% of pensionable pay (6.98% in 2021/22). The Authority is allowed to enhance lump sum retirement payments to teachers. However, in 2022/23 no payments were made (nil in 2021/22).

Other Employees

During 2022/23, the net cost of pensions and other benefits amounted to £48.9 million (£46.0 million in 2021/22), which represented 22.20% of pensionable pay (22.20% in 2021/22).

The Actuarial report upon which the 2022/23 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 2022/23 these amounted to £1.7 million (£1.8 million in 2021/22), representing 0.8% of pensionable pay (1.1% in 2021/22). The Authority also paid £0.1 million into the Pension Fund in 2022/23 (£0.6 million for 2021/22) to fund the non-discretionary additional strain on the pension fund of early retirements.

21. Pensions – IAS19

The IAS19 position as at 31 March 2023 was a net liability as set out in the table below :

	2021/22	2022/23
	£000	£000
Local Government Pension Scheme	(1,243,100)	(237,725)
Teachers Unfunded Defined Benefit Scheme	(73,987)	(59,505)
Total Net Liability	**(1,317,087)**	**(297,230)**

Assets have been valued using the market value at 31 March 2023. 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 2023 provided by the Authority during February/March 2023.

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:

	2021/22 £000	2022/23 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current service cost	(114,690)	(107,329)
- Past service cost (including curtailments)	(1,132)	(93)
- Liabilities (assumed) / extinguished on settlements	18,851	(2,559)
- Settlement Prices received / (paid)	(6,381)	1,423
Other Operating Expenditure		
- Administration Expenses	(1,082)	(881)
Financing and Investment Income and Expenditure		
- Net interest on the defined (liability) / asset	(29,347)	(33,000)
Net Charge to the Comprehensive Income and Expenditure Statement	**(133,781)**	**(142,439)**
Movement in Reserves		
- Reversal of net charges made for retirement benefits in accordance with IAS19	133,781	142,439
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	47,267	49,641

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.

	2021/22	2022/23
	£000	£000
Actuarial gains / (losses)	291,571	1,102,062

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2021/22	2022/23
	£000	£000
At 1 April	**3,484,132**	**3,426,756**
Current service cost	114,690	107,329
Interest cost	67,795	88,991
Change in Financial Assumptions	(161,716)	(1,348,824)
Change in Demographic Assumptions	-	(181,945)
Experience loss/(gain) on Defined Benefit Obligation	8,449	319,458
Past service costs/(gain)	1,132	93
Liabilities extinguished on settlements	(18,851)	2,559
Benefits paid	(80,608)	(95,538)
Contributions by scheme participants	13,608	14,653
Unfunded pension payments	(1,875)	(1,768)
At 31 March	**3,426,756**	**2,331,764**

Reconciliation of fair value of the scheme assets:

	2021/22	2022/23
	£000	£000
At 1 April	**2,039,703**	**2,183,656**
Interest on assets	38,448	55,991
Return on assets less interest	138,304	(114,223)
Other actuarial gains/(losses)	-	4,974
Administration expenses	(1,082)	(881)
Employer contributions	43,539	45,752
Contributions by scheme participants	13,608	14,653
Estimated benefits paid	(82,483)	(97,306)
Settlement prices received/(paid)	(6,381)	1,423
At 31 March	**2,183,656**	**2,094,039**
Opening Net Position	**(1,444,429)**	**(1,243,100)**
Closing Net Position	**(1,243,100)**	**(237,725)**

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 2022 for the year to 31 March 2023). 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

	2018/19	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m	£m
Present value of liabilities	(2,868.1)	(2,754.9)	(3,484.1)	(3,426.8)	(2,331.8)
Fair value of scheme assets	1,865.6	1,686.3	2,039.7	2,183.7	2,094.0
Surplus/(deficit) in the scheme	(1,002.5)	(1,068.6)	(1,444.4)	(1,243.1)	(237.7)
Cumulative actuarial gain/(loss)	**(353.5)**	**(350.4)**	**(693.4)**	**(401.8)**	**700.3**

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2023 is £47.9 million.

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

	31 March 2022	31 March 2023
Rate of inflation - CPI Increases	3.2%	2.9%
Rate of increase in salaries	4.2%	3.9%
Rate of increase in pensions	3.2%	2.9%
Discount rate	2.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	21.6	20.7
Women (years)	24.3	23.5
Longevity at 65 for future pensioners:		
Men (years)	23.0	22.0
Women (years)	25.8	25.0
Proportion of employees opting to take an increased lump sum/reduced pension	50.0%	50.0%

The Authority's estimated asset allocation, which is 32% of the whole fund is as follows:

	31 March 2022		31 March 2023	
	£000	%	£000	%
Assets				
Equities	1,328,092	61	1,220,524	58
Gilts	63,919	3	43,286	2
Other Bonds	148,020	7	124,024	6
Property	278,852	13	248,537	12
Cash	121,477	5	109,573	5
Inflation-linked pooled fund	114,347	5	105,695	5
Infrastructure	128,949	6	164,587	8
Private Equities	-	0	77,813	4
Total	**2,183,656**	**100**	**2,094,039**	**100**

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

Sensitivity analysis

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

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,296,670	2,331,764	2,367,740
Projected Service Cost	44,007	45,480	47,002
Adjustment to long term Salary Increase	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,334,280	2,331,764	2,329,267
Projected Service Cost	45,509	45,480	45,450
Adjustment to pensions Increase and Deferred revaluation	+0.1%	0.0%	(0.1%)
Present Value of Total Obligation	2,365,861	2,331,764	2,298,493
Projected Service Cost	47,022	45,480	44,008
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	2,426,548	2,331,764	2,241,116
Projected Service Cost	47,096	45,480	43,906

<u>Teachers</u>

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:

	2021/22 £000	2022/23 £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	(1,391)	(1,846)
Net Charge to the Comprehensive Income and Expenditure Statement	**(1,391)**	**(1,846)**

Movement in Reserves	2021/22 £000	2022/23 £000
- Reversal of net charges made for retirement benefits in accordance with IAS19	1,391	1,846
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers contributions payable to the Pension Fund and retirement benefits payable directly to pensioners	5,933	5,979

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.

	2021/22 £000	2022/23 £000
Actuarial gains / (losses)	1,715	10,349

Liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2021/22 £000	2022/23 £000
Deficit at 1 April	**80,244**	**73,987**
Interest cost	1,391	1,846
Actuarial (gains) / losses	(1,899)	(16,010)
Change in demographic assumptions	-	-
Experience loss / (gain)	184	5,661
Unfunded pension payments	(5,933)	(5,979)
Deficit at 31 March	**73,987**	**59,505**

Scheme History

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Present value of liabilities	(98.8)	(76.1)	(80.2)	(74.0)	(59.5)
Fair value of scheme assets	-	-	-	-	-
Surplus/(deficit) in the scheme	**(98.8)**	**(76.1)**	**(80.2)**	**(74.0)**	**(59.5)**

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

	31 March 2022	31 March 2023
Rate of inflation - CPI Increases	3.5%	2.9%
Rate of increase in pensions	3.5%	2.9%
Discount rate	2.6%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners		
Men (years)	21.6	20.7
Women (years)	24.3	23.5

22. Creditors and Long-Term Creditors

Creditors less than one year	2021/22 £000	2022/23 £000
Central government bodies	35,256	24,434
Other local authorities	4,648	4,777
NHS bodies	3,897	3,063
Public corporations and trading funds	790	502
Other entities and individuals	107,974	123,237
Total	**152,565**	**156,013**

Long Term Creditors	2021/22 £000	2022/23 £000
Other entities and individuals	4,966	4,930

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	2021/22 £000	Movement £000	2022/23 £000
General Insurance Claims prior to 1/4/98	377	49	426
General Insurance Claims from 1/4/98	553	62	615
Corporate Redundancy Provision	-	-	-
NDR provision for backdated appeals	509	(9)	500
Provisions below £200,000	229	(105)	124
Total	**1,668**	**(3)**	**1,665**

Long Term Provisions	2021/22 £000	Movement £000	2022/23 £000
General Insurance Claims prior to 1/4/98	3,377	441	3,818
General Insurance Claims from 1/4/98	4,982	556	5,538
NDR provision for backdated appeals	2,030	(37)	1,993
Total	**10,389**	**960**	**11,349**

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 clawback rate was initially set at 15%. On 16 March 2016, MMI wrote to all scheme creditors and proposed that the levy was increased to 25%. This was agreed by the Scheme Creditors Committee and the balance of 10% was to be applied to claims payments made under the Scheme of Arrangement since the 30 September 1993. MMI has collected the original 15% levy and the additional 10% levy and as a result, members of the Scheme of Arrangement are now self-insured to the extent of 25% of any future claim payments. Depending on MMI's future claims experience, these levies may be adjusted so that the scheme is able to meet its obligations to the creditors.

