

# DRAFT Statement of Accounts 2020/21





# Contents

<b>1</b>	<b>Narrative Report</b>	
	Overview of Nottingham City Council pre COVID-19	3
	Matters Arising in 2020/21	7
	Financial Strategy and Performance	12
	COVID-19 and the Impact for Nottingham	19
	Explanation of Accounting Statements for 2020/21	21
<b>2</b>	<b>Statement of Responsibilities</b>	25
<b>3</b>	<b>Core Financial Statements</b>	
	Comprehensive Income and Expenditure Statement (CIES)	27
	Balance Sheet	28
	Movement in Reserves Statement (MIRS)	29
	Cash Flow Statement	30
<b>4</b>	<b>Notes to the Financial Statements (see over for details)</b>	
	Accounting Policies	31
	Expenditure and Funding Analysis (EFA) and Notes	48
	Comprehensive Income and Expenditure Statement Notes	56
	Balance Sheet Notes	63
	Movement in Reserves Statement Notes	88
	Cash Flow Statement Notes	93
	Other Notes	95
	Accounting Standards issued but not adopted	117
	Critical Judgements in applying Accounting Policies	118
	Assumptions about the Future and Major Sources of Estimation	119
	Events after the Reporting Date	120
<b>5</b>	<b>Supplementary Financial Statements and Notes</b>	
	Housing Revenue Account (HRA)	121
	Collection Fund	126
<b>6</b>	<b>Group Financial Statements and Notes</b>	129
<b>7</b>	<b>Appendix A – Pension Schemes</b>	156
<b>8</b>	<b>Abbreviations/Glossary</b>	171
<b>9</b>	<b>Independent Auditors Report</b>	180

# Contents - Notes to the Financial Statements

4.1	<b>Accounting Policies</b>	31
4.2	<b>Expenditure and Funding Analysis (EFA) and Notes</b>	
	Expenditure and Funding Analysis	48
	Adjustments between Funding and Accounting Basis	50
	Analysis of Items in Net Expenditure Chargeable to the General Fund and HRA	52
	Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances	54
4.3	<b>Comprehensive Income and Expenditure Notes</b>	
	Prior Year Reclassifications	56
	Specific Grants Credited to Services	57
	Other Operating Expenditure	57
	Financing and Investment Income and Expenditure	58
	Taxation and Non-Specific Grant Income	58
	Expenditure and Income Analysed by Nature	59
	Revenue from Contracts with Service Recipients	59
	Revaluation of Property, Plant and Equipment (PPE) / Heritage Assets	61
	Transactions Relating to Post-Employment Benefits (including Pensions)	62
4.4	<b>Balance Sheet Notes</b>	
	Property, Plant and Equipment	63
	Heritage Assets	67
	Investment Property	68
	Inventories	69
	Short Term Debtors	69
	Debtors for Local Taxation	70
	Cash and Cash Equivalents	70
	Short Term Creditors	70
	Provisions	70
	Usable Reserves	72
	Unusable Reserves	75
	Grants Received in Advance	79
	Defined Benefit Pension Schemes	80
	Financial Instruments	82
4.5	<b>Movement in Reserves Statement Notes</b>	
	Adjustments between Accounting Basis and Funding Basis under Regulations	88
	Post-employment Benefits Transactions	92
4.6	<b>Cash Flow Statement Notes</b>	
	Non Cash Movements in Surplus/Deficit on the Provision of Services	93
	Investing or Financing Activities in Surplus/Deficit on Provision of Services	93
	Operating Activities	94
	Investing Activities	94
	Financing Activities	94
	Reconciliation of Liabilities Arising from Financing Activities	95
4.7	<b>Other Notes</b>	
	Agency Services	95
	Jointly Controlled Operations	96
	Councillors Allowances	96
	Officers Remuneration	97
	External Audit Costs	99
	Dedicated Schools Grant	99
	Related Parties	101
	Pooled Budgets	103
	Road Charging Schemes under the Transport Act 2000	104
	Leases	104
	Capital Expenditure and Capital Financing	107
	Capital Financing Requirement	108
	Private Finance Initiatives and Similar Contracts	109
	Trust Funds	111
	Contingent Liabilities	111
	Nature and Extent of Risks arising from Financial Instruments	112
4.8	<b>Accounting Standards Issued but not Adopted</b>	117
4.9	<b>Critical Judgements in Applying Accounting Policies</b>	118
4.10	<b>Assumptions about the Future and Other Major Sources of Estimation</b>	119
4.11	<b>Events after the Reporting Date</b>	120

# Section 1

## Narrative Report

### 1.1 Overview of Nottingham City Council pre COVID-19

Nottingham City Council is a unitary local authority in the East Midlands region of England that provides a wide range of services and facilities for the benefit of the citizens of Nottingham.

The Council provides a diverse range of services including social care, waste collection and leisure centres that impact positively on the day to day lives of citizens. It delivers regulatory functions to ensure the health & safety of citizens and visitors through the licensing of premises and taxis, enforcement of environmental health legislation and ensuring compliance with planning and building regulations.

The Council in numbers

- 8.5million domestic waste collections
- 774km of carriageway maintained
- 1,848 ha of parks maintained
- 2.7million visitors to Council organised events
- 145,000 tonnes of waste diverted from landfill
- 2.6million visitors to NCC Leisure Centres
- 6,400 adults supported with social care packages
- 3,000 food premises regulated
- 6,000 businesses supported
- 2,000 hackney carriage and private hire licences issued
- 688 children in care
- 737 children in need supported

## Section 1 – Narrative Report

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The Council takes a strategic lead in the life of the city of Nottingham, assessing needs, determining local priorities and planning how those needs can be met within the funding constraints within which it operates. The Council works with local and national stakeholders within both the public and private sector to deliver these priorities.

The Council recognises its responsibilities to the environment and has developed a Carbon Action Plan setting out the actions it will take to deliver a resilient and Carbon Neutral Nottingham 2028. The Council has a national reputation as a leader in this field and continues to undertake innovative projects to improve the energy efficiency of its vehicles and estate. This includes innovative retrofitting projects to improve the energy efficiency of Council houses, installing energy efficiency measures on Council buildings and increasing the number of electric vehicles in the Council fleet.

The Council and its citizens face a number of challenges in meeting their aspirations, these include:



### Council Plan

To address these challenges the Council remains ambitious for Nottingham and its citizens. The Council plan is being refreshed, updating the vision and aims of the Council to reflect the post pandemic world in which it now operates. The current Council Plan can be found on the Council website at:

[Council Plan for 2019-2023 - Nottingham City Council](#)

## Council Vision

The Council’s vision for Nottingham is:

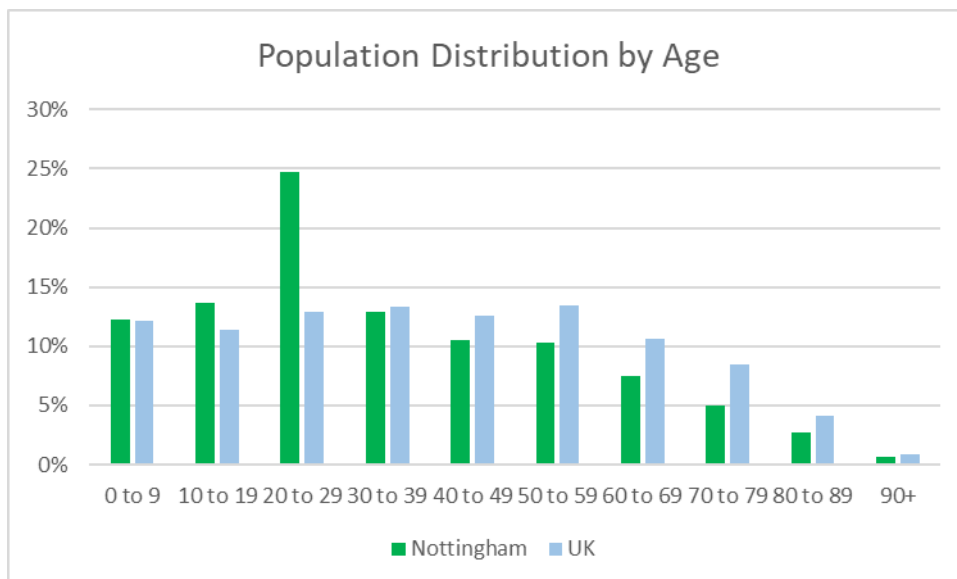
We want Nottingham to be a city where people feel safe to live and work, that is an exciting and welcoming place to play, study and visit, a city that is clean and environmentally sustainable, where we are ambitious for Nottingham people and businesses and where people are proud of their city, their neighbourhood and their local community.

### 1.1.1 Population

The most recent information available showed that the latest estimate of Nottingham’s resident population was 332,900, an increase of 1,830 since 2018 (Office for National Statistics Mid-Year Estimates 2019). Population projections suggest that this may increase to approximately 344,300 by 2027.

Nottingham has the second youngest population in the country with a median age of 29.7 (UK 40.3) and 51% of the population aged under 30 (UK 36%). This is primarily due to the large number of students from the two universities in the city and affects the services the Council provides and its ability to finance them.

This means that the population distribution within Nottingham is noticeably different from that of the UK as a whole, as shown in the chart below.



### 1.1.2 Employees

At 31 March 2021 the Council employed 6,306 people, of which 3,708 were full time employees and 2,598 part time. In the latest gender pay gap report published in March 2021 the Council reported that the median pay gap between male and female employees was 0% whilst the mean pay gap was 2.9% in favour of male employees.

In the latest disability pay gap report published in May 2021 the Council reported that the median pay gap between disabled and non-disabled employees was 5.8% and the mean pay gap was 2% both in favour of disabled employees.

For the first time the Council has published an Ethnicity Pay Gap Report; this reported a median pay gap of 8.6% and a mean pay gap of 7.9% both in favour of white employees. The Council has identified some ways in which it can address this gap and has recently appointed 2 senior officers from BAME backgrounds.

## Section 1 – Narrative Report

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The reports can be found on the Council's website at:

[Gender Pay Gap Reports - Nottingham City Council](#)

[Disability Pay Gap Reports - Nottingham City Council](#)

[Ethnicity pay gap report \(nottinghamcity.gov.uk\)](#)

### 1.1.3 Political and Management Framework

The City of Nottingham comprises 20 electoral wards from which 55 councillors are elected once every 4 years to represent citizens. The last election took place in May 2019 with the resulting composition of the Council as below.

- Labour Party 50
- Independent 3
- Conservative Party 2

The Council is controlled by the party with the largest number of councillors, currently the Labour Party.

Decisions within the Council are taken at a number of levels depending on the nature of the decision.

The City Council comprises all 55 elected Councillors and is responsible for agreeing the Policy Framework that governs how services are delivered and providing direction for the city. It is also legally required to approve the Council budget and set Council Tax, this is done annually in March.

The Council has adopted the Strong Leader and Cabinet model as set out in the provisions of the Local Government Act 2000 as its political management structure. The Leader of the Council is elected by the ruling party; the current leader, Councillor David Mellen, has been the leader of the Council since May 2019.

The Executive Board of the Council consists of 10 Councillors, including the leader, each with specific areas of responsibility and is responsible for major decisions on service delivery. The Executive Councillors are also able to take decisions on service delivery within their areas of responsibility in accordance with the Council's constitution.

There are some decisions, known as non-executive decisions that are taken by committees of Councillors as the law does not permit the Executive Councillors to make them. These include decisions on licensing and planning matters. In addition, there are some decisions relating to electoral ward matters that the Council has chosen to delegate to Area Committees.

The Council has an Overview and Scrutiny Committee which is made up of 12 non-executive councillors and is able to review the decisions made by the Executive Councillors collectively or individually and hold them to account for them.

The Audit Committee is made up of 9 non-executive councillors and is responsible for overseeing the financial reporting of the Council, including the production of the Financial Statements and ensuring that the Council has adequate control and risk management processes in place.

The agendas and minutes of these and other Council committees are published on the Council website as are decisions made by Executive Councillors.

The most senior officer of the Council is the Chief Executive. The current Chief Executive, Mel Barrett started with the Council in September 2020, the previous



incumbent, Ian Curryer, left the Council in April 2020 with the Council appointing Katherine Kerswell on an interim basis for the period between the two appointments.

The Chief Executive leads the Senior Management Team which includes 4 Corporate Directors each of whom has management responsibility for a range of services. Management responsibility within the Council is delegated to officers in accordance with the Council's constitution to ensure that decisions can be made in a timely and effective manner whilst ensuring that the Council fulfils its legal duties and ensures that public funds are properly managed.

### 1.1.4 Financial Objectives and Framework

The Council is legally required to set a balanced budget every year, this is developed by the Senior Management Team and Executive Councillors and approved by City Council in March.

The Medium Term Financial Strategy (MTFS) sets the financial framework to deliver the aims and objectives of the Council. The MTFS is set on a rolling 3 year basis and is key to ensuring the ongoing financial stability of the Council.

The key objectives of the MTFS are:

- A balanced budget and sustainable Medium Term Financial Plan on a rolling 3 year basis;
- To reduce the Council's exposure to commercial risk;
- To ensure that core services are affordable for the long term;
- To ensure that Councillors and officers have oversight and accountability for the financial performance of the Council.

In addition to the MTFS the Council has strategies covering the Capital Programme, and Treasury Management which guide how these activities are managed.

These strategies were approved by Executive Board on 23 Feb 2021, details can be found on the Council website at:

[Agenda for Executive Board on Tuesday, 23rd February, 2021, 2.00 pm - Nottingham City Council](#)

The Council has adopted the CIPFA Financial Management Code. This code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The first full year of compliance with the code is 2021/22 but authorities are expected to demonstrate how they are working towards compliance in 2020/21. More details are included in the Annual Governance Statement.

## 1.2 Matters Arising in 2020/21

2020/21 was a challenging year for the Council in many ways, the global pandemic brought challenges in terms of supporting citizens and service delivery whilst also impacting the local and national economy. As a result of the effects of the pandemic the Council found itself in an extremely difficult financial position which required it to approve an interim budget in September 2020.

The Council was also the subject of a Public Interest Report by its external auditors which resulted in a non-statutory review by MHCLG.

### 1.2.1 COVID-19 Related Matters

#### **COVID-19 Public Health Emergency**

The Government declared a public health emergency on 16<sup>th</sup> March 2020 and enacted legislation to regulate society and help the country weather the impact of the pandemic and lead to recovery. This legislation was in place for the whole of 2020/21 in various forms with measures changing in line with the scale and effects of the pandemic.

The Council responded to the pandemic to support citizens, employees and business by ensuring:

- Essential services continued to be provided;
- Protective measures were put into place for citizens and staff;
- Financial assistance was provided to businesses;
- Partnership working was continued.

#### **Essential Services continued to be provided**

The Council redeployed 230 staff from services closed due to restrictions to front line services to maintain essential services to citizens and to provide emergency and ongoing support to citizens and partner organisations across the city. This included:

- Assisting over 14,000 vulnerable and shielded citizens;
- Enabling 1,000 vulnerable children and children of key workers to attend City schools;
- Providing 87 hotel rooms for the homeless;
- Recruiting 200 new carers;
- Delivering Over 2000 free emergency food parcels;
- Distributing 1.9 million items of PPE;
- Calling 12,000 citizens who were shielding to offer support.

#### **Protective measures were put into place for citizens and staff**

Where possible Council staff have been working at home throughout 2020/21, this required staff to develop new ways of working to deliver services such as conducting social care assessments over the telephone and the creation of neighbourhood resilience teams. For those delivering essential services to citizens additional measures such as the provision of additional Personal Protective Equipment were put in place so that service delivery could be maintained. Many staff are employed in services such as Leisure Centres and the Royal Centre that were required to remain closed for much of the year, some were redeployed to other services but some have been on furlough for much of the year.

#### **Financial assistance was provided to businesses**

The Council paid out over £52m of Business Support Grants, £65m of Business Rates Relief and £3.3m of Additional Support to local businesses. The Council also established the Nottingham Economic Recovery Unit to support Nottingham businesses emerge from the COVID-19 pandemic. The Council also provided support to local businesses through Nottingham Jobs and the Skills Access Hub to engage with initiatives including the Government's Kickstart scheme to help them with recruitment.

### **Effective Partnership working with stakeholders continued**

Partnership working has continued during the pandemic. The Council has worked closely with Nottingham's care and support providers to support testing, recruitment and PPE supply to all sectors of the local area including care homes and personal assistants. Funding has been secured to support public transport services and work with partners is underway to address unemployment and skills challenges.

The Council has a Local Outbreak Control Plan to prepare for any future outbreaks of COVID-19 in Nottingham. It sets out how it will work with the NHS, partners, businesses, community leaders and neighbouring councils to keep those who live, work, travel and visit the city safe. The plan allows Nottingham to gradually reopen within a framework to respond to any further local outbreaks quickly and effectively including any outbreaks in care homes, schools and businesses.

### **Conclusion**

Mitigating the impact of COVID-19 has been a challenge and a priority for Nottingham City Council. The short-term objectives have been to avoid permanent job losses and support businesses. As lockdown restrictions are eased, the emphasis will be to move towards recovery with the aim of reactivating, regenerating and renewing the City's economy. The Council has worked with the Nottingham Growth Board to develop an Economic Recovery and Renewal Plan to set a new vision for the economy of the City and the wider sub-regions and provide an inclusive, green, digital future for Nottingham.

## **1.2.2 Non-COVID-19 Related Matters**

### **Broadmarsh Shopping Centre**

Intu, the Council's partner in the redevelopment of the Broadmarsh Shopping Centre went into administration in June 2020 with work ceasing on the site. Intu surrendered their lease of the site to the Council who now have full control and responsibility for the site. The Council is currently considering development options for the site and has established a panel of independent experts to assist with this.

### **Public Interest Report**

A Report in the Public Interest (PIR) into the Council's governance of Robin Hood Energy Ltd (RHE) was published on 11 August 2020 by the Council's external auditor Grant Thornton.

RHE is the wholly owned not-for-profit company set up by the Council to tackle fuel poverty in the city.

The report stated that:

- There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in RHE;
- There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information.

The Council has fully accepted the findings of the report and will implement all the recommendations made including reviewing the Council's company governance practices. The Council has engaged with bodies such as CIPFA and the Local

## Section 1 – Narrative Report

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Government Association (LGA) to assist in the identification of best practice in this area and the delivery of the required improvements.

Following publication of the PIR the Council undertook a strategic review to consider the future options for RHE. Following this review, the decision was made to sell the customer base of the company, comprising 112,000 domestic and 2,600 business customers to Centrica in September 2020.

Robin Hood Energy went into administration in January 2021.

A copy of the Report in the Public Interest can be read here along with additional background information:

<https://www.nottinghamcity.gov.uk/publicinterestreport>

### **Non-Statutory Rapid Review**

Following the publication of the Public Interest Report into the Council a non-statutory review into the Council was carried out in November 2020 by Max Caller on behalf of MHCLG.

The review considered whether the Council would be able to set a balanced budget for 2021/22 and into the medium term and raised a number of issues. These included:

- The Council would not be able to set a balanced budget for 2021/22 without significant external support;
- The Council had failed to manage its budget on a 3 year rolling basis or bring forward savings proposals that reduced core expenditure or transform services instead relying on one off measures and increased commercialisation and income generation to balance the budget;
- Capital expenditure had been unconstrained resulting in reduced revenue flexibility due to the level of debt repayments.

The report was published on 17 December 2020 and can be found on the Council's website or by following the link below:

<https://committee.nottinghamcity.gov.uk/documents/s114567/11.2%20Enc.%201%20for%20Nottingham%20City%20Council%20Recovery%20and%20Improvement%20Plan.pdf>

### **Recovery & Improvement Plan**

As a result of the non-statutory rapid review the Council was required to produce a Recovery & Improvement Plan to demonstrate how it would address the issues raised. This plan was approved at a meeting of the City Council on 25 January 2021. Details of the plan can be found on the Council's website or by following the link below:

<https://committee.nottinghamcity.gov.uk/documents/s114569/11.4%20Enc.%203%20for%20Nottingham%20City%20Council%20Recovery%20and%20Improvement%20Plan.pdf>

In response to this the Secretary of State established an Improvement and Assurance Board to support the Council in delivering its recovery. The purpose of the board is:

- To provide external advice, challenge and expertise to Nottingham City Council in driving forward the development and delivery of its three-year Recovery Plan;
- To provide assurance to the Secretary of State on Nottingham City Council's progress in delivering this Plan.

### Capitalisation Direction

The Council submitted a capitalisation direction request to the Secretary of State for Housing, Communities and Local Government in December 2020 for £35m, £20m to maintain financial resilience and £15m to fund a comprehensive change programme.

Capitalisation is a process that allows the Council to treat certain revenue costs as capital expenditure and spread them over a number of years.

In March 2021 the Secretary of State approved a capitalisation direction of up to £20m for 2020/21 and advised the Council that he was minded to approve a direction of up to £15m for 2021/22, both subject to certain conditions being met.

The conditions for capitalisation in 20/21 were

- The Authority may only capitalise expenditure when it is incurred;
- Where expenditure is capitalised, that the Authority shall charge annual Minimum Revenue Provision using the asset life method with a proxy 'asset life' of no more than 20 years, in accordance with relevant guidance;
- Where the Authority's capital financing requirement is increased as a result of the capitalisation of expenditure under this direction, any further borrowing from the date of the capitalisation letter up to and including, but not exceeding, the increase in the financing requirement must be obtained from the PWLB and must be subject to an additional 1 percentage point premium on the interest rate above the rate the loan would otherwise be subject to. This requirement does not apply to borrowing in relation to your Housing Revenue Account. Where any borrowing to which these conditions initially apply is refinanced, the conditions must continue to apply to the resulting borrowing;
- The Authority continues to make good progress against its Recovery Plan, as assessed by the Improvement and Assurance Board in their regular reports to the Secretary of State.

### 1.2.3 Achievements in 2020/21

In spite of the impact of the COVID-19 pandemic and the other issues identified above the Council still managed a number of significant achievements in 2020/21.

These included:

- Nottingham Castle – The redevelopment works at Nottingham Castle, restoring and redesigning the Castle and grounds, were completed ahead of the opening in June 2021.
- Electric Vehicles – The Council opened the first local authority run service centre for Ultra Low Emission Vehicles and securing funding for a scheme to enable local businesses to try low emission vehicles before buying them. The Council also introduced the first purpose built electric refuse collection vehicles in the world into its fleet. The vehicles are expected to save £32,000 in running costs and reduce Carbon Dioxide emissions by 52 tonnes per year.
- Regeneration – Throughout the pandemic work continued on regeneration schemes on the southern entrance to the City Centre including construction of a new car park and library on the Broadmarsh site and rejuvenation of City Buildings on Carrington Street using funding awarded by the Heritage Lottery Fund. This included a Solar PV installation of over 720 panels on the roof of the car park which will provide electricity to the car park, library and bus station and save over 53 tonnes of carbon in its first year of operation.

## Section 1 – Narrative Report

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- Council teams won 2 Best Service Teams awards for Parks, Grounds and Horticultural Services and Transport and Fleet Maintenance Association for Public Service Excellence (APSE) service awards for 2020. The Council was also shortlisted for Overall Council of the Year for in Service Delivery, Best Climate Action Initiative and Best Commercialisation and Entrepreneurship Initiative whilst the Cemetery & Crematorium service was also shortlisted in the Best team category.
- Imagination Library – The partnership between the Council, the Rotary Club of Nottingham and Small Steps Big Changes to support Dolly Parton’s Imagination Library continued to deliver free books to local children aged under five to improve literacy in the city. By the end of March 2021 the scheme had delivered over 300,000 books to nearly 6,000 children.
- Employment Support & Business Growth – The Council has engaged over 2,000 people in employment support, placed over 900 into work and provided business support to over 6,000 businesses within Nottingham. It has also secured over £14m of external funding to support employment and business growth in the city.
- Decarbonisation – The Council secured over £14m of funding for energy efficiency projects within Nottingham. This will include retrofitting energy efficiency measures to over 1,000 social houses and a number of buildings across the Council estate.
- Midlands Energy Hub – The Midlands Energy Hub has continued to expand its work; Continued growth of the Midlands Energy Hub, who secured a range of funding and delivered key pieces of work such as the Parish Carbon Calculator; Social Housing Decarbonisation Technical Assistance Pilot; Low Carbon Transport Hubs; report on Low Carbon and Environmental Goods and Services Sector; Green Homes Grant Local Authority Delivery Scheme (GHG LAD) Phase 2 set up with all D2N2 local authorities notified of their grant allocation and 9 completed and 7 ongoing Stage 1 Rural Community Energy Fund projects with 3 Stage 2 projects in progress.
- Events – The Council ran a successful COVID-19 secure Christmas lights event at Wollaton Park which attracted over 100,000 visitors.

## 1.3 Financial Strategy and Performance

### 1.3.1 Economic and Funding Overview

Nottingham City Council, like all other local authorities across the country, has seen a substantial and sustained reduction in Government funding due to austerity policies. Alongside the reduction in grant income, Nottingham has seen increased demand for a number of services notably Adult Social Care and Children in Care. In the period 2010/11 to 2020/21, the Council has had to make cumulative savings totalling £287m, a further £16.9m of savings are included within the 2021/22 budget.

This challenging budget position has resulted in the Council having four consecutive overspend outturn positions since 2016/17. The positions from previous years are shown in the following table:

Revenue Outturn 2016/17 - 2019/20				
	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Over/(under)spend	2.522	4.215	1.681	6.754

The Medium Term Financial Outlook for the authority is expected to continue to be challenging for the Council with uncertainties over the ongoing impact of the COVID-19 pandemic and anticipated increases in demand for services.

It is expected that additional savings of £22.478m and £24.987m will be required in 2022/23 and 2023/24 to balance the Council's budget.

Addressing the budget shortfall will require the Council to make structural and transformational changes to the services it delivers and its operating model rather than relying on income generation and one off savings as the Non Statutory Review identified had been the approach in previous years.

Medium Term Financial Outlook 2022/23 - 2023/24		
	2022/23	2023/24
	£m	£m
2020/21 Budget requirement	248.059	248.059
Forecast cost pressures	47.343	56.951
<b>Forecast Budget Requirement</b>	<b>295.402</b>	<b>305.010</b>
Forecast funding requirement	(252.486)	(259.648)
2021/22 Budget savings	(20.438)	(20.376)
<b>Budget Gap</b>	<b>22.478</b>	<b>24.987</b>

The table does not sum exactly due to roundings.

### 1.3.2 Revenue Outturn

As a result of the financial effects of the COVID-19 pandemic the Council approved an interim budget in October 2021 to enable it to address a forecast budget gap of £71.224m arising from the net impact of COVID-19, Robin Hood Energy and other risks. This gap was to be addressed through additional savings proposals, permanently releasing £38.713m of reserves and borrowing £31.3m from reserves on the basis that they would be replenished over the next 5 years.

The Council's 2020/21 revenue outturn position was a net underspend of £38.650m against a budget of £248.059m, this position included capitalising £20m of expenditure in line with the capitalisation direction the Council obtained in March 2021 resulting in a pre-capitalisation underspend of £18.650m. This is summarised in the following table.

	Revenue Outturn 2020/21		Outturn	Variance to Budget	
	Budget			Original	Interim
	Original	Interim			
	£m	£m	£m	£m	£m
Services	200.205	220.432	192.718	(7.486)	(27.714)
Corporate Items	53.601	29.329	34.305	(19.296)	4.976
Companies	(5.747)	(1.702)	2.386	8.133	4.088
<b>Total</b>	<b>248.059</b>	<b>248.059</b>	<b>229.409</b>	<b>(18.650)</b>	<b>(18.650)</b>
Capitalisation	-	-	(20.000)	(20.000)	(20.000)
<b>Total</b>	<b>248.059</b>	<b>248.059</b>	<b>209.409</b>	<b>(38.650)</b>	<b>(38.650)</b>

The table does not sum exactly due to roundings.

## Section 1 – Narrative Report

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The main reasons for the budget variances on services were:

- Underspends on Care Purchasing for adults
- Better than expected footfall at Leisure Centres and Museums
- Property rental income exceeding interim budget forecasts
- Maintenance of vacancies and reduced running costs

The Corporate Items variance was driven by £9.4m of redundancy and pension strain costs arising from the Voluntary Redundancy Program whilst the Companies variance arose as a result of the impact of COVID-19 on the performance of the companies in the Council group.

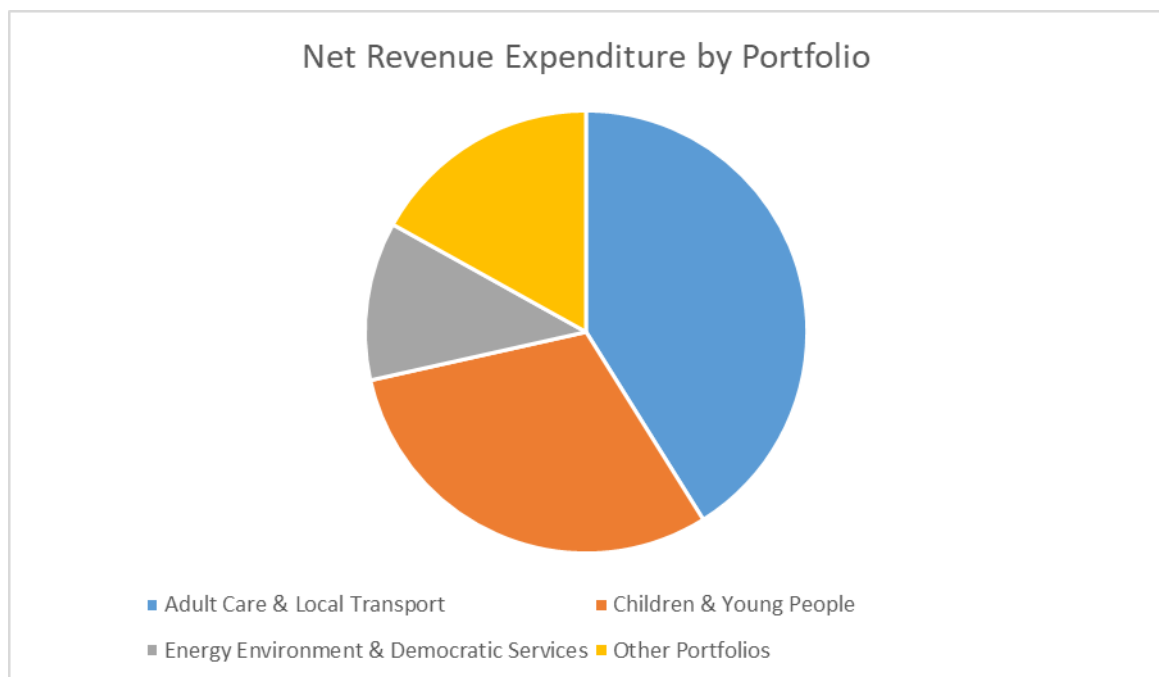
The underspend will be used to repay amounts borrowed from reserves to support in-year expenditure and to create a transformation and resilience reserve to support the Council in delivering the changes identified in the Recovery & Improvement Plan.

For budget management purposes, specific grant income, charges to users and expenditure items such as employees, premises, supplies and services are organised by groups of services known as portfolios. The draft outturn, which was reported to Executive Board on 20 July 2021, was shown on this basis.

Over 80% of the net revenue expenditure on services was incurred within 3 portfolios, namely:

- Adult Care & Local Transport
- Children & Young People
- Energy, Environment & Democratic Services

These portfolios provide services such as social care for adults and children, safeguarding and other services for children, domestic waste collection and disposal and highways maintenance.



Further information on the Council's Revenue Financial Outturn for 2020/21 can be found in the report presented to Executive Board on 20 July 21 at:

[Agenda for Executive Board on Tuesday, 20th July, 2021, 2.00 pm - Nottingham City Council](#)



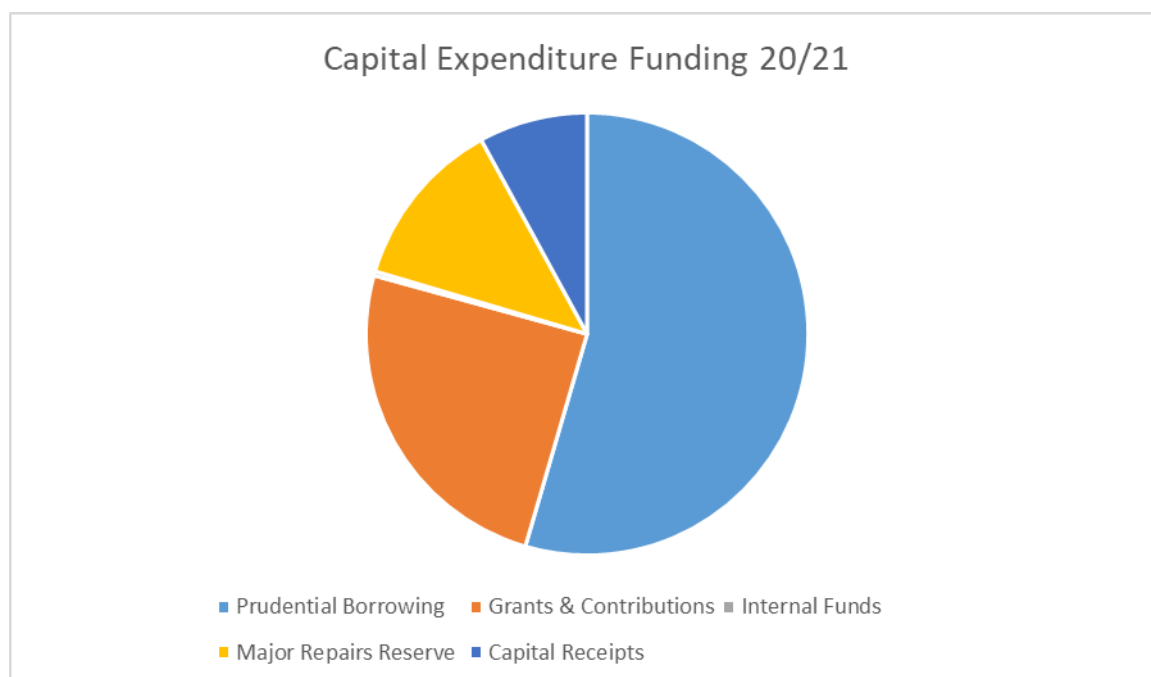
### 1.3.3 Capital Outturn

Capital expenditure in 2020/21 was £149.969m, the latest approved capital program for 2020/21 was £175.958m. A summary of this expenditure by scheme category is shown in the following table.

	Approved Program £m	Expenditure 2020/21 £m	Variance £m
Transport	24.843	17.980	(6.863)
Education	4.407	3.950	(0.457)
Other Services	100.089	90.526	(9.563)
<b>Total General Fund</b>	<b>129.339</b>	<b>112.456</b>	<b>(16.883)</b>
Public Sector Housing	46.619	37.513	(9.106)
<b>Total Capital Expenditure</b>	<b>175.958</b>	<b>149.969</b>	<b>(25.989)</b>

The majority of the variance is due to slippage in expenditure on approved schemes, this expenditure is still required and will be incurred in future years.

The main source of funding of capital expenditure in 2020/21 was Prudential Borrowing which funded over 54% of total expenditure with a further 25% funded by grants and contributions. This balance will change in future years as the Council looks to reduce its level of indebtedness in line with the requirements of the Recovery & Improvement Plan.



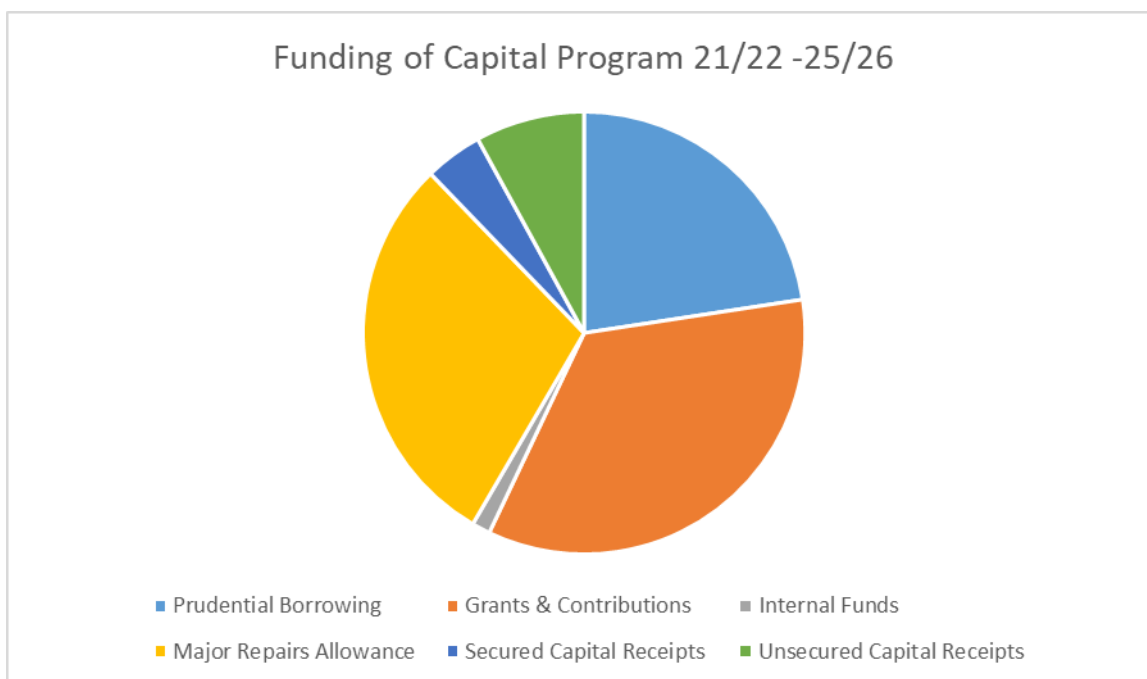
Following the Non-Statutory Review, the Council has acknowledged that a sustainable capital program, and the strategy and controls to shape and manage it, is a critical contributor to the future financial stability of the Council. The Council has reviewed the capital program to reduce the level of borrowing and unsecured capital receipts required to fund it.

The draft 5 year capital program for 2021/22 to 2025/26 was approved at Executive Board on 23 February 2021. The program contains schemes with a total value of

## Section 1 – Narrative Report

£665m; £380m on General Fund schemes and £285m of Public Sector Housing Schemes. This is a reduction of £40m from the program approved in Feb 2020.

Over the life of the program the Council will be reducing the use of Prudential Borrowing and Unsecured Capital Receipts to fund capital expenditure to ensure that the program is sustainable and affordable. This can be seen by comparing the chart showing how capital expenditure in 2020/21 was funded with the chart showing how the 2021/22 – 2025/26 program will be funded. The proportion of expenditure funded by Prudential Borrowing will reduce from over 50% in 20/21 to less than 25% over the following 5 years.



### 1.3.4 Addressing Risk and Future Challenges

#### Increased Demand for Services

The MTFP was updated in February 2021 and reflects the fact that the Council expects demand for services to increase, particularly those that support children and the older population.

#### Collection Fund

The impact of COVID-19 is reducing the Council's income from Council Tax and Business Rates. This negative impact on the Collection Fund will materialise in 2021/22 and will be a significant pressure to the next Medium Term Financial Plan for 2021/22 onwards. The 2020 Spending Review outlined the support for pressures on Council Tax and Business Rates income and stated that the government is considering further options to support businesses affected by COVID-19. Given the proportion of funding that is generated from these areas, this will represent a significant impact on the future funding of the Medium Term Financial Outlook (MTFO).

#### Commercial Income

Investments in commercial property have been made to raise income to offset the reductions in government funding. Given the uncertainties over the economy as a result of COVID-19 and the added uncertainties of Brexit, it is difficult to predict the future or whether investments will be adversely affected. Investments are made

following sound business cases from the outset, which are checked and challenged, and robust and rigorous monthly monitoring. However, given the current unprecedented situation, there are few if any transactions taking place to use as comparatives. See Investment Property note 4.4.3.

The Council suffered substantial losses in commercial income raised from parking, commercial waste, leisure centres and other services as a result of the lockdown restrictions in place for most of 2020/21; this was partly but not fully mitigated by Government grants and other actions. As the restrictions are eased in 2021/22 it is anticipated that these losses will reduce, however this will be dependent on how and when the restrictions are lifted. Budget pressures to reflect an estimate of the performance in future years was included in the MTFP for 2021/22 – 2023/4. This will be monitored and managed through the Council's financial monitoring processes and reported to Executive Board on a quarterly basis.

### **General Data Protection Regulation (GDPR)**

This bill came into effect on 25 May 2018. It has a huge impact on all local authorities and carries fines of up to 4% of annual turnover for serious breaches of compliance. In mitigation, the Council has appointed a Data Protection Officer who will update all policies and privacy notices. Annual training sessions are delivered across the authority in addition to mandatory refresher e-learning.

### **Group Companies**

The Council has material financial interests in a number of group companies over which it has varying degrees of control or influence. There is a risk of exposure should any of the companies run into financial difficulties. The Recovery & Improvement Plan includes a theme dedicated to the Council's companies which will seek to reach a clear determination of the future and direction of each company and provide greater visibility of their financial performance and any risks to the wider Council group.

The group companies are facing significant financial challenges as a result of COVID-19. Many were affected by lockdown restrictions either because of being forced to close or by people not accessing the City. The extent to which the financial performance will recover as restrictions are eased is unclear however it is unlikely that it will return to pre-COVID-19 levels in the short term. This has been reflected in the MTFP for 2021/22 – 2023/24; the Council will keep the position under review through its ongoing monitoring reports.

The group accounts included as part of the Statement of Accounts consolidate the results of the companies with which the Council has a material interest. The relationship and further details can be found in the group accounts (section 6).

### **Reserves**

As a result of the financial pressures caused by COVID-19, overspends, unachieved savings and Robin Hood Energy, the Council used a significant amount of its reserves to support service delivery costs in 2020/21. These reserves will need to be replenished in future years to ensure the financial stability of the Council, this is reflected in the MTFP.

### **Universal Credit**

Universal Credit in Nottingham commenced in October 2018. As the Council needs to recover Council Tax and rents directly from residents, this gives rise to a potential increase in the level of bad debts and increase in the cost of collection. This risk will

## Section 1 – Narrative Report

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significantly increase as a result of the impact of COVID-19 on citizens finances and may also result in increased demand for Council services.

### **Brexit**

Brexit continues to cause considerable uncertainty. Nottingham has benefitted from European funding in the past and it is unclear whether or what other similar sources of funds will be available. The Council continues to keep the situation under constant review.

### **Future Outlook**

In February 2021, the Council approved a budget for 2021/22 and a Medium Term Financial Outlook. The level of ongoing uncertainty in the financial environment arising from COVID-19 combined with the actions from the Recovery and Improvement Plan make forecasting beyond a 12 month period unrealistic; therefore, it is prudent to produce a 1 year budget alongside a commitment to tackle the financial issues that the Council faces.

The outlook for the period to March 2024 remains uncertain. The long term impacts of COVID-19 both in terms of additional costs and lost income are difficult to predict but will impact both the Council and the trading prospects of the companies in which it has interests. Service pressures are expected in a number of key areas but in particular in Children's Services.

The Council will at the same time be embarking on an ambitious transformation programme to reform and modernise its services to live within a smaller funding envelope with less reliance on commercial and trading income to fund core services. The Recovery and Improvement Plan and the Transformation Programme will form the vehicle for delivering change and this in turn will feed into medium term financial forecasts.

A key part of the Recovery and Improvement Plan is that the Council takes a medium term approach to financial planning aligned with a refreshed Council Plan. A revised process will be put in place for 2022/23 which will link the Council's ambitions to the resources available to fulfill them and enable a robust 4 year Medium Term Financial Strategy to be developed.

The need to transform services was another of the key outcomes of the Non Statutory Review. The Council has been granted a capitalisation direction of up to £35m, of which £15m relates to 2021/22; this will enable it to finance the transformation activities required without further depleting reserves.

The Council will also be reviewing its asset portfolio to release capital, reducing its overall level of debt and increasing revenue budget flexibility and developing a coherent and effective commercial strategy within which the companies in the group will operate.

The Council will be reducing its capital program to put it on a sustainable footing moving forward and reduce the level of debt. Historically the Council has relied on borrowing to finance the capital program; in 2021/22 new borrowing will be restricted to the amount of debt repaid in year and from 2022/23 – 2025/26 the Council will incur no net new borrowing to finance capital expenditure.

## 1.4 COVID-19 and the Impact on Nottingham

### 1.4.1 Financial Impact of COVID-19 for Nottingham City Council

Along with many other Local Authorities in the UK, the Council's budget is now under severe strain due to the impact of the unprecedented global COVID-19 pandemic. The response to this has resulted in immediate and significant financial impacts for the local economy communities and citizens as well as the Council. The Government recognised the significant financial impact of COVID-19 on Local Authorities and to date has provided £3.2bn to the public sector.

The gross financial impact of COVID-19 on the Council in 2020/21 was estimated at £66.545m; this was a combination of

- additional expenditure on goods and services,
- a loss of income from activities such as car parks and leisure centres and
- unachieved savings from the 2020/21 budget.

The Council received £34.258m in tranche 1-4 COVID-19 funding and £15.819m in Income Compensation Funding from central government resulting in a net impact of COVID-19 in 2020/21 of £16.469m. The Council implemented an emergency budget in September 2020, introducing further savings proposals and utilising reserves to address the position.

The impact of COVID-19 on the Council's financial position will not be restricted to 2020/21 but continue into the future as the longer term impacts on income and ongoing extra costs are realised within both the Council and its group of companies. The ongoing budgetary pressures of COVID-19 included in the Council budget and MTFP for 2021/22 – 2023/4 are shown in the following table.

COVID-19 Budget Pressures 2021/22 - 2023/24			
	2021/22	2022/23	2023/24
	£m	£m	£m
Income reductions	16.793	12.091	8.453
Additional expenditure	10.217	9.159	8.748
Companies	4.734	5.891	5.485
<b>Total</b>	<b>31.744</b>	<b>27.141</b>	<b>22.686</b>

The impact of COVID-19 in future years will depend on progress in managing the pandemic and the extent of the economic recovery once restrictions are lifted and activities return to the new normal state.

### 1.4.2 Economic Impact of COVID-19

In the past 18 months, the economic outlook has changed beyond recognition of anything experienced in modern times. COVID-19 is a unique situation and when combined with Brexit presents unprecedented long-term financial challenges. In line with the rest of the UK, the pandemic has had a significant impact on Nottingham's economy. The scale of the impact will be affected by how the economy recovers once restrictions are lifted and whether any further periods of restrictions are required to deal with new virus variants or surges in case numbers particularly over the winter.

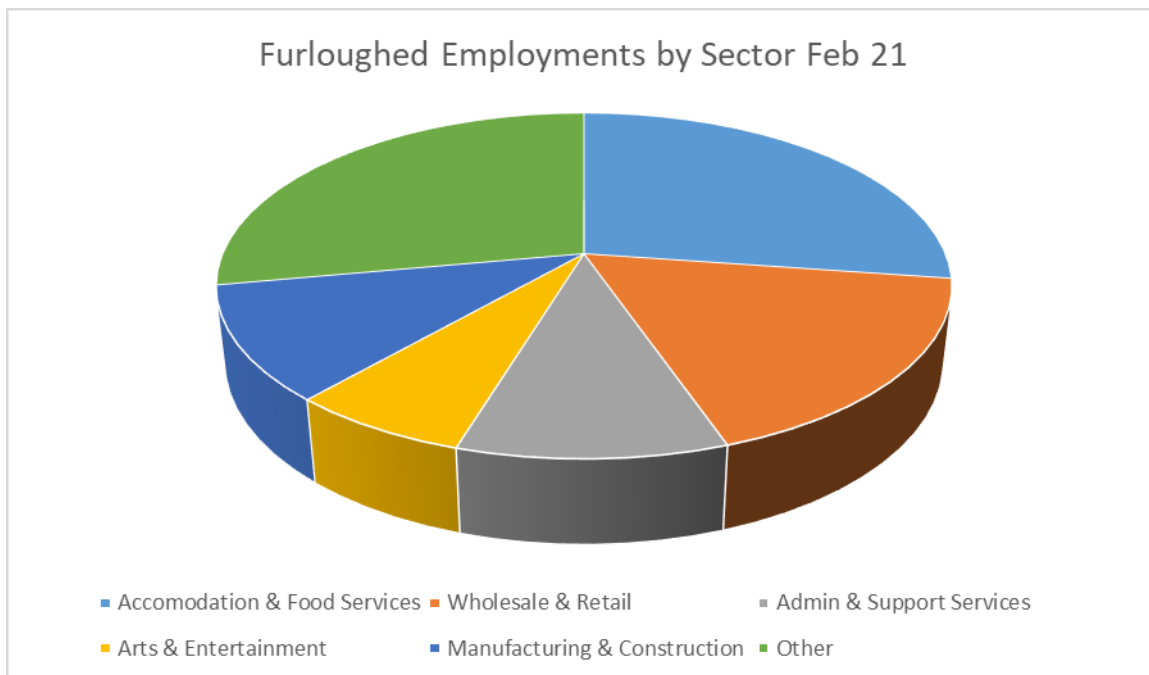
The main sources of employment in Nottingham are in the customer-focused service sector so lockdown restrictions had an immediate and significant impact. The full consequences of the restrictions will only be seen once they have been fully lifted and the support from the Coronavirus Job Retention Scheme has ceased but it is

## Section 1 – Narrative Report

anticipated that there will be further job losses later this year once businesses adjust to the new economic reality.

In February 2021 there were 18,100 employments claiming support from the Coronavirus Job Retention Scheme, equating to 13.7% of total eligible employments, slightly below the England average of 15%. This is significantly lower than the July figure of 39,100 (29.7%) furloughed employments.

The chart below shows the distribution of the furloughed employments within the Council boundary by sector.



The number of people claiming Universal Credit or Jobseekers Allowance and seeking work in Nottingham in February 2021 was 18,410 or 7.8% of the population aged between 16 and 64; this is higher than both the national and regional figures of 6.4% and 5.6% respectively. The number of claimants has increased by 8,125 since February 2020, this is due to the pandemic and changes in the benefits system resulting in increased numbers of claimants having to look for work to maintain their entitlement to benefits. This figure is likely to increase as the employment support measures implemented by the government are removed once restrictions are eased.

The pandemic has resulted in fundamental business, operating and social changes, which may never return to the way they were pre-COVID-19. Notably, there was a huge increase in online shopping during lockdown, which could continue, and working from home has proved popular with many employers who are considering whether to continue with this as an operating model. All of these factors will prompt a fundamental change to plans for the City going forward in terms of demand for office and retail space in the City Centre, use of land and buildings and the implications for public transport.

Overseas student numbers are expected to fall in the coming year and possibly, beyond, in contrast to the past three decades which saw a continual increase.

## 1.5 Explanation of Accounting Statements for 2020/21

The Statement of Accounts sets out the Council's financial performance for 2020/2021. It is comprised of core statements and supplementary financial statements with relevant supporting notes and is shown as both single entity accounts and as consolidated group accounts. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and International Financial Reporting Standards defines the format of the Statement of Accounts.

An Abbreviation and Glossary section has been included in section 8 of this document.

The Statement of Accounts Core Statements are:

### 1.5.1 Comprehensive Income and Expenditure Statement (CIES)

The Comprehensive Income and Expenditure Statement shows the Council's income and expenditure for the financial year. The top half of the statement analyses income and expenditure by portfolio. The bottom half of the statement gives a breakdown of corporate transactions and funding. Expenditure is made up of:

- The statutory services and activities that the Council is required to deliver, for example street cleaning and refuse collection and
- Discretionary expenditure for local priorities and needs.

### 1.5.2 Movement in Reserves Statement (MIRS)

The Movement in Reserves Statement (MIRS) summarises the changes within the Council's reserves over the financial year. These reserves are either:

- Useable (those that can be applied to fund expenditure or reduce local taxation), or
- Unusable (not available to support services and are set aside for specific purposes).

Surpluses and deficits from previous financial years are reflected in the reserve figures brought forward in the Movement in Reserves Statement - see section 3.3 Core Financial Statements in the Statement of Accounts. The following table summarises the movements in reserves during 2020/21:

	31 March 2020 £m	Movement 2020/21 £m	31 March 2021 £m
General Fund	2.239	46.853	49.092
Earmarked General Fund Reserves	153.683	3.447	157.130
Other Usable Reserves	82.320	(3.141)	79.179
Unusable Reserves	916.550	(249.445)	667.105
<b>TOTAL AUTHORITY RESERVES</b>	<b>1,154.792</b>	<b>(202.286)</b>	<b>952.506</b>

## Section 1 – Narrative Report

### 1.5.3 Balance Sheet

The Balance Sheet is a snapshot of the Council's assets, liabilities, cash balances and reserves as at 31 March 2021.

The following table is a summary of the balance sheet:

	31 March 2020 £m	31 March 2021 £m
Long Term Assets	3,120.350	3,211.300
Net Current Liabilities	(36.867)	(44.964)
Long Term Liabilities	(1,928.691)	(2,213.830)
<b>NET ASSETS</b>	<b>1,154.792</b>	<b>952.506</b>
Usable Reserves	238.242	285.401
Unusable Reserves	916.550	667.105
<b>TOTAL RESERVES</b>	<b>1,154.792</b>	<b>952.506</b>

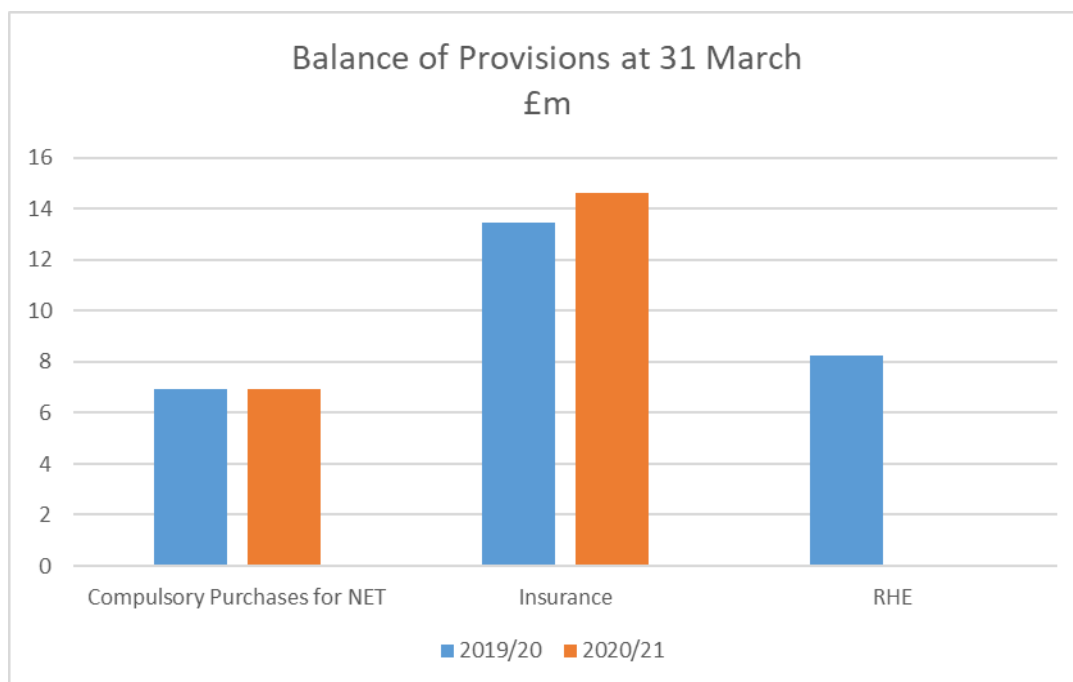
The 2020/21 increase in Long Term Assets is mainly due to:

- A net increase in Property Plant & Equipment of £102.302m. Further details regarding movements in Property Plant and Equipment can be found in note 4.4.1,
- A decrease in Investment properties of £18.762m from £256.161m as at 31 March 2020 to £237.399m as at 31 March 2021. The fall in Investment Property value from 31st March 2020 to 31st March 2021 is as a result of in year disposals and reductions in the value of properties due to the impact of COVID-19 on the property market, particularly in the retail and leisure sectors.
- Increase in Debtors of £6.540m due to the Council making long term loans to subsidiaries to support their investments in their business activities.

The Council had three material provisions (greater than £5m) carried within the balance sheet at 1 April 2020, the details of which are summarised below:

- Compulsory Purchases for NET (Short Term Provision) – The carrying value at 31 March 2021 (£6.958m) is for compulsory purchases of land and property required for the NET PFI where the purchase price has yet to be agreed.
- Insurance Compensation Claims (Long Term Provision) – The carrying value at 31 March 2021 (£14.622m) is to meet the cost of claims arising from self-insured risks and risks, which fall below the external policy retention levels, and for payment of external insurance premiums.
- Financial Guarantees for Robin Hood Energy Ltd (Long Term Provision) – This provision was to meet the cost of financial guarantees supporting RHE. This provision was fully utilised in 2020/21 and has a carrying amount at 31 March 2021 of zero.





For further information, please refer to note 4.4.9 Provisions in the Balance Sheet Statement of Accounts notes.

### Pension Liability

The Council is a member of the Nottinghamshire County Council pension fund. An independent actuary evaluates the assets and liabilities of the fund attributed to the Council on an annual basis. The actuary has estimated that, at 31 March 2021, the Council's fund was in deficit by £1,066.517m which (£777.847m as at 31 March 2020). Actuarial valuations are undertaken every three years and a deficit recovery plan is in place to reduce the liability to zero within 20 years.

For further information, please refer to note 4.4.13 and Section 7.

### 1.5.4 Cash Flow Statement

The Cash Flow Statement explains the movement in the Council's cash balances during the year and sets out whether the change is due to operating activities, new investment or financing activities.

### 1.5.5 Supplementary Financial Statements

The Supplementary Financial Statements are:

- The **Annual Governance Statement**, which sets out the governance structures of the Council and its key internal controls. A copy of the document can be viewed here:  
<https://www.nottinghaminsight.org.uk/f/96578/Library/Council-Government-and-Democracy/Financial-Statements/>
- The **Group Accounts** which report the consolidated assets and liabilities of the Council and the companies and entities over which the Council has control or significant influence.
- The **Housing Revenue Account (HRA)** records all revenue expenditure and income relating to the provision of council dwellings and related services.

## Section 1 – Narrative Report

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- The **Collection Fund** summarises the collection of Council Tax and National Non-Domestic Rates (NNDR), and the redistribution of some of the money to the precepting authorities and central government.
- The **Expenditure and Funding Analysis** (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and NNDR) by the Council in comparison with those resources consumed or earned by the Council in accordance with International Financial Reporting Standards (IFRS's).

The notes to these financial statements provide more detail about the Council's accounting policies and transactions.

# Section 2

# Statement of Responsibilities

## 2.1 Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that responsibility rests with the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The statement of accounts was approved at a meeting of the Audit Committee on (to be confirmed)

Signed:

Date:

**Councillor Audra Wynter**

Chair of the Audit Committee

### The Chief Finance Officer's Responsibilities

I am responsible for the preparation of the Council's Statement of Accounts 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, I have:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments 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 and the Group's ability to continue as a going concern disclosing, as applicable, matters relating to going concern.

## Section 2 – Statement of Responsibilities

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- Used the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.
- Maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Signed:

Date:

**Clive Heaphy**  
Corporate Director of Finance and Resources  
Loxley House  
Station Road  
Nottingham  
NG2 3NG

# Section 3

## Core Financial Statements

### 3.1 Comprehensive Income and Expenditure Statement (CIES)

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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

As outlined in note 4.3.1 Prior Year Reclassifications, the 2019/20 CIES has been restated to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

Notes	Restated 2019/20			2020/21		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	188.792	(82.802)	105.990	195.905	(108.066)	87.839
Children and Young People	100.332	(30.462)	69.870	113.977	(39.931)	74.046
Communities, Highways and Strategic Transport	58.539	(28.326)	30.213	63.624	(25.729)	37.895
Employment and Community Protection	19.312	(10.123)	9.189	18.850	(10.911)	7.939
Energy, Environment and Democratic Services	52.363	(23.122)	29.241	54.604	(25.396)	29.208
Finance, Growth and the City Centre	42.308	(35.347)	6.961	93.749	(71.426)	22.323
Health, HR and Equalities	20.351	(27.133)	(6.782)	20.995	(28.176)	(7.181)
Housing, Planning and Heritage	98.768	(116.296)	(17.528)	92.500	(121.168)	(28.668)
Leisure, Culture and IT	67.600	(39.737)	27.863	53.330	(21.728)	31.602
Regeneration, Schools and Communications	141.476	(138.822)	2.654	161.824	(150.407)	11.417
Corporate Items	171.057	(184.018)	(12.961)	186.210	(191.468)	(5.258)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	15.102	-	15.102	(50.205)	-	(50.205)
4.3.1 &						
4.3.2 <b>Cost of Services</b>	<b>976.000</b>	<b>(716.188)</b>	<b>259.812</b>	<b>1,005.363</b>	<b>(794.406)</b>	<b>210.957</b>
4.3.3 Other operating expenditure			(0.038)			4.587
4.3.4 Financing and investment income and expenditure:						
Capitalisation Directive - Exceptional revenue pressures and income losses (REFCUS)			-			20.000
Other financing and investment income and expenditure			72.981			79.900
4.3.5 Taxation and non-specific grant income			(314.594)			(270.837)
4.3.6 <b>(Surplus)/Deficit on Provision of Services</b>			<b>18.161</b>			<b>44.607</b>
4.3.8 Revaluation of PPE/Heritage assets			(78.304)			(70.900)
4.3.9 Re-measurement of pension assets/liabilities			(48.277)			228.579
<b>Other Comprehensive (Income) and Expenditure</b>			<b>(126.581)</b>			<b>157.679</b>
<b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b>			<b>(108.420)</b>			<b>202.286</b>

## Section 3 – Core Financial Statements

### 3.2 Balance Sheet

This statement shows the value of assets and liabilities held by the Council as at 31 March. The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

- Usable reserves - those reserves that may be used to help provide services or reduce taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable reserves – those reserves that cannot be used to fund Council Services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Notes		31 March 2020 £m	31 March 2021 £m
4.4.1	Property, Plant & Equipment	2,660.872	2,763.174
4.4.2	Heritage Assets	60.849	61.450
4.4.3	Investment Property	256.161	237.399
	Intangible Assets	2.378	1.571
4.4.14	Long Term Investments	29.529	30.605
4.4.14	Long Term Debtors	110.561	117.101
	<b>Long Term assets</b>	<b>3,120.350</b>	<b>3,211.300</b>
	Assets Held for Sale (current)	4.042	3.660
4.4.14	Short Term Investments	45.189	105.094
4.4.4	Inventories	1.928	1.563
4.4.5	Short Term Debtors	152.670	176.743
4.3.7	Contract Assets	0.175	0.006
4.4.7	Cash and Cash Equivalents	97.125	44.519
	<b>Current Assets</b>	<b>301.129</b>	<b>331.585</b>
4.4.14	Short Term Borrowing	(158.175)	(42.034)
4.4.8	Short Term Creditors	(141.485)	(191.138)
4.4.12	Revenue Grants Received in Advance	(21.212)	(122.264)
4.3.7	Contract Liabilities	(8.743)	(11.197)
4.4.9	Provisions (current provisions)	(8.381)	(9.916)
	<b>Current Liabilities</b>	<b>(337.996)</b>	<b>(376.549)</b>
4.4.14	Long Term Borrowing	(925.526)	(899.628)
4.3.7	Long Term Contract Liabilities	(2.257)	(2.493)
4.4.14	Other Long Term Liabilities	(185.835)	(173.806)
4.4.9	Provisions (non-current)	(26.081)	(22.032)
4.4.12	Capital Grants Receipts in Advance	(11.145)	(49.354)
4.4.13	Defined Benefit Pension Scheme	(777.847)	(1,066.517)
	<b>Long Term Liabilities</b>	<b>(1,928.691)</b>	<b>(2,213.830)</b>
	<b>NET ASSETS</b>	<b>1,154.792</b>	<b>952.506</b>
4.4.10	Usable Reserves	238.242	285.401
4.4.11	Unusable Reserves	916.550	667.105
	<b>TOTAL RESERVES</b>	<b>1,154.792</b>	<b>952.506</b>

Usable Reserves includes £30.802m Business Rate Relief S31 Grant received from government for the cost of reliefs. This falls outside the scope of the reserves earmarked for service requirements and does not represent additional spending power for services taken forward into 2021/22.