25. Specific Revenue Grants

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

Portfolio Segments	2021/22 £000	2022/23 £000
Children & Young People	26,105	38,854
Schools	339,681	365,972
Adult Social Care & Public Health	120,184	101,862
Communities	10,586	19,294
Governance & Ethics	66	-
Personnel	88	179
Finance	-	382
Central	17,280	-
Economic Development & Asset Management	3,369	8,783
Transport & Environment	3,262	3,395
	520,621	**538,721**
Grants		
Dedicated Schools Grant (DFE)	313,881	329,795
Pupil Premium (DFE)	12,417	12,965
Public Health Grant (DOH)	41,980	43,160
Better Care Fund (DLUHC)	30,011	30,920
COVID19 (DLUHC)	19,579	-
COVID19 (DOH)	37,140	7,533
Homes for Ukraine	-	6,289
Other (DFE)	16,817	55,728
Other Grants	48,796	52,331
	520,621	**538,721**
Analysis of Revenue Receipts in Advance		
Department for Levelling Up, Housing & Communities	113	9,402
Department for Education	509	-
Department of Health & Social Care	19,261	11,124
Department for Transport	3,512	3,984
Other Grants & Contributions	2,811	505
	26,206	**25,015**

26. General Government Grants Income and Taxation

The Authority set the 2022/23 Council Tax for a Band D property at £1,644.09 including the Adult Social Care Precept (£1,580.85 in 2021/22). 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 2022/23 increased by £0.3 million (£0.3 million increase in 2021/22) 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	2021/22	2022/23
	£000	£000
Department for Education	21,720	9,854
Department for Transport	25,080	24,502
Other Grants & Contributions	21,970	6,055
Recognised Capital Grants & Contributions	**68,770**	**40,411**

	2021/22	2022/23
	£000	£000
Revenue Support Grant	7,103	7,336
PFI	14,377	14,377
Adult Social Care Support Grant	24,301	33,462
Council Services Grant	6,809	7,506
Other Grants & Contributions	2,299	-
General Government Grants	**54,889**	**62,681**

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:

	2021/22	2022/23
Capital Grants Received in Advance	£000	£000
Department for Levelling Up, Housing & Communities	209	209
Department for Education	9	23
Department for Health	357	357
Department for Transport	6,975	8,149
Other Grants & Contributions	29,243	33,412
Total	**36,793**	**42,150**

27. Financial Instruments Balance

The financial assets and financial liabilities disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Borrowings		Creditors	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Long term financial liabilities at amortised cost	582,619	563,554	4,966	4,930
Short term financial liabilities at amortised cost	25,112	25,818	110,779	111,307
Total Financial Liabilities	**607,731**	**589,372**	**115,745**	**116,237**

	Investments		Debtors	
	2021/22	2022/23	2021/22	2022/23
	£000	£000	£000	£000
Long term financial assets at amortised cost	8,283	7,850	24	23
Short term financial assets at amortised cost	80,029	126,047	75,914	68,005
Cash and cash equivalents	106,872	85,696	-	-
Total Financial Assets	**195,184**	**219,593**	**75,938**	**68,028**

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

	2021/22 £000	2022/23 £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	486,627	474,678
(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	95,992	88,876
Total Long Term Borrowing at 31 March	**582,619**	**563,554**

	2021/22 £000	2022/23 £000
(c) Long Term Creditors	4,966	4,930

Short term

	2021/22 £000	2022/23 £000
(d) Borrowing		
Long term borrowing for repayment within 1 year	18,870	18,393
Other long term liabilities related to PFI schemes and long term finance leases for repayment within 1 year	6,242	7,425
Total Borrowing at 31 March	**25,112**	**25,818**

	2021/22 £000	2022/23 £000
(e) Trade Creditors	110,779	111,307

Financial Assets at amortised cost

Long Term Investments

	2021/22 £000	2022/23 £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	2021/22 £000	2022/23 £000
(b) Long term Advances		
Nottinghamshire County Cricket Club	1,987	1,834
Adult Care Property Debt - Deferred Payment Scheme	922	712
Other Long Term Advances	349	279
	3,258	**2,825**

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, the former 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.

	2021/22	2022/23
	£000	£000
(c) Long Term Debtors	24	23

Short term

(d) Temporary investments	2021/22	2022/23
	£000	£000
Temporary investments with other local authorities and financial institutions	80,029	126,047

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	2021/22	2022/23
	£000	£000
(e) Trade Debtors (less allowance for bad and doubtful debt)	75,914	68,005
(f) Cash and Cash Equivalents	106,872	85,696

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £0.12m (£0.12m in 2021/22) 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 Company (EM DevCo) has been established as an interim organisation which will take forward propositions for a new era of growth across the regional economy. This vehicle was incorporated on 4 May 2021 and was 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:

	2021/22			2022/23		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(33,695)	-	(33,695)	(32,466)	-	(32,466)
Interest payable and similar charges	**(33,695)**	**-**	**(33,695)**	**(32,466)**	**-**	**(32,466)**
Interest income	-	1,111	1,111	-	5,562	5,562
Interest and investment income	**-**	**1,111**	**1,111**	**-**	**5,562**	**5,562**

The average cost of external borrowing was 3.89% in 2022/23 (3.95% in 2021/22).

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:

	2021/22	2022/23
	£000	£000
Loan taken over from District Councils when the responsibility for services was transferred to the Authority on local government reorganisation in 1974.	780	705

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 2022 and 2023 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 long term advances, 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.

Financial Liabilities	2021/22 Carrying Amount £000	2021/22 Fair Value £000	2022/23 Carrying Amount £000	2022/23 Fair Value £000
Public Works Loan Board	409,942	436,376	398,882	325,726
External Bonds and Loans	91,188	115,988	91,187	76,059
Finance Leases related to PFI and other schemes	102,234	153,490	96,301	127,399
Salix Loan	4,367	4,227	3,001	2,851
Trade Creditors	110,779	110,779	111,307	111,307
Long Term Creditors	4,966	4,966	4,930	4,930
Total Financial Liabilities	**723,476**	**825,826**	**705,608**	**648,272**

The fair value is different from 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 different to the rates available for similar loans at the Balance Sheet date. A commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender agreed to early repayment of the loans.

Financial Assets at amortised cost	2021/22 Carrying Amount £000	2021/22 Fair Value £000	2022/23 Carrying Amount £000	2022/23 Fair Value £000
Short Term Investments	80,029	80,029	126,047	126,047
Trade Debtors (less credit loss allowance)	75,914	75,914	68,005	68,005
Long Term Investments	5,025	5,025	5,025	5,025
Long Term Advances	3,258	3,260	2,825	2,646
Long Term Debtors	24	24	23	23
Cash	106,872	106,872	85,696	85,696
Total	**271,122**	**271,124**	**287,621**	**287,442**

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 is 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 31/3/23 £000
Financial liabilities	-	648,272	-	648,272
Financial Assets at amortised cost	85,696	196,721	5,025	287,442

	Level 1 £000	Level 2 £000	Level 3 £000	Fair Value as at 31/3/22 £000
Financial liabilities	-	825,826	-	825,826
Financial Assets at amortised cost	106,872	159,227	5,025	271,124

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.

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 31/3/23 £000	Historical experience of default	Historical experience adjusted for market conditions at 31/3/23	Estimated maximum exposure to default and uncollecta-bility £000
Deposits with banks and financial institutions	126,047	-	-	-
Customers	44,917	0.35%	0.35%	157

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 2023, the Authority had an outstanding balance of short-term debtors of £102.1m (£101.7m in 2021/22) including government grants 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 £29.1m has been calculated (£24.8m in 2021/22). It is not certain that this impairment will be sufficient as the Authority cannot assess with certainty which debts will be collected or not. Debtors will however continue to be monitored regularly and should general debtors rise in 2022/23 the Authority may consider raising the impairment allowance.