### 3.3 Movement in Reserves Statement (MIRS)

This statement shows the in-year movement of reserves, analysed into ‘usable reserves’ and ‘unusable reserves’ (see section 3.2). The Total Comprehensive Income and Expenditure from the CIES is added to the opening balance for the year. Adjustments are then made to reflect the statutory amounts required to be charged to the General Fund Balance and the HRA for Council Tax setting and dwellings rent setting purposes, to arrive at the Net Increase / Decrease before Transfers to Earmarked Reserves. The Council then has discretion to earmark General Fund Reserves for specific purposes as shown by the Transfers to / from Earmarked Reserves line. The General Fund and Earmarked General Fund in total form the statutory General Fund.

2020/21	General Fund £m	Earmarked General Fund £m	General Fund Total £m	Housing Revenue Account £m	Capital Receipts £m	Major Repairs £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
<b>Balance at 31 March 2020</b>	2.239	153.683	155.922	8.191	26.819	20.628	26.682	238.242	916.550	1,154.792
<b>Movement in 2020/21:</b>										
Total CIE* (Table 3.1)	(114.355)	-	(114.355)	69.748	-	-	-	(44.607)	(157.679)	(202.286)
Funding basis adjustments (Note 4.5.1)	164.655	-	164.655	(68.009)	0.609	10.793	(16.282)	91.766	(91.766)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	50.300	-	50.300	1.739	0.609	10.793	(16.282)	47.159	(249.445)	(202.286)
Transfers to/from earmarked reserves	(3.447)	3.447	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	46.853	3.447	50.300	1.739	0.609	10.793	(16.282)	47.159	(249.445)	(202.286)
<b>BALANCE AT 31 MARCH 2021</b>	49.092	157.130	206.222	9.930	27.428	31.421	10.400	285.401	667.105	952.506

\* CIE - Comprehensive Income and Expenditure

Earmarked General Fund Reserves includes £30.802m Business Rate Relief S31 Grant received from government for the cost of reliefs. This falls outside the scope of the reserves earmarked for service requirements and does not represent additional spending power for services taken forward into 2021/22.

## Section 3 – Core Financial Statements

2019/20	General Fund	Earmarked General Fund	General Fund Total	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2019</b>	7.994	140.814	148.808	8.096	24.163	17.201	29.238	227.506	818.866	1,046.372
<b>Movement in 2019/20:</b>										
Total CIE* (Table 3.1)	(14.783)	-	(14.783)	(3.378)	-	-	-	(18.161)	126.581	108.420
Funding basis adjustments (Note 4.5.1)	21.897	-	21.897	3.473	2.656	3.427	(2.556)	28.897	(28.897)	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	7.114	-	7.114	0.095	2.656	3.427	(2.556)	10.736	97.684	108.420
Transfers to/from earmarked reserves	(12.869)	12.869	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>(5.755)</b>	<b>12.869</b>	<b>7.114</b>	<b>0.095</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>10.736</b>	<b>97.684</b>	<b>108.420</b>
<b>BALANCE AT 31 MARCH 2020</b>	<b>2.239</b>	<b>153.683</b>	<b>155.922</b>	<b>8.191</b>	<b>26.819</b>	<b>20.628</b>	<b>26.682</b>	<b>238.242</b>	<b>916.550</b>	<b>1,154.792</b>

\* CIE - Comprehensive Income and Expenditure

### 3.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents held by the Council during the reporting period and how these are generated or used by classifying cash flows as operating, investing and financing activities. The value of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been used to generate resources intended to contribute to 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).

Notes	2019/20 £m	2020/21 £m
<b>Net Surplus/(Deficit) on the provision of Services</b>	<b>(18.161)</b>	<b>(44.607)</b>
4.6.1 Adjustments to net surplus or deficit on the provision of services for non-cash movements	126.397	241.144
4.6.2 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(92.845)	(95.997)
4.6.3 <b>Net Cash Flows from Operating Activities</b>	<b>15.391</b>	<b>100.540</b>
4.6.4 Investing activities	(69.740)	(134.391)
4.6.5 Financing activities	105.647	(18.755)
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>51.298</b>	<b>(52.606)</b>
Cash and cash equivalents at the beginning of the reporting period	45.827	97.125
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>97.125</b>	<b>44.519</b>



# Section 4

# Notes to the Financial Statements

These notes provide information to support and help in interpreting the Financial Statements.

## 4.1 Accounting Policies

This section explains the accounting policies applied in producing the Statement of Accounts.

### 4.1.1 General Principles

#### 4.1.1.1 Statutory Guidance and Accounting Standards used

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003. The Statement of Accounts is prepared on a going concern basis.

#### 4.1.1.2 Accounting Convention

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.

#### 4.1.1.3 Accounting Developments and Changes during 2020/21

The following accounting standards have been introduced by the Code for 2020/21:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material. This amendment is not anticipated to have a material impact on the Council's Statement of Accounts.
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures. This amendment is not anticipated to have a material impact on the Council's Statement of Accounts
- Annual Improvements to IFRS Standards 2015-2017 Cycle affecting:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Previously Held Interest in a Joint Operation. This is not applicable to the Council.

## Section 4 – Notes to the Financial Statements

---

IAS 12 Income Taxes – Income Tax consequences of Payments on Financial Instruments Classed as Equity. This is not applicable to the Council.

IAS 23 Borrowing Costs – Borrowing Costs Eligible for Capitalisation. This is not applicable to the Council.

- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement. The effect of these amendments will depend on future actuarial assessments so it is not possible to determine if there will be a material impact on the Council's Statement of Accounts.
- Amendments to References to the Conceptual Framework in IFRS Standards. This is not applicable to the Council.

The application date and initial adoption date of the above standards is 1 April 2020.

### 4.1.1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

A prior period adjustment will be made to the accounts as a result of a change in accounting policies and the effect is material. 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.

Changes in accounting estimates will be accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to prior period adjustment.

Material errors in prior periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period. A full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

### 4.1.1.5 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date of 31 March and the date when the Statement of Accounts is authorised for issue. The two types of events and the accounting treatment are given below:

- For any material events after the balance sheet date which provide additional evidence regarding conditions existing at the balance sheet date, an adjustment has been made to the Statement of Accounts.
- Material events after the balance sheet date which concerned conditions not existing at 31 March have been disclosed as a separate note to the accounts.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### 4.1.1.6 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accruals basis i.e. activity is accounted for in the year it takes place, not simply when cash payments are made or received. Further details are given below:

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

## Section 4 – Notes to the Financial Statements

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- Supplies are recorded as expenditure in the period during which 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. For some quarterly payments including gas and electricity, expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Expenses for goods or services are recorded as expenditure when the goods or services are received by the Council rather than when payments are made.
- Where income and expenditure has been recognised but cash has not been received or paid, an appropriate class of asset or liability for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance or contract liability) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement (CIES) adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made against the loss allowance or to revenue (where there is no specific loss allowance). Loss allowances are set up for expected future credit losses and are offset against the debtor balance on the Balance Sheet. The level of loss allowance is periodically reviewed with any movements being debited or credited to the CIES.
- Works are charged as expenditure once complete, prior to completion (work in progress) they are carried as inventories on the Balance Sheet.
- For significant accruals such as pay awards, estimates are made based on the best information available at the time. Cost of pay awards not yet settled but likely to apply to part of the financial year to which the accounts relate are based on forecast cost.
- Interest payable on borrowings and interest receivable on investments is accounted for as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Income and expenditure are credited and debited to the relevant service in the CIES. Capital expenditure creates a fixed asset which is shown on the Balance Sheet.
- Accruals have been made on the basis of the known value of the transaction wherever possible. Where estimates have been required to be made, they are based on appropriate and consistently applied methods. In the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in the relevant service. Where there has been a change to an estimation method from that applied in previous years and the effect is material, a description of the change and if practicable, the effect on the results for the current period is separately disclosed.
- A de minimis level of £5k is used for accruals.

### 4.1.1.7 Schools

The Code 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

## Section 4 – Notes to the Financial Statements

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 Council as if they were the transactions, cash flows and balances of the Council.

### 4.1.1.8 Choices permitted under IFRS

For some policies, IFRS provides different options that can be used and the Council has for a number of years, chosen to apply the following:

#### **De Minimis Capital Expenditure**

All assets acquired can be included in the Balance Sheet, regardless of their cost. However, where the current value is less than the following amounts the Council may choose to exclude the asset from the Balance Sheet:

	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010
Heritage Assets	0.005

#### **Componentisation**

Where an asset consists of significant components that have different useful lives and/or depreciation methods, these components are separately identified and depreciated accordingly. The Council has chosen to only apply componentisation where the value of the asset is in excess of £3m.

#### **Depreciation (including amortisation of intangible assets)**

Certain property, plant and equipment components and intangible assets are written down over time and charged to revenue. IFRS allows the Council to choose the asset life over which this write down occurs as well as the depreciation method. The following assets are depreciated on a straight line basis over their individually assessed useful life, unless otherwise stated:

- Buildings, dwellings, vehicles, plant, furniture and equipment.
- Infrastructure and Community are depreciated over 25 years.
- Intangible assets are depreciated over 5 years.

### 4.1.2 Policies primarily affecting the CIES

#### 4.1.2.1 Government Grants and Contributions

Government grants and other contributions are recognised as being due to the Council when the attached conditions have been satisfied and there is reasonable assurance that the grant or contribution will be received.

Grants and contributions are credited to income when there is reasonable assurance that the attached conditions will be met. Any grants received where conditions have not been met are carried in the Balance Sheet as creditors. When all conditions are satisfied, the grant is credited to the relevant portfolio line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

### 4.1.2.2 Business Improvement Districts (BID)

A BID scheme applies across the city. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council is the BID billing authority and acts as agent under the scheme. The BID transactions are therefore not recognised in the CIES.

### 4.1.2.3 Operating Leases

#### **Receivable (Council as lessor)**

Where the Council has granted 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 CIES. Credits are made on a straight line basis over the life of the lease and any direct costs incurred in negotiating and arranging the lease are added to the carrying amount and charged as an expense over the lease term on the same basis as rental income.

#### **Payable (Council as lessee)**

Rentals paid under operating leases are charged to the service benefiting from use of the leased asset in the CIES. Charges are made on a straight-line basis over the life of the lease, regardless of the pattern of payments.

### 4.1.2.4 Employee Benefits

#### **Benefits Payable During Employment**

Wages and salaries, paid annual leave and paid sick leave are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of the holiday entitlements or for any form of leave allowed under terms and conditions of service, which employees have earned during the year and are able to carry forward into the next financial year.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the Corporate Items line or the relevant portfolio line in the CIES (depending on reason for termination) when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or are making an offer to encourage voluntary redundancy.

#### **NHS Pension Scheme**

Pension costs relating to the NHS Pension Scheme have been treated as defined contribution schemes and the costs are charged to the relevant portfolio line in the CIES.

#### **Teachers' Pension Scheme**

Pension costs relating to Teachers' Pension Scheme have been accounted for as defined contribution schemes and the costs are charged to the relevant portfolio line in the CIES. The arrangements for the teachers' pension 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.

## Section 4 – Notes to the Financial Statements

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### Defined Benefit Schemes (Local Government Pension Scheme)

Within the CIES, services have been charged with their current service cost. This represents the extent to which the pension liability has increased as a result of employee service during the year.

Past service costs (the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years), and settlements have been charged to Corporate Items in the CIES.

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) is charged to the Financing and Investment Income and Expenditure line of the CIES – 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.

The CIES shows the re-measurements 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- 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.

### Discretionary Benefits

The Council 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.

#### 4.1.2.5 Charges to Service Revenue Accounts for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

#### 4.1.2.6 Financing and Investment

The financing and investment line of the CIES is charged or credited for the following amounts relating to investments:

- Income, expenditure and changes in the fair value of investment properties – comprising of upward and downward movements in the value of properties, together with any gains and losses arising on disposal and rentals receivable and expenses incurred in relation to properties.
- Gains and losses of financial instruments including:
  - Interest revenue calculated using the effective interest method.
  - Gains and losses arising from de-recognition of financial assets measured at amortised cost.
  - Impairment losses (including reversals of impairment losses or impairment gains).
- Net interest on Defined Benefit Pension Schemes.

### 4.1.2.7 Other Operating Expenditure

Other operating expenditure includes charges for:

- The proportion of receipts relating to HRA disposals payable to the Government.
- Gains or losses on sale and de-recognition of non-current assets (excluding investment properties).
- Levies.

### 4.1.2.8 Overheads and Support Services

Overheads and support services are reported within portfolio lines of the CIES, based on the organisational structure under which the Council operates.

### 4.1.2.9 Council Tax and National Non Domestic Rates (NNDR)

As a billing authority the Council acts as agent, collecting Council Tax and NNDR on behalf of the major preceptors and central government and, as principal, collecting rates for themselves. The Council maintains a separate Collection Fund that shows the transactions for the collection from taxpayers and distribution to preceptors, the Council and the Government of Council Tax and NNDR. The Council's share of the Council Tax and NNDR is credited to the CIES. The transactions presented in the Collection Fund statement are limited to the cash flows permitted by statute for the financial year, whereas the Council will recognise income on a full accrual basis.

There is no requirement for a Collection Fund Balance Sheet since the assets and liabilities arising from collecting Council Tax and NNDR belong to the bodies (i.e. preceptors, the Council and the Government) on behalf of which the Council collects these taxes.

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

Where debtor balances for the above are identified as impaired because of a likelihood that payments due under statutory arrangements will not be made, the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## Section 4 – Notes to the Financial Statements

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### 4.1.2.10 Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that use the assets and resources of the venturers but is not a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the CIES with the expenditure it incurs and the share of income it earns from the activity of the operation.

### 4.1.2.11 Acquired Operations

Operations acquired by the Council are accounted for in accordance with the Code and are disclosed in the accounts. If these are material they will be disclosed separately in the CIES under the heading of 'acquired operations'.

### 4.1.2.12 Exceptional Items

Normally any material exceptional items are separately identified on the face of the CIES in order to give a fair presentation of the accounts. Where these items are less significant they are included within the cost of the relevant service.

### 4.1.2.13 Value Added Tax

Income and expenditure excludes any amounts related to VAT, except for input VAT that is irrecoverable under legislation which is charged to the service that incurs the cost.

## 4.1.3 Policies primarily affecting the Balance Sheet

### 4.1.3.1 Property, Plant and Equipment (PPE), Heritage Assets and Intangible Assets

#### **PPE - Recognition**

##### *General*

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, if it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

##### *Surplus Assets*

Assets that are surplus to service needs but that do not meet the classification of Investment Property or Assets Held for Sale are classified as PPE 'Surplus', and held at fair value pending a decision on the future use of the asset.

##### *Private Finance Initiative (PFI) and Similar Contracts*

In accordance with the code, the Council accounts for its PFI contracts in accordance with IFRC 12 Service Concession Agreements. The Council is deemed to control the services that are provided under its PFI schemes and ownership will pass to the Council at the end of the contracts for no additional charge (with the exception of LIFT Joint Service Centres for which there is an option to purchase). The Council carries the assets used under the contracts, on its Balance Sheet as PPE and they are accounted for in the same way as the other assets. The original recognition of assets is at fair value with a corresponding liability for the amounts due to the scheme operator.



The amounts payable to the PFI operators are comprised of 5 elements. The Current Value of Services received during the year, Finance Cost, Contingent Rent, and Lifecycle replacement costs are all posted to the CIES. The final element is a payment towards the outstanding liability on the balance sheet.

### *Finance Leases - General*

Leases are classified as finance leases where substantially all of the risks and rewards incidental to ownership of the PPE transfer 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.

### *Finance Leases – where the Council is Lessee*

The asset is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the PPE – applied to write down the lease liability and
- A finance charge which is debited to the Financing and Investment Income and Expenditure line in the CIES.

### *Finance Leases – the Council as Lessor*

Where the Council grants a finance lease over a property or an item of plant or equipment, the carrying amount of the asset is written off and a long term debtor raised in the Balance Sheet.

Lease rentals receivable are apportioned between the principal repayment which reduces the debtor balance and interest which is credited to the Financing and Investment Income and Expenditure line in the CIES.

### *Heritage Assets*

Acquisitions are either purchased by the City Council or donated by a third party. Purchases are initially recorded at cost while donations are held at nil value until the assets related collection is externally valued within the heritage asset valuation cycle.

Items are omitted from the Balance Sheet where the Council is unable to obtain the valuations at a cost which is commensurate with the benefits it would provide to users of the financial statements.

### *Intangible Assets*

Intangible assets where the Council has control of the asset through either custody or legal protection, for example software licences, are capitalised at cost.

### **Measurement**

Assets are initially measured at cost, i.e. purchase price plus any costs incurred in bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs. Assets are then carried in the Balance Sheet using the following measurement bases:

- Community and Infrastructure assets for example parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.

## Section 4 – Notes to the Financial Statements

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- Council dwellings are valued at Existing Use Value for Social Housing as defined in the Royal Institute of Chartered Surveyors valuation manual. The valuation exercise was carried out in accordance with guidance issued by the Department for Communities and Local Government in 2016 based on a desktop revaluation of beacon properties by the Council's internal valuers.
- Other land and buildings are valued at current value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of current value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- Finance leases are recognised at present value of the minimum lease payments.
- Heritage assets are reported in the Balance Sheet at market value and have been valued periodically by an external valuer. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are adjusted annually by the Council to provide an internal valuation which is used until the collection is periodically externally revalued. Acquisitions are held at their purchase price, adjusted annually each year (except in year of purchase), until the next valuation.
- All other assets are valued at current value.

Assets included in the Balance Sheet at current value are revalued as a minimum every 5 years. If there is evidence that there have been material changes in the value a further valuation will be undertaken.

Increases in valuations are credited to services within the CIES where they arise from the reversal of a revaluation or an impairment loss previously charged on the same asset. Any gains in excess of previous revaluation losses are matched by credits to the Revaluation Reserve.

Any revaluation losses are firstly written down against any previous revaluation gains held in the Revaluation Reserve. Where there are no previous revaluation gains, the losses are charged to the relevant portfolio line of the CIES.

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**

Asset values are assessed at each year end as to whether there is any indication that an asset 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 as follows:

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset, the impairment loss is charged against that balance until it is used up. If there is no balance of revaluation gains the impairment loss is charged to the relevant portfolio line of the CIES.
- For intangible assets there will be no Revaluation Reserve balance, so impairment losses are charged to the relevant portfolio line of the CIES only.

### Depreciation and Amortisation

Depreciation is provided for on all PPE assets. The annual charge to the CIES is calculated by dividing the value less any residual value of the asset by the estimated asset life. There is no depreciation on the assets in the year of acquisition, although a full year of depreciation is charged in the year of disposal. In accordance with recommended accounting practice, depreciation is not provided for in respect of freehold land, Heritage Assets, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

- Buildings and Dwellings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life.
- Infrastructure and Community – straight-line allocation generally over 25 years.
- Finance leases - over the lease term. If the lease term is shorter than the asset's estimated useful life and ownership of the asset does not transfer to the authority at the end of the lease period.
- Intangible assets – amortised on a straight line basis over the economic life, which is generally assessed to be 5 years.

Where an item of PPE asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Revaluation Reserve is reduced for the depreciation relating to revaluation gains with a corresponding credit to the Capital Adjustment Account.

### Componentisation

Where an asset consists of significant components that have different useful lives and/or depreciation methods to the remainder of asset, these components are separately identified and depreciated. A component value must be at least 20% of the whole asset. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, the parts have been grouped to determine the depreciation charge. Componentisation only applies to enhancement and acquisition expenditure and revaluations carried out from 1st April 2010 with a de-minimis level of £3m.

### Fair Value Measurement

Some non-financial and financial assets of the Council are measured at fair value at the reporting date. Fair value assumes the transaction takes place either:

- In the principal market for the asset or liability, or
- The most advantageous market for the asset or liability.

The fair value of an asset or liability is measured 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 Council 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.

## Section 4 – Notes to the Financial Statements

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Valuation techniques are used which maximise the use of observable inputs and minimise the use of unobservable inputs. After reviewing the inputs used the valuation is categorised within the following fair value hierarchy:

Level 1 – quote prices (unadjusted) in active markets for identical assets / liabilities that can be accessed at the measurement date.

Level 2 – inputs other than quoted prices within level 1, that are observable either directly or indirectly.

Level 3 – unobservable inputs

### **Disposal**

Assets are written out of the balance sheet on disposal through sale, granting of a finance lease, donation and transfer. This includes assets transferred because of schools academisation.

### **4.1.3.2 Investment Property**

Investment properties are those used solely to earn rentals and/or for capital appreciation. It does not apply to properties which are being used to deliver services for the Council.

Investment properties are measured initially at cost. They are not depreciated but are revalued annually at fair value as outlined in note 4.1.3.1.

### **4.1.3.3 Interests in Companies and Other Entities**

Inclusion in the Council's group accounts is, in accordance with the Code, dependent upon the extent of the Council's interest and control over an entity. In the Council's single-entity accounts, the interests in companies and other entities are shown as financial assets at cost, less any provision for losses.

### **4.1.3.4 PPE 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. Assets held for sale are carried at the lower of carrying value and fair value less costs to sell.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets. They are 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.

### **4.1.3.5 Inventories**

Inventories are largely valued at latest purchase price and any difference between this and actual cost is not considered to be material. Other less significant stocks are valued at average or actual cost.

### **4.1.3.6 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 cash flow 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 Council'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 (that is, 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 Council 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 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 Council, 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.

However, the Council has made a number of loans to voluntary organisations at less than market rates (soft loans). 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 voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the 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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost (or where relevant FVOCI), 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 Council.

The Council has extended the simplified approach to lease receivables and trade receivables and contract assets where there is a significant financing component.

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.

The Council has a portfolio of a significant number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual

## Section 4 – Notes to the Financial Statements

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instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

The Council has grouped the loans into three groups for assessing loss allowances:

Group 1 – these loans were made to companies under control of the Council and within the group accounts. A scoring matrix system has been used to assess the risk of default for each loan. Loss allowances for these loans can be assessed on an individual basis.

Group 2 – these loans were made to non-controlled companies (outside of the Council group accounts). A scoring matrix system has been used to assess the risk of default for each loan. Loss allowances for these loans can be assessed on an individual basis.

Group 3 – for the residual group of loans, the Council relies on past due information and calculates losses based on lifetime credit losses for all loans more than 30 days past due.

### **Financial Assets Measured at Fair Value through Profit of Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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

The Council may, where it sees fit, and within the guidelines of the Code decide to designate investments in equity instruments to FVOCI or transact reclassifications, modifications or de-recognition or transfer of financial assets when applicable transactions occur.

#### **4.1.3.7 Financial Liabilities**

Financial liabilities except those held for trading are recognised on the Balance Sheet initially at fair value and carried at their amortised cost. Interest payable is charged to the Financing and Investment Income and Expenditure line of the CIES. The amount shown in the Balance Sheet is the carrying amount of the loan as at 31<sup>st</sup> March.

Financial liabilities held for trading are recognised at fair value through profit and loss.

Financial guarantees are recognised as a provision held at fair value based on the expected probability of the guarantee being called as at the balance sheet date.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council 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 CIES 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.

### 4.1.3.8 Provisions

Provisions have only been recognised in the accounts where there is a legal or constructive obligation to transfer economic benefits as a result of a past event and where such an amount can be reliably estimated. Provisions are charged to the CIES and, depending on their materiality, are either disclosed as a separate item on the Balance Sheet or added to the carrying balance of an appropriate current liability. When expenditure is eventually incurred, it is charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it is apparent that the provision is not required or is lower than originally anticipated, 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, for example 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 Council settles the obligation.

### 4.1.3.9 Contingent Liabilities

Where a potential provision cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is instead disclosed in the notes as a contingent liability. A contingent liability also occurs where a liability may arise but is dependent upon the outcome of future events before it can be confirmed.

### 4.1.3.10 Defined Benefit Schemes (Local Government Pension Scheme)

For defined benefit schemes, pension fund assets are accounted for at fair value.

Pension liabilities are measured on an actuarial basis, using an assessment of the future payments that will be made for retirement benefits earned to date by employees. This assessment includes assumptions about mortality rates, employee turnover rates and projections of projected earnings for current employees.

Liabilities are discounted at the Balance Sheet date using a discount rate that takes into account the duration of the employer's liabilities and the requirements of IAS19. The discount rate chosen is the Single Equivalent Discount Rate which uses the annualised Merrill Lynch AA rated corporate bond yield curve and assumes the curve is flat beyond the 30 year point. The estimate of the Council's past service liability duration is 20 years.

### 4.1.3.11 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Transfers to and from reserves are shown in the MIRS and not within services. Expenditure is charged to the CIES and not directly to any reserve. Certain reserves are kept to manage the accounting processes for non-current assets,

## **Section 4 – Notes to the Financial Statements**

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financial instruments, retirement, and employee benefits and are not usable resources for the Council.

### **4.1.4 Policies affecting the Cash Flow Statement**

#### **4.1.4.1 Cash and Cash Equivalents**

The Council's Cash Flow Statement reflects the movements in cash and cash equivalents during the year and is shown net of bank overdrafts that are repayable on demand. Cash is represented by cash in hand and deposits with the Council's own bank. Cash equivalents are deposits with financial institutions repayable without penalty on notice of not more than 24 hours. This includes Council deposits in other UK bank call accounts and Money Market Funds.

#### **4.1.5 Policies used to account on a Funding Basis**

In a number of areas statutory provisions require the Council to account for transactions relating to the General Fund (and subsequently the amount to be raised from Council Tax) differently from the treatment required by IFRS. In each case the adjustment required is offset by a transfer to a specific reserve. The adjustments are shown within the MIRS as adjustments between accounting basis and funding basis under statutory provisions.

##### **4.1.5.1 Depreciation, amortisation, revaluation gains and losses and impairment**

Instead of these charges the Council is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (in line with the Council's published Minimum Revenue Provision policy). The difference between the two transactions is adjusted within the Capital Adjustment Account.

For the HRA, depreciation is replaced by a contribution to the Major Repairs Reserve.

##### **4.1.5.2 Gains and Losses on Sale of Assets**

Where sale proceeds are in excess of £10k, the gain or loss on sale or disposal (including finance leases) is removed from the CIES and adjusted with the Usable Capital Receipts Reserve (sale proceeds) and the Capital Adjustment Account (carrying value in the Balance Sheet).

A proportion of receipts relating to HRA disposals is payable to the Government and a corresponding sum is therefore transferred back from the Capital Receipts Reserve to the General Fund.

##### **4.1.5.3 Capital grants**

Capital Grants are reversed out of the General Fund to the Capital Grants Unapplied Account. When the grant is applied to fund capital expenditure, it is posted to the Capital Adjustment Account.

##### **4.1.5.4 Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Certain items of expenditure and related grant funding charged to the CIES under IFRS may be treated as capital for funding purposes. A transfer is made between the General Fund and the Capital Adjustment Account reserve for these items.

##### **4.1.5.5 Employee Benefits**

Accruals made for holiday entitlements or leave are reversed out of the General Fund to the Accumulated Absences Account.



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 MIRS, this means that there are transfers 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.

### 4.1.5.6 Termination Benefits - Pension Enhancements

Pension costs calculated according to IAS 19 are replaced by the actual pension payment for the year. The difference between the two transactions is transferred between the General Fund and the Pensions Reserve.

### 4.1.5.7 Financial Liabilities

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund to be spread over future years. The gain or loss is spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The difference between the two approaches is transferred between the General Fund and the Financial Instruments Adjustment Account.

### 4.1.5.8 Financial Assets

Statutory provisions allow the General Fund to be charged with the actual interest receivable for the financial year. The adjustment to the CIES for soft loans is therefore removed and adjusted within the Financial Instruments Adjustment Account.

### 4.1.5.9 Use of Reserves

The Council may make a charge against the General Fund to set aside specific amounts as reserves for future policy purposes or to cover contingencies. The Council may then also choose to use these reserves to reduce the impact on the General Fund when the expenditure is incurred.

### 4.1.6 Accounting Policies not relevant or not material

The accounting policies are reviewed each year to assess whether it is appropriate for individual policies to be included. There are a number of accounting policies that have not been included above, because the statements are not materially affected by their implementation or they are not relevant. These policies include:

- Use of capital receipts to fund disposal costs
- Intangible Assets – Recognition of website development and other internally generated assets
- Restructuring of loan portfolios and treatment of bonds
- Community Infrastructure Levy
- Subsequent revaluation of assets held for sale
- Provision for back pay arising from unequal pay claims
- Treatment of foreign currency translations
- Discontinued operations
- Contingent Assets

## Section 4 – Notes to the Financial Statements

### 4.2 Expenditure and Funding Analysis (EFA) and Notes

#### 4.2.1 Expenditure and Funding Analysis

The objective of the EFA is to demonstrate to Council Tax payers how the funding available to the Council (government grants, rents, Council Tax and NNDR) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The EFA also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

As outlined in note 4.3.1 Prior Year Reclassifications, the 2019/20 EFA and associated notes have been restated to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

	2020/21				
	General Fund Revenue Outturn Reported to Members £m	Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances £m	Net Expenditure Chargeable to the General Fund and HRA Balances £m	Adjustments Between Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m
Adult Care and Local Transport	79.229	(0.392)	78.837	9.002	87.839
Children and Young People	58.549	(0.007)	58.542	15.504	74.046
Communities, Highways and Strategic Transport	6.104	(0.305)	5.799	32.096	37.895
Employment and Community Protection	6.667	-	6.667	1.272	7.939
Energy, Environment and Democratic Services	22.307	(0.337)	21.970	7.238	29.208
Finance, Growth and the City Centre	20.300	(1.186)	19.114	3.209	22.323
Health, HR and Equalities	(7.982)	-	(7.982)	0.801	(7.181)
Housing, Planning and Heritage	4.779	(47.923)	(43.144)	14.476	(28.668)
Leisure, Culture and IT	14.210	(0.201)	14.009	17.593	31.602
Regeneration, Schools and Communications	(11.445)	13.022	1.577	9.840	11.417
Corporate Items	16.691	(51.616)	(34.925)	29.667	(5.258)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	(50.205)	(50.205)
<b>Net Cost of Services</b>	<b>209.409</b>	<b>(88.945)</b>	<b>120.464</b>	<b>90.493</b>	<b>210.957</b>
Other income and expenditure	-	(172.503)	(172.503)	6.153	(166.350)
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>209.409</b>	<b>(261.448)</b>	<b>(52.039)</b>	<b>96.646</b>	<b>44.607</b>
		Note 4.2.4	Note 4.2.3	Note 4.2.2	
Opening General Fund, Earmarked General Fund Reserves and HRA Balance at 1 April			(164.113)		
(Surplus)/Deficit on General Fund and HRA Balance in Year			<u>(52.039)</u>		
<b>Closing General Fund, Earmarked General Fund Reserves and HRA Balance at 31 March*</b>			<b><u>(216.152)</u></b>		

\*For a split of this balance between General Fund, Earmarked General Fund Reserves and HRA - see the Movement in Reserves Statement.