The Authority does not generally allow credit for customers, such that £19.4 million (£16.3 million in 2021/22) of the £44.9 million (£47.5 million in 2021/22) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£000
Less than three months	3,673
Three to six months	3,282
Six months to one year	3,678
More than one year	8,767
	19,400

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that a significant proportion of borrowings will mature at a time of unfavourable interest rates. Current borrowings are spread over 50 years with a maximum of any one year's maturity around 6.1% 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:

	2021/22		**2022/23**	
	£000	**%**	**£000**	**%**
Maturity date				
Within 1 year	25,112	4.1	25,818	4.4
1 year and up to 2 years	20,766	3.4	20,826	3.5
2 years and up to 5 years	68,185	11.2	68,274	11.6
5 years and up to 10 years	96,600	15.9	94,459	16.0
10 years and up to 15 years	56,196	9.3	49,123	8.3
15 years and up to 20 years	50,003	8.2	50,003	8.5
20 years and up to 25 years	20,004	3.3	20,004	3.4
25 years and over	270,865	44.6	260,864	44.3
	607,731	**100.0**	**589,371**	**100.0**

	2021/22	**2022/23**
	£000	**£000**
Source of Borrowing		
Public Works Loan Board	409,942	398,882
External Bonds and Loans	91,188	91,187
Finance Leases related to PFI and other schemes	102,234	96,301
Salix Loan	4,367	3,001
	607,731	**589,371**

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 2023, 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 2022/23 is shown in Note 47. During 2022/23, £0.344m (£0.401m in 2021/22) was paid to two companies for works or services commissioned in which Members declared an interest, which are listed here:

Active4Today Ltd where two Members are on the board (two Members 2021/22). This company is Newark and Sherwood District Council's Leisure Company. The main charges are rental of sports facilities across services.

Active4Today Ltd	2021/22 £'000	2022/23 £'000
Purchases of works and services	115	117
Service Level Agreements	(1)	-
Debtors	-	-
Creditors	5	-

The Samworth Church Academy where one Member is a Governor. The main charges are incurred by NCC maintained schools for Behaviour and Attendance work in partnership with the academy

The Samworth Church Academy	2021/22 £'000	2022/23 £'000
Purchases of works and services	286	227
Service Level Agreements	(11)	(1)
Debtors	4	1
Creditors	-	(12)

Any contracts would have been entered into in full compliance with the Authority's standing orders. Grants totalling £25,822 were paid to five organisations in which six Members had positions on the governing body (2021/22 £12,954 to four organisations, four 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.

One member declared an interest in a charitable trust where a previously awarded economic development loan of £277,724 was partially written off in this year, £129,638, due to the trust being in administration

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 or entered into any works that constitute a related party. During 2022/23, one senior employee joined the board of EM Dev Co. One senior employee declared a domestic partner with NUH in an executive role but no material transactions exist.

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 45.

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 2021/22 £000	Audited 2022/23 £000
Revenue	33,849	39,378
Profit/(loss) before Tax	(577)	(471)
Total Assets	12,825	14,000
Total Liabilities	(16,696)	(6,427)
Equity and Reserves	(3,871)	7,573

The assets (liabilities 2021/22) total includes £0m of pension asset (£12.7m liability 2021/22) not covered in the shareholder agreement split 50:50.

Nottinghamshire County Council had the following transactions with ARC:

	2021/22 £000	2022/23 £000
Purchases of works and services	32,476	38,384
Service Level Agreements	(38)	(198)
Debtors	-	17
Creditors	(413)	(2,176)

Via East Midlands Ltd

	Audited 2021/22 £000	Audited 2022/23 £000
Revenue	78,605	65,477
Profit/(loss) before Tax	1,518	714
Total Assets	16,209	17,093
Total Liabilities	(14,087)	(14,850)
Equity and Reserves	2,122	2,243

Nottinghamshire County Council had the following transactions with Via:

	2021/22 £000	2022/23 £000
Purchases of works and services	69,752	60,215
Service Level Agreements	(2,756)	(2,997)
Debtors	785	1,399
Creditors	(6,133)	(6,907)

Futures Advice, Skills & Employment Ltd (Futures)

	Audited 2021/22 £000	Audited 2022/23 £000
Revenue	17,461	17,346
Profit/(loss) before Tax	(877)	(2,358)
Total Assets	9,421	9,098
Total Liabilities	(30,329)	(4,035)
Equity and Reserves	(20,908)	5,063

Nottinghamshire County Council had the following transactions with Futures and its Subsidiaries:

	2021/22 £000	2022/23 £000
Purchases of works and services	1,441	1,451
Service Level Agreements	(1)	-
Debtors	-	-
Creditors	(10)	-

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 £16.6m (£14.3m in 2021/22) and income is £1.2m (£1.4m in 2021/22). The Authority's year end creditor with Inspire is £0.6m (£0.2m at 31 March 22) and year end debtor is £0.2m (£0.3m at 31 March 2022).
More information can be found on the Inspire website https://www.inspireculture.org.uk/

East Midlands Development Company Ltd (EM DevCo)

East Midlands Development Company (EM DevCo) is owned by five Local Authorities in the East Midlands.

The total Authority contribution to EM DevCo costs is £0.5m (£0.5m in 2021/22) and income is £0.4m (£0.4m in 2021/22). The Authority's year end creditor with EM Devco is £0.0m (£1.6m in 2021/22) and year end debtor is £0.0m (£0.1m at 31 March 2022).

More information can be found on the EM DevCo website https://www.emdevco.co.uk/about-us/

32. Movement on Usable Reserves

	2020/21 £000	Transfers Out £000	Transfers In £000	2021/22 £000	Transfers Out £000	Transfers In £000	2022/23 £000
General Fund Balance	32,119	-	3,105	35,224	-	1,638	36,861
Schools Statutory Reserves	28,528	(1,945)	3,505	30,087	(16)	11,854	41,924
General Insurance Reserve	36,679	(14)	2,708	39,373	(273)	2,345	41,445
Capital Receipts and Grants Unapplied Reserve	2,888	(749)	5,604	7,743	(5,339)	1,357	3,762
Corporate Reserves							
Earmarked Reserves	3,204	-	-	3,204	-	12,945	16,149
Capital Projects Reserve	7,538	(8,096)	16,327	15,769	(2,735)	1,025	14,059
NDR Pool Reserve	11,482	(2,704)	3,341	12,119	(430)	3,641	15,330
COVID Recovery Reserve	19,283	(13,614)	-	5,669	(5,669)	-	-
East Leake PFI Schools	2,909	(30)	20	2,899	(161)	59	2,797
Bassetlaw PFI Schools	876	(2)	864	1,738	-	343	2,081
Waste PFI Reserve	24,275	-	168	24,443	-	516	24,959
Workforce Reserve	6,150	-	473	6,623	-	653	7,276
IICSA Reserve	1,394	(1,394)	-	-	-	-	-
Strategic Development Fund	12,415	-	5,500	17,915	-	-	17,915
Highways & Environment Reserve	-	-	15,000	15,000	(6,734)	-	8,266
Business Rates Equalisation Reserve	-	-	5,631	5,631	-	3,027	8,658
Council Tax Equalisation Reserve	2,350	-	-	2,350	(1,175)	-	1,175
Traders Resilience Reserve	-	-	-	-	-	4,000	4,000
Section 256 Grants	-	-	5,046	5,046	(378)	325	4,993
Earmarked for Services Reserves							
Trading Activities	625	(421)	-	204	-	603	807
Departmental Reserves	9,409	(863)	4,123	12,669	(6,012)	872	7,529
Revenue Grants	16,606	(3,866)	7,775	20,515	(4,853)	10,356	26,018
Section 256 Grants	22,629	(2,899)	13,693	33,423	(11,214)	2,121	24,330
Total Other Earmarked Reserves	**141,145**	**(33,889)**	**77,961**	**185,217**	**(39,361)**	**40,486**	**186,342**
Total Usable Reserves	**241,359**	**(36,597)**	**92,883**	**297,645**	**(44,990)**	**57,679**	**310,334**

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

Schools Statutory Reserves - See note 34

General Insurance Reserve - See note 33

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.

COVID19 Recovery Reserve assisted 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.

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

IICSA Reserve was established to fund 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.

Highways & Environment Reserve has been established to fund works emerging from both the environmental strategy and highways review.

Business Rates Equalisation Reserve has been established to offset any potential deficits created by additional rate reliefs awarded by Central Government which will compensate for correspondingly lower income from the Collection Fund.

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

Traders Resilience Reserve has been established to help mitigate short-term cost pressures associated with the Authority's Trading activity.

Section 256 Grants Reserve is to fund the future development of a new Ecosystem platform capability to enable improved health and care services across the Nottingham and Nottinghamshire Integrated Care System.

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.

33. 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	2021/22 £000	2022/23 £000
General Insurance Reserve		**39,373**	**41,445**

Insurance Account	Note	2021/22 £000	2022/23 £000
Premiums paid		1,930	1,026
Claims made		3,629	1,598
Contribution (from)/to Provision		(1,541)	(48)
Contribution to Closed Fund from County Council		1,529	956
Miscellaneous charges		79	22
		5,626	3,554
Less charges to Departments	1	(6,325)	(4,576)
Future Liabilities of Nottm City Council Adjustment		14	273
Total Expenditure		**(685)**	**(749)**

	2021/22 £000	2022/23 £000
External Premiums	(10)	(73)
Contribution to Closed Fund from City and County Council's	(2,000)	(1,250)
Total Income	**(2,010)**	**(1,323)**
Net (surplus)/deficit	**(2,695)**	**(2,072)**

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

34. 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 2022/23 the overall reserve has increased by £11.8 million to £41.9 million. Within the total reserve School accumulated balances increased by £0.9 million to £23.7 million; of this, £3.4 million is to fund capital Schemes.

The reserves also includes £18.3 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	2021/22 £000	Movement in year £000	2022/23 £000
Balances held by schools	22,735	947	23,682
Non ISB Balances	7,379	10,906	18,285
School Loan Scheme	(27)	(16)	(43)
School Statutory Reserves Total	**30,087**	**11,837**	**41,924**

35. Unusable Reserves

	2021/22 £000	2022/23 £000
Revaluation Reserve	292,547	294,106
Capital Adjustment Account	454,793	467,740
Financial Instruments Adjustment Account	(2,283)	(2,226)
IAS 19 Pensions Reserve	(1,324,256)	(297,230)
Collection Fund Adjustment Account	6,259	540
Deferred Capital Receipts	-	-
Employee Benefits Account	(9,811)	(8,543)
Total Unusable Reserves	**(582,750)**	**454,387**

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.

	2021/22 £000	2022/23 £000
Balance at 1 April	**228,472**	**292,548**
Upward revaluation of assets	83,008	34,961
Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	(4,808)	(26,613)
Surplus/(deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	78,200	8,348
Difference between fair value depreciation and historic cost depreciation	(3,253)	(3,346)
Accumulated gains on assets sold or scrapped	(10,871)	(3,444)
Amount written off to the Capital Adjustment Account	(14,124)	(6,790)
Balance at 31 March	**292,548**	**294,106**

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	**422,853**	**454,793**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation on non-current assets	(43,999)	(47,444)
Revaluation and Impairments on PPE	(2,140)	(720)
Amortisation of intangible assets	(1,742)	(2,235)
Revenue expenditure funded from capital under statute	(14,973)	(27,706)
Transformation costs funded under Capital Direction	(2,704)	-
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	(34,487)	(16,193)
	(100,045)	**(94,298)**
Adjusting amounts written out of the Revaluation Reserve	14,125	6,790
Net written out amount of the cost of non-current assets consumed in the year	**(85,920)**	**(87,508)**
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	-	-
Application of grants to capital financing from the Capital Grants Unapplied Account	77,291	70,776
Statutory provision for the financing of capital investment charged against the General Fund	18,595	18,759
Capital expenditure charged against the General Fund	12,853	12,318
	108,739	**101,853**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	9,406	(709)
Movement in the fair value of Non Current Assets Held for Sale credited to the Comprehensive Income and Expenditure Statement	(285)	(689)
Other Movements	-	-
Balance at 31 March	**454,793**	**467,740**

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	**(2,318)**	**(2,283)**
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	35	57
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	35	57
Balance at 31 March	**(2,283)**	**(2,226)**

IAS19 Pensions Reserve

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

	2021/22	2022/23
	£000	£000
Balance at 1 April	**(1,539,068)**	**(1,324,256)**
Actuarial gains / (losses) on pensions assets and liabilities	294,546	1,112,411
Other gains / (losses)	-	418
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	(128,024)	(137,763)
Employer's pensions contributions and direct payments to pensioners payable in the year	48,290	51,960
Balance at 31 March	**(1,324,256)**	**(297,230)**

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	**6,530**	**6,259**
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	747	(2,208)
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	(1,018)	(3,511)
Balance at 31 March	**6,259**	**540**

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.

	2021/22	2022/23
	£000	£000
Balance at 1 April	**1,891**	**-**
Movement in Deferred Capital Receipts held	(1,891)	-
Balance at 31 March	**-**	**-**

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.

	2021/22 £000	2022/23 £000
Balance at 1 April	**(11,088)**	**(9,811)**
Settlement or cancellation of accrual made at the end of the preceding year	11,088	9,811
Amounts accrued at the end of the current year	(9,811)	(8,543)
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	1,277	1,268
Balance at 31 March	**(9,811)**	**(8,543)**

36. 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:

	2021/22 £000	2022/23 £000
Amounts held in call accounts and money market funds	94,815	74,062
Main Bank accounts:		
Main Authority accounts	6,343	4,857
Other bank accounts	5,714	6,777
	106,872	**85,696**

37. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2021/22 £000	2022/23 £000
Interest received	153	3,363
Interest paid	(33,931)	(32,707)
Dividends received	900	950
	(32,878)	**(28,394)**

38. Cash Flow Statement - Investing Activities

	2021/22 £000	2022/23 £000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	81,358	66,617
Purchase of short and long-term investments	110,000	195,000
Purchase of shares in a subsidiary	-	-
Other payments for investing activities	2,112	1,743
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(11,616)	(5,991)
Capital Grants and contributions received	(90,103)	(46,174)
Proceeds from short-term and long-term investments	(50,000)	(150,000)
Net other receipts from investing activities	(2,236)	(2,177)
Net cash flows from investing activities	**39,515**	**59,018**

39. Cash Flow Statement - Financing Activities

	2021/22 £000	2022/23 £000
Cash receipts of short and long-term borrowing	(12,457)	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	6,478	6,623
Repayments of short and long-term borrowing	22,603	12,261
Net cash flows from financing activities	**16,624**	**18,884**

40. Reconciliation of Liabilities Arising from Financing Activities

	2022/23 01-Apr £000	Financing Cash flows £000	Non Cash Acquisition £000	Other £000	2022/23 31-Mar £000
Long term borrowings	486,627	(11,949)		-	474,678
Short term borrowings	18,870	(477)		-	18,393
Lease liabilities	891	(8)		-	883
On balance sheet PFI liabilities	101,343	(6,615)	690	-	95,418
Total liabilities from financing activities	**607,731**	**(19,049)**	**690**	**-**	**589,372**

	2021/22 01-Apr £000	Financing Cash flows £000	Non Cash Acquisition £000	Other £000	2021/22 31-Mar £000
Long term borrowings	497,135	(10,508)	-	-	486,627
Short term borrowings	18,671	199	-	-	18,870
Lease liabilities	898	(7)	-	-	891
On balance sheet PFI liabilities	107,279	(6,470)	534	-	101,343
Total liabilities from financing activities	**623,983**	**(16,786)**	**534**	**-**	**607,731**

41. 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 2022/23 is £18.8m (£18.6m for 2021/22) of which £6.6m (£6.5m for 2021/22) relates to repayments of the PFI and finance lease liabilities. The amount of depreciation and amortisation charged was £49.7m (£45.7m for 2021/22).

42. Audit Fees

The Authority has been advised of the following fees payable for 2022/23.

	2021/22 £000	2022/23 £000
External Audit Fees	146	134
Teachers Pension Agency Grant	8	10
Non audited related services provided	16	15
	170	**159**

43. 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					
		2021/22			2022/23		
		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	-	-	-	-	-	-
£175,000	£179,999	-	-	-	-	-	-
£170,000	£174,999	-	-	-	-	-	-
£165,000	£169,999	-	-	-	-	1	1
£160,000	£164,999	-	-	-	-	-	-
£155,000	£159,999	-	-	-	-	-	-
£150,000	£154,999	-	-	-	-	1	1
£145,000	£149,999	-	1	1	-	-	-
£140,000	£144,999	-	-	-	-	-	-
£135,000	£139,999	-	1	1	-	1	1
£130,000	£134,999	-	1	1	-	-	-
£125,000	£129,999	-	-	-	-	-	-
£120,000	£124,999	-	-	-	-	-	-
£115,000	£119,999	-	-	-	-	-	-
£110,000	£114,999	-	-	-	-	1	1
£105,000	£109,999	-	-	-	-	3	3
£100,000	£104,999	-	5	5	-	5	5
£95,000	£99,999	1	6	7	1	1	2
£90,000	£94,999	2	-	2	4	1	5
£85,000	£89,999	-	3	3	4	2	6
£80,000	£84,999	4	2	6	4	5	9
£75,000	£79,999	4	4	8	8	5	13
£70,000	£74,999	16	11	27	34	16	50
£65,000	£69,999	38	21	59	31	14	45
£60,000	£64,999	37	37	74	40	24	64
£55,000	£59,999	51	31	83	54	25	79
£50,000	£54,999	81	77	158	80	96	176
		234	**201**	**436**	**260**	**201**	**461**