## Section 4 – Notes to the Financial Statements

	Restated 2019/20				
	General Fund Revenue Outturn Reported to Members £m	Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances £m	Net Expenditure Chargeable to the General Fund and HRA Balances £m	Adjustments Between Funding and Accounting Basis £m	Net Expenditure in the Comprehensive Income and Expenditure Statement £m
Adult Care and Local Transport	99.633	(0.876)	98.757	7.233	105.990
Children and Young People	57.567	(0.007)	57.560	12.310	69.870
Communities, Highways and Strategic Transport	3.780	0.044	3.824	26.389	30.213
Employment and Community Protection	8.240	-	8.240	0.949	9.189
Energy, Environment and Democratic Services	22.932	0.135	23.067	6.174	29.241
Finance, Growth and the City Centre	14.984	(10.827)	4.157	2.804	6.961
Health, HR and Equalities	(7.203)	(0.096)	(7.299)	0.517	(6.782)
Housing, Planning and Heritage	6.604	(45.589)	(38.985)	21.457	(17.528)
Leisure, Culture and IT	12.935	0.028	12.963	14.900	27.863
Regeneration, Schools and Communications	(16.499)	17.189	0.690	1.964	2.654
Corporate Items	43.567	(67.994)	(24.427)	11.466	(12.961)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	15.102	15.102
<b>Net Cost of Services</b>	<b>246.540</b>	<b>(107.993)</b>	<b>138.547</b>	<b>121.265</b>	<b>259.812</b>
Other income and expenditure	-	(145.756)	(145.756)	(95.895)	(241.651)
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>246.540</b>	<b>(253.749)</b>	<b>(7.209)</b>	<b>25.370</b>	<b>18.161</b>

Note 4.2.4

Note 4.2.3

Note 4.2.2

Opening General Fund, Earmarked General Fund  
Reserves and HRA Balance at 1 April

(156.904)

(Surplus)/Deficit on General Fund and HRA  
Balance in Year

(7.209)

**Closing General Fund, Earmarked General  
Fund Reserves and HRA Balance at 31  
March\***

**(164.113)**

\*For a split of this balance between General Fund, Earmarked General Fund Reserves and HRA - see the Movement in Reserves Statement.

## Section 4 – Notes to the Financial Statements

### 4.2.2 EFA Note - Adjustments between Funding and Accounting Basis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the CIES. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

	Restated 2019/20				2020/21			
	Adjustments for Capital Purposes £m	Net Change			Adjustments for Capital Purposes £m	Net Change		
		for the Pension Adjustments £m	Other Differences £m	Total Adjustments £m		for the Pension Adjustments £m	Other Differences £m	Total Adjustments £m
Adult Care and Local Transport	3.943	3.290	-	7.233	4.058	4.944	-	9.002
Children and Young People	8.423	3.887	-	12.310	8.388	7.116	-	15.504
Communities, Highways and Strategic Transport	24.183	2.206	-	26.389	29.035	3.061	-	32.096
Employment and Community Protection	0.084	0.865	-	0.949	0.094	1.178	-	1.272
Energy, Environment and Democratic Services	3.642	2.532	-	6.174	3.538	3.700	-	7.238
Finance, Growth and the City Centre	0.672	2.132	-	2.804	0.104	3.105	-	3.209
Health, HR and Equalities	-	0.517	-	0.517	-	0.801	-	0.801
Housing, Planning and Heritage	20.532	0.925	-	21.457	13.150	1.326	-	14.476
Leisure, Culture and IT	12.414	2.486	-	14.900	14.159	3.434	-	17.593
Regeneration, Schools and Communications	0.840	1.124	-	1.964	8.189	1.651	-	9.840
Corporate Items	11.259	(0.302)	0.509	11.466	15.733	10.982	2.952	29.667
Exceptional revaluation (gain) / loss on HRA Council Dwellings	15.102	-	-	15.102	(50.205)	-	-	(50.205)
<b>Net Cost of Services</b>	<b>101.094</b>	<b>19.662</b>	<b>0.509</b>	<b>121.265</b>	<b>46.243</b>	<b>41.298</b>	<b>2.952</b>	<b>90.493</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	(116.619)	18.444	2.280	(95.895)	(53.261)	18.793	40.621	6.153
<b>DIFFERENCE BETWEEN GENERAL FUND SURPLUS OR DEFICIT AND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES</b>	<b>(15.525)</b>	<b>38.106</b>	<b>2.789</b>	<b>25.370</b>	<b>(7.018)</b>	<b>60.091</b>	<b>43.573</b>	<b>96.646</b>

### Adjustments for Capital Purposes

Included within Net Cost of Services:

- Fixed asset adjustments for depreciation, impairment and revaluation gains and losses.
- Revenue expenditure funded from capital under statute (REFCUS).

Included within Other Income and Expenditure from the Expenditure and Funding Analysis:

- Other operating expenditure:
  - Net gains and losses on the disposal of fixed assets
  - HRA capital receipts pooling payment
- Financing and investment income and expenditure:
  - Investment Properties gains and losses on disposals and movements in valuation
  - Investment impairment
  - Statutory charges for capital financing including Minimum Revenue Provision
  - Capital expenditure funded from the General Fund Balance and transfers to the Major Repairs Reserve
- Taxation and non-specific grant income and expenditure:
  - Capital grants where conditions permit the application for capital financing

### **Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### **Other Differences**

For services this includes employee benefit accruals, and for:

- Financing and investment income and expenditure - timing differences for premiums and discounts.
- Taxation and non-specific grant income and expenditure - the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

## Section 4 – Notes to the Financial Statements

### 4.2.3 EFA Note - Analysis of Items in Net Expenditure Chargeable to the General Fund and HRA

This note shows the income and expenditure by portfolio.

2020/21	Adult Care and Local Transport	Children and Young People	Communities, Highways and Strategic Transport	Employment and Community Protection	Energy, Environment and Democratic Services	Finance, Growth and the City Centre	Health, HR and Equalities	Housing, Planning and Heritage	Leisure, Culture and IT	Regeneration, Schools and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income</b>																	
Council Tax and NNDR Fees, charges, other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(218.290)	(218.290)	(218.290)
Government Grants and Contributions	(22.115)	(0.769)	(14.917)	(1.842)	(16.696)	(12.179)	(0.672)	(116.691)	(12.760)	(20.378)	(1.466)	(220.485)	-	(22.934)	-	(22.934)	(243.419)
Interest and investment income	(85.952)	(39.162)	(10.812)	(9.068)	(8.700)	(59.247)	(27.504)	(4.476)	(8.968)	(130.019)	(190.000)	(573.908)	-	(0.051)	(76.600)	(76.651)	(650.559)
	-	-	-	-	-	-	-	-	-	(0.010)	(0.002)	(0.012)	-	(8.437)	-	(8.437)	(8.449)
<b>Total Income</b>	<b>(108.067)</b>	<b>(39.931)</b>	<b>(25.729)</b>	<b>(10.910)</b>	<b>(25.396)</b>	<b>(71.426)</b>	<b>(28.176)</b>	<b>(121.167)</b>	<b>(21.728)</b>	<b>(150.407)</b>	<b>(191.468)</b>	<b>(794.405)</b>	<b>-</b>	<b>(31.422)</b>	<b>(294.890)</b>	<b>(326.312)</b>	<b>(1,120.717)</b>
<b>Expenditure</b>																	
Employee expenses	33.411	41.413	20.191	9.040	24.688	17.525	5.316	10.321	22.769	71.888	18.068	274.630	-	0.909	-	0.909	275.539
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-	-	52.552	-	52.552	52.552
Levies	-	-	-	-	-	-	-	-	-	-	-	-	0.078	-	-	0.078	0.078
Other service expenses	153.493	57.060	11.337	8.537	22.678	73.015	14.878	67.702	12.968	80.096	138.475	640.239	-	28.437	3.665	32.102	672.341
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	72.013	-	72.013	72.013
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.180	(4.025)	(3.845)	(3.845)
<b>Total Expenditure</b>	<b>186.904</b>	<b>98.473</b>	<b>31.528</b>	<b>17.577</b>	<b>47.366</b>	<b>90.540</b>	<b>20.194</b>	<b>78.023</b>	<b>35.737</b>	<b>151.984</b>	<b>156.543</b>	<b>914.869</b>	<b>0.078</b>	<b>154.091</b>	<b>(0.360)</b>	<b>153.809</b>	<b>1,068.678</b>
<b>TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES</b>	<b>78.837</b>	<b>58.542</b>	<b>5.799</b>	<b>6.667</b>	<b>21.970</b>	<b>19.114</b>	<b>(7.982)</b>	<b>(43.144)</b>	<b>14.009</b>	<b>1.577</b>	<b>(34.925)</b>	<b>120.464</b>	<b>0.078</b>	<b>122.669</b>	<b>(295.250)</b>	<b>(172.503)</b>	<b>(52.039)</b>

## Section 4 – Notes to the Financial Statements

Restated 2019/20	Adult Care and Local Transport	Children and Young People	Communities, Highways and Strategic Transport	Employment and Community Protection	Energy, Environment and Democratic Services	Finance, Growth and the City Centre	Health, HR and Equalities	Housing, Planning and Heritage	Leisure, Culture and IT	Regeneration, Schools and Communications	Corporate Items	Included in Cost of Service	Other Operating Expenditure	Financing and Investment Income and Expenditure	Taxation and Non-Specific Grant Income	Included in Other Income and Expenditure	Included in (Surplus)/Deficit on Provision of Services
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income</b>																	
Council Tax and NNDR	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(211.731)	(211.731)	(211.731)
Fees, charges, other income	(31.470)	(0.834)	(22.859)	(1.795)	(20.741)	(14.096)	(0.670)	(113.584)	(38.730)	(21.323)	(1.149)	(267.251)	-	(24.753)	-	(24.753)	(292.004)
Government Grants and Contributions	(51.331)	(29.628)	(5.467)	(8.328)	(2.381)	(21.251)	(26.463)	(2.707)	(1.008)	(117.475)	(182.869)	(448.908)	-	-	(38.545)	(38.545)	(487.453)
Interest and investment income	-	-	-	-	-	-	-	(0.005)	-	(0.025)	-	(0.030)	-	(6.419)	-	(6.419)	(6.449)
<b>Total Income</b>	<b>(82.801)</b>	<b>(30.462)</b>	<b>(28.326)</b>	<b>(10.123)</b>	<b>(23.122)</b>	<b>(35.347)</b>	<b>(27.133)</b>	<b>(116.296)</b>	<b>(39.738)</b>	<b>(138.823)</b>	<b>(184.018)</b>	<b>(716.189)</b>	<b>-</b>	<b>(31.172)</b>	<b>(250.276)</b>	<b>(281.448)</b>	<b>(997.637)</b>
<b>Expenditure</b>																	
Employee expenses	30.937	37.442	19.393	8.502	24.122	15.434	5.333	9.714	23.644	72.020	12.542	259.083	-	0.707	-	0.707	259.790
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-	-	54.036	-	54.036	54.036
Levies	-	-	-	-	-	-	-	-	-	-	-	-	0.077	-	-	0.077	0.077
Other service expenses	150.621	50.580	12.757	9.861	22.067	24.070	14.501	67.597	29.057	67.493	147.049	595.653	-	16.129	-	16.129	611.782
Adjustments for capital purposes	-	-	-	-	-	-	-	-	-	-	-	-	-	67.183	-	67.183	67.183
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	0.276	(2.716)	(2.440)	(2.440)
<b>Total Expenditure</b>	<b>181.558</b>	<b>88.022</b>	<b>32.150</b>	<b>18.363</b>	<b>46.189</b>	<b>39.504</b>	<b>19.834</b>	<b>77.311</b>	<b>52.701</b>	<b>139.513</b>	<b>159.591</b>	<b>854.736</b>	<b>0.077</b>	<b>138.331</b>	<b>(2.716)</b>	<b>135.692</b>	<b>990.428</b>
<b>TOTAL INCLUDED IN THE NET EXPENDITURE CHARGEABLE TO THE GENERAL FUND AND HRA BALANCES</b>	<b>98.757</b>	<b>57.560</b>	<b>3.824</b>	<b>8.240</b>	<b>23.067</b>	<b>4.157</b>	<b>(7.299)</b>	<b>(38.985)</b>	<b>12.963</b>	<b>0.690</b>	<b>(24.427)</b>	<b>138.547</b>	<b>0.077</b>	<b>107.159</b>	<b>(252.992)</b>	<b>(145.756)</b>	<b>(7.209)</b>

## Section 4 – Notes to the Financial Statements

### 4.2.4 EFA Note - Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA Balances

	2020/21						
	Items not included in Revenue Outturn but are included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'				Earmarked General Fund Reserves movements & Other Items included in Revenue Outturn but are not included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'	Movement of items that do not report into Net Cost of Service Portfolios in the CIES/EFA	Total Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA
	HRA	Collection Fund (Council Tax and NNDR)	Revenue Support Grant	Other			
	£m	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	-	-	-	-	-	(0.392)	(0.392)
Children and Young People	-	-	-	-	-	(0.007)	(0.007)
Communities, Highways and Strategic Transport	-	-	-	-	-	(0.305)	(0.305)
Employment and Community Protection	-	-	-	-	-	-	-
Energy, Environment and Democratic Services	-	-	-	-	-	(0.337)	(0.337)
Finance, Growth and the City Centre	-	-	-	-	-	(1.186)	(1.186)
Health, HR and Equalities	-	-	-	-	-	-	-
Housing, Planning and Heritage	(47.923)	-	-	-	-	-	(47.923)
Leisure, Culture and IT	-	-	-	-	-	(0.201)	(0.201)
Regeneration, Schools and Communications	-	-	-	-	-	13.022	13.022
Corporate Items	-	-	-	-	-	(51.616)	(51.616)
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	-	-	-	-
<b>Net Cost of Services</b>	<b>(47.923)</b>	-	-	-	-	<b>(41.022)</b>	<b>(88.945)</b>
Other income and expenditure	46.184	(222.314)	(25.745)	0.063	(11.713)	41.022	(172.503)
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>(1.739)</b>	<b>(222.314)</b>	<b>(25.745)</b>	<b>0.063</b>	<b>(11.713)</b>	-	<b>(261.448)</b>



## Section 4 – Notes to the Financial Statements

Restated 2019/20									
	Items not included in Revenue Outturn but are included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'				Earmarked General Fund Reserves movements & Other Items included in Revenue Outturn but are not included in 'Net Expenditure Chargeable to the General Fund and HRA Balances'		Movement of items that do not report into Net Cost of Service Portfolios in the CIES/EFA	Total Adjustments to arrive at the Net Expenditure Chargeable to the General Fund and HRA	
	HRA	Collection Fund (Council Tax and NDR)	Revenue Support Grant	Other					
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	-	-	-	-	-	-	(0.876)	(0.876)	
Children and Young People	-	-	-	-	-	-	(0.007)	(0.007)	
Communities, Highways and Strategic Transport	-	-	-	-	-	-	0.044	0.044	
Employment and Community Protection	-	-	-	-	-	-	-	-	
Energy, Environment and Democratic Services	-	-	-	-	-	-	0.135	0.135	
Finance, Growth and the City Centre	-	-	-	-	-	(10.678)	(0.149)	(10.827)	
Health, HR and Equalities	-	-	-	-	-	-	(0.096)	(0.096)	
Housing, Planning and Heritage	(45.589)	-	-	-	-	-	-	(45.589)	
Leisure, Culture and IT	-	-	-	-	-	-	0.028	0.028	
Regeneration, Schools and Communications	-	-	-	-	-	-	17.189	17.189	
Corporate Items	-	-	-	-	-	(3.264)	(64.730)	(67.994)	
Exceptional revaluation (gain) / loss on HRA Council Dwellings	-	-	-	-	-	-	-	-	
<b>Net Cost of Services</b>	<b>(45.589)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13.942)</b>	<b>(48.462)</b>	<b>(107.993)</b>	
Other income and expenditure	45.495	(214.448)	(25.332)	0.067	-	-	48.462	(145.756)	
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>(0.094)</b>	<b>(214.448)</b>	<b>(25.332)</b>	<b>0.067</b>	<b>-</b>	<b>(13.942)</b>	<b>-</b>	<b>(253.749)</b>	

### HRA

The General Fund Revenue Outturn does not include the HRA. The HRA Outturn is reported separately. The HRA adjustment therefore reflects the adjustment required to reconcile to the 'Net Expenditure Chargeable to the General Fund and HRA Balances'.

### Movement of items that do not report into Net Cost of Service Portfolios in the CIES/EFA

These adjustments are in relation to those items that are not reported in the portfolios of the Net Cost of Service within the CIES and EFA. These items report into 'Financing and investment income and expenditure' or 'Taxation and non-specific grant income' lines of the CIES (Other income and expenditure line of the EFA). These include for example, items such as the Treasury Management function and some government grants - these are reported as Corporate Items in the Outturn figures.

## Section 4 – Notes to the Financial Statements

### 4.3 Comprehensive Income and Expenditure Statement Notes

#### 4.3.1 Prior Year Reclassifications

In line with the CIPFA reporting requirements the service part of the CIES is based on the organisational structure of the Council i.e. portfolios. It is the Council's policy to review and change the portfolio structures on an annual basis. A report is taken by the Leader of the Council to the City Council Committee in May each year detailing changes to the portfolios for the coming year. This results in a change in segmental reporting so that it aligns to the new reporting structure of the Council. The 2019/20 CIES and associated notes have been restated where required to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

The following table analyses the reclassification of portfolios within the CIES Cost of Services with regards to 2019/20 and the restated figures:

Portfolios as shown in the 2019/20 Statement of Accounts	£m	Reclassification movements of 2019/20 to align with the 2020/21 Portfolios	£m	Restated 2019/20	£m
Adult Care and Local Transport	120.290	Adult Care and Local Transport	105.990	Adult Care and Local Transport	105.990
		Communities, Highways and Strategic Transport - Highways and Energy Infrastructure, Street Lighting, Traffic Safety, Parking, Transport and Fleet	14.300		
			120.290	Children and Young People	69.893
Children and Young People	69.893	Children and Young People	69.893	Children and Young People - Inclusive Learning, School Improvement	(0.023)
				Children and Young People	69.870
Communities	15.688	Communities, Highways and Strategic Transport	15.688	Communities, Highways and Strategic Transport - Highways and Energy Infrastructure, Street Lighting, Traffic Safety, Parking, Transport and Fleet	14.300
Early Years, Education and Employment	2.367	Children and Young People - Inclusive Learning, School Improvement	(0.023)	Communities, Highways and Strategic Transport - Communities, Highways and Strategic Transport - Uniformed Services, Transport Strategy	0.225
		Regeneration, Schools and Communications - Schools, Education	2.390	Communities, Highways and Strategic Transport	30.213
			2.367	Employment and Community Protection - Human Resources	0.584
Energy, Environment and Democratic Services	29.221	Energy, Environment and Democratic Services	29.221	Employment and Community Protection - Anti Social Behaviour, Community Protection, Crime and Drugs Partnership, Security and Logistics, Uniformed Services	8.605
Finance, Growth and the City Centre	5.548	Finance, Growth and the City Centre	6.961	Employment and Community Protection	9.189
		Regeneration, Schools and Communications - Access to Services, Joint Service Centres	(1.413)	Energy, Environment and Democratic Services	29.221
			5.548	Human Resources	0.020
Health, HR and Equalities	(6.178)	Health, HR and Equalities	(6.782)	Energy, Environment and Democratic Services	29.241
		Employment and Community Protection - Human Resources	0.584	Finance, Growth and the City Centre	6.961
		Energy, Environment and Democratic Services - Human Resources	0.020	Health, HR and Equalities	(6.782)
			(6.178)	Housing, Planning and Heritage	(17.528)
Housing, Planning and Heritage	(17.528)	Housing, Planning and Heritage	(17.528)	Housing, Planning and Heritage	(17.528)
Leisure, Culture and IT	27.863	Leisure, Culture and IT	27.863	Leisure, Culture and IT	27.863
Regeneration, Safety and Communications	10.507	Regeneration, Schools and Communications - Property, Planned Maintenance, Marketing and Communications, Other Development and Growth services	1.677	Regeneration, Schools and Communications - Schools, Education	2.390
		Communities, Highways and Strategic Transport - Uniformed Services, Transport Strategy	0.225	Regeneration, Schools and Communications - Access to Services, Joint Service Centres	(1.413)
		Employment and Community Protection - Anti Social Behaviour, Community Protection, Crime and Drugs Partnership, Security and Logistics, Uniformed Services	8.605	Regeneration, Schools and Communications - Property, Planned Maintenance, Marketing and Communications, Other Development and Growth services	1.677
			10.507	Regeneration, Schools and Communications	2.654
Corporate Items	(12.961)	Corporate Items	(12.961)	Corporate Items	(12.961)
Exceptional revaluation loss on HRA Council Dwellings	15.102	Exceptional revaluation loss on HRA Council Dwellings	15.102	Exceptional revaluation gain on HRA Council Dwellings	15.102
<b>COST OF SERVICES</b>	<b>259.812</b>		<b>259.812</b>		<b>259.812</b>

The portfolio reclassifications have also been applied to the EFA and other notes that are analysed by portfolios.

### 4.3.2 Specific Grants Credited to Services

The following grants, contributions and donations for specific services are included within the Cost of Services as income:

	2019/20 £m	2020/21 £m
<b>Revenue Grants</b>		
Ministry of Housing, Communities and Local Government: PFI Grant	(2.898)	(2.898)
Department for Education: Dedicated School Grant	(109.544)	(115.569)
Department for Education: PFI Grant	(5.620)	(5.620)
Department for Education: Universal Free School Meals	(1.467)	(1.410)
Department of Transport: PFI Grants	(61.491)	(61.491)
Department for Work & Pensions: Housing Benefit Admin	(1.405)	(1.380)
Improved Better Care Fund	(14.565)	(16.115)
Mandatory Rent Allowances: Subsidy	(71.686)	(67.163)
Public Health	(32.937)	(34.171)
Pupil Premium Grant	(6.204)	(6.331)
Rent Rebates Granted to HRA Tenants	(52.902)	(45.527)
Social Care Grant	-	(9.793)
Covid 19 - LA Support Grant	(10.678)	(23.580)
Covid 19 - Business Grants Discretionary Element	-	(3.350)
Covid 19 - Job Retention Scheme	-	(2.985)
Covid 19 - Light Rail Grant	-	(18.588)
Covid 19 - Income Compensation Grant	-	(15.768)
Covid 19 - Local Restrictions Grant	-	(35.495)
Covid 19 - Infection Prevention Control	-	(5.091)
Covid 19 - Winter Grant	-	(1.730)
<i>Other Revenue Grants</i>	(34.431)	(46.679)
<b>Contributions</b>	(43.080)	(53.174)
<b>TOTAL</b>	<b>(448.908)</b>	<b>(573.908)</b>

### 4.3.3 Other Operating Expenditure

Other Operating Expenditure includes the following items:

	2019/20 £m	2020/21 £m
Write out of asset values due to replacement and demolition	3.477	6.018
Payments to the Government Housing Capital Receipts Pool	2.084	2.085
Levies	0.077	0.078
Net Gain/Loss on the disposal of non-current assets	(5.676)	(3.594)
<b>TOTAL</b>	<b>(0.038)</b>	<b>4.587</b>

## Section 4 – Notes to the Financial Statements

### 4.3.4 Financing and Investment Income and Expenditure

	2019/20			2020/21		
	Expenditure £m	Income £m	Net £m	Expenditure £m	Income £m	Net £m
Capitalisation Directive - Exceptional revenue pressures and income losses (REFCUS)	-	-	-	20.000	-	20.000
Net Interest on Pension Fund	18.407	-	18.407	18.731	-	18.731
Interest and similar charges and income	20.673	(0.359)	20.314	19.638	(0.440)	19.198
Interest revenue/costs calculated using the effective interest rate method	33.114	(5.826)	27.288	32.672	(6.760)	25.912
Impairment Losses	12.146	-	12.146	24.556	-	24.556
Trading Operations	1.641	(2.237)	(0.596)	1.845	(2.402)	(0.557)
Income and expenditure in relation to investment properties and changes in their fair value	18.172	(20.456)	(2.284)	13.053	(19.127)	(6.074)
Other Finance and Investment items	-	(2.294)	(2.294)	0.826	(2.692)	(1.866)
<b>TOTAL</b>	<b>104.153</b>	<b>(31.172)</b>	<b>72.981</b>	<b>131.321</b>	<b>(31.421)</b>	<b>99.900</b>

### 4.3.5 Taxation and Non-Specific Grant Income

	2019/20 £m	2020/21 £m
<b>Revenue:</b>		
<i>Council Tax income</i>		
Demand on the Collection Fund	(116.101)	(121.808)
Apportionment of Collection Fund Surplus/Deficit	(0.318)	1.993
Taxation - Loss of Income Compensation Grant	-	(0.035)
Hardship Fund Grant	-	(3.664)
Hardship Fund Grant applied to Council Tax accounts		3.664
<i>National Non Domestic Rates (NNDR)</i>		
Demand on the Collection Fund	(67.014)	(67.417)
Top Up Grant	(28.125)	(28.584)
Apportionment of Collection Fund Surplus/Deficit *	0.157	34.784
NNDR Section 31 Grant *	(9.145)	(40.032)
Taxation - Loss of Income Compensation Grant	-	(2.690)
Other	(0.490)	(0.482)
<i>Non-ringfenced government grants</i>		
Revenue Support Grant	(25.332)	(25.745)
New Homes Bonus	(4.067)	(4.432)
<b>Capital:</b>		
<i>Government Departments</i>	(39.464)	(7.216)
<i>Other</i>	(24.695)	(9.173)
<b>TOTAL</b>	<b>(314.594)</b>	<b>(270.837)</b>

\* The large deficit is in respect of the loss of NNDR income in 2020/21 due to COVID-19. The deficit is offset by the increase in NNDR Section 31 grant received from Central Government.

## 4.3.6 Expenditure and Income analysed by Nature

	2019/20 £m	2020/21 £m
<b>Income</b>		
Council Tax and NNDR	(211.891)	(181.514)
Fees, charges, other income	(292.004)	(243.419)
Government grants and contributions	(551.611)	(666.947)
Interest and investment income	(6.449)	(8.449)
<b>Total Income</b>	<b>(1,061.955)</b>	<b>(1,100.329)</b>
<b>Expenditure</b>		
Employee expenses	279.998	319.852
Interest payments	72.443	71.284
Levies	0.077	0.078
Other service expenses	612.130	694.460
Capital charges including depreciation, amortisation, impairment, revaluations	115.128	57.473
Payments to Housing Capital Receipts Pool	2.084	2.085
Disposal of assets - loss / (gain)	(1.744)	(0.296)
<b>Total Expenditure</b>	<b>1,080.116</b>	<b>1,144.936</b>
<b>(SURPLUS)/DEFICIT ON THE PROVISION OF SERVICES</b>	<b>18.161</b>	<b>44.607</b>

## 4.3.7 Revenue from Contracts with Service Recipients

Revenue included in the CIES for contracts with service recipients:

	Restated 2019/20				2020/21			
	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	-	(0.393)	(31.077)	(31.470)	-	(0.307)	(21.807)	(22.114)
Children and Young People	-	(0.001)	(0.807)	(0.808)	-	-	(0.755)	(0.755)
Communities, Highways and Strategic Transport	(2.042)	(0.072)	(15.049)	(17.163)	(2.088)	(0.050)	(9.350)	(11.488)
Employment and Community Protection	(0.032)	-	(1.764)	(1.796)	-	-	(1.842)	(1.842)
Energy, Environment and Democratic Services	-	(0.024)	(20.554)	(20.578)	-	(0.011)	(16.517)	(16.528)
Finance, Growth and the City Centre	(1.314)	(4.083)	(7.336)	(12.733)	(1.124)	(2.874)	(7.086)	(11.084)
Health, HR and Equalities	-	-	(0.670)	(0.670)	-	-	(0.672)	(0.672)
Housing, Planning and Heritage	(6.725)	-	(10.535)	(17.260)	(104.165)	-	(10.418)	(114.583)
Leisure, Culture and IT	(0.108)	(1.952)	(34.753)	(36.813)	(0.124)	(1.129)	(11.260)	(12.513)
Regeneration, Schools and Communications	-	(0.023)	(12.852)	(12.875)	-	-	(15.539)	(15.539)
Corporate Items	-	-	(1.149)	(1.149)	-	(0.011)	(1.466)	(1.477)
Financing and Investment Income and Expenditure	-	(0.426)	(5.033)	(5.459)	-	(0.392)	(20.613)	(21.005)
<b>Revenue from contracts with service recipients</b>	<b>(10.221)</b>	<b>(6.974)</b>	<b>(141.579)</b>	<b>(158.774)</b>	<b>(107.501)</b>	<b>(4.774)</b>	<b>(117.325)</b>	<b>(229.600)</b>
Impairment of receivables				1.752				8.090
<b>TOTAL INCLUDED IN THE CIES</b>				<b>(157.022)</b>				<b>(221.510)</b>

As outlined in note 4.3.1 Prior Year Reclassifications, 2019/20 has been restated to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged.

In line with the 2020/21 Code, Housing, Planning and Heritage income now includes HRA Rent (£96.806m).

## Section 4 – Notes to the Financial Statements

The Council suffered substantial losses in income as a result of the lockdown restrictions in place for most of 2020/21; this was partly but not fully mitigated by Government grants and other actions – see Section 1 for further details.

Transaction price is calculated and allocated in accordance with legislation and reflects the Council's legal ability to recover costs from the service recipients.

The Council typically satisfies its performance obligations upon delivery of goods or services to recipients. Standard payment terms are either 30 days for services where invoices are raised e.g. Commercial Waste Collection or immediate where payment is made at the point at which the service or good is received e.g. admission to leisure centres. Contracts do not typically contain financing components and the consideration received is not variable.

Revenue is recognised either over time or at a point in time. Revenue recognised over time is measured using the input method, based on costs incurred or resources consumed as applicable to individual contracts. Revenue is recognised at a point in time when the service recipient obtains control of the promised goods or services from the Council.

Timing of revenue recognition	2019/20		2020/21	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(9.452)	(0.769)	(107.072)	(0.429)
Sale of goods	-	(6.974)	-	(4.774)
Charges for services	(96.432)	(45.147)	(97.676)	(19.649)
<b>TOTAL</b>	<b>(105.884)</b>	<b>(52.890)</b>	<b>(204.748)</b>	<b>(24.852)</b>

Amounts included in the Balance Sheet for contracts with service recipients are shown in the following table:

	31 March	31 March
	2020	2021
	£m	£m
Receivables included in debtors	41.985	54.966
Contract assets	0.175	0.006
Contract liabilities	(11.000)	(13.690)
<b>TOTAL</b>	<b>31.160</b>	<b>41.282</b>

For most goods and services provided by the Council payment is made at the point of provision or when an invoice is raised to the service recipient. Services where payment is made in advance of receipt are recognised as contract liabilities, these include:

- Planning and Building Control Fees
- Advance ticket sales for performances at the Theatre Royal and Concert Hall
- Licensing

For Planning and Building Control Fees income is recognised in the CIES when the application is approved or the inspection regime is completed. For advance ticket sales, income is recognised when the show has been performed and for Licensing

## Section 4 – Notes to the Financial Statements

income is recognised as licences are issued and enforcement activity is carried out. The contract liabilities balance is reduced as income is recognised in the CIES. Where the right of the Council to income is conditional on the provision of further goods or services to the customer, such income is recorded as a contract asset. This is applicable to income relating to service charges for commercial property owned by the Council. Costs are recognised as services are provided to customers. At year end where services are not complete, the cost is de-recognised in the CIES and recognised as a contract asset on the balance sheet.

Changes in the contract assets and contract liabilities balances during the year are as follows:

	2019/20		2020/21	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
<b>Balances at 1 April</b>	<b>0.061</b>	<b>(10.649)</b>	<b>0.175</b>	<b>(11.000)</b>
Reversal for amounts recognised in the CIES in year	(0.061)	10.649	(0.175)	11.000
Increases (decreases) due to cash received (paid)	0.175	(11.000)	0.006	(13.690)
<b>BALANCE AT 31 MARCH</b>	<b>0.175</b>	<b>(11.000)</b>	<b>0.006</b>	<b>(13.690)</b>

The value of revenue that is expected to be recognised in the future but has performance obligations that are unsatisfied (or partially unsatisfied) at the yearend is shown in the following table:

	31 March 2020 £m	31 March 2021 £m
Not later than one year	(8.743)	(11.197)
Later than one year	(2.257)	(2.493)
<b>TOTAL</b>	<b>(11.000)</b>	<b>(13.690)</b>

### 4.3.8 Revaluation of Property, Plant and Equipment (PPE)/Heritage assets

During 2020/21 revaluation gains and losses charged to Other Comprehensive Income and Expenditure amounted to a net revaluation gain of £70.411m for PPE assets (see note 4.4.1) and £0.489m for Heritage Assets (see note 4.4.2). There are no charges within Other Operating Expenditure relating to physical damage and demolition of assets in 2020/21.