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

2022/23

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 - (outgoing)		79,205	593	-	17,584	97,382
Corporate Director of CFCS - C Pettigrew	1	151,250	-	-	33,578	184,828
Corporate Director of ASC & PH		136,266	230	-	30,251	166,747
Chief Executive - (incumbent) A Smith	2	166,965	1,014	-	37,066	205,045
Corporate Director of Place (incumbent)	3	114,435	-	-	25,405	139,840
Service Director (Customers, Governance and Employees)		106,444	-	-	23,631	130,075
Director of Public Health		106,444	-	-	23,631	130,075
Service Director (Transformation)	4	100,193	99	-	22,243	122,535
Service Director (Finance, Infrastructure & Improvement)		106,444	162	-	23,631	130,237

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

1. The Chief Executive resigned with effect from 31/08/2022. Their annualised salary was £190,092.
2. The Corporate Director of Place was also the Deputy Chief Executive. Their annualised salary was £136,266 with an additional allowance of £5,138 for the Deputy Chief Executive role. They have now assumed the post of Chief Executive. The annualised salary is £190,092.
3. The new Corporate Director of Place took up their role with effect from 09/11/2022. Their annualised salary is £136,266.
4. The permanent Service Director for Transformation joined the Corporate Leadership Team.

2021/22

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		188,167	646	-	41,773	230,586
Corporate Director of CFCS		149,325	-	-	33,150	182,475
Corporate Director of ASC & PH		134,341	-	-	29,824	164,165
Corporate Director of Place (and Deputy CEO)	1	139,479	-	-	30,964	170,443
Service Director (Customers, Governance and Employees)		104,519	-	-	23,203	127,722
Director of Public Health		102,431	-	-	22,740	125,171
Service Director (Finance, Infrastructure & Improvement)		104,519	50	-	23,203	127,773

*Pension Contributions are estimated at 22.2% to account for the pensions deficit (see note 20).
1. The Corporate Director of Place is also the Deputy Chief Executive. Their annualised salary is £134,341 with an additional allowance of £5,138 for the Deputy Chief Executive role.

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 £	
			2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0	-	£20,000	26	4	19	3	45	7	228,916	54,999
£20,001	-	£40,000	5	2	5	1	10	3	295,560	76,443
£40,001	-	£60,000	3	-	-	-	3	-	165,157	-
£60,001	-	£80,000	1	-	2	-	3	-	214,491	-
£80,001	-	£100,000	-	-	3	-	3	-	251,274	-
£100,001	-	£150,000	-	-	1	-	1	-	104,006	-
£150,001	-	£200,000	-	-	-	-	-	-	-	-
			35	**6**	**30**	**4**	**65**	**10**	**1,259,404**	**131,442**

44. 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 2022/23 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure £000	Individual Schools Budget (ISB) £000	Total £000
Final DSG for 2022/23 before Academy recoupment			741,001
Academy figure recouped for 2021/22			(411,123)
Total DSG after Academy recoupment for 2022/23			329,878
Brought Forward 2021/22			7,379
Carry Forward to 2023/24 agreed in advance			
Agreed initial budgeted distribution for 2022/23	**107,090**	**230,167**	**337,257**
In year adjustments	(82)	-	(82)
Final budgeted distribution for 2022/23	107,008	230,167	337,175
Actual central expenditure	(88,723)	-	(88,723)
Actual ISB deployed to schools	-	(230,167)	(230,167)
Plus Local Authority contribution for 2022/23	-	-	-
Carried forward to 2023/24	**18,285**	**-**	**18,285**

45. 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.

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	**2021/22 £000**	**2022/23 £000**
Net (surplus) / deficit brought forward	**(1,639)**	**(1,869)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(1,393)	(1,393)
Nottinghamshire County Council CYP	(410)	(576)
Nottingham City Council	(786)	(774)
Bassetlaw CCG	(782)	(814)
Nottinghamshire County CCGs	(1,895)	(1,972)
Nottingham City CCG	(3,877)	(4,268)
Other	(6)	(45)
Total Funding	**(9,149)**	**(9,842)**

Expenditure met from the pooled budget:	**2021/22 £000**	**2022/23 £000**
Partnership Management and Administration Costs	933	1,036
Contract Management Fee	1,451	1,397
Equipment	6,436	7,266
Minor Adaptations	93	118
Direct Payments	6	8
Total Expenditure	**8,919**	**9,825**
Net (surplus) / deficit carried forward	**(1,869)**	**(1,886)**

The current contract began on 1 April 2016 for a period of 5 years and was extended 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. July 2022 the CCG's joined a new body called the Integrated Care Board.

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	**2021/22**	**2022/23**
	£000	**£000**
Net (surplus) / deficit brought forward	**(3,494)**	**(3,574)**
Funding provided to the pooled budget:		
Nottinghamshire County Council ASC&PH	(37,899)	(41,746)
Bassetlaw CCG	(9,053)	-
Nottingham and Nottinghamshire CCGs	(52,316)	-
Reserves	(519)	(188)
Integrated Care Board (ICB)	-	(68,621)
Total Funding	**(99,787)**	**(110,555)**

Expenditure met from the pooled budget:	**2021/22 £000**	**2022/23 £000**
Nottinghamshire County Council ASC&PH	31,711	33,059
Bassetlaw CCG	5,581	-
Nottingham and Nottinghamshire CCGs	31,964	-
iBCF (various projects)	30,011	30,920
Use of Reserves	440	122
ASC Discharge Fund - Integrated Care Board (ICB)	-	2,939
ASC Discharge Fund Notts	-	3,778
Integrated Care Board (ICB)	-	39,671
Total Expenditure	**99,707**	**110,489**
Net (surplus) / deficit carried forward	**(3,574)**	**(3,640)**

46. Termination Benefits

The Authority terminated the contracts of a number of employees in 2022/23, with a net value of £0.1 million (£1.3 million in 2021/22). These figures include accounting entries required by The Code.

47. Members Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,779,698 (£1,691,347 in 2021/22). In addition to this, Members were reimbursed a total of £48,262 (£37,453 in 2021/22) for expenses incurred on Authority business.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT

	Notes	2021/22 £000	2022/23 £000
Contributions	4		
Employer contributions		(165,539)	(175,315)
Member contributions		(51,127)	(54,643)
		(216,666)	**(229,958)**
Transfers in from other pension funds		(5,860)	(18,937)
Benefits	5		
Pensions		186,770	197,937
Commutation of pensions and lump sum retirement benefits		34,297	36,224
Lump sum death benefits		6,945	6,202
		228,012	**240,363**
Payments to and on account of leavers	6	8,893	17,991
Net (additions)/withdrawals from dealings with members		**14,379**	**9,459**
Administration expenses	7	3,246	2,687
Oversight and governance expenses	8	1,531	1,701
Investment management expenses	9	20,657	21,838
Net (additions)/withdrawals after fund management expenses		**39,813**	**35,685**
Investment Income	10	(94,147)	(90,118)
(Profits)/losses on disposal of investments & changes in value		(430,524)	204,164
Taxes on income		295	404
Net Returns on Investments		**(524,376)**	**114,450**
Net (increase)/decrease in net assets available for benefits during the year		**(484,563)**	**150,135**
Opening net assets of the Fund		6,132,086	6,616,649
Closing net assets of the Fund		**6,616,649**	**6,466,514**

The notes on the following pages form part of these Financial Statements.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT FOR THE YEAR ENDED

	Notes	31 March 2022 £000	31 March 2023 £000
Investment Assets	11 & 15		
Fixed Interest Securities		343,093	220,346
Equities		1,916,522	1,663,353
Pooled Investment Vehicles		3,670,816	4,050,262
Property		500,950	394,825
Cash deposits		161,973	107,288
Other Investment Balances	13	30,953	32,425
Investment liabilities	13	(4,651)	(4,575)
		6,619,656	**6,463,924**
Current assets	14	21,545	21,250
		6,641,201	6,485,174
Current liabilities	14	(24,552)	(18,660)
Closing net assets of the Fund		**6,616,649**	**6,466,514**

The actuarial present value of promised retirement benefits, as required by the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* , is shown at note 2d.

The notes on the following pages 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 2022/23* (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. There are a number of minor changes to the Code which will not have a material impact upon the financial statements of the Pension Fund.

The accounts have been prepared on a going concern basis.

(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 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'. 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. Where these valuations are not available at the time of compiling the financial statements, the most recent valuation is used as an estimate as adjusted for any cash flows before year end as a best estimate of year end valuation.
- 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.

(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 275 participating employers and over 149,000 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 Nottinghamshire County Council Constitution, 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 2022/23 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 2022. The smoothed market value of the Fund’s assets at the valuation date was £6,498 million. The Actuary has estimated that the value of the Fund was sufficient to meet 100% of its expected future liabilities in respect of service completed to 31 March 2022 at Fund level. The certified contribution rates are expected to improve this to 100% within a period of 18 years for all employers. 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 key assumptions used within the valuation are shown below.

	31 March 2022 % pa
Expected investment returns:	
Equities	6.9
Gilts	2.0
Property and Infrastructure	6.4
Discount Rate	4.7
Consumer price inflation (CPI)	2.9
Long term pay increases	3.9
Pension Increases	2.9

The 2022 valuation produced an average employer contribution rate of 21.0%. Employer contributions were certified by the actuaries for the years 2023/24 to 2025/26. 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		2023/24	2024/25	2025/26
Nottinghamshire County Council		19.8%	19.8%	19.8%
	Plus:	£3,880,000	£2,050,000	£60,000
Nottingham City Council		18.5%	18.5%	18.5%
	Plus:	£6,810,000	£5,380,000	£3,810,000
Ashfield District Council		19.3%	19.3%	19.3%
	Plus:	£1,400,000	£1,300,000	£1,190,000
Bassetlaw District Council		20.3%	20.3%	20.3%
	Plus:	£799,000	£695,000	£583,000
Broxtowe Borough Council		19.0%	19.0%	19.0%
	Plus:	-	-	-
Gedling Borough Council		19.6%	19.6%	19.6%
	Plus:	£241,000	£148,000	£48,000
Mansfield District Council		20.2%	20.2%	20.2%
	Plus:	£1,700,000	£1,570,000	£1,420,000
Newark and Sherwood District Council		18.6%	18.6%	18.6%
	Plus:	£459,000	£477,000	£495,000
Rushcliffe Borough Council		18.5%	18.5%	18.5%
	Plus:	£840,000	£720,000	£600,000

(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 2022 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 2021		31 March 2022		31 March 2023	
	% pa	Real % pa	% pa	Real % pa	% pa	Real % pa
CPI increases	2.85	-	3.25	-	2.90	-
Salary Increases	3.85	1.00	4.25	1.00	3.90	1.00
Pension Increases	2.85	-	3.25	-	2.90	-
Discount Rate	2.00	(0.85)	2.60	(0.65)	4.80	1.90
Mortality assumptions:						
Longevity at 65 for current pensioners						
Men (years)				21.6		20.7
Women (years)				24.3		23.5
Longevity at 65 for future pensioners						
Men (years)				23.0		22.0
Women (years)				25.8		25.0
Estimated return on assets				8.08%		-2.09%

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

The net liability under IAS 26 is shown below.

	31 March 2021 £000	31 March 2022 £000	31 March 2023 £000
Present value of funded obligation	10,909,533	10,848,228	6,972,910
Fair value of Fund assets	6,102,491	6,619,656	6,463,924
Net Liability	**4,807,042**	**4,228,572**	**508,986**

The present value of funded obligation consists of £6,893.4 million in respect of vested obligation and £79.5 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 2022/23 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 Nottinghamshire Pension Fund Committee consisted of eleven 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 Nottinghamshire 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) Recognition of income on leased properties

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 (e.g. 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 2022/23 is £70,656, including £17,600 for IAS19 assurance (£44,456 plus £16,000 for IAS 19 assurance for 2021/22).

3. Contributors and Pensioners

	Members at 31 March 2023				
	County Council	**City Council**	**District Councils**	**Other**	**Total**
Contributors	13,023	7,972	3,372	22,771	47,138
Deferred Beneficiaries	26,840	12,941	4,416	20,930	65,127
Pensioners	19,904	9,033	5,382	10,034	44,353
					156,618

	Members at 31 March 2022				
	County Council	**City Council**	**District Councils**	**Other**	**Total**
Contributors	13,545	7,322	3,245	20,467	44,579
Deferred Beneficiaries	26,236	12,845	4,400	18,995	62,476
Pensioners	19,139	8,662	5,181	9,536	42,518
					149,573

4. Analysis of Contributions

	Employers		Members		Total	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
County Council	39,218	41,669	12,972	13,975	52,190	55,644
Scheduled Bodies	118,577	124,817	35,849	38,455	154,426	163,272
Admitted Bodies	7,744	8,829	2,306	2,213	10,050	11,042
	165,539	**175,315**	**51,127**	**54,643**	**216,666**	**229,958**

5. Analysis of Benefits

	2021/22 £000	2022/23 £000
Pensions	186,770	197,937
Commutation and lump sum	34,297	36,224
Lump sum death benefits	6,945	6,202
	228,012	**240,363**
Comprising of:		
County Council	83,566	89,092
Scheduled Bodies	133,865	139,829
Admitted Bodies	10,581	11,442
	228,012	**240,363**

6. Payments to and on account of leavers

	2021/22 £000	2022/23 £000
Refunds to members leaving the Fund	517	269
Payments for members joining state scheme	(2)	(1)
Group transfers to other funds	-	-
Individual transfers to other funds	8,378	17,723
	8,893	**17,991**

7. Administration Expenses

	2021/22 £000	2022/23 £000
Printing and stationery	14	8
Legal fees	29	35
Other external fees	1,014	271
Bad debts	61	-
Administering Authority Costs	2,128	2,373
	3,246	**2,687**

8. Oversight and Governance Expenses

	2021/22 £000	2022/23 £000
Training and conferences	2	6
Subscriptions and membership fees	36	51
Actuarial fees	40	75
Audit fees	44	71
Legal fees	2	-
Other external fees	1,053	1,105
Administering Authority Costs	354	393
	1,531	**1,701**

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

9. Investment Management Expenses

	2021/22 £000	2022/23 £000
Custody fees	296	262
Investment management fees	5,109	4,520
Estimated embedded costs within pooled investment funds	15,200	16,948
Other external fees	36	53
Administering Authority Costs	16	55
	20,657	**21,838**

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 £16.5 million or 0.60% of the associated assets in 2022/23 (£15.2 million or 0.63% in 2021/22). Investment Management Fees have been grossed up in line with the Code.

10 Investment Income

Analysis by type of investment	2021/22 £000	2022/23 £000
Interest from fixed interest securities	(7,693)	(6,877)
Dividends from equities	(57,986)	(44,718)
Income from pooled investment vehicles	(6,054)	(5,082)
Income from property pooled vehicles	(5,052)	(7,709)
Net rents from property	(16,396)	(19,655)
Interest on cash deposits	(279)	(3,127)
Other	(687)	(2,950)
	(94,147)	**(90,118)**

Directly held property		
Rental income	(17,310)	(21,431)
Less operating expenses	914	1,776
Net rents from property	**(16,396)**	**(19,655)**

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

	2021/22 £000	2022/23 £000
Within one year	20,488	21,503
Between one and five years	69,322	68,422
Later than five years	172,177	157,326
Future lease payments due under existing contracts	**261,987**	**247,251**

11. Investments

(a) Investment Analysis	31 March 2022 £000	31 March 2023 £000
Fixed Interest Securities		
UK Public Sector	193,725	133,618
UK Other	149,368	86,728
Equities		
UK	1,057,105	794,607
Overseas	857,417	866,746
Unlisted	2,000	2,000
Pooled Investment Vehicles		
Unit Trusts	1,235,577	1,433,591
Other Managed Funds	2,125,770	2,262,361
Pooled Vehicles Invested in Property		
Property Unit Trusts	115,756	161,424
Other Managed Funds	193,713	192,886
Property	500,950	394,825
Cash and Currency	161,973	107,288
Total Investments	**6,593,354**	**6,436,074**

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 2022 £000	31 March 2023 £000
Market Value	6,593,354	6,436,074
Original Value	5,458,521	5,582,679
Excess of Market Value over Original Value	**1,134,833**	**853,395**

(b) Reconciliation of Opening and Closing Values of Investments 2022/23

	Value at 1 April 2022 £000	Purchases at Cost £000	Proceeds of Sales £000	Embedded Fees £000	Change in Market Value £000	Value at 31 March 2023 £000
Fixed Interest Securities	343,093	103,922	(189,254)		(37,415)	220,346
Equities	1,916,522	502,485	(730,242)		(25,412)	1,663,353
Pooled Investment Vehicles	3,361,347	475,545	(84,117)	(16,948)	(39,875)	3,695,952
Property Pooled Vehicles	309,469	64,962	(6,057)		(14,064)	354,310
Property	500,950	(490)	(18,237)		(87,398)	394,825
	6,431,381	**1,146,424**	**(1,027,907)**	**(16,948)**	**(204,164)**	**6,328,786**
Cash deposits	161,973					107,288
	6,593,354					**6,436,074**