## Section 4 – Notes to the Financial Statements

### 4.3.9 Transactions Relating to Post-Employment Benefits (including Pensions)

The tables below show how the IAS19 Employee Benefits standard impacts on the CIES:

	Local Government		Teachers Benefits	
	Pension Scheme			
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
<b>Cost of Services:</b>				
Service cost	55.575	84.863	-	-
Administration expenses	0.465	0.518	-	-
<b>Financing and Investment Income and Expenditure:</b>				
Net interest on the defined liability (asset)	17.620	18.042	0.787	0.689
<b>Total Charged to (Surplus)/Deficit on Provision of Services</b>	<b>73.660</b>	<b>103.423</b>	<b>0.787</b>	<b>0.689</b>
<b>Other Comprehensive Income and Expenditure (OCIE):</b>				
Re-measurements of the net defined benefit liability (asset):				
Return on Fund assets in excess of interest	106.132	(213.140)	-	-
Other actuarial (gains)/losses on assets	2.834	-	-	-
Change in financial assumptions	(187.009)	482.992	(2.059)	4.135
Change in demographic assumptions	(33.056)	(20.239)	(0.827)	(0.367)
Experience (gain)/loss on defined benefit obligation	66.553	(24.396)	(0.845)	(0.406)
<b>Total Charged to OCIE</b>	<b>(44.546)</b>	<b>225.217</b>	<b>(3.731)</b>	<b>3.362</b>
<b>TOTAL CHARGED TO THE CIES</b>	<b>29.114</b>	<b>328.640</b>	<b>(2.944)</b>	<b>4.051</b>

These transactions are summarised in the following table:

	2019/20	2020/21
	£m	£m
<b>Comprehensive Income and Expenditure Statement:</b>		
Cost of services	56.040	85.381
Financing and Investment income and expenditure	18.407	18.731
Other Comprehensive Income and Expenditure	(48.277)	228.579
<b>TOTAL</b>	<b>26.170</b>	<b>332.691</b>



## 4.4 Balance Sheet Notes

### 4.4.1 Property Plant and Equipment

2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	Gross Book Value b/f	1,002.178	931.770	203.890	740.332	36.480	43.826	79.302	<b>3,037.778</b>
Accumulated Depreciation b/f	-	(1.627)	(98.371)	(264.439)	(12.263)	-	(0.006)	<b>(376.706)</b>	<b>(52.069)</b>
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>Net Book Value at 1 April 2020</b>	<b>1,002.178</b>	<b>930.143</b>	<b>105.519</b>	<b>475.893</b>	<b>24.017</b>	<b>43.826</b>	<b>79.296</b>	<b>2,660.872</b>	<b>248.455</b>
Additions - Capital Expenditure	28.105	1.537	7.457	18.760	0.728	(0.140)	34.395	<b>90.842</b>	-
Depreciation Charge	(10.850)	(28.710)	(15.391)	(26.030)	(1.101)	(0.045)	-	<b>(82.127)</b>	(12.746)
Revaluations - Recognised in Revaluation Reserve	64.899	(6.018)	-	-	-	11.530	-	<b>70.411</b>	-
Revaluations - Recognised in the CIES	50.205	(12.002)	-	-	-	0.905	-	<b>39.108</b>	-
Derecognition - Disposals	(7.390)	(0.785)	(0.061)	-	-	(1.836)	-	<b>(10.072)</b>	-
Derecognition - Other	(1.842)	(1.644)	-	(2.453)	(0.014)	(0.066)	-	<b>(6.019)</b>	-
Other Movements - Other	6.788	15.234	0.092	(8.818)	0.010	3.470	(16.617)	<b>0.159</b>	-
<b>Net Book Value at 31 March 2021</b>	<b>1,132.093</b>	<b>897.755</b>	<b>97.616</b>	<b>457.352</b>	<b>23.640</b>	<b>57.644</b>	<b>97.074</b>	<b>2,763.174</b>	<b>235.709</b>
Gross Book Value c/f	1,132.093	925.389	197.894	737.411	37.078	57.644	97.074	<b>3,184.583</b>	300.524
Accumulated Depreciation c/f	-	(27.634)	(100.278)	(280.059)	(13.238)	-	-	<b>(421.209)</b>	(64.815)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2021</b>	<b>1,132.093</b>	<b>897.755</b>	<b>97.616</b>	<b>457.352</b>	<b>23.640</b>	<b>57.644</b>	<b>97.074</b>	<b>2,763.174</b>	<b>235.709</b>

## Section 4 – Notes to the Financial Statements

	2019/20								
	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	1,000.216	896.415	222.746	718.412	33.654	29.532	25.158	<b>2,926.133</b>	<b>300.524</b>
Accumulated Depreciation b/f	-	(2.831)	(114.730)	(238.964)	(11.323)	-	(0.006)	<b>(367.854)</b>	<b>(40.049)</b>
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>Net Book Value at 1 April 2019</b>	<b>1,000.216</b>	<b>893.584</b>	<b>108.016</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>25.152</b>	<b>2,558.079</b>	<b>260.475</b>
Additions - Capital Expenditure	34.577	2.167	12.245	25.927	2.827	0.297	63.849	<b>141.889</b>	-
Depreciation Charge	(18.441)	(25.872)	(14.509)	(29.482)	(0.941)	(0.022)	-	<b>(89.267)</b>	(12.746)
Revaluations - Recognised in Revaluation Reserve	4.018	59.037	-	-	-	14.652	-	<b>77.707</b>	0.726
Revaluations - Recognised in the CIES	(15.102)	3.866	-	-	-	1.197	-	<b>(10.039)</b>	-
Derecognition - Disposals	(11.052)	(0.330)	(0.116)	-	-	(0.506)	-	<b>(12.004)</b>	-
Derecognition - Other	(1.737)	(1.055)	-	-	-	(0.685)	-	<b>(3.477)</b>	-
Other Movements - Transfers to Assets Held for Sale	-	(0.322)	-	-	-	(1.280)	-	<b>(1.602)</b>	-
Other Movements - Other	9.699	(0.932)	(0.117)	-	-	0.641	(9.705)	<b>(0.414)</b>	-
<b>Net Book Value at 31 March 2020</b>	<b>1,002.178</b>	<b>930.143</b>	<b>105.519</b>	<b>475.893</b>	<b>24.017</b>	<b>43.826</b>	<b>79.296</b>	<b>2,660.872</b>	<b>248.455</b>
Gross Book Value c/f	1,002.178	931.770	203.890	740.332	36.480	43.826	79.302	<b>3,037.778</b>	300.524
Accumulated Depreciation c/f	-	(1.627)	(98.371)	(264.439)	(12.263)	-	(0.006)	<b>(376.706)</b>	(52.069)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2020</b>	<b>1,002.178</b>	<b>930.143</b>	<b>105.519</b>	<b>475.893</b>	<b>24.017</b>	<b>43.826</b>	<b>79.296</b>	<b>2,660.872</b>	<b>248.455</b>

**Depreciation**

In line with the Accounting Policies for PPE (notes 4.1.1.8 and 4.1.3.1) the following useful lives and depreciation rates have been used in the calculation of depreciation:

	Standard Life	Overall Range
Council Dwellings – Existing Use Value - Social Housing		30-65
Other Land and Buildings		10-65
Furniture & Equipment	5 years	5-20
Vehicles	7 years	4-23
Infrastructure and Community Assets	25 years	10-75

Where the Council departs from standard lives, the lives used are within the overall range outlined in the table above.

**Revaluations**

The Council carries out a rolling programme that ensures that all PPE carried at ‘current value’ is revalued at least every 5 years. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historical cost as a proxy for current value.

During 2020/21, the Council’s internal valuers completed asset valuations for operational properties in compliance with the 5-year requirement. In addition, internal valuers completed a number of reviews outside the Council’s 5-year property revaluation programme, for properties undergoing significant changes because of capital investment, material impairment or reclassification.

A desktop beacon valuation of Council Dwelling beacon properties by the Council’s internal valuers was also completed in 2020/21.

**Valuers’ Assumptions - Cyclical and Non-Cyclical Valuations**

- States of Repair - All properties have been assumed to be in good condition unless specific disrepair has been identified and this has been taken into account in the valuation.
- Contamination – Unless there is specific evidence, it is assumed that the properties are not, nor are likely to be affected by land contamination and that there are no ground conditions that affect the present or future use of the properties. Where there is evidence of contamination, this has been reflected in the valuation unless the cost of decontamination work would be immaterial.
- Title - It is assumed that there are no encumbrances on title.
- Council Housing Stock Valuation – beacon revaluation (see note 5.1.3.3 for details).

**Material Revaluation Gains, Losses and Impairments**

Revaluation movements included an overall increase of £118.104m for Council Dwellings. This included £50.205m gains posted to the Housing Revenue Account, reversing previous years revaluation losses posted to the HRA.

## Section 4 – Notes to the Financial Statements

In line with the Accounting Policies for PPE, the Council's componentisation policy has been applied to recognition, revaluation and depreciation of fixed assets during 2020/21.

### Valuation at 31 March 2021

The Council's rolling revaluation programme is summarised below:

DESCRIPTION	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Carried at depreciated historical cost			97.616	457.352	23.640		97.074	675.682
Valued at depreciated current value as at:								
2016/17	-	24.503	-	-	-	-	-	24.503
2017/18	-	65.463	-	-	-	-	-	65.463
2018/19	-	15.237	-	-	-	-	-	15.237
2019/20	-	669.803	-	-	-	-	-	669.803
2020-21	1,132.093	122.749	-	-	-	57.644	-	1,312.486
<b>NET BOOK VALUE AT 31 MARCH 2021</b>	<b>1,132.093</b>	<b>897.755</b>	<b>97.616</b>	<b>457.352</b>	<b>23.640</b>	<b>57.644</b>	<b>97.074</b>	<b>2,763.174</b>

### Surplus Assets

	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2019
	£m	£m	£m	£m
Land	-	22.271	-	22.271
Leisure / Other	-	5.649	-	5.649
Offices	-	29.638	-	29.638
Retail	-	0.087	-	0.087
Services	-	-	-	-
<b>Total</b>	<b>-</b>	<b>57.644</b>	<b>-</b>	<b>57.644</b>

Please refer to note 4.4.3 Investment Properties for Fair Value disclosures including methodologies, techniques and hierarchies.

### Capital Commitments

At 31 March 2021, the Council had entered into a number of contracts for the construction or enhancement of PPE with future costs estimated as £48.150. The equivalent figure as at 31 March 2020 was £153.828m. The commitments have increased due to a number of additional schemes being approved as at the 31 March 2021. The major commitments are summarised below:

Capital Programme Element	Major Schemes	31 March 2021 £m
Other Services	Third Party Loans	17.875
Other Services	Broadmarsh - Car Park	1.674
Other Services	Vehicle Acquisitions	1.271
Other Services	Nottingham Castle	0.649
Other Services	ULEV for Nottingham Businesses	0.598
Other Services	Schemes Under (£0.500m)	1.672
Transport Schemes	Broadmarsh - Public Realm	5.119
Transport Schemes	Transforming Cities	0.946
Transport Schemes	Schemes Under (£0.500m)	0.392
Public Sector Housing	Eastglade New Build	10.966
Public Sector Housing	Building a Better Nottingham Other	1.191
Public Sector Housing	Decent Homes - Safe	0.658
Public Sector Housing	Decent Homes - Warm & Modern	3.043
Public Sector Housing	Energy Schemes	0.983
Public Sector Housing	Other Public Sector Housing Schemes	1.113
<b>TOTAL</b>		<b>48.150</b>

#### 4.4.2 Heritage Assets

The Council's register of Heritage Assets includes over 95,000 items (excluding the natural history collection). The natural history collection is a collection of animals, plants and other living things which hold no monetary value and are held by the Council solely for their scientific value. The Council holds its Heritage Assets as a contribution to the knowledge and cultural development of both citizens and visitors. The Heritage Assets items are either held on display at one of the Council's museums or held in storage, where access is encouraged.

These collections are reported either at cost or an adjusted external valuation, based on an annually updated market value, usually provided for insurance purposes. Items reported at cost are usually awaiting a market valuation.

Collections:	Byron	Costume	Decorative Art	Fine Art	Human & Social History	Industrial History	Civic Regalia & Silver	Wollaton Non-Operational Buildings	Non-Building Structures	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 April 2019	15.264	0.606	4.198	36.991	0.692	0.015	1.429	0.662	-	<b>59.857</b>
Transfer	-	-	-	-	-	-	-	-	0.395	<b>0.395</b>
Revaluations	0.229	(0.001)	0.063	0.555	0.010	-	0.031	(0.290)	-	<b>0.597</b>
<b>31 March 2020</b>	<b>15.493</b>	<b>0.605</b>	<b>4.261</b>	<b>37.546</b>	<b>0.702</b>	<b>0.015</b>	<b>1.460</b>	<b>0.372</b>	<b>0.395</b>	<b>60.849</b>
Additions	-	-	-	0.064	-	-	-	-	-	<b>0.064</b>
Transfer	-	-	-	-	-	-	-	-	0.112	<b>0.112</b>
Revaluations	0.108	0.004	0.035	0.263	0.005	-	0.010	-	-	<b>0.425</b>
<b>31 MARCH 2021</b>	<b>15.601</b>	<b>0.609</b>	<b>4.296</b>	<b>37.873</b>	<b>0.707</b>	<b>0.015</b>	<b>1.470</b>	<b>0.372</b>	<b>0.507</b>	<b>61.450</b>

#### Preservation and Management

Each of the collections is managed by a curator who is responsible for their care and management in accordance with Nottingham City Council policies and national guidelines. This policy requires that Heritage Assets are only disposed of when it is

## Section 4 – Notes to the Financial Statements

considered that they no longer contribute to the interest of the general public in their subject area. Although acquisitions are rare and primarily made by donation, on those rare occasions when a particularly important asset is available for purchase, the Council will apply for funding and undertake the purchase, provided that it meets the Council's objectives.

### 4.4.3 Investment Property

There are no restrictions on the Council's ability to sell its investment property or on its right to related income and the proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or to conduct repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	284.624	256.161
Additions	0.455	0.038
Disposals	(14.391)	(5.170)
Net gains/(losses) from fair value adjustments	(14.502)	(13.230)
Transfers to / from Property Plant and Equipment	(0.025)	(0.400)
<b>BALANCE AT 31 MARCH</b>	<b>256.161</b>	<b>237.399</b>

Details of related income and expenditure included in the CIES are shown in note 4.3.4.

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2021 £m
Industrial	-	45.764	-	45.764
Land	-	39.965	-	39.965
Leisure / Other	-	21.097	-	21.097
Office	-	55.860	-	55.860
Retail	-	60.051	-	60.051
Services	-	14.662	-	14.662
<b>Total</b>	-	<b>237.399</b>	-	<b>237.399</b>

### Valuation Techniques used to Determine Level 2 Fair Values for Investment Properties:

Investment properties are assets which are judged to be held solely to generate rental income or for capital appreciation purposes. All valuations have been assessed at level 2 for valuation purposes. When assessing the value, the strongest regard is

given to recent comparable market evidence for rents and yields, but other factors may also be integrated and considered such as covenant strength of occupiers, nearby factors that may affect value, general market movements, macro-economic and political factors, and general market knowledge acquired from actively managing a portfolio of investment properties.

### Highest and Best Use of Investment Properties

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

### Valuation Techniques

IFRS13 Fair Value accounting has been used during financial year 2020/21 for investment properties.

### Valuation Process for Investment Properties

The fair value of the Council's investment properties is measured annually. The valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

#### 4.4.4 Inventories

	2019/20				2020/21			
	Consumable Stores	Maintenance Materials	Client services work in progress	Total	Consumable Stores	Maintenance Materials	Client services work in progress	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 April</b>	<b>0.599</b>	<b>0.138</b>	<b>2.542</b>	<b>3.279</b>	<b>0.583</b>	<b>0.150</b>	<b>1.195</b>	<b>1.928</b>
Purchases	4.608	0.310	6.079	10.997	4.664	0.040	8.502	13.206
Recognised as an expense in the year	(4.630)	(0.298)	(7.426)	(12.354)	(4.623)	(0.123)	(8.413)	(13.159)
Written off balances	0.006	-	-	0.006	(0.077)	(0.032)	(0.303)	(0.412)
<b>BALANCE AT 31 MARCH</b>	<b>0.583</b>	<b>0.150</b>	<b>1.195</b>	<b>1.928</b>	<b>0.547</b>	<b>0.035</b>	<b>0.981</b>	<b>1.563</b>

#### 4.4.5 Short Term Debtors

	31 March 2020 £m	31 March 2021 £m
Prepayments	13.023	17.453
Local Taxation	8.275	8.960
Trade	41.985	54.966
Other receivable amounts	89.387	95.364
<b>TOTAL</b>	<b>152.670</b>	<b>176.743</b>

## Section 4 – Notes to the Financial Statements

### 4.4.6 Debtors for Local Taxation

The Council's share of aged debtors for Council Tax and NNDR excluding the allowance for non-collection is shown in the following table:

	2019/20			2020/21		
	Council Tax £m	NNDR £m	Total £m	Council Tax £m	NNDR £m	Total £m
Up to 1 year	10.078	3.245	13.323	9.475	8.480	17.955
1 to 3 years	8.054	2.543	10.597	9.543	3.802	13.345
Over 3 years	7.452	2.218	9.670	7.974	2.859	10.833
<b>TOTAL</b>	<b>25.584</b>	<b>8.006</b>	<b>33.590</b>	<b>26.992</b>	<b>15.141</b>	<b>42.133</b>

### 4.4.7 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises the following elements:

	31 March 2020 £m	31 March 2021 £m
Cash held by the Authority	0.275	0.278
Bank current accounts	22.850	8.641
Short-term deposits	74.000	35.600
<b>TOTAL</b>	<b>97.125</b>	<b>44.519</b>

The Council has offset overdrafts of £1.883m (£16.585m in 2019/20) against credit balances held within its bank current accounts.

### 4.4.8 Short Term Creditors

	31 March 2020 £m	31 March 2021 £m
Receipts in Advance	(29.039)	(31.937)
Trade	(64.318)	(59.294)
Other payables	(48.128)	(99.907)
<b>TOTAL</b>	<b>(141.485)</b>	<b>(191.138)</b>

### 4.4.9 Provisions

#### Current Provisions

These are amounts set aside to meet specific expenditure in 2020/21.

The NET2 provision is for compulsory purchases where the purchase price has yet to be agreed.



	Compulsory Purchases for NET2	Job Evaluation	Other	Total
	£m	£m	£m	£m
<b>Balance at 1 April 2020</b>	<b>(6.958)</b>	-	<b>(1.423)</b>	<b>(8.381)</b>
Additional provisions made	-	-	(1.608)	(1.608)
Amounts used	-	-	0.073	0.073
<b>BALANCE AT 31 MARCH 2021</b>	<b>(6.958)</b>	-	<b>(2.958)</b>	<b>(9.916)</b>

### Non-Current Provisions

These accounts represent amounts set aside to meet specific expenditure in future years.

	Injury and Damage Compensation Claims	NNDR Appeals	Financial Guarantees	Employment	Total
	£m	£m	£m		£m
<b>Balance at 1 April 2020</b>	<b>(13.454)</b>	<b>(4.377)</b>	<b>(8.250)</b>	-	<b>(26.081)</b>
Additional provisions made	(4.339)	-	-	(4.872)	(9.211)
Amounts used	3.171	1.805	-	-	4.976
Reduction in provision	-	0.034	-	-	0.034
Unused amounts reversed	-	-	8.250	-	8.250
<b>BALANCE AT 31 MARCH 2021</b>	<b>(14.622)</b>	<b>(2.538)</b>	-	<b>(4.872)</b>	<b>(22.032)</b>

### Insurance Compensation Claims

The Council maintains an insurance provision to meet the cost of claims arising from self-insured risks, risks which fall below the external policy retention levels and for payment of external insurance premiums.

The majority of costs met from the provision arise from property damage, liability claims made against the Council and motor accidents involving Council motor vehicles. In order to limit the Council's exposure to these risks the policies for external fire, motor and liability claims have been arranged with excesses of £0.250m, £0.114m and £0.361m respectively. To further protect the Council's exposure to significant payments, aggregate stop losses are in place, which limit the total value of claims that the Council will have to fund in one policy year. The stop losses for the 2020/21 policy year were £4.7m for liability claims, £1.030m for motor claims and £2m for property. Other costs falling on the provision include self-insured risks and the payment of insurance premium for policies where the risk has been transferred to the market.

Contributions to the insurance provision arise from annual charges to service areas. These maintain the insurance provision at a sufficient level to meet current claim liabilities, which includes an element of incurred but not reported claims. In addition to the known and estimated liabilities there are also potential liabilities on the fund that have not been included in the fund balance and are included in the reserve.

## Section 4 – Notes to the Financial Statements

### National Non-Domestic Rates (NNDR)

This represents the Council's share of NNDR appeals provision. The Council bears a risk of non-collection of NNDR following appeals. £3.684m is the value of successful appeals charged against the provision in 2020/21. A decrease of £0.070m in the provision has been made as a result of the assessment of outstanding appeals at 31st March 2021.

### Financial Guarantees

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The Council provided financial guarantees in respect of Robin Hood Energy Ltd (RHE), a wholly owned subsidiary of the Council, to a maximum total value of £16.5m, which is 80% of the liability to its wholesale energy suppliers. These guarantees have now been extinguished.

The provision recognising these financial guarantees in the accounts has been removed as the guarantees can no longer be called.

### Employment

A provision of £4.872m has been established in 2020/21 to meet the potential cost of settlements arising from an ongoing employment tribunal case.

#### 4.4.10 Usable Reserves

Movements in the Council's usable reserves are summarised in the Movement in Reserves Statement (Table 3.3).

Details of the Earmarked General Fund reserves are shown below:

	Restated 2019/20		2020/21		
	Balance at 1 April 2019 £m	Net Movements £m	Balance at 31 March 2020 £m	Net Movements £m	Balance at 31 March 2021 £m
<b>Restricted Reserves:</b>					
Capital	11.485	(1.504)	9.981	(7.030)	2.951
Schools	15.863	(1.711)	14.152	4.192	18.344
<b>Other Reserves:</b>					
Asset Maintenance	4.045	0.837	4.882	(2.346)	2.536
Contingency and Risk	29.480	17.997	47.477	2.786	50.263
Information Technology	6.570	0.011	6.581	0.518	7.099
Local Economy	6.128	(1.946)	4.182	(1.830)	2.352
Private Finance Initiatives	48.420	0.945	49.365	(16.660)	32.705
Services	7.712	(0.716)	6.996	1.925	8.921
Transformation	(0.948)	(1.348)	(2.296)	1.844	(0.452)
Treasury Management	(3.113)	(1.390)	(4.503)	30.419	25.916
Workforce	15.172	1.694	16.866	(10.371)	6.495
<b>TOTAL</b>	<b>140.814</b>	<b>12.869</b>	<b>153.683</b>	<b>3.447</b>	<b>157.130</b>

Restricted reserves have been identified separately as they are generally not available to support General Fund revenue expenditure.

2019/20 has been restated due to a reclassification of one reserve – the overall values have not changed.

The detailed categories are explained below:

### **Capital**

Sums that have been set aside in previous years to provide additional funding for the capital programme or to manage the impact of new capital schemes that have not yet been included in the capital programme.

### **Schools**

This represents funds that have been allocated to schools under Local Management of Schools legislation, and which remains unspent at the year end. This reserve is not available to support other General Fund expenditure.

### **Asset Maintenance**

These reserves are available to help maintain the Council's properties and other assets, particularly where there are significant and/or periodic requirements to ensure the Council's assets are adequately maintained.

### **Contingency & Risk**

Certain areas of expenditure are subject to volatility. Reserves are therefore set aside to help manage the impact on the General Fund of significant changes in costs year on year in specific areas.

These reserves reflect the potential future liabilities in relation to insurance claims, Housing Benefits and Business Rates and provide resources to help reduce or deal with risk management issues that arise.

As part of Central Government's response to the COVID-19 pandemic, the Council received Business Rate Relief Grants in advance to assist with cash flow and to allow the Council to help the businesses of Nottingham. Although these amounts were received in 2020/21, they primarily relate to the 2021/22 financial year and, where appropriate, were transferred to an earmarked reserve. £30.802m Business Rate Relief Grant is included within Contingency and Risk reserves. This falls outside the scope of the reserves earmarked for service requirements and does not represent additional spending power for services taken forward into 2021/22. This grant will be discharged against the Collection Fund deficit in 2021/22.

The Council also received 75% Tax Income Guarantee Compensation Grant from Government. This is compensation from Government for 75% of irrecoverable losses in Business Rates and Council Tax income. The balance of this unspent grant is £2.725m which is included within Contingency and Risk reserves.

### **Information Technology**

These reserves are set aside to provide a source of funding for any major changes to information technology that may be required.

### **Local Economy**

The Council has set aside reserves that will allow investment in the local economy. These are generally used to help local businesses and residents.

## Section 4 – Notes to the Financial Statements

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### **Private Finance Initiatives**

PFI reserves exist for a number of schemes as a result of Government funding received in advance to finance future years' liabilities. This income is therefore set aside to ensure sufficient funds are available to cover the cost of contracts in future years.

### **Services**

Where services have identified one-off items of revenue expenditure that are likely to be incurred in future years.

### **Transformation**

These reserves are available to help meet costs incurred when implementing business and service efficiencies within the Council, including the cost of implementing the new Enterprise Resource Planning system ahead of business change benefits.

### **Treasury Management**

Impact of economic or financial market volatility and compliance with IFRS 9 impairment losses which are subject to annual review.

### **Workforce**

This reserve is primarily available to fund pension costs.

#### 4.4.11 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions for meeting expenditure from the General Fund. These reserves represent differences due to timing of funding certain items of expenditure and are not available as a source of general funding.

	2019/20 £m	2020/21 £m
Revaluation Reserve	651.670	702.909
Capital Adjustment Account	1,049.907	1,081.467
Financial Instruments Adjustment Account	(5.578)	(5.398)
Pensions Reserve	(777.847)	(1,066.517)
Deferred Capital Receipts Reserve	1.042	1.042
Collection Fund Adjustment Account	2.028	(38.773)
Accumulated Absences Account	(4.672)	(7.625)
<b>TOTAL UNUSABLE RESERVES</b>	<b>916.550</b>	<b>667.105</b>

#### Revaluation Reserve

The Revaluation Reserve contains the gains made arising from increases in the value of its PPE. 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, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, when the reserve was first created. Gains arising prior to 1 April 2007 are consolidated into the balance on the Capital Adjustment Account.

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	<b>590.222</b>	<b>651.670</b>
Upward revaluation of assets	114.535	88.050
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(36.231)	(17.150)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	78.304	70.900
Difference between fair value depreciation and historical cost depreciation	(15.022)	(17.616)
Accumulated gains on assets sold or scrapped	(1.834)	(2.045)
Amount written off to the Capital Adjustment Account	(16.856)	(19.661)
<b>BALANCE AT 31 MARCH</b>	<b>651.670</b>	<b>702.909</b>

## Section 4 – Notes to the Financial Statements

### 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. Depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance costs of acquisition, construction and enhancement.

The account also contains accumulated gains and losses on Investment Properties, gains recognised on donated assets yet to be consumed by the Council, and revaluation gains accumulated on PPE prior to 1 April 2007.

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	<b>1,019.951</b>	<b>1,049.907</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Amortisation of intangible assets	(1.440)	(1.105)
Charges for depreciation of non-current assets	(89.267)	(82.128)
Revaluation losses on Property, Plant and Equipment	(9.919)	38.989
Donated assets		
Movements in the market value of Investment Properties	(14.502)	(13.230)
Revenue expenditure funded from capital under statute (REFCUS)	(3.179)	(26.568)
REFCUS expenditure funded by grants	2.831	4.448
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(31.276)	(21.521)
Adjusting amounts written out of the Revaluation Reserve	16.856	19.662
	(129.896)	(81.453)
<b>Capital financing applied in the year:</b>		
Use of Capital Receipts Reserve to finance new capital expenditure	15.874	11.930
Use of Capital Receipts Reserve to repay debt	16.719	9.870
Use of the Major Repairs Reserve to finance new capital expenditure	25.902	18.705
Application of grants to fund capital expenditure	66.715	32.671
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	28.589	30.249
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	1.505	1.756
Adjustment to MRP as a result of PFI Projects	7.293	10.046
Capital expenditure charged against the General Fund and HRA balances	0.467	0.463
<b>Reduction in Liabilities &amp; Repayment of Long Term Debtors etc:</b>		
Principal Repayment of Capital Loans	(3.212)	(2.677)
	159.852	113.013
<b>BALANCE AT 31 MARCH</b>	<b>1,049.907</b>	<b>1,081.467</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses for certain financial instruments and for bearing losses or benefiting from gains as per statutory provisions. The Council uses the account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are debited or credited to the CIES when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

Similar treatment is applied to loans raised by the Council with variable interest rates applied (Lenders Option Borrowers Option loans), and for monies advanced by the Council at less than the market interest rate (soft loans).

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	<b>(5.854)</b>	<b>(5.578)</b>
Premiums incurred in the year	0.363	0.363
Discounts incurred in the year	(0.007)	-
Lenders Option Borrowers Option Loans	0.008	0.005
Soft Loans	(0.088)	(0.188)
<b>BALANCE AT 31 MARCH</b>	<b>(5.578)</b>	<b>(5.398)</b>

### 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. Post-employment benefits are accounted for in the CIES as the benefits are earned by employees accruing years of service, liabilities are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. Statutory arrangements require benefits earned to be financed as employer's contributions are made to pension funds or eventually the Council will pay 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 set aside to meet them. Statutory arrangements ensure that funding will have been set aside by the time the benefits are due to be paid.

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	<b>(788.018)</b>	<b>(777.847)</b>
Remeasurements of the net defined benefit liability/asset	48.277	(228.579)
Reversal of items relating to retirement benefits debited or credited to (Surplus)/Deficit on Provision of Services in the CIES	(74.447)	(104.112)
Employer's pensions contributions and direct payments to the pensioners payable in the year	36.341	44.021
<b>BALANCE AT 31 MARCH</b>	<b>(777.847)</b>	<b>(1,066.517)</b>

## Section 4 – Notes to the Financial Statements

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until the cash is received, and it is then transferred to the Capital Receipts Reserve.

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	<b>2.143</b>	<b>1.042</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	(1.101)	-
<b>BALANCE AT 31 MARCH</b>	<b>1.042</b>	<b>1.042</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and NNDR income in the CIES as it falls due, compared with the statutory arrangements (funding basis) for paying across amounts to the General Fund from the Collection Fund.

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	<b>4.585</b>	<b>2.028</b>
Adjustment for council tax income and NNDR credited to the CIES on an accounting basis instead of funding basis	(2.557)	(40.801)
<b>BALANCE AT 31 MARCH</b>	<b>2.028</b>	<b>(38.773)</b>

### Accumulated Absences Account

The Accumulated Absences 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 (funding basis) require it to be treated as an unusable reserve so that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2019/20 £m	2020/21 £m
<b>Balance at 1 April</b>	<b>(4.163)</b>	<b>(4.672)</b>
Settlement or cancellation of accrual made at the end of the preceding year	4.163	4.672
Amounts accrued at the end of the current year	(4.672)	(7.625)
<b>Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis</b>	<b>(0.509)</b>	<b>(2.953)</b>
<b>BALANCE AT 31 MARCH</b>	<b>(4.672)</b>	<b>(7.625)</b>



## 4.4.12 Grants Received in Advance

## Revenue Grants Received in Advance

The Council has received a number of Revenue grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned if they are not met.

	31 March 2020 £m	31 March 2021 £m
Department for Education	(0.432)	(1.060)
Department of Health and Social Care	(4.113)	(12.217)
Department for Environment, Food and Rural Affairs	(0.192)	(0.381)
Ministry of Housing, Communities and Local Government	(11.280)	(16.252)
Department for Business, Energy and Industrial Strategy	(1.684)	(85.887)
Department for Transport	-	(0.638)
Department for Work and Pensions	-	(0.258)
Home Office	(0.050)	(0.796)
Sport England	(0.296)	(0.160)
Arts Council England	(0.255)	(0.595)
Other Government Grants	(2.379)	(2.653)
Other Non Government Grants and Contributions	(0.531)	(1.367)
<b>TOTAL</b>	<b>(21.212)</b>	<b>(122.264)</b>

## Capital Grants Received in Advance

The Council has received a number of Capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if they are not met.

The balances at the year-end are as follows:

	31 March 2020 £m	31 March 2021 £m
Department for Education	(0.077)	(3.239)
Department for Transport	(0.087)	(34.104)
Ministry of Housing, Communities and Local Government	(0.149)	(2.032)
Office for Low Emission Vehicles	(2.690)	(0.839)
S106 Contributions - Affordable Housing	(2.758)	(1.615)
S106 Contributions - Open Space	(2.289)	(2.471)
S106 Contributions - Education	(2.872)	(3.221)
S106 Contributions - Transport / Public Realm / Training	(0.173)	(1.184)
Other Grants and Contributions	(0.050)	(0.649)
<b>TOTAL</b>	<b>(11.145)</b>	<b>(49.354)</b>

## Section 4 – Notes to the Financial Statements

### 4.4.13 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments as employees earn their future entitlement.

The Council participates in three post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by Nottinghamshire County Council.
- The Teachers' Pension Scheme, managed by the Department for Education (DfE) and administered by Capita Business Services Ltd.
- The NHS Pension Scheme, administered by the NHS Business Services Authority.

Further details for these schemes can be found in Appendix A.

The following tables explain the amounts in the financial statements. Teachers Benefits data is in respect of additional pensions granted at retirement by the Council and are paid for by the Council as they become due.

#### Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Teachers Benefits	
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
<b>Opening balance at 1 April</b>	<b>(1,912.851)</b>	<b>(1,815.054)</b>	<b>(36.029)</b>	<b>(30.975)</b>
Current service cost	(56.342)	(74.399)	-	-
Interest cost	(45.339)	(35.199)	(0.787)	(0.689)
Change in financial assumptions	187.009	(482.992)	2.059	(4.135)
Change in demographic assumptions	33.056	20.239	0.827	0.367
Experience loss/(gain) on defined benefit obligation	(66.553)	24.396	0.845	0.406
Liabilities assumed/extinguished on settlements	1.966	0.154	-	-
Estimated benefits paid net of transfers in	53.042	55.465	-	-
Past Service costs including curtailments	(0.335)	(10.538)	-	-
Contributions by scheme participants and other employers	(9.709)	(9.904)	-	-
Unfunded pension payments	1.002	0.943	2.110	2.085
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>(1,815.054)</b>	<b>(2,326.889)</b>	<b>(30.975)</b>	<b>(32.941)</b>

The change in financial assumptions item includes the impact of the change in derivation of future assumed RPI and CPI inflation as noted in Appendix A – Section 7. These changes have resulted in a loss of £65.313m on the defined benefit obligation; comprising a gain of £104.677m from the change in assumed IRP and a loss of £169.990m from the change in the assumed gap between RPI and CPI inflation.

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	2019/20 £m	2020/21 £m
<b>Opening balance at 1 April</b>	<b>1,160.862</b>	<b>1,068.182</b>
Interest on assets	27.719	17.157
Return on assets less interest	(106.132)	213.140
Other actuarial gains/losses	(2.834)	-
Administration expenses	(0.465)	(0.518)
Contributions by the employer including unfunded	34.231	41.936
Contributions by scheme participants and other employers	9.709	9.904
Estimated benefits paid plus unfunded net of transfers in	(54.044)	(56.408)
Settlement prices received/paid	(0.864)	(0.080)
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>1,068.182</b>	<b>1,293.313</b>

The total return on the fund assets for the year to 31 March 2021 is £230.297m.

The net pension liability shown in the balance sheet as at 31 March is as follows:

	Local Government Pension Scheme		Teachers Benefits	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£m	£m	£m	£m
Present value of the defined benefit obligation	(1,803.377)	(2,315.206)	-	-
Fair value of Fund assets (bid value)	1,068.182	1,293.313	-	-
<b>Net Liability</b>	<b>(735.195)</b>	<b>(1,021.893)</b>	<b>-</b>	<b>-</b>
Present value of unfunded obligation	(11.677)	(11.683)	(30.975)	(32.941)
<b>NET DEFINED BENEFIT LIABILITY IN BALANCE SHEET</b>	<b>(746.872)</b>	<b>(1,033.576)</b>	<b>(30.975)</b>	<b>(32.941)</b>

The Council has a share of responsibility for some of the funded and unfunded liabilities of the historic Nottinghamshire County Council, prior to the re-organisation of local government in 1998. As such, a share of the assets and liabilities attributable to the historic council are included in the figures above, as in previous years.

The Council additionally has responsibility for the Fund liabilities of Nottingham City Transport Limited accrued prior to 26 October 1986. These liabilities and a respective share of Fund assets are included in the figures above as in previous years.

The liabilities show the Council's commitment to pay post-employment (retirement) benefits. The total liability of £1,066.517m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit are in place to safeguard the financial position of the Council:

- The deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

## Section 4 – Notes to the Financial Statements

### 4.4.14 Financial Instruments

The operation of the Council's Treasury Management function is regulated through the Local Government Act 2003 and supplementary guidance issued by the Ministry of Housing, Communities and Local Government, CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council approves an annual treasury strategy, reviewing risk and expected activities during the year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 requires disclosure of information pertaining to the scope, significance and risk associated with the Council's financial instruments.

#### Categories of Financial Instruments

A financial instrument arises from a contract which creates a financial asset in one organisation and a financial liability in another. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

The following categories of financial instrument are carried in the Balance Sheet:

#### Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	Restated 31 March 2020	31 March 2021
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Amortised Cost</b>								
Principal	10.776	10.750	110.561	117.101	45.000	105.000	130.073	148.111
Cash & Cash Equivalents	-	-	-	-	97.125	44.519	-	-
Investment accrued Interest	-	-	-	-	0.189	0.094	-	-
<b>Amortised Cost Total</b>	<b>10.776</b>	<b>10.750</b>	<b>110.561</b>	<b>117.101</b>	<b>142.314</b>	<b>149.613</b>	<b>130.073</b>	<b>148.111</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>10.776</b>	<b>10.750</b>	<b>110.561</b>	<b>117.101</b>	<b>142.314</b>	<b>149.613</b>	<b>130.073</b>	<b>148.111</b>
Non-financial Instrument	18.753	19.855	-	-	-	-	22.596	28.632
<b>TOTAL</b>	<b>29.529</b>	<b>30.605</b>	<b>110.561</b>	<b>117.101</b>	<b>142.314</b>	<b>149.613</b>	<b>152.669</b>	<b>176.743</b>

The restatement of 2019/20 figures for current debtors is in relation to a change in the split between financial instruments and non-financial instruments – the total figure is unchanged.

The long term debtor balances in controlled entities have been moved into Financial Assets at amortised cost. The equity investment in controlled entities remains in Non-Financial Instruments as they are accounted for in the group accounts.

#### Long Term Debtors

Long Term Debtors by type	31 March 2020	New Loans Issued	Loan Repayments	Expected Loss Allowance Movements	Other Movements	31 March 2021
	£m	£m	£m	£m	£m	£m
Loans to Council Group Company	43.465	31.401	(3.067)	(17.356)	1.911	56.354
Loans to 3rd Party Organisations	25.893	6.157	(1.326)	(0.561)	(0.940)	29.223
PFI Related Debtor	30.537	-	-	-	(2.349)	28.188
Housing Debtors	1.043	-	-	-	(0.034)	1.009
Other Debtors	9.623	-	-	(6.800)	(0.496)	2.327
<b>TOTAL</b>	<b>110.561</b>	<b>37.558</b>	<b>(4.393)</b>	<b>(24.717)</b>	<b>(1.908)</b>	<b>117.101</b>

## Section 4 – Notes to the Financial Statements

The new loans issued to Council Group Companies includes £23.9m to the Nottingham City Homes Group and £2.5m to Blueprint both for related housing projects and £5.0m to support the Nottingham Ice Centre. 3<sup>rd</sup> party loans included £5.5m to the Nottingham College for the Skills Hub project and £0.7m to the Nottingham Castle Trust. Further details on the expected loss allowances against long term debtors can be found in section 4.7.16.

The PFI debtor relates to the NET 2 operators right to use NET Line 1 infrastructure over the term of the PFI agreement.

Other movements are year end technical accounting adjustments including the soft loan accounting and transferring repayments due in the next 12 months to short term debtors.

### Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	Restated 31 March 2020	31 March 2021
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Amortised Cost</b>								
Principal	(924.613)	(898.720)	-	-	(149.895)	(34.062)	(92.739)	(138.645)
Loans Accrued Interest	-	-	-	-	(8.280)	(7.972)	-	-
Market Loan Effective Interest Rate Adjustment	(0.913)	(0.908)	-	-	-	-	-	-
PFI and finance lease liabilities	(181.787)	(170.222)	-	-	(9.597)	(11.113)	-	-
Other	-	-	(4.051)	(3.583)	-	-	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>(1,107.313)</b>	<b>(1,069.850)</b>	<b>(4.051)</b>	<b>(3.583)</b>	<b>(167.772)</b>	<b>(53.147)</b>	<b>(92.739)</b>	<b>(138.645)</b>
Non-financial Instrument	-	-	-	-	-	-	(48.746)	(52.493)
<b>TOTAL</b>	<b>(1,107.313)</b>	<b>(1,069.850)</b>	<b>(4.051)</b>	<b>(3.583)</b>	<b>(167.772)</b>	<b>(53.147)</b>	<b>(141.485)</b>	<b>(191.138)</b>

The restatement of 2019/20 figures for current creditors is in relation to a change in the split between financial instruments and non-financial instruments – the total figure is unchanged.

### Notes:

The principal element of borrowings plus PFI and finance lease liabilities equates to external debt for comparison against the operational boundary.

Borrowings	Long-term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£m	£m	£m	£m
PWLB	(875.598)	(849.706)	(24.869)	(24.297)
Market Loans	(49.913)	(49.908)	(0.500)	(0.495)
Temporary Debt & Other	(0.015)	(0.014)	(132.806)	(17.242)
<b>Total Borrowings</b>	<b>(925.526)</b>	<b>(899.628)</b>	<b>(158.175)</b>	<b>(42.034)</b>

PWLB borrowings are long term loans of which the majority are at a fixed interest rate with a variety of maturity dates becoming due over the next 50 years. The Public Works Loans Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury.

Market Loans are long term loans all of which are at a fixed interest rate taken from Banks, £34m of these loans are known as LOBO loans where, at specific points, the

## Section 4 – Notes to the Financial Statements

lender has the option to alter the interest rate charged. Should the lender exercise the option to alter the interest rate, the borrower then has the option to continue with the loan instrument at the new rate or alternatively to terminate the agreement and pay back the sum borrowed with no other penalty.

Temporary Debt & Other are mainly loans taken at fixed interest rates for a duration of less than 12 months from another local authority.

### Financial Instruments – Items of interest, expense, gains and losses

The following table discloses the income and expenditure recognised in the CIES for all financial assets and liabilities not held at fair value (calculated using the effective interest method):

	2019/20 £m	2020/21 £m
Net gains/losses on:		
- financial assets measured at amortised cost	12.147	24.556
<b>Total net (gains)/losses in (Surplus)/Deficit on Provision of Services</b>	<b>12.147</b>	<b>24.556</b>
Interest expense	53.647	52.071
<b>Total Expense in (Surplus)/Deficit on Provision of Services</b>	<b>53.647</b>	<b>52.071</b>
Interest income on financial assets measured at amortised cost	(4.972)	(5.958)
Other income	(1.575)	(1.161)
Dividend Income	(0.232)	(1.245)
<b>Total Income in (Surplus)/Deficit on Provision of Services</b>	<b>(6.779)</b>	<b>(8.364)</b>
<b>NET GAIN/(LOSS) FOR THE YEAR</b>	<b>59.015</b>	<b>68.263</b>

The interest expense figures above include £12.839 in 2019/20 and £13.397m in 2020/21 that relate to the HRA which gets recharged accordingly.

The interest income figures above include £0.353m in 2019/20 and £0.011m in 2020/21 that relate to the HRA which gets recharged accordingly.

### Financial Instruments – Fair Values

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. 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).

All of the council's financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- PWLB loans borrowed by the Council have been valued on the basis of using the PWLB new borrowing (certainty rate) discount rates matching the remaining duration of the loans.
- The fair values of other long-term borrowing have been estimated using the new PWLB Certainty Rate loan discount rates (UK government gilt prices plus a margin of 80 bpts) for the most appropriate maturity and repayment profiles as proxy for fair value in the absence of any detailed market transactions.

## Section 4 – Notes to the Financial Statements

- The fair values of finance lease and PFI scheme assets and liabilities have been calculated by discounting the contractual cash flows (excluding service charges) at the appropriate AA corporate bond yield.
- Where appropriate the fair value for long term debtors has been estimated using a PWLB equivalent discount rate for new fixed rate loans with the most appropriate maturity and repayment profile as at 31st March 2021. The fair value on the remaining long term debtors is deemed to be the balance outstanding at 31<sup>st</sup> March 2021.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.

Fair values are shown in the following table, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities that the council can access at the measurement date e.g. bond prices.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

The fair values calculated are as follows:

	Fair value level	Restated 31 March 2020		31 March 2021	
		Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
PWLB debt	2	(900.468)	(1,004.839)	(874.003)	(1,042.590)
Market loans	2	(50.413)	(76.814)	(50.403)	(82.458)
PFI and finance leases	2	(191.384)	(266.948)	(181.335)	(263.338)
Other debt	*	(132.820)	(132.869)	(17.256)	(17.256)
Trade creditors	*	(92.739)	(92.739)	(138.645)	(138.645)
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(1,367.824)</b>	<b>(1,574.209)</b>	<b>(1,261.642)</b>	<b>(1,544.287)</b>
Money Market & Pooled Funds (< 1 year)	*	74.000	74.000	35.600	35.600
Other Investments (< 1 year)	*	45.189	45.189	105.094	105.094
Investments (> 1 year)	2	10.000	10.086	10.000	10.089
Shares in unlisted companies	** 3	19.529	19.529	20.605	20.605
Debtors	*	130.073	130.073	148.111	148.111
Long-term debtors	***2	110.561	149.056	117.101	153.881
<b>TOTAL FINANCIAL ASSETS</b>		<b>389.352</b>	<b>427.933</b>	<b>436.511</b>	<b>473.380</b>

\* The fair value of short term financial assets and liabilities including trade receivables/payables is assumed to be approximate to the carrying amount.

\*\* The fair value of shares in unlisted companies that are within the NCC group are shown at cost less impairment. In 2018/19 £7.500m of shares in Robin Hood Energy Ltd were fully impaired.

## Section 4 – Notes to the Financial Statements

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\*\*\* The carrying value is net of expected credit loss allowances and excludes repayments due within 12 months.

Values at 31 March 2020 have been restated due to changes in the trade creditors and debtors.

The fair value of the debt is greater than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market as at the balance sheet date.

This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £874.003m would be valued at £1,042.590m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £1,235.934m.

The fair value of the assets is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2021) arising from a commitment to receive interest from lenders above current market rates.

The long term debtors as at 31 March 2021 show a carrying amount of £117.101m. The main debtors sub-categories include £28.188m Nottingham Express Transit (NET), £56.354m loans to subsidiaries, £29.223m other third party loans and £3.336m other long term debtors.

### **Financial Guarantee**

Local authorities sometimes give financial guarantees that require them to make specified payments to reimburse the holder of a debt if the debtor fails to make payment when due in accordance with the terms of the contract. The details for the financial guarantees provided by the council can found in the provisions note 4.4.9.

### **Soft Loans**

The Council has made a number of loans to voluntary organisations at less than market rates (soft loans). The details of these are £0.374m issued in 2014 then £0.150m issued in 2017, £0.090m issued in 2018, £0.345m issued in 2019/20 and £0.700 issued in 2020/21 to Nottingham Castle Trust. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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 at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is



managed by a transfer to or from the Financial Instruments Adjustment Account. The detailed soft loan information is as follows:

	2019/20 £m	2020/21 £m
<b>Opening balance</b>	<b>0.453</b>	<b>0.711</b>
Nominal value of new loans granted in year	0.345	0.700
Fair Value adjustment on initial recognition	(0.126)	(0.241)
Other changes	0.039	0.053
<b>Closing balance at end of year</b>	<b>0.711</b>	<b>1.223</b>
Nominal value	<b>0.910</b>	<b>1.659</b>

## 4.5 Movement in Reserves Statement Notes

### 4.5.1 Adjustments between Accounting Basis and Funding Basis under Regulations

2020/21	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	1.101	0.004	-	-	-	(1.105)
• Depreciation	69.134	12.993	-	-	-	(82.127)
• Revaluation Losses	11.097	(50.206)	-	-	-	39.109
• Investment Property Movement	13.273	(0.043)	-	-	-	(13.230)
• Assets Held for Sale Movement	0.120	-	-	-	-	(0.120)
• Derecognition of Fixed Assets	3.829	2.189	-	-	-	(6.018)
• (Loss)/Gain on Sale of Fixed Assets	(5.023)	(1.290)	21.817	-	-	(15.504)
	93.531	(36.353)	21.817	-	-	(78.995)
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute (REFCUS)	2.120	-	-	-	-	(2.120)
• REFCUS - Capitalisation Directive - Exceptional CIES Item	20.000	-	-	-	-	(20.000)
• Statutory Minimum Revenue Provision for Capital Financing	(30.249)	-	-	-	-	30.249
• Voluntary Revenue Provision for Capital Financing	-	(1.756)	-	-	-	1.756
• PFI Minimum Revenue Provision	(10.046)	-	-	-	-	10.046
• Capital Expenditure charged in year to General Fund Balance	(0.063)	(0.400)	-	-	-	0.463
• Transfer to/from Major Repairs Reserve	-	(29.499)	-	10.793	-	18.706
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	2.085	-	(2.085)	-	-	-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(11.930)	-	-	11.930
• Use of Capital Receipts Reserve to repay debt	-	-	(9.870)	-	-	9.870
• Capital grants & contributions to be applied in future years	2.038	-	-	-	(2.038)	-
• Capital grants applied in year	(18.426)	-	-	-	(14.244)	32.670
• Other Items (long term debtors)	-	-	2.677	-	-	(2.677)
	(32.541)	(31.655)	(21.208)	10.793	(16.282)	90.893

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2020/21	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
<b>Other Movements</b>						
• Pension Fund:						
- Net charges made for Retirement Benefits in accordance with IAS19	104.112	-	-	-	-	(104.112)
- Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners	(44.021)	-	-	-	-	44.021
• Financial Instrument Adjustment Account	(0.179)	(0.001)	-	-	-	0.180
• Transfer to/(from) Collection Fund Adjustment Account	40.801	-	-	-	-	(40.801)
• Employee Benefits	2.952	-	-	-	-	(2.952)
	103.665	(0.001)	-	-	-	(103.664)
<b>TOTAL ADJUSTMENTS</b>	<b>164.655</b>	<b>(68.009)</b>	<b>0.609</b>	<b>10.793</b>	<b>(16.282)</b>	<b>(91.766)</b>

## Section 4 – Notes to the Financial Statements

2019/20	Usable Reserves					Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£m	£m	£m	£m	£m	
<b>Non Current Assets</b>						
• Amortisation of Intangible Fixed Assets	1.436	0.004	-	-	-	(1.440)
• Depreciation	68.900	20.367	-	-	-	(89.267)
• Revaluation Losses	(5.061)	15.100	-	-	-	(10.039)
• Investment Property Movement	14.681	(0.179)	-	-	-	(14.502)
• Assets Held for Sale Movement	(0.120)	-	-	-	-	0.120
• Derecognition of Fixed Assets	1.054	2.423	-	-	-	(3.477)
• (Loss)/Gain on Sale of Fixed Assets	(2.211)	(3.010)	34.121	-	-	(28.900)
	78.679	34.705	34.121	-	-	(147.505)
<b>Capital Financing</b>						
• Revenue Expenditure Funded From Capital Under Statute	0.348	-	-	-	-	(0.348)
• Statutory Minimum Revenue Provision for Capital Financing	(28.589)	-	-	-	-	28.589
• Voluntary Revenue Provision for Capital Financing	-	(1.505)	-	-	-	1.505
• PFI Minimum Revenue Provision	(7.293)	-	-	-	-	7.293
• Capital Expenditure charged in year to General Fund Balance	(0.067)	(0.400)	-	-	-	0.467
• Transfer to/from Major Repairs Reserve	-	(29.329)	-	3.427	-	25.902
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	2.084	-	(2.084)	-	-	-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(15.874)	-	-	15.874
• Use of Capital Receipts Reserve to repay debt	-	-	(16.719)	-	-	16.719
• Capital grants & contributions to be applied in future years	(20.800)	-	-	-	20.800	-
• Capital grants applied in year	(43.359)	-	-	-	(23.356)	66.715
• Other Items (long term debtors)	-	-	3.212	-	-	(3.212)
	(97.676)	(31.234)	(31.465)	3.427	(2.556)	159.504

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2019/20	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
<b>Other Movements</b>						
• Pension Fund:						
- Net charges made for Retirement Benefits in accordance with IAS19	74.447	-	-	-	-	(74.447)
- Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(36.341)	-	-	-	-	36.341
• Financial Instrument Adjustment Account	(0.278)	0.002	-	-	-	0.276
• Transfer to/(from) Collection Fund Adjustment Account	2.557	-	-	-	-	(2.557)
• Employee Benefits	0.509	-	-	-	-	(0.509)
	40.894	0.002	-	-	-	(40.896)
<b>TOTAL ADJUSTMENTS</b>	<b>21.897</b>	<b>3.473</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>(28.897)</b>

## Section 4 – Notes to the Financial Statements

### 4.5.2 Post-employment Benefits Transactions

The Council recognises the cost of retirement benefits in the cost of services when they are earned by employees; rather than when the benefits are eventually paid as pensions. The charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the MIRS. The following transactions have been applied to the General Fund Balance via the MIRS during the year:

	Local Government			
	Pension Scheme		Teachers Benefits	
	2019/20	2020/21	2019/20	2020/21
	£m	£m	£m	£m
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits	(73.660)	(103.423)	(0.787)	(0.689)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	34.231	41.936	-	-
Retirement benefits payable to pensioners	-	-	2.110	2.085

These transactions can be summarised as follows:

	2019/20	2020/21
	£m	£m
<b>Movement in Reserves Statement:</b>		
Reversal of Charges made in accordance with the Code	(74.447)	(104.112)
Charges to General Fund made on a funding basis	36.341	44.021
<b>TOTAL</b>	<b>(38.106)</b>	<b>(60.091)</b>

## 4.6 Cash Flow Statement Notes

### 4.6.1 Non Cash Movements in Surplus/Deficit on the Provision of Services

	2019/20 £m	2020/21 £m
Depreciation	89.146	82.127
Impairment and movement in asset valuations	10.039	(38.989)
Amortisation	1.441	1.105
Soft Loans (non Subsidiary)-Interest adjustment credited to I&E Account during year	(0.039)	(0.053)
Adjustment for effective interest rates	0.119	0.235
Increase/decrease in expected loss allowance impairments/doubtful debts re: Loans & Advances	6.773	24.716
Financial Guarantee Adjustments	1.902	(8.250)
Increase/Decrease in Interest Creditors	(3.328)	(0.616)
Increase/Decrease in Creditors	(25.967)	59.232
Increase/Decrease in Interest and Dividend Debtors	(0.945)	0.937
Increase/Decrease in Debtors	(32.169)	15.629
Increase/Decrease in Contract Assets	0.114	0.169
Increase/Decrease in Inventories	1.351	0.365
Movement in Pension Liability	38.106	60.091
Other non cash adjustment	(0.628)	3.958
Contributions to/(from) Provisions	(5.178)	5.737
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	31.158	21.521
Movement in Investment Property Values	14.502	13.230
<b>TOTAL</b>	<b>126.397</b>	<b>241.144</b>

### 4.6.2 Investing or Financing Activities in Surplus/Deficit on the Provision of Services

	2019/20 £m	2020/21 £m
Capital Grants credited to surplus or deficit on the provision of services	(56.613)	(26.502)
Net adjustment from the sale of short and long term investments	-	(45.000)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	(36.232)	(24.495)
<b>TOTAL</b>	<b>(92.845)</b>	<b>(95.997)</b>

## Section 4 – Notes to the Financial Statements

### 4.6.3 Operating Activities

The cash flows for operating activities include the following items:

	2019/20	2020/21
	£m	£m
Interest received	5.515	6.787
Interest paid	(56.983)	(52.693)
Dividends received	0.407	0.949
	<b>(51.061)</b>	<b>(44.957)</b>

### 4.6.4 Investing Activities

	2019/20	2020/21
	£m	£m
Purchase of property, plant and equipment, investment property and intangible assets	(138.635)	(127.259)
Purchase of short-term and long-term investments	(61.671)	(106.102)
Other payments for investing activities	(39.932)	(37.558)
Proceeds from short-term and long-term investments	57.537	45.026
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	34.121	21.817
Other receipts from investing activities	78.840	69.685
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(69.740)</b>	<b>(134.391)</b>

### 4.6.5 Financing Activities

	2019/20	2020/21
	£m	£m
Cash receipts of short and long-term borrowing	197.500	17.000
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(7.296)	(10.048)
Repayments of short and long-term borrowing	(84.557)	(158.612)
Other payments for financing activities - Council Tax and NNDR adjustments	-	(41.475)
Other receipts for financing activities	-	174.380
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>105.647</b>	<b>(18.755)</b>



## 4.6.6 Reconciliation of Liabilities Arising from Financing Activities

	1 April 2020 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2021 £m
Long-term borrowings	(925.526)	26.224	(0.326)	(899.628)
Short-term borrowings	(158.175)	123.781	(7.640)	(42.034)
Lease liabilities	(2.199)	0.453	(0.003)	(1.749)
On balance sheet PFI liabilities	(191.864)	9.595	2.683	(179.586)
Other	(1.368)	(0.097)	(0.011)	(1.476)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,279.132)</b>	<b>159.956</b>	<b>(5.297)</b>	<b>(1,124.473)</b>

	1 April 2019 £m	Financing cash outflows (inflows) £m	Other Non-cash changes £m	31 March 2020 £m
Long-term borrowings	(877.710)	(65.000)	17.184	(925.526)
Short-term borrowings	(86.394)	(56.269)	(15.512)	(158.175)
Lease liabilities	(2.201)	0.002	-	(2.199)
On balance sheet PFI liabilities	(198.824)	7.294	(0.334)	(191.864)
Growing Places Fund and other	(18.114)	8.326	8.420	(1.368)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,183.243)</b>	<b>(105.647)</b>	<b>9.758</b>	<b>(1,279.132)</b>

## 4.7 Other Notes

## 4.7.1 Agency Services

As part of the COVID-19 response, the government announced two grant schemes to support businesses to be administered by local authorities:

- the Small Business Grant Fund, which awards businesses with properties, in receipt of small business rates relief or rural rate relief a grant of £10,000;
- Retail, Hospitality and Leisure Grant Fund, this fund awards a grant to businesses with a property being used for a qualifying purpose a grant of £10,000 where the rateable value is up to and including £15,000 or £25,000 where the rateable value is over £15,000 and less than £51,000.47.

The eligibility criteria for these two schemes are set out in government guidance and the Council which acts as billing authority is required to use their business rates information system to identify the properties that meet the eligibility criteria. The Council is also responsible for paying over the grants to the businesses. The Council

## Section 4 – Notes to the Financial Statements

is acting as an agent for the distribution of these grants and has no control over the amount of grant allocated to a recipient.

The Council is reimbursed by government for the grant payments made using a grant under Section 31 of the Local Government Act 2003 (S31). The Council received £67m of S31 grant during 2020/21 and as at 31 March 2021 there is £12.568m unallocated grant included within creditors on the Council's balance sheet.

### 4.7.2 Jointly Controlled Operations

Nottingham City Council (NCC) runs a joint operation with Leicestershire County Council (LCC) to provide shared transactional finance, human resources and payroll services to both councils under the name of East Midlands Shared Services (EMSS). EMSS operates under a Joint Committee established under section 102 of the Local Government Act 1972. The Joint Committee does not have separate legal personality and so is not a separate entity.

Operations relating to EMSS are carried out at both NCC and LCC premises, with LCC being the employing authority and NCC the host authority. In line with the partnership agreement, the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of costs for NCC of 58.51%.

A summary of the income and expenditure of EMSS, and the associated amounts included in NCC's accounts is shown in the following table:

	Amounts included within			
	Total EMSS		NCC Accounts	
	2019/20 £m	2020/21 £m	2019/20 £m	2020/21 £m
<b>Income:</b>				
Direct external income - LCC	(1.510)	(1.355)	-	-
Direct external income - NCC	(0.545)	(0.502)	(0.545)	(0.502)
<b>Total Income</b>	<b>(2.055)</b>	<b>(1.857)</b>	<b>(0.545)</b>	<b>(0.502)</b>
<b>Expenditure:</b>				
Direct costs incurred by LCC	5.610	5.910	-	-
Direct costs incurred by NCC	0.276	0.045	0.276	0.045
Third party payments to LCC	-	-	2.658	3.000
<b>Total Expenditure</b>	<b>5.886</b>	<b>5.955</b>	<b>2.934</b>	<b>3.045</b>
<b>NET EXPENDITURE</b>	<b>3.831</b>	<b>4.098</b>	<b>2.389</b>	<b>2.543</b>

### 4.7.3 Councillors' Allowances

The Council paid the following amounts to Councillors during the year:

	2019/20 £m	2020/21 £m
Allowances	1.080	1.108
Expenses	0.002	-
<b>TOTAL</b>	<b>1.082</b>	<b>1.108</b>

## 4.7.4 Officers Remuneration

The remuneration paid to the Council's senior employees is as follows:

POST HOLDER	2019/20 £	2020/21 £
<b>Chief Executive - Ian Curryer<sup>1</sup></b>		
- Salary, Fees & Allowances	163,424	17,590
- Pension Contributions	-	-
	<b>163,424</b>	<b>17,590</b>
<b>Interim Chief Executive - Katherine Kerswell<sup>2</sup></b>		
- Salary, Fees & Allowances	-	81,387
- Pension Contributions	-	-
	-	<b>81,387</b>
<b>Chief Executive - Mel Barrett<sup>3</sup></b>		
- Salary, Fees & Allowances	-	104,891
- Pension Contributions	-	18,775
	-	<b>123,666</b>
<b>Corporate Director - Children and Adults<sup>4</sup></b>		
- Salary, Fees & Allowances	82,740	-
- Pension Contributions	11,335	-
	<b>94,075</b>	-
<b>Corporate Director - People<sup>5</sup></b>		
- Salary, Fees & Allowances	70,063	143,850
- Pension Contributions	9,590	-
	<b>79,653</b>	<b>143,850</b>
<b>Corporate Director for Strategy and Resources<sup>6</sup></b>		
- Salary, Fees & Allowances	122,472	30,407
- Pension Contributions	16,779	4,815
	<b>139,251</b>	<b>35,222</b>
<b>Corporate Director - Commercial and Operations<sup>7</sup></b>		
- Salary, Fees & Allowances	127,357	38,679
- Exit Package	-	88,170
- Pension Contributions	17,448	5,699
	<b>144,805</b>	<b>132,548</b>
<b>Corporate Director - Covid Response and Recovery<sup>8</sup></b>		
- Salary, Fees & Allowances	-	123,042
- Pension Contributions	-	22,024
	-	<b>145,066</b>
<b>Corporate Director - Development and Growth</b>		
- Salary, Fees & Allowances	127,357	130,859
- Pension Contributions	17,448	23,424
	<b>144,805</b>	<b>154,283</b>
<b>Programme Director - Midland Engine<sup>9</sup></b>		
- Salary, Fees & Allowances	16,051	-
- Pension Contributions	2,043	-
	<b>18,094</b>	-
<b>Strategic Director of Finance and Section 151 Officer<sup>10</sup></b>		
- Salary, Fees & Allowances	100,676	71,188
- Pension Contributions	13,793	12,743
	<b>114,469</b>	<b>83,931</b>
<b>Interim Strategic Director of Finance and Section 151 Officer<sup>11</sup></b>		
- Salary, Fees & Allowances	-	87,715
- Pension Contributions	-	-
	-	<b>87,715</b>
<b>Strategic Director of Development (and Deputy Chief Executive)<sup>12</sup></b>		
- Salary, Fees & Allowances	6,402	-
- Pension Contributions	-	-
	<b>6,402</b>	-
<b>Director for Legal and Governance and Monitoring Officer</b>		
- Salary, Fees & Allowances	100,676	103,445
- Pension Contributions	13,793	18,517
	<b>114,469</b>	<b>121,962</b>
<b>Director of Public Health</b>		
- Salary, Fees & Allowances	104,489	107,362
- Pension Contributions	15,026	15,439
	<b>119,515</b>	<b>122,801</b>

## Section 4 – Notes to the Financial Statements

Notes to table:

1. Post holder left April 2020
2. Post holder from April 2020 left August 2020
3. New Post holder from September 2020
4. Post holder left October 2019
5. New Post holder from October 2019
6. Post holder left June 2020
7. Post holder left June 2020
8. New post in structure in 2020/21 to manage Covid-19 response
9. Fully funded post through Midlands Engine grant. Post holder left May 2019 Change to structure in 19/20 so new postholder no longer meets criteria of senior officer.
10. Post holder left November 2020
11. New Post holder from November 2020. Paid via Agency £87,715 represents payment to agency for salary during 2020-21.
12. Post holder left April 2019

A total of 274 employees (excluding senior employees) received remuneration of more than £0.050m, of which 75 are employed directly by schools. The figures do not include staff employed by academy schools as they are not Council employees:

Remuneration Banding £	Number of Employees	
	2019/20	2020/21
50,000 - 54,999	60	127
55,000 - 59,999	31	38
60,000 - 64,999	29	31
65,000 - 69,999	32	38
70,000 - 74,999	11	16
75,000 - 79,999	7	8
80,000 - 84,999	3	4
85,000 - 89,999	10	2
90,000 - 94,999	2	3
95,000 - 99,999	-	5
100,000 - 104,999	1	-
110,000 - 114,999	-	1
130,000 - 134,999	1	-
195,000 - 199,999	-	1
<b>TOTAL</b>	<b>187</b>	<b>274</b>
<b>GRAND TOTAL</b>	<b>187</b>	<b>274</b>

The increase in employees in the £50,000-£54,999 band is due to a large number of exit packages agreed during 2020/21. Further detail can be found in the following exit packages note.