Reconciliation of Opening and Closing Values of Investments 2021/22

	Value at 1 April 2021 £000	Purchases at Cost £000	Proceeds of Sales £000	Embedded Fees £000	Change in Market Value £000	Value at 31 March 2022 £000
Fixed Interest Securities	307,787	210,074	(153,556)		(21,212)	343,093
Equities	1,716,831	612,553	(572,008)		159,146	1,916,522
Pooled Investment Vehicles	3,244,365	377,171	(444,573)	(15,200)	199,584	3,361,347
Property Pooled Vehicles	272,983	25,944	(11,123)		21,665	309,469
Property	350,442	86,592	(7,425)		71,341	500,950
	5,892,408	**1,312,334**	**(1,188,685)**	**(15,200)**	**430,524**	**6,431,381**
Cash deposits	210,083					161,973
	6,102,491					**6,593,354**

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the Fund, such as fees, commissions and stamp duty, amounted to £1.7 million in 2022/23 (£6.7 million in 2021/22). 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 2022 £000		31 March 2023 £000	
Core Index	1,274,480	19.3%	1,286,977	20.0%
Schroder Active Equities	2,059,008	31.2%	1,772,074	27.6%
LGPS Central	854,609	13.0%	1,194,989	18.6%
Fixed Interest	149,368	2.3%	86,728	1.3%
Abrdn Property	652,077	9.9%	536,142	8.3%
Specialist	1,603,812	24.3%	1,559,164	24.2%
Total	**6,593,354**	**100.0%**	**6,436,074**	**100.0%**

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

	31 March 2022 £000	31 March 2023 £000
Core Index		
Legal & General	1,263,470	1,283,390
Schroders		
Schroders	282,294	250,870
LGPS Central		
LGPS Central	660,801	1,061,194
Abrdn Property		
Abrdn	116,632	134,680
Specialist		
Aegon Asset Management	431,466	350,441
RWC Capital	238,068	239,360
Darwin	87,018	100,482
Dorchester	85,935	97,358

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

	Market Value 31 March 2022 £000	% of Fund	Market Value 31 March 2023 £000	% of Fund
Legal & General UK Equity Index	435,415	6.6%	448,630	7.0%
Aegon Diversified Growth Fund	346,560	5.6%	326,264	5.1%

(d) Asset Allocation

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

	31 March 2022 £000		31 March 2023 £000	
UK Fixed Interest	343,093	5.2%	220,346	3.4%
Global Fixed Interest	299,247	4.5%	296,110	4.6%
UK Equities	1,359,974	20.6%	1,113,252	17.3%
Overseas Equities:				
US	904,360	13.7%	922,778	14.3%
Europe	534,987	8.1%	559,984	8.7%
Japan	275,078	4.2%	256,918	4.0%
Pacific Basin	183,616	2.8%	175,704	2.7%
Emerging Markets	307,704	4.7%	309,951	4.8%
Global Equities	121,157	1.8%	426,948	6.6%
UK Property	696,176	10.6%	627,421	9.7%
Overseas Property	148,965	2.3%	139,769	2.2%
Private Equity	313,452	4.8%	242,194	3.8%
Infrastructure	390,814	5.9%	508,054	7.9%
Credit	206,198	3.1%	203,093	3.2%
Multi-Asset	346,560	5.3%	326,264	5.1%
Forward Foreign Exchange	-	-	-	-
Cash	161,973	2.5%	107,288	1.7%
Total	**6,593,354**	**100.0%**	**6,436,074**	**100.0%**

(e) Property

Direct property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Knight Frank LLP.

The analysis of property is:

	31 March 2022 £000	31 March 2023 £000
Freehold	466,800	369,025
Leasehold more than 50 years	34,150	25,800
	500,950	**394,825**
Original Value	399,204	379,449

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

	31 March 2022 £000	31 March 2023 £000
Opening balance	**350,442**	**500,950**
Additions:		
Purchases	85,433	(550)
New construction	1,318	
Subsequent expenditure	(159)	60
Disposals	(7,425)	(18,237)
Net increase/(decrease) in market value	71,341	(87,398)
Other changes in fair value	-	-
Closing balance	**500,950**	**394,825**

(f) Analysis of Pooled Investment Vehicles

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

	31 March 2022 £000	31 March 2023 £000
Global Fixed Interest	299,247	296,110
UK Equities	473,803	476,030
Overseas Equities:		
US	259,512	252,799
Europe	388,946	421,804
Japan	208,550	198,331
Pacific Basin	183,616	175,704
Emerging Markets	307,704	309,951
Global	121,157	426,948
UK Property	173,999	222,934
Overseas Property	135,470	131,376
Private Equity	311,452	240,194
Infrastructure	254,602	368,724
Credit	206,198	203,093
Multi-Asset	346,560	326,264
Total	**3,670,816**	**4,050,262**

(g) Private Equity and Infrastructure Funds

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

Private Equity Funds	**Currency**	**Commitment** millions
Wilton Private Equity Fund	USD	14
Pantheon Europe Fund III	EUR	10
East Midlands Regional Venture Capital Fund	GBP	5
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
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
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

BGF	GBP	8
LGPS Central PE Primary Fund 2021	GBP	90
LGPS Central PE Co-Investments 2021	GBP	30
Dorchester Capital Secondaries Offshore V	USD	50
Dorchester Capital Secondaries Offshore VI	USD	50
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	24
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
LGPS Central Infrastructure Fund (Single Asset)	GBP	20
LGPS Central Infrastructure Fund (Core Plus)	GBP	125
LGPS Central Infrastructure Fund (Value Added)	GBP	50
Darwin Bereavement Services Fund	GBP	30
Credit Funds		
Dorchester Credit Opportunities	USD	65
Cheyne Real Estate Credit Holdings VII	GBP	40

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 2023 were £362.4 million (£361.1million at 31 March 2022). Of the funds above, the following were new commitments made during 2022/23:-

	Currency	**Commitment** millions
Darwin Bereavement Services Fund	GBP	10
BGF	GBP	1
Dorchester Capital Secondaries Offshore VI	USD	50
LGPS Central PE Primary Fund 2021	GBP	45
LGPS Central PE Co-Investments 2021	GBP	10

(h) Analysis of derivatives

There were no derivatives held at 31 March 2023 or 31 March 2022.

12. Contingent Liabilities

The Fund has no contingent liabilities.

13. Other Investment Balances and Liabilities

	31 March 2022 £000	**31 March 2023 £000**

Other investment balances		
Outstanding investment transactions	4,296	12,332
Investment income	26,657	20,093
	30,953	**32,425**

Investment Liabilities		
Outstanding investment transactions	-	-
Investment income	(4,651)	(4,575)
	(4,651)	**(4,575)**

14. Current Assets and Liabilities

	31 March 2022 £000	31 March 2023 £000
Current assets		
Contributions due from employers	18,973	18,877
Other	2,572	2,373
	21,545	**21,250**
Current Liabilities		
Payments in advance	-	-
Sundry creditors	(23,880)	(17,927)
Other	(672)	(733)
	(24,552)	**(18,660)**

15. Financial Instruments and Property Investments

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

Property assets are not included in this table as they are not financial instruments, which is otherwise consistent with the figures in note 11.

	31 March 2023			
	Financial assets measured at Fair Value through profit and loss	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Totals**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Fixed Interest Securities	220,346	-	-	220,346
Equities	1,663,353	-	-	1,663,353
Pooled Investment Vehicles	3,695,952	-	-	3,695,952
Property Pooled Vehicles	354,310	-	-	354,310
Cash deposits	-	107,288	-	107,288
Other investment balances	-	32,425	-	32,425
Current Assets	-	21,250	-	21,250
	5,933,961	**160,963**	**-**	**6,094,924**
Financial Liabilities				
Investment Liabilities	-	-	(4,575)	(4,575)
Current Liabilities	-	-	(18,660)	(18,660)
	-	**-**	**(23,235)**	**(23,235)**
	5,933,961	**160,963**	**(23,235)**	**6,071,689**

	31 March 2022			
	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	343,093	-	-	343,093
Equities	1,916,522	-	-	1,916,522
Pooled Investment Vehicles	3,361,347	-	-	3,361,347
Property Pooled Vehicles	309,469	-	-	309,469
Cash deposits	-	161,973	-	161,973
Other investment balances	-	30,952	-	30,952
Current Assets	-	21,545	-	21,545
	5,930,431	**214,470**	**-**	**6,144,901**
Financial Liabilities				
Investment Liabilities	-	-	(4,651)	(4,651)
Current Liabilities	-	-	(24,552)	(24,552)
	-	**-**	**(29,203)**	**(29,203)**
	5,930,431	**214,470**	**(29,203)**	**6,115,698**

No financial assets were reclassified during the accounting period.