## Section 4 – Notes to the Financial Statements

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table:

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Voluntary Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
Up to £20,000	20	19	-	165	-	-	20	184	140,642	1,633,795
£20,001 to £40,000	3	1	-	77	-	1	3	79	104,943	2,223,657
£40,001 to £60,000	-	2	-	35	-	-	-	37	-	1,886,498
£60,001 to £80,000	-	2	-	24	-	-	-	26	-	1,798,184
£80,001 to £100,000	1	-	-	13	-	-	1	13	83,542	1,116,638
£100,001 to £150,000	-	-	-	14	-	-	-	14	-	1,639,488
£150,001 to £200,000	-	-	-	2	-	-	-	2	-	334,207
<b>TOTAL</b>	<b>24</b>	<b>24</b>	<b>-</b>	<b>330</b>	<b>-</b>	<b>1</b>	<b>24</b>	<b>355</b>	<b>329,127</b>	<b>10,632,467</b>

### 4.7.5 External Audit Costs

The Council has incurred the following costs for the audit of the Statement of Accounts, certification of grant claims and returns (which relate to prior year claims) and other services provided by the external auditors:

	2019/20 £m	2020/21 £m
Statutory audit	0.156	0.133
Certification of other grant claims and returns	0.005	0.005
Fees payable in respect of other services provided by the external auditors during the year	0.010	0.010
<b>TOTAL</b>	<b>0.171</b>	<b>0.148</b>

The 2019/20 audit is not yet concluded and therefore further variations in the fees are likely.

### 4.7.6 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by DSG provided by the Department for Education. This is a ring fenced grant and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools and Early Years Finance (England) Regulations 2020. The Schools Budget includes elements for a range of educational services provided on a Council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

## Section 4 – Notes to the Financial Statements

Details of the deployment of DSG receivable for 2020/21 are as follows:

Notes	Central Expenditure £m	ISB £m	Total £m
A			288.192
B			172.623
C			115.569
D			7.244
E			5.443
F	38.821	78.549	117.370
G			-
H	38.821	78.549	117.370
I	36.539		36.539
J		76.825	76.825
K	0.036	-	0.036
L	2.317	1.725	9.485

### Notes to DSG:

- A Figure as announced by the Department for Education (DfE) in March 2021.
- B Figure recouped from the Council in 2020/21 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recouplement for 2020/21.
- D Figure brought forward from 2019/20 as agreed with the DfE.
- E The amount which the Council planned after consultation with the schools forum to carry forward to 2021/22, rather than distribute in 2020/21.
- F Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- G Changes to the initial distribution.
- H Budgeted distribution of DSG as at the end of the financial year.
- I Actual amount of central expenditure items in 2020/21.
- J Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools' budget shares).
- K Any contribution from the Council in 2020/21 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2021/22. The total figure is the carry forward to 2021/22 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

The final DSG for 2020 to 2021 before the academy recouplement figure includes a provision for the early years block. This figure is derived from the 2019 to 2020 data. Due to the outbreak of Coronavirus (COVID-19) the approach for funding early years has changed in the financial year 2020 to 2021. The final allocation for the 2020 to 2021 early years block will be based upon the January 2020 census count (to cover the period April 2020 to December 2020) and the January 2021 census count (to cover January 2021 to March 2021). In addition, local authorities may also receive top up funding for the spring term in their early years DSG funding allocation for the 2020 to 2021 financial year. All local authorities are eligible for top-up funding for any of the government's 2, 3 and 4-year old entitlements (except the Disability Access Fund) if

the take up of any of those entitlements, at the time of the January census, are lower than 85% of their January 2020 census in childcare attendance hours, and this take up has increased over the course of the term. Nottingham City Council will be applying for the top-up funding. The final allocation for the 2020 to 2021 early years block will be made in November 2021 and any adjustments to be treated as an 'in year adjustment' for 2021 to 2022.

There is no 'In year adjustment' for early years for the financial year 2019 to 2020 due to the adjustment being included in the 2019 to 2020 note to the accounts table due to the timing of the submission of the table. The brought forward from 2019/20 figure of £7.244m includes the early years adjustment for 2019 to 2020.

### 4.7.7 Related Parties

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

#### Central Government

Central government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the CIES note 4.3.5. Capital grants and Revenue grants received in advance as at 31 March 2021 are shown in note 4.4.12.

#### Councillors/Officers

Councillors have direct control over financial and operating policies. The total of Councillors' allowances paid in 2020/21 is shown in the Councillors' allowances note 4.7.3.

During 2020/21 payments, receipts and balances outstanding for works and services to other organisations (the majority being transactions with the Council's subsidiaries) in which Councillors or relevant officers had an interest were as follows:

	2019/20 £m	2020/21 £m
Payments	137.060	156.444
Receivables	(40.462)	(37.409)
Debtors	12.475	29.121
Creditors	(2.041)	(7.180)

Details of transactions are recorded in the Register of Members' Interest, which is open to public inspection during office hours.

## Section 4 – Notes to the Financial Statements

### Other Public Bodies

The Council has pooled budget arrangements with Integrated Community Equipment and Loan Services (ICELS), Better Care Fund, and the Adult's and Children's Safeguarding Board. There were no significant transactions with ICELS and Adult Safeguarding Partnership Board in 2020/21. Transactions for the Better Care Fund are detailed in note 4.7.8.

The Council paid £0.078m in 2020/21 (£0.077m 2019/20) to the Environment Agency for flood defence.

### Entities Controlled or Significantly Influenced by the Council

The following are significant related-party transactions with the Council's subsidiary and associated companies.

	2019/20		2020/21	
	Payments	Receipts	Payments	Receipts
	£m	£m	£m	£m
Enviroenergy Ltd	0.931	(7.317)	0.926	(8.253)
Futures Advice, Skills and Employment Ltd	2.063	(0.192)	3.011	(0.191)
Inspired Spaces	8.357	-	8.369	-
Nottingham City Homes (NCH) Ltd	69.621	(14.662)	87.881	(14.049)
Nottingham City Transport	10.233	(0.670)	6.649	(0.338)
Nottingham Revenues & Benefits Ltd	0.065	(5.688)	0.096	(5.930)
Robin Hood Energy Ltd	21.930	(6.032)	3.435	(3.718)
Thomas Bow Ltd	2.467	(0.006)	5.669	(0.872)
Other Related Parties	2.582	(8.068)	9.620	(2.917)

	2019/20		2020/21	
	Debtors	Creditors	Debtors	Creditors
	£m	£m	£m	£m
Enviroenergy Ltd	14.176	(0.108)	16.375	(0.624)
Futures Advice, Skills and Employment Ltd	0.120	(0.449)	0.005	(0.509)
Nottingham City Homes (NCH) Ltd	31.080	(5.247)	60.466	(11.325)
Nottingham City Transport	0.078	(0.272)	0.068	(0.037)
Nottingham Revenues and Benefits Ltd	1.108	(2.008)	0.720	(2.019)
Robin Hood Energy Ltd	37.229	(0.720)	37.485	(0.001)
Thomas Bow Ltd	0.002	(0.419)	0.014	(0.876)
Other Related Parties	5.035	(0.441)	12.792	(0.472)



#### 4.7.8 Pooled Budgets

The Better Care Fund (BCF) is a local single pooled budget. The BCF is a partnership scheme under Section 75 of the National Health Service Act 2006 which allows budgets to be pooled between NHS organisations and local authorities. This is a partnership of equal control between the Council and NHS Nottingham City Clinical Commissioning Group (CCG). The Council is acting as 'host' in relation to the Partnership Agreement to manage the delegated functions and pooled budgets, however both partners remain equally responsible and accountable for those functions being carried out in a suitable manner. Overall strategic oversight responsibility sits with the Nottingham City Health and Wellbeing Board. However, a Commissioning Sub-Committee has been formally established to take strategic funding decisions relevant to the pooled budgets, which has equal voting rights between the two partners. Performance in relation to the BCF indicators is also monitored by the Greater Nottingham CCG's Quality and Performance Committee and updates from the Nottingham City Health and Wellbeing Board are routinely presented to the CCG's Governing Body.

The aim of the BCF is to incentivise the NHS and local government to work more closely together around people, placing their wellbeing as the focus of health and care services, and shifting resources into social care and community services for the benefit of the people, communities and health and care systems. Funding and expenditure in connection with the BCF was as follows:

	2020/21 £m
<b><u>Funding</u></b>	
NHS Nottingham City Clinical Commissioning Group	(24.734)
Nottingham City Council (Capital)	(2.768)
Nottingham City Council (Improved Better Care Fund)	(16.115)
<b>Total Funding</b>	<b>(43.617)</b>
<b><u>Expenditure</u></b>	
Access & Navigation	2.004
Integrated Care	16.333
Facilitating Discharge	2.577
Primary Care	2.554
Assistive Technology	0.468
Carers	0.714
Capital Grants	2.768
Programme Costs	0.027
Co-ordinated Care	13.271
Independence Pathway	1.270
Housing Health - Housing Related Schemes	0.081
Winter Pressures	1.550
<b>Total Expenditure</b>	<b>43.617</b>
<b>BALANCE OF POOLED FUND</b>	<b>-</b>

## Section 4 – Notes to the Financial Statements

### 4.7.9 Road Charging Schemes under the Transport Act 2000

The Council introduced the workplace parking levy on 1 April 2012 charged under section 178-190 of the Transport Act 2000 (the Act). As per section 180 and 181 of the Act, all monies which are raised by the levy are to be re-invested in the City Councils Transport Plan. The figures for the year ending 31 March 2021 are as follows:

	2019/20 £m	2020/21 £m
Income	(10.271)	(8.794)
Expenditure	0.233	0.457
<b>NET INCOME</b>	<b>(10.038)</b>	<b>(8.337)</b>

### 4.7.10 Leases

#### Council as Lessee

##### Finance Leases

The assets acquired under finance leases are carried as PPE in the Balance Sheet within the classification of Other Land and Buildings. The net amount at 31 March 2021 was £16.098m (31 March 2020 £43.809m).

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

	31 March 2020 £m	31 March 2021 £m
Finance lease liabilities*:		
current	0.002	0.002
non-current	2.199	0.010
Finance costs payable in future years	11.935	9.126
<b>MINIMUM LEASE PAYMENTS</b>	<b>14.136</b>	<b>9.138</b>

\* Net present value of minimum lease payments

The finance costs which the Council has committed to are significant when compared to the lease liabilities, because the property leases are for a period of 99 years or more and the majority of payments made are for the interest element.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £m	31 March 2021 £m	31 March 2020 £m	31 March 2021 £m
	Not later than one year	0.236	0.177	0.002
Between one and five years	0.944	0.706	0.008	0.008
Later than five years	12.956	8.255	2.191	1.740
<b>TOTAL</b>	<b>14.136</b>	<b>9.138</b>	<b>2.201</b>	<b>1.750</b>

The Council has committed to a number of long term property leases. This is evidenced with the high value of minimum lease payments which have been committed to be paid later than five years.

The Council has not sub-let any of the properties held under these finance leases.

**Operating Leases**

The future minimum lease payments due under non-cancellable leases are:

	31 March 2020 £m	31 March 2021 £m
Not later than one year	0.703	0.608
Between one and five years	2.732	2.099
Later than five years	9.274	8.812
<b>TOTAL</b>	<b>12.709</b>	<b>11.519</b>

The expenditure charged to the CIES during 2020/21 in relation to these leases was £0.787m (£0.891m in 2019/20).

**Council as Lessor**

**Finance Leases**

As a lessor, the Council has an investment in finance leases. This is made up of the minimum lease payments expected to be received over the remaining term, together with the residual value anticipated for the property at the end of the lease. The minimum lease payments comprise the settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years. The gross investment is made up of the following amounts for all finance leases:

	31 March 2020 £m	31 March 2021 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	46.118	60.357
Anticipated residual value of property	17.622	5.286
<b>GROSS INVESTMENT IN THE LEASE</b>	<b>64.762</b>	<b>66.665</b>

\* Net present value of minimum lease payments

The finance income which the Council will receive in future years is significant when compared to the lease debtors. This is because a number of assets are being leased for a period of 999 years which means the majority of current payments are for the interest element of the debtor.

## Section 4 – Notes to the Financial Statements

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£m	£m	£m	£m
Not later than one year	0.101	0.141	0.098	0.138
Between one and five years	0.403	0.564	0.391	0.551
Later than five years	64.258	65.960	62.424	64.061
<b>TOTAL</b>	<b>64.762</b>	<b>66.665</b>	<b>62.913</b>	<b>64.750</b>

The Council has committed to leasing out a number of assets on long term leases. This is evidenced with the high value of minimum lease payments which will be received in the period later than five years.

The Council has not set aside an allowance for uncollectable amounts on the above finance leases.

### Operating Leases

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

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

The future minimum lease payments receivable under non-cancellable leases are:

	31 March 2020	31 March 2021
	£m	£m
Not later than one year	19.642	19.381
Between one and five years	69.166	68.197
Later than five years	210.449	203.398
<b>TOTAL</b>	<b>299.257</b>	<b>290.976</b>

### Contingent Rents

The minimum lease payments identified in the tables above do not include rents that are contingent on events taking place after the lease was entered into, such as:

- The level of sales achieved by the tenant.
- Rate of inflation.
- Usage.

For operating leases where the Council is lessor there were no contingent rents receivable by the Authority in 2020/21 of £0.000m (2019/20 £0.240m). There were no contingent rents for any of the other types of lease arrangement.

**4.7.11 Capital Expenditure and Capital Financing**

Capital expenditure relates to the acquisition of new assets and the development of existing assets, which will be of benefit to the Council for more than one year. Expenditure by service over the last two years has been as follows:

	2019/20	2020/21
	£m	£m
Planning and Housing	45.772	39.088
Jobs, Growth and Transport	27.663	19.328
Strategic Regeneration	67.235	72.253
Other	31.070	19.299
<b>CAPITAL EXPENDITURE</b>	<b>171.740</b>	<b>149.968</b>

The capital programme is actively managed throughout the year in line with agreed approvals and changes in funding.

The treatment of capital expenditure and financing generates some of the main differences between the funding basis and IFRS basis. The capital focus of the funding basis is to ensure that sufficient cash is raised to finance capital expenditure. The major differences are:

- Certain items of revenue expenditure which can be treated as capital under statute under the funding basis.
- Items of capital expenditure which are financed by a charge to revenue.
- Capital grants which are used to finance capital expenditure rather than being credited to revenue.
- Making a revenue provision for repayment of borrowing (replacing depreciation) based on a calculation of the net capital financing requirement.

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases and Public Finance Initiative (PFI) contracts), together with the resources that have been used to finance it:

## Section 4 – Notes to the Financial Statements

	2019/20 £m	2020/21 £m
<b>Capital Investment on IFRS Basis</b>		
Property, Plant and Equipment	141.889	92.862
Investment Properties	0.454	0.038
Intangible Assets	(0.017)	0.168
Long Term Debtors	19.564	31.253
Long Term Investments	6.671	1.102
<b>Total Additions to Assets on IFRS Basis</b>	<b>168.561</b>	<b>125.423</b>
Revenue Expenditure Funded from Capital under Statute Capitalisation Directive (REFCUS)	3.179	4.546
	-	20.000
<b>Total Expenditure to be Financed from Capital Sources</b>	<b>171.740</b>	<b>149.969</b>
<b>Financing</b>		
Capital receipts	(15.874)	(11.930)
Government grants and other contributions	(69.546)	(37.119)
Sums set aside from revenue	(26.369)	(19.168)
<b>UNDERLYING BORROWING REQUIREMENT IN YEAR</b>	<b>59.951</b>	<b>81.752</b>

### 4.7.12 Capital Financing Requirement (CFR)

The CFR is a measure of the capital expenditure incurred historically by the Council that has yet to be repaid. The CFR is also used to calculate the statutory minimum charge for debt repayment known as the Minimum Revenue Provision.

Where capital expenditure is financed by borrowing, the expenditure results in an increase in the CFR. Further adjustments are made to include assets acquired under PFI contracts included in the Balance Sheet, and provisions for debt repayment included in the funding basis in the following table:

	2019/20 £m	2020/21 £m
<b>Opening Capital Financing Requirement</b>	<b>1,376.042</b>	<b>1,381.975</b>
Increase in underlying need to borrow:		
Unsupported by government financial assistance	59.952	81.752
Statutory Minimum Revenue Provision	(28.589)	(30.249)
Voluntary Revenue Provision	(1.505)	(1.756)
Voluntarily Set Aside Capital Receipts	(16.720)	(9.870)
PFI Liability Discharged	(9.640)	(10.046)
Other Items	2.435	(0.196)
<b>CLOSING CAPITAL FINANCING REQUIREMENT</b>	<b>1,381.975</b>	<b>1,411.610</b>

### 4.7.13 Private Finance Initiatives and Similar Contracts

The Council has four PFI arrangements which have been recognised on the Council's Balance Sheet:

#### **NET**

The Council reached financial close on NET Phase Two in December 2011. This PFI arrangement was to incorporate an additional two tram lines within the City's current tram network. The additional two tram lines became operational August 2015.

The concession agreement runs from 15 December 2011 to 20 March 2034. At the end of the contract the title to the property transfers to the Council (or a continuing concessionaire) at nil cost with the assets in a satisfactory condition for its continued operational use.

#### **Building Schools for the Future (BSF)**

The Council received handover of two PFI schools, Big Wood Phase 1 / Oak Field in 2009/10, Big Wood Phase 2 in 2010/11. The contract for these PFI schools will end in 2034.

A further PFI school, Farnborough School was handed over in 2013/14, the land element being recognised as an operational asset in 2014/15. The PFI contract for Farnborough School expires August 2038.

Upon expiry of the contract terms, all assets under this programme will be passed back to the City Council.

#### **Local Improvement Finance Trust (LIFT) Joint Service Centres**

The Council has completed two new Joint Service Centres located in Hyson Green and Bulwell and have been procured using the LIFT vehicle in partnership with NHS Nottingham City. The Council has recognised its share of occupancy of both sites on the Balance Sheet.

The contract expiry and the asset treatment are as follows:

- Mary Potter Centre (Hyson Green), contract expires October 2032. The Council does not have an option to purchase the asset when the contract expires.
- Bulwell Riverside (Bulwell), contract expires October 2036 at which time the Council has an option to purchase the asset.

Clifton Cornerstone Joint Service Centre was procured in 2007. This arrangement has been treated as an operating lease so is excluded from the Council's Balance Sheet and the PFI tables shown below.

#### **Street Lighting Contract**

In May 2010 the Council entered into a PFI arrangement for Street Lighting. The first five years of the contract provided for the replacement of outdated lighting columns, together with modifications to other columns that have an acceptable residual life. The contract also allows for adjustments and operation and maintenance of the street lighting network.

The contract expires August 2035 when the assets will revert back to the City Council at nil cost.

## Section 4 – Notes to the Financial Statements

### Future Contractual Payments

The next table shows the Council's future contractual payments. The future Service Charge payments are estimated using the Service Charge payments incurred during 2020/21, which are then inflated using the inflation rate implicit with each PFI arrangement:

	2021/22	2022/23 - 2025/26	2026/27 - 2030/31	2031/32 - 2035/36	2036/37 - 2040/41	Total
	£m	£m	£m	£m	£m	£m
<b>NET</b>						
Repayment of Liability	7.768	30.407	35.463	9.885	-	<b>83.523</b>
Interest Charges	10.869	33.880	23.275	2.788	-	<b>70.812</b>
Service Charges	21.502	91.521	127.875	84.655	-	<b>325.553</b>
<b>NET Unitary Charge</b>	<b>40.139</b>	<b>155.808</b>	<b>186.613</b>	<b>97.328</b>	<b>-</b>	<b>479.888</b>
<b>BSF</b>						
Repayment of Liability	1.951	8.606	14.234	14.585	3.440	<b>42.816</b>
Interest Charges	3.227	11.310	9.721	3.533	0.309	<b>28.100</b>
Service Charges	3.511	14.944	20.880	18.769	4.707	<b>62.811</b>
<b>BSF Unitary Charge</b>	<b>8.689</b>	<b>34.860</b>	<b>44.835</b>	<b>36.887</b>	<b>8.456</b>	<b>133.727</b>
<b>LIFT</b>						
Repayment of Liability	0.558	2.482	3.783	4.183	0.518	<b>11.524</b>
Interest Charges	0.980	3.455	3.097	1.402	0.052	<b>8.986</b>
Service Charges	1.228	5.227	7.303	5.988	0.574	<b>20.320</b>
<b>LIFT Unitary Charge</b>	<b>2.766</b>	<b>11.164</b>	<b>14.183</b>	<b>11.573</b>	<b>1.144</b>	<b>40.830</b>
<b>Street Lighting</b>						
Repayment of Liability	1.387	7.329	12.560	13.230	-	<b>34.506</b>
Interest Charges	3.621	12.736	10.365	3.920	-	<b>30.642</b>
Service Charges	2.189	8.996	15.032	20.309	-	<b>46.526</b>
<b>Street Lighting Unitary Charge</b>	<b>7.197</b>	<b>29.061</b>	<b>37.957</b>	<b>37.459</b>	<b>-</b>	<b>111.674</b>
<b>TOTAL CHARGES</b>	<b>58.791</b>	<b>230.893</b>	<b>283.588</b>	<b>183.247</b>	<b>9.600</b>	<b>766.119</b>

N.B. The table excludes Clifton Cornerstone LIFT JSC which is classified as an operating lease.

### Liabilities resulting from PFI arrangements

The following table shows the value of liabilities resulting from PFI arrangements and the in year movements.

	2019/20			2020/21		
	Total £m	BSF £m	NET £m	LIFT £m	Street Lighting £m	Total £m
<b>Opening balance at 1 April</b>	<b>198.824</b>	44.522	96.854	12.045	35.760	<b>189.181</b>
Repayment of Liability	<b>(9.643)</b>	(1.706)	(6.115)	(0.520)	(1.254)	<b>(9.595)</b>
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>189.181</b>	<b>42.816</b>	<b>90.739</b>	<b>11.525</b>	<b>34.506</b>	<b>179.586</b>



### 4.7.14 Trust Funds

The Council acts as sole trustee for a number of trust funds. The funds do not represent assets of the Council and, therefore, have not been included in the Council's single entity accounts. However, as the Council acts as sole trustee for the Bridge Estate Trust their accounts are consolidated into the Council's group accounts (section 6). The Bridge Estate Trust holds net assets of £28.783m (£29.515m at 31 March 2020) with a turnover of £2.147m (£2.391m 2019/20), primarily from the rental of investment properties. The Trust was established for the repair and maintenance of Trent Bridge and the construction of new bridges over the River Trent.

The Council is also sole trustee for a number of other Trusts whose net assets total £1.282m (£1.211m as at 31 March 2020) with a turnover of £0.324m (£0.411m 2019/20). These Trusts are not consolidated into the Council's group accounts on the basis of materiality. They include:

- Harvey Hadden Stadium and Highfields Leisure Park, for the provision of public recreation and pleasure grounds.
- Hanley and Gellestrop, which provides 9 almshouses to accommodate the poor.
- Nottingham Aged Persons Trust, George Pendry's Fund which provide benefit for the poor and elderly.
- Abbott Brown Fund, established to enable a doctor from Ljubljana Hospital to study medicine in the United Kingdom.

### 4.7.15 Contingent Liabilities

At 31 March 2021, the Council has the following contingent liability that could exceed a materiality level of £5m:

#### **Insurance Claims**

A contingent liability exists for insurance claims that pre-date the coverage provided by the Insurance Provision. There are some claims that will be submitted dating back to the 1950/1960's and will be high value complex claims where insurers cannot be traced. These claims are increasing with developments in child abuse and disease claims. Should no insurer be traced, or an insurer refuses an indemnity, the costs would have to be met from the provision.

In addition, there will be a number of incidents that have been incurred but not yet reported (IBNR) as claims. These IBNR's may need to be self-funded if they fall outside the scope of insurance cover, fall within current or historic excess levels, or be in periods where insurers are untraceable. The severity, value and number of IBNR cases are unknown.

#### **Robin Hood Energy Ltd**

A Report in the Public Interest (PIR) into the Council's governance of RHE was published on 11 August 2020 by the Council's external auditor Grant Thornton.

Following publication of the PIR the Council undertook a strategic review to consider the future options for RHE. Following this review, the decision was made to sell the customer base of the company, comprising 112,000 domestic and 2,600 business customers to Centrica in September 2020.

## Section 4 – Notes to the Financial Statements

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The Council experienced significant financial exposure in respect of its interest in Robin Hood Energy which will crystallise late in 2021 following the company entering into administration in January 2021.

### 4.7.16 Nature and Extent of Risks arising from Financial Instruments

The Council's activities potentially bring exposure to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet commitments to make payments.
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that the Council could incur financial loss as a result of changes, for example, in interest rates or equity prices.

#### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These must comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall, the procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice.
- By approving, annually in advance, prudential indicators for the following three years which limit:
  - The Council's overall borrowing.
  - Its maximum exposure to fixed and variable rates.
  - Its maximum and minimum exposure in the maturity structure of its debt.
  - Its maximum annual exposure to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year, setting out its criteria for both investing and selecting investment counterparties, in compliance with the Government Guidance.

These procedures are required to be reported and approved at a meeting of the Council, which also sets the annual Budget and Council Tax. The procedures are included within an annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported twice per year to Councillors.

The Council maintains written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices. This framework is a requirement of the Code and is regularly reviewed.

### COVID-19

There will be numerous issues that will impact on local authorities as a result of the ongoing COVID-19 pandemic. The paragraphs below will cover how risks to financial instruments are managed and how the effects of COVID-19 have been considered. As at 31 March 2021 these were particularly relevant to the council's financial instrument exposure to credit risk.

### Recovery and Improvement Plan

As a result of the non-statutory rapid review the Council was required to produce a Recovery and Improvement Plan to demonstrate how it would address the issues raised. This plan was approved at a meeting of the City Council on 25 January 2021. Details of the plan can be found via the Recovery and Improvement Plan section in the Narrative Report (section 1). As at 31 March 2021 the financial implications of the plan are beginning to be shown within the financial Instruments held by the Council including an aim to reduce the level of external debt held.

### Credit Risk

Credit risk arises from the Council's financial investments with banks and other financial institutions, as well as credit exposures to non-financial investments such as loans to third party organisations and credit exposures to the Council's customers. The credit risk exposure on financial investments is minimised through the principles set out in the Annual Investment Strategy. These state that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long term credit rating, the UK government and other local authorities. Recognising that credit ratings are imperfect predictors of default, the Council takes other factors into account including credit default swap and equity prices when selecting commercial entities for investment.

The Annual Investment Strategy sets a limit on the amount to be invested with a financial institution located within each category.

The adopted credit criteria in respect of financial assets held by the Council in 2020/21 are:

- Minimum credit ratings – a minimum long-term credit rating of A- (or equivalent) except for UK local authorities.
- Individual cash limits on unsecured investments – a limit of £10m per eligible counterparty except the UK Central Government.
- Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds Bank), individual limits will also apply to the group as a whole.
- Country limits – other than UK institutions, a total investment limit for all counterparties in a particular country. No more than £20m will be placed with any one country.
- Money Market Funds – individual cash limit of £10m with any one fund and an overall limit of £75m for all Money Market Funds.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £150.694m at 31 March 2021 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for

## Section 4 – Notes to the Financial Statements

such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, and balances held for liquidity reasons since the outbreak of COVID-19 have remained higher than in recent years. As at 31 March 2021 the council's investments are deposited with either other local authorities or in short term notice accounts or highly liquid and diverse money market funds so should the economic uncertainty on banks and other financial institutions develop the council's deposits with exposure to increased credit risk exposure can be recalled to reduce the likelihood of investment losses to crystallise. Deposits with other local authorities are judged to remain as low risk due to the legal framework around local authorities.

### Credit Risk Exposure

The following table summarises the value of the Council's financial investment portfolio and the exposure to non-financial investments and debtors at 31 March 2021. This confirms that all financial investments were made in line with the approved credit rating criteria:

Credit Rating	Credit Rating	Gross Carrying Amount £m
12-month expected credit losses	AAA	35.600
	AA	-
	A	20.000
	BBB	-
	Unrated local authorities	95.000
	Unrated loans to 3rd parties	85.074
Significant increase in credit risk since initial recognition	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	39.281
Credit impaired	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated local authorities	-
	Unrated loans to 3rd parties	-
Simplified approach*	AAA	-
	AA	-
	A	-
	BBB	-
	Unrated other	179.641

\* For debtors, contract assets and lease receivables, but excludes statutory debtors for example Council Tax and NNDR

The Council 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 Council.

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.

Where the Council does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis it has assessed losses on a collective basis based on local experience.

The credit risk and impairment review on debtors and loans to 3rd parties have been assessed at 31 March 2021 with estimations of the COVID-19 impact on the entities ability to make repayments when they become due. This where relevant includes loan agreements and any security in place, the latest financial information available and a judgement as to the likely effect on the sector in which it operates.

### **Amounts Arising from Expected Credit Losses**

From the above credit risk exposures, the expected loss allowance as at 1 April 2020 was £17.580m this increased by £17.917m in 2020/21 to £35.497m at 31 March 2021 for loans to third parties using the Lifetime Expected Credit Loss assessment. Assessments on other debtors using the simplified Lifetime Expected Credit Loss method shows an increase of £14.890m to £30.192m at 31 March 2021.

### **Collateral**

The Council initiates a legal charge on property or company assets, for instance, as part of a loan agreement. The total collateral at 31 March 2021 was £71.777m.

### **Liquidity Risk**

The Council has ready access to borrowings from the Money Markets and other local authorities to cover day to day cash flow need. Whilst PWLB provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose capital plans include debt for yield schemes or whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Although COVID-19 poses significant budget challenges the Council anticipates being able to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures as required by the Code of Practice.

The Council's deposits with financial institutions such as banks, money market funds and deposits with other local authorities total £150.600m at 31 March 2021. There was £95m of deposits with local authorities with maturity dates of less than 12 months and £10m deposited with a local authority which has a maturity date of over 12 months.