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

The valuation of investments 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 and quoted funds.

Level 2 Fair values derived from valuation techniques based significantly on observable inputs.

- this includes unquoted funds containing equity, fixed interest and index linked instruments and unquoted property funds which are regularly traded.

Level 3 Fair values derived from valuation techniques where at least one significant input is not based on observable market data.

- this includes unquoted securities and investments in private equity funds.
- following guidance from IFRS13 property and property funds are classified as level 3 at 31 March 2023.

All property funds except one are now considered level 3, and some of our listed securities held in unquoted funds are now considered level 2. Current and prior year figures have been adjusted accordingly.

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
Unquoted pooled fund investments	Average of broker prices	Evaluated price feeds	None
Pooled property funds and hedge funds where regular trading takes place	Closing bid price	NAV-based pricing set on a forward pricing basis	None
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 securities	Unquoted securities and pooled private equity and property 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 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
Financial instruments	3,060,094	1,873,191	1,000,676	5,933,961
Non Financial Assets				
Fair value through profit and loss				
Freehold and leasehold property	-	-	394,825	394,825
Total	**3,060,094**	**1,873,191**	**1,395,501**	**6,328,786**

As at 31 March 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets				
Fair value through profit and loss				
Financial instruments	3,149,197	1,875,952	905,282	5,930,431
Non Financial Assets				
Fair value through profit and loss				
Freehold and leasehold property	-	-	500,950	500,950
Total	**3,149,197**	**1,875,952**	**1,406,232**	**6,431,381**

Reconciliation of Fair Value measurements within Level 3

	Freehold and leasehold property £000	Unquoted securities £000
Market value 1 April 2022	**500,950**	**905,282**
Transfers into level 3	-	-
Transfers out of level 3	-	-
Purchases during the year	(490)	77,928
Sales during the year	(18,237)	(5,263)
Unrealised gains / (losses)	(84,232)	15,798
Realised gains / (losses)	(3,166)	6,931
Market value 31 March 2023	**394,825**	**1,000,676**

Sensitivity of assets valued at level 3

	Assessed valuation range (+/-)	Value at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Freehold and leasehold property	10%	394,825	434,308	355,343
Unquoted securities	20%	1,000,676	1,200,811	800,541
Total		**1,395,501**	**1,635,119**	**1,155,884**

The potential movement of 10% on property assets represents a combination of a number of factors such as rental increases, vacancy levels, market prices and discount rates which could all move independently in different directions.

The potential movement of 20% for unquoted securities is derived from changes in the underlying profitability of component companies/partnerships noting that the components are forward priced.

(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 rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers.
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective.

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)	6,860,161	6,972,910	7,088,657

The impact of a movement in the long term salary increase, pension increases and deferred revaluation, and to life expectancy assumptions are also shown below.

Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present Value of Total Obligation (£000)	6,981,205	6,972,910	6,964,679
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present Value of Total Obligation (£000)	7,082,412	6,972,910	6,866,228
Adjustment to life expectancy assumptions	+1 year	None	-1 year
Present Value of Total Obligation (£000)	7,237,377	6,972,910	6,719,214

The Fund was assessed at the last triennial valuation as being fully funded.

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.

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.

In consultation with its advisers, the Fund has determined that the following movements in market price risk are reasonably possible in 2023/24. Data is provided on the basis of a 1 standard deviation move, which might be expected to happen either up or down approximately one year in three. It is assumed that all other variables, in particular foreign exchange rates and interest rates, remain the same.

Asset type	Value as at 31 March 23 **£000**	Potential market movements (+/-)	Value on increase **£000**	Value on decrease **£000**
UK Fixed interest	220,346	11.9%	246,567	194,125
Global Fixed interest	296,110	8.4%	320,983	271,237
UK Equities	1,113,252	19.4%	1,329,223	897,281
Overseas equities	2,652,283	20.2%	3,188,044	2,116,522
Property	767,190	11.5%	855,417	678,963
Private Equity	242,194	23.6%	299,352	185,036
Infrastructure	508,054	15.9%	588,835	427,273
Credit	203,093	9.9%	223,199	182,987
Multi-asset	326,264	11.3%	363,132	289,396
Total	6,328,786		7,414,752	5,242,820

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. Long-term average rates are expected to move less that 1% from one year to the next.

A 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash balances but they will affect the interest income received on those balances.

The analysis that follows assumed that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates

Exposure to interest rate risk from directly held investments	Asset values as at 31 March 23	Impact of 1% decrease	Impact of 1% increase
	£000	**£000**	**£000**
Cash	107,288	107,288	107,288
Fixed interest bonds	220,346	239,048	205,955
Total	327,634	346,336	313,243

The Fund is also indirectly exposed to interest rate risk within some pooled investments.

Exposure to interest rate risk	Interest receivable 2022/23	Value on 1% increase	Value on 1% decrease
	£000	**£000**	**£000**
Cash	(3,127)	(4,683)	(1,571)
Fixed interest bonds	(6,877)	(6,877)	(6,877)
Total	(10,004)	(11,560)	(8,448)

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. The Fund considers the likely volatility associated with foreign exchange movements to be not more than 15%. A 15% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Assets directly exposed to currency risk	Asset value as at 31 March 23	Potential market movement	Value on increase	Value on decrease
	£000	**£000**	**£000**	**£000**
Overseas equities	866,746	130,012	996,758	736,734
Overseas pooled funds	797,912	119,687	917,599	678,225
Total change in assets available to pay benefits	1,664,658	249,699	1,914,357	1,414,959

The Fund is also indirectly exposed to currency risk within other investments.

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 counterparties, 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 through its daily treasury management processes. This cashflow planning and management ensures that the Fund's liquidity risk is low. The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £107.3m (31 March 2022: £162.0m).

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(1)(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 2022 £000	31 March 2023 £000
Prudential	32,559	32,559
Scottish Widows	3,458	3,458
	36,017	**36,017**

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. During the reporting period, the council incurred costs of £2.48m in relation to the administration and management of the fund and was reimbursed by the fund for these expenses.

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:-

Post Holder	Note	Salary £	Expenses £	Compen- £	Employer £	Total £
Service Director (Customers, Governance and Employees)	1	15,967	-	-	7,552	23,518
Service Director (Finance, Infrastructure & Improvement)	2	21,289	32	-	10,069	31,390

*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 2021/22. The Fund earned £46,600 in interest during the year (£32,000 in 2021/22) and £46,600 was owed to the Fund at the end of the year (£32,000 in 2021/22).

LGPS Central Ltd has charged £1,384,000 in operating and investment management costs during the year (2021/22 £1,194,000), of which £293,000 (2021/22 £310,000) was outstanding at year end.

Nottinghamshire County Council as the Administering Authority of the 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. If this guarantee is called this will be funded by the Pension Fund.

Over time, LGPS Central Ltd will manage an increasing proportion of the Pension Fund's investments. At 31 March 2023 investments worth £1,195.3 million (31 March 2022 £854.5 million) were managed by LGPS Central Ltd.

18. Post Balance Sheet Events

No adjusting post balance sheet events have been identified.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS OF NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Opinion on financial statements

We have audited the financial statements of Nottinghamshire County Council Pension Fund (the 'Pension Fund') administered by Nottinghamshire County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the accounts, 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 2022/23.

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 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; 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 2022/23 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 2022) 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.

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.

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.

Our responsibilities and the responsibilities of the Service Director – Finance, Infrastructure & Improvement with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Service Director – Finance, Infrastructure & Improvement is responsible for the other information. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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, the other information published together with the Pension Fund's financial statements in the Statement of Accounts 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 assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's 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 journals (in particular, material manual post year end journals, journals posted and approved by the same person, journals posted by senior management and journals posted at year end by the Senior Accountant – Pensions and Treasury Management), the valuation of level 2 and level 3 investments and the valuation of promised retirement benefits. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management 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, valuation of promised retirement benefits, 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our 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.

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.

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 44 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:

Andrew Smith, Key Audit Partner

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

Birmingham

Date: 01 March 2024

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.
CCG	Clinical Commissioning Groups (NHS)
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.
ICB	Integrated Care Board – taken over form CCG's June 22
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.