The council continues to use highly liquid investments including same day access money market funds as part of the Council's liquidity risk mitigation. At 31 March 2021 the council balances of £35.600m across 4 money market funds. These funds are highly diversified and highly liquid with credit ratings equivalent to AAAM so were judged to have minimal credit risk.

## Section 4 – Notes to the Financial Statements

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. The risk in managing exposure when replacing financial instruments as they mature is that they may be refinanced at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that the approved prudential indicator limits the Council's borrowing that is due to mature in any given period.

The Council approved Treasury and Investment Strategies address the main risks and the central treasury team addresses the operational risks within these approved parameters. Measures include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.
- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day-to-day cash flow needs.

The maturity analysis of the principal element of financial liabilities at 31 March 2021 is:

	31 March 2020 £m	31 March 2021 £m
Less than 1 year	149.895	34.062
1 to 2 years	25.892	25.032
2 to 5 years	83.890	77.787
5 to 10 years	144.637	150.075
10 – 25 years	90.522	64.154
25 – 40 years	250.672	290.672
40 – 70 years	329.000	289.000
<b>TOTAL</b>	<b>1,074.508</b>	<b>930.782</b>

All trade and other creditors are payable in less than one year and are not shown in the above table.

### Interest Rate Risk

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

- Borrowings at variable rates or short term borrowings – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowings will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Investments classed as financial assets measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable

and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the prudential indicators and expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Market and forecast interest rates are monitored within the year, to adjust exposures appropriately.

The 2020/21 strategy allowed for a maximum exposure to variable interest rates of £350m.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

	31 March 2021 £m
Increase in interest payable on variable rate borrowings	0.172
Increase in interest receivable on variable rate investments	(0.656)
Impact on Surplus or Deficit on the Provision of Services	(0.484)
Share of overall impact debited to the HRA	0.054
<b>IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(0.430)</b>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £20.605m in a number of joint ventures and in local industry, as at 31 March 2021. These holdings are generally illiquid and are shown in the balance sheet at cost less impairment. The main equity holdings are in Nottingham City Transport Ltd, Robin Hood Energy Ltd, Blueprint (General Partner) Ltd and Thomas Bow Ltd which are all shown at cost less impairment within the Council's group accounts. The Council is exposed to losses arising from movements in the value of these holdings. As the holdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio, but as described in the Narrative Report (see section Recovery & Improvement Plan) the Council has published a Recovery and Improvement Plan, which includes a plan to evaluate its interests and to take appropriate action to limit exposure to price risk. Measures being considered include the potential sale or the bringing in house of group interests.

The value of shares held in Robin Hood Energy Ltd was impaired by £7.500m to nil in 2018/19 and the company went into administration in January 2021.

## 4.8 Accounting Standards issued but not adopted

The Code of Practice on Local Authority Accounting requires the Council 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 2020/21 Code.

## Section 4 – Notes to the Financial Statements

The following new standards and amendments to existing standards are not implemented in the 2020/21 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations – provides clarity on the definition of a business. The amendments will help determine whether an acquisition made is of a business or a group of assets. We are not expecting this to affect the Council's accounts when this is implemented from 1 April 2021.
- Interest Rate Benchmark Reform phase 1 and phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Interest rate benchmark reform is expected to affect hedge accounting and therefore we are not expecting this to affect the Council's accounts when this is implemented from 1st April 2021.

### 4.9 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in note 4.1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Any post balance sheet adjustments made to the accounts and disclosure notes, as a result of additional information received on conditions existing at the balance sheet date have been made in line with existing accounting policies.

The critical judgements made in the Statement of Accounts are:

- There are two types of schools in Nottingham. The Council recognises schools in line with the provisions of the Code and consequently, schools are recognised on the balance sheet only if the future economic benefits or service potential associated with the school will flow to the Council. As a result, each type of school has been separately assessed for inclusion on the Council's Balance Sheet. The following table summarises the treatment for each type of school:

School Type	Balance Sheet Treatment
LEA Maintained	On
Academy	Off

- The Council has entered into a partnership arrangement with Leicestershire County Council to provide financial and human resources services. The partnership, East Midlands Shared Services, is a formal local government joint committee which is formed and operates under S102 of the Local Government Act 1972. Such a joint committee has no legal responsibility and has been judged to be a jointly controlled operation with the Council's share of revenue, expenditure, assets and liabilities shown in the single entity financial statements in section 3.
- The Council has produced a set of group accounts after carrying out a full review and evaluation of all related organisations. From this review and evaluation, a judgement is made as to whether the Council has the necessary material financial interest and/or level of control required for inclusion in the Group.



## 4.10 Assumptions about the Future and other Major Sources of Estimation

The preparation of the financial statements requires the Council to make estimates and assumptions that affect the application of policies and reported amounts. Although these are continually evaluated and are based on historical experience and other factors, including the expectation of future events that are believed to be reasonable under the circumstances, actual results may differ from these estimates. The estimates and assumptions which have a significant effect on amounts recognised in the financial statements are as follows:

- Post-Retirement Benefits – Estimation of the net liability to pay pensions is dependent on a number of complex judgements relating to the discount rate used, for example 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 expert advice about the assumptions to be applied. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See note 4.4.13 and the Sensitivity Analysis in section 7.2.1 for further details.

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results of the Actuary report at the last accounting date and therefore is already included in the starting position for the 2020/21 Actuary report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities. See note 7.2.1 for further details.

The impact of COVID-19 on post-retirement benefits is detailed in note 7.2.1.

There was a triennial valuation of the fund by the scheme actuary in March 2019. The purpose of this was to set the level of employer contributions necessary for the next three years (1 April 2020 to 31 March 2023) to make good any fund deficit over the remaining working life of the employees.

- PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases, the Council has estimated the implied interest rate within the leases in order to calculate interest and principal payments. In addition, all PFI models (excluding the NET PFI) include an estimated Retail Price Index (RPI) increase on the unitary charge. Should RPI be higher than currently estimated by 0.5% this would increase the following years unitary payment by circa £0.070m that financial year. This would then increase the base position for subsequent years RPI adjustments.
- The Council's internal valuers within the Strategic Assets and Property Management section issued a valuation report and certificate for valuations at 31 March 2021 in respect of Investment Properties, PPE operational valuations, PPE surplus valuations and Assets Held for Sale.

At the previous valuation date (31st March 2020) there was a high degree of uncertainty, and justified caution surrounding the property markets, due to the effects of the COVID-19 Pandemic that caused market transactions to come to a halt. During 2020/21 market activity has increased and previous warnings issued by the Royal Institution of Chartered Surveyors regarding market uncertainty have been withdrawn.

## Section 4 – Notes to the Financial Statements

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Where areas of the property market are experiencing slower recoveries, including the retail and leisure sectors, additional assurance has been sought through external valuations from agents that have access to wider market intelligence.

### 4.11 Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Corporate Director of Finance and Resources on (to be confirmed). Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

# Section 5

# SUPPLEMENTARY

# FINANCIAL STATEMENTS

# AND NOTES

## 5.1 Housing Revenue Account (HRA)

The HRA income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the movement on the Housing Revenue Account statement.

### 5.1.1 Housing Revenue Income and Expenditure Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from Council Tax.

## Section 5 – Supplementary Financial Statements and Notes

	2019/20 £m	2020/21 £m
<b>Expenditure</b>		
Repairs and maintenance	30.046	30.076
Supervision and Management	30.573	30.091
Rents, rates, taxes and other charges	0.226	0.247
Depreciation and impairment of non-current assets	20.367	12.996
Debt management costs	0.056	0.028
Exceptional revaluation (gain) / loss on HRA Council dwellings	15.102	(50.205)
<b>Total Expenditure</b>	<b>96.370</b>	<b>23.233</b>
<b>Income</b>		
Dwelling Rents	(94.271)	(96.841)
Non Dwelling Rents	(1.841)	(2.620)
Charges for Services and Facilities	(10.178)	(9.217)
Contributions Towards Expenditure	(0.234)	(0.221)
<b>Total Income</b>	<b>(106.524)</b>	<b>(108.899)</b>
<b>Net Cost of HRA Services as included in the CIES</b>	<b>(10.154)</b>	<b>(85.666)</b>
HRA services' share of Corporate and Democratic Core	0.035	0.535
<b>NET COST FOR HRA SERVICES</b>	<b>(10.119)</b>	<b>(85.131)</b>
<b>HRA Share of the Operating Income and Expenditure included in the CIES</b>		
Fixed Asset Derecognition	2.423	2.188
Gain or (loss) on sale of HRA non-current assets	(3.010)	(1.291)
Interest payable and similar charges	14.428	14.497
Interest and Investment Income	(0.344)	(0.011)
<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>3.378</b>	<b>(69.748)</b>

### 5.1.2 Movement on the HRA Statement

	2019/20 £m	2020/21 £m
<b>Balance on HRA at the start of the Year</b>	<b>8.096</b>	<b>8.191</b>
Surplus or (deficit) for the year	(3.378)	69.748
Adjustments between accounting basis and funding basis	3.473	(68.009)
<b>Increase or (Decrease) in Year on the HRA</b>	<b>0.095</b>	<b>1.739</b>
<b>BALANCE ON THE HRA AT THE END OF THE YEAR</b>	<b>8.191</b>	<b>9.930</b>

### 5.1.3 Notes to the HRA Financial Statements

#### 5.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

	31 March 2020 Number	31 March 2021 Number
<b>Houses and Bungalows</b>		
1 Bedroom	1,047	1,046
2 Bedroom	5,748	5,762
3 Bedroom	9,326	9,255
4 or more Bedrooms	483	487
<b>Flats</b>		
1 Bedroom	7,525	7,532
2 Bedroom	1,138	1,126
3 or more Bedrooms	121	120
<b>TOTAL</b>	<b>25,388</b>	<b>25,328</b>

#### 5.1.3.2 Valuation of Housing Assets

The value of land, houses and other property within the HRA is as follows:

	Value at 31 March 2020 £m	Value at 31 March 2021 £m
<b>Operational Assets</b>		
Council Dwellings	1,002.178	1,132.093
Other Land and Buildings	10.118	11.401
Assets Under Construction	5.206	4.023
Surplus Assets not held for sale	0.409	0.680
Investment Properties	1.124	1.050
Infrastructure	29.525	28.502
<b>TOTAL VALUE OF ASSETS</b>	<b>1,048.559</b>	<b>1,177.749</b>

#### 5.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2021 was £2,695.458m (1 April 2020 £2,386.137m). The Balance Sheet value of dwellings was £1,132.093m. The difference of £1,563.365m between the vacant possession valuation and the balance sheet value reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. Operational assets in a commercial environment are required to earn a rate of return. The value placed on such assets will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for this purpose will be reduced.

## Section 5 – Supplementary Financial Statements and Notes

The valuation of the Council's housing stock as at 31st March 2021 was completed by the Council's Property Services team.

### 5.1.3.4 The Major Repairs Reserve

The purpose of this reserve is to earmark funding to provide for the long-term maintenance of the housing stock. Movements on the reserve were as follows:

	2019/20 £m	2020/21 £m
<b>Balance Brought Forward</b>	<b>(17.201)</b>	<b>(20.628)</b>
Credits - Depreciation on HRA Assets	(20.367)	(12.992)
Credits - Amortisation on HRA Assets	(0.004)	(0.004)
Credits - Additional credit to the MRR	(8.958)	(16.503)
Debits - Capital Expenditure	25.902	18.706
<b>BALANCE AT END OF YEAR</b>	<b>(20.628)</b>	<b>(31.421)</b>

Further information on depreciation is shown in note 5.1.3.7.

### 5.1.3.5 Capital Expenditure

Capital expenditure of £37.513m (£43.805m in 2019/20) in respect of HRA assets was financed from a range of sources in 2020/1. This is set out below:

	2019/20 £m	2020/21 £m
<b>CAPITAL EXPENDITURE</b>	<b>43.805</b>	<b>37.513</b>
<b>Financed By:</b>		
Capital Receipts Reserve	5.054	5.084
Major Repairs Reserve (MRR)	25.902	18.706
Direct Revenue Financing*	0.400	0.400
Other Capital Grants and Contributions	2.410	3.013
Borrowing	10.039	10.310
<b>TOTAL FINANCING</b>	<b>43.805</b>	<b>37.513</b>

\* The debit under item 2 of part II of Schedule 4 to the Local Government and Housing Act 1989

### 5.1.3.6 Capital Receipts

Capital receipts of £9.247m (£14.679m in 2019/20) arose from the sale of land, houses and other property within the HRA in 2020/21. Of this total, £8.876m (£12.345m in 2019/20) related to the disposal of houses and flats under the right to buy scheme and £0.195m (£1.698m in 2019/20) from the sale of vacant non-purpose built Council houses.

	2019/20 £m	2020/21 £m
Land	0.636	0.176
Houses	14.043	9.071
<b>TOTAL</b>	<b>14.679</b>	<b>9.247</b>

### 5.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2020/21 as follows:

	2019/20 £m	2020/21 £m
Dwellings	18.443	10.851
Other Operational HRA Assets:		
Other Land and Buildings	0.183	0.184
Vehicles, Plant, Furniture and Equipment	(0.021)	-
Infrastructure and Community Assets	1.760	1.956
Surplus Assets not Held for Sale	0.002	0.001
<b>TOTAL</b>	<b>20.367</b>	<b>12.992</b>

In addition, a debit of £0.004m (£0.004m in 2019/20) for amortisation was charged in the year.

### 5.1.3.8 Revaluations and Impairments during the Financial Year

£50.205m in respect of revaluation gains have been credited to the HRA during the year (£15.102m losses debited in 2019/20). This amount related to a revaluation gain on Council Dwellings, as a result of a desktop beacon revaluation undertaken during the year which includes revaluation from cost to existing use value for new build properties.

There were no donated assets within the year.

A de-recognition write-out of £2.188m (£2.423m in 2019/20) was made to reflect the residual value of assets replaced.

The revaluation of investment properties has resulted in a credit of £0.042m (£0.179m credit in 2019/20).

### 5.1.3.9 Rent Arrears and the Balance Sheet provision in respect of Collectable Debts

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £7.180m at 31 March 2021 (£6.410m at 31 March 2020). A total loss allowance (previously called bad debt provision) of £6.499m has been established at 31 March 2021 (£5.615m at 31 March 2020).

## Section 5 – Supplementary Financial Statements and Notes

### 5.2 Collection Fund

#### 5.2.1 Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic Rates (NNDR).

	2019/20		2020/21	
	Total £m	NNDR £m	Council Tax £m	Total £m
<b>INCOME</b>				
Council Tax Receivable	(139.738)	-	(141.413)	(141.413)
Council Tax Hardship Fund	-	-	(3.664)	(3.664)
Business Rates Receivable	(140.054)	(73.619)	-	(73.619)
<b>TOTAL INCOME</b>	<b>(279.792)</b>	<b>(73.619)</b>	<b>(145.077)</b>	<b>(218.696)</b>
<b>EXPENDITURE</b>				
<b>Precepts, Demands and Shares</b>				
Central Government	68.381	68.793	-	68.793
Police Authority	14.644	-	15.447	15.447
Fire Authority	6.696	1.376	5.480	6.856
Nottingham City Council	183.115	67.417	121.807	189.224
<b>Charges to Collection Fund</b>				
Write offs of uncollectable amounts	2.173	0.162	1.270	1.432
Increase /Decrease (-) in allowance for non-collection	4.460	10.125	3.407	13.532
Increase /Decrease (-) in Provision for Appeals	(0.210)	(3.754)	-	(3.754)
Cost of Collection	0.490	0.482	-	0.482
Interest charged on Cost of Collection	-	0.006	-	0.006
<b>Apportionment of previous year's estimated Collection Fund Surplus</b>				
Police & Crime Commissioner	0.092	-	0.177	0.177
Central Government	1.962	2.676	-	2.676
Nottinghamshire Fire & Rescue Service	0.076	0.053	0.064	0.117
Nottingham City Council	2.722	2.622	1.402	4.024
<b>TOTAL EXPENDITURE</b>	<b>284.601</b>	<b>149.958</b>	<b>149.054</b>	<b>299.012</b>
Movement on the Collection Fund Balance (Surplus)/Deficit Brought Forward	4.809 (7.891)	76.339 (1.655)	3.978 (1.427)	80.317 (3.082)
<b>(SURPLUS)/DEFICIT CARRIED FORWARD</b>	<b>(3.082)</b>	<b>74.684</b>	<b>2.551</b>	<b>77.235</b>



## 5.2.2 Notes to Collection Fund Statement

### 5.2.2.1 National Non-Domestic Rates (NNDR)

The Council collects NNDR from local businesses based on the rateable value of their property multiplied by a business rate set nationally by Central Government. The Council retains 49% of the NNDR with the remainder distributed to Central Government (50%) and the Nottinghamshire Fire and Rescue Authority (1%).

	2019/20 £m	2020/21 £m
Rate in the pound	50.4p	51.2p
Total non-domestic rateable value per NNDR system	361.801	358.859
Gross Debit	182.348	183.736
Net debit after adjustments and reliefs	141.622	79.437

### 5.2.2.2 Council Tax

Council Tax is broadly based on the capital value of domestic property as estimated at 1 April 1991 and classified into 8 bands. Charges are calculated by dividing the preceptors' income requirements by the Council Tax base (the total number of properties in each band, adjusted for discounts and expressed as an equivalent number of Band D dwellings). This gives the basic amount of Council Tax for a band D property, which when multiplied by the specified proportion (as follows) will give the individual amount due.

	2019/20	2020/21
<b>Council Tax Base</b>	<b>66,766</b>	<b>67,360</b>
<b>Council Tax (Band D) Property</b>	<b>£2,038.06</b>	<b>£2,118.99</b>

Band	Average Number of Properties	Taxable Properties after discounts, exemptions and adjustments	Conversion Factor to Band D	Band D Equivalents
A	87,967	52,551	6/9	35,034
B	24,425	14,793	7/9	11,506
C	16,401	11,687	8/9	10,388
D	7,158	5,365	9/9	5,365
E	2,503	2,057	11/9	2,514
F	1,086	942	13/9	1,361
G	728	630	15/9	1,050
H	116	71	18/9	142

## Section 5 – Supplementary Financial Statements and Notes

### 5.2.2.3 Apportionment of Collection Fund Surplus/Deficit

The (surplus)/deficit on the closing balance of the Collection Fund as at 31 March is allocated as follows:

	2019/20		2020/21	
	Total £m	Council Tax £m	NNDR £m	Total £m
Nottingham City Council	(2.029)	2.178	36.595	38.773
Nottinghamshire Police Authority	(0.154)	0.275	-	0.275
Nottinghamshire Fire and Rescue Authority	(0.072)	0.098	0.747	0.845
Central Government	(0.827)	-	37.342	37.342
<b>TOTAL</b>	<b>(3.082)</b>	<b>2.551</b>	<b>74.684</b>	<b>77.235</b>

# Section 6

# GROUP FINANCIAL STATEMENTS AND NOTES

## 6.1 Introduction

The Accounting Code of Practice requires that where a local authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group financial statements. The financial statements in section 3 consider the Council only as a single entity, while the Group financial statements provide an overall picture of the Council's financial activities and the resources employed in carrying out those activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures for the Council's subsidiaries and jointly controlled entities.

The following pages include:

- Group Comprehensive Income and Expenditure Statement.
- Group Balance Sheet.
- Group Movement in Reserves Statement.
- Group Cash Flow Statement.
- Notes to the Group accounts.

## 6.2 Significant Judgements and Assumptions

The Council maintains relationships with a number of organisations over which it has varying degrees of control or influence. An assessment of all of these joint arrangements has been carried out to determine which of the following categories they fall under:

- Subsidiaries - where the Council is exposed, or has rights, to variable returns from its involvement with the organisation and has the ability to affect those returns through its power over the organisation i.e. control. These entities are included in the group.
- Associates – where the Council exercises a significant influence, having more than 20% of the voting power and has a participating interest. Where these are material they have been included in the group.
- Joint Venture – where the Council exercises joint control with one or more organisations and has rights to its net assets. Where these are material they have been included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

## Section 6 – Group Financial Statements and Notes

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For each of the group entities, the group accounts include a share of the operating results, assets and liabilities. Subsidiaries are accounted for on an acquisition basis (line by line basis) with intra-group transactions written out. Associates/joint ventures are accounted for by including the Council's share of their net operating results and net assets (equity method of accounting).

For 2020/21 the financial details of these organisations have been consolidated within the group accounts where it is considered that those details have a material effect upon those accounts.

Details of the Council's relationship with each of these organisations are given in group accounts note 6.5.

The Council's group includes Bridge Estate Trust, Enviroenergy Ltd, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Nottingham Revenues and Benefits Ltd, Robin Hood Energy Ltd, Thomas Bow Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd. The group core statements have been completed using the unaudited accounts of these organisations, except for Nottingham City Homes Ltd and Blueprint Limited Partnership whose audited accounts are included.

The accounts of Futures Advice, Skills and Employment Ltd show an accumulated net liability which has not been recognised in the group core statements in accordance with IAS 28 'Investments in Associates and Joint Ventures' (see note 6.5.2).

Financial information for Robin Hood Energy Ltd, which is in administration, is not available at this time and is therefore not included in the group accounts (adjustments have been included in the group consolidation to eliminate any balances brought forward from 2019/20).

The 2019/20 figures in the group accounts include the audited accounts of the group organisations with the exception of Robin Hood Energy Ltd where unaudited draft accounts are included.

## Section 6 – Group Financial Statements and Notes

The effect of including the related organisations on the summarised financial position is as follows:

	2019/20		2020/21	
	Single Entity Accounts	Group Accounts	Single Entity Accounts	Group Accounts
	£m	£m	£m	£m
<b>Comprehensive Income and Expenditure (CIES):</b>				
(Surplus)/Deficit on Provision of Services	18.161	32.647	44.607	10.843
Other CIES	(126.581)	(140.769)	157.679	224.061
<b>Total CIES (Surplus)/Deficit</b>	<b>(108.420)</b>	<b>(108.122)</b>	<b>202.286</b>	<b>234.904</b>
<b>Balance Sheet:</b>				
Long Term Assets	3,120.350	3,194.985	3,211.300	3,286.701
Current Assets	301.129	340.212	331.585	369.218
Current Liabilities	(337.996)	(403.822)	(376.549)	(406.286)
Long Term Liabilities	(1,928.691)	(2,061.733)	(2,213.830)	(2,414.949)
<b>Nets Assets</b>	<b>1,154.792</b>	<b>1,069.642</b>	<b>952.506</b>	<b>834.684</b>
Usable Reserves	238.242	238.242	285.401	285.401
Unusable Reserves	916.550	831.400	667.105	549.283
	<b>1,154.792</b>	<b>1,069.642</b>	<b>952.506</b>	<b>834.684</b>
<b>Cash Flow Statement:</b>				
Net Cash Flows from Operating Activities	15.391	10.323	100.540	107.274
Investing Activities	(69.740)	(60.733)	(134.391)	(112.352)
Financing Activities	105.647	99.271	(18.755)	(24.504)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>51.298</b>	<b>48.861</b>	<b>(52.606)</b>	<b>(29.582)</b>
Cash and Cash Equivalents at the beginning of the reporting period	45.827	57.815	97.125	106.676
<b>Cash and Cash Equivalents at 31 March</b>	<b>97.125</b>	<b>106.676</b>	<b>44.519</b>	<b>77.094</b>

### 6.3 Accounting policies used in preparing the Group Financial Statements

The financial statements produced by individual group entities have been realigned in order to ensure consistent accounting policies in the preparation of the group financial statements. These policies differ from those applicable to the Council's primary financial statements only in the following respects:

- The accounting policies of the group entities for Property, Plant and Equipment, and Investment Properties have been compared to those of the Council to assess whether there needs to be any realignment adjustments on consolidation. There are no material differences in these policies and so no consolidation adjustments have been made.
- Fixed assets held by group entities which are sufficiently specialist in nature not to fall within the scope of the Council's accounting policies are valued in accordance with the accounting policies of the individual entities.
- Any trust funds which the Council controls and which generate economic benefits, or deliver goods or services in accordance with the Council's objectives have been evaluated in terms of their impact on the group financial statements. Where this impact has been judged to be material the trust has been included.

## Section 6 – Group Financial Statements and Notes

### 6.4 Core Group Financial Statements

#### 6.4.1 Group Comprehensive Income and Expenditure Statement (Group CIES)

The purpose of this statement is explained in section 3.1 of the Council's single entity Statement of Accounts.

As outlined in note 4.3.1 Prior Year Reclassifications, the Council's 2019/20 CIES has been restated to align with the 2020/21 portfolio position of the Council. The group 2019/20 CIES has also been restated. This restatement only alters the classification of the portfolios of the Council and overall the total value is unchanged. The group organisations are not included within the portfolios but are shown on a separate line of the CIES.

Notes	Restated 2019/20			2020/21		
	Gross Expenditure	Gross Income	Net	Gross Expenditure	Gross Income	Net
	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	176.092	(81.491)	94.601	183.587	(107.058)	76.529
Children and Young People	100.332	(30.462)	69.870	113.977	(39.931)	74.046
Communities, Highways and Strategic Transport	58.539	(28.326)	30.213	63.624	(25.315)	38.309
Employment and Community Protection	19.312	(10.123)	9.189	18.850	(10.911)	7.939
Energy, Environment and Democratic Services	41.638	(10.669)	30.969	53.678	(16.197)	37.481
Finance, Growth and the City Centre	42.243	(28.329)	13.914	93.653	(64.572)	29.081
Health, HR and Equalities	20.351	(27.133)	(6.782)	20.995	(28.176)	(7.181)
Housing, Planning and Heritage	35.055	(112.661)	(77.606)	28.084	(120.756)	(92.672)
Leisure, Culture and IT	67.548	(34.851)	32.697	53.219	(17.366)	35.853
Regeneration, Schools and Communications	141.476	(136.751)	4.725	161.824	(146.751)	15.073
Corporate Items	171.057	(184.018)	(12.961)	186.210	(191.468)	(5.258)
Exceptional revaluation (gain) / loss on HRA						
Council Dwellings	15.102	-	15.102	(50.205)	-	(50.205)
Group Organisations	276.586	(212.370)	64.216	143.048	(129.031)	14.017
<b>Cost of Services</b>	<b>1,165.331</b>	<b>(897.184)</b>	<b>268.147</b>	<b>1,070.544</b>	<b>(897.532)</b>	<b>173.012</b>
Other operating expenditure			(0.038)			4.587
6.7.1.1 Financing and investment income and expenditure			78.074			104.506
Taxation and non-specific grant income			(314.594)			(270.837)
<b>(Surplus)/Deficit on Provision of Services</b>			<b>31.589</b>			<b>11.268</b>
Share of the surplus or deficit on the provision of services by associates			(0.057)			(0.654)
Tax expenses of subsidiaries			1.115			0.229
<b>Group (Surplus)/Deficit</b>			<b>32.647</b>			<b>10.843</b>
Revaluation of PPE/Heritage assets			(78.304)			(70.900)
Re-measurement of pension assets/liabilities			(63.708)			294.856
Share of other comprehensive income and expenditure of associates and joint ventures			1.243			0.105
<b>Other Comprehensive Income and Expenditure</b>			<b>(140.769)</b>			<b>224.061</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(108.122)</b>			<b>234.904</b>

## Section 6 – Group Financial Statements and Notes

### Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

In consolidating subsidiaries, 100% of their transactions are included in the CIES even if ownership is less than 100%. The note below discloses the attributable amounts of the group surplus or deficit and other comprehensive income and expenditure to the minority interest in subsidiaries.

	2019/20			2020/21		
	Authority	Minority Interest	Total	Authority	Minority Interest	Total
	£m	£m	£m	£m	£m	£m
Group (surplus) / Deficit	32.864	(0.217)	32.647	10.956	(0.113)	10.843
Other CIES	(140.759)	(0.010)	(140.769)	223.361	0.700	224.061
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>	<b>(107.895)</b>	<b>(0.227)</b>	<b>(108.122)</b>	<b>234.317</b>	<b>0.587</b>	<b>234.904</b>

### Reconciliation of single entity total comprehensive income and expenditure for the year to the Group total comprehensive income and expenditure

	2019/20 £m	2020/21 £m
Total comprehensive income and expenditure on the authority's single entity CIES	(108.420)	202.286
Add (surplus)/deficit arising from group entities:		
Subsidiaries	(0.430)	32.187
Joint Ventures	1.157	(0.299)
Trust Funds	(0.429)	0.730
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE ON THE GROUP CIES</b>	<b>(108.122)</b>	<b>234.904</b>

## Section 6 – Group Financial Statements and Notes

### 6.4.2 Group Balance Sheet

The purpose of this statement is explained in section 3.2 of the Council's single entity Statement of Accounts.

Notes	31 March 2020 £m	31 March 2021 £m	
6.7.2.1	Property, Plant & Equipment	2,761.014	2,858.902
	Heritage Assets	60.849	61.450
6.7.2.2	Investment Property	306.192	292.321
	Intangible Assets	8.106	4.514
6.5.1	Intangible Asset - Goodwill	1.360	1.347
	Long Term Investments	11.303	11.582
	Long Term Debtors	39.190	48.031
	Investments in Associates and Joint Ventures	6.971	8.554
	<b>Long Term Assets</b>	<b>3,194.985</b>	<b>3,286.701</b>
	Assets Held for Sale	4.042	3.660
	Short Term Investments	45.189	105.094
	Inventories	4.671	4.253
6.7.2.3	Short Term Debtors	179.136	178.668
6.7.1.2	Contract Assets	0.448	0.399
6.7.2.4	Cash and Cash Equivalents	106.676	77.094
	Current Tax Asset	0.050	0.050
	<b>Current Assets</b>	<b>340.212</b>	<b>369.218</b>
	Short Term Borrowing	(156.175)	(40.034)
6.7.2.5	Short Term Creditors	(199.743)	(215.688)
	Revenue Grants Received in Advance	(21.212)	(122.264)
6.7.1.2	Contract Liabilities	(16.575)	(17.281)
	Provisions	(9.896)	(11.019)
	Current Tax Liability	(0.221)	-
	<b>Current Liabilities</b>	<b>(403.822)</b>	<b>(406.286)</b>
	Long Term Borrowing	(925.526)	(899.628)
6.7.1.2	Long Term Contract Liabilities	(2.257)	(2.493)
	Long Term Creditors	(0.042)	(0.041)
	Other Long Term Liabilities	(210.687)	(195.631)
	Provisions	(26.081)	(22.360)
	Capital Grants Receipts in Advance	(16.146)	(54.379)
	Defined Benefit Pension Scheme	(878.148)	(1,237.488)
	Deferred Tax Liability	(2.846)	(2.929)
	<b>Long Term Liabilities</b>	<b>(2,061.733)</b>	<b>(2,414.949)</b>
	<b>NET ASSETS</b>	<b>1,069.642</b>	<b>834.684</b>
6.7.2.6	Usable Reserves	238.242	285.401
6.7.2.7	Unusable Reserves	831.400	549.283
	<b>TOTAL RESERVES</b>	<b>1,069.642</b>	<b>834.684</b>



### 6.4.3 Group Movement in Reserves Statement

The purpose of this statement is explained in section 3.3 of the Council's single entity Statement of Accounts. The General Fund and Earmarked General Fund in total form the statutory General Fund.

2020/21	General Fund	Earmarked General Fund	General Fund Total	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2020</b>	<b>2.239</b>	<b>153.683</b>	<b>155.922</b>	<b>8.191</b>	<b>26.819</b>	<b>20.628</b>	<b>26.682</b>	<b>238.242</b>	<b>916.550</b>	<b>1,154.792</b>	<b>(85.949)</b>	<b>0.799</b>	<b>1,069.642</b>
<b>Movement in 2020/21:</b>													
Total CIE* (Table 6.4.1)	(65.980)	-	(65.980)	69.748	-	-	-	3.768	(157.679)	(153.911)	(80.406)	(0.587)	(234.904)
Adjustments between group accounts and authority accounts (Note 6.7.3)	(48.375)	-	(48.375)	-	-	-	-	(48.375)	-	(48.375)	48.321	-	(0.054)
<b>Net Increase/Decrease before transfers</b>	<b>(114.355)</b>	<b>-</b>	<b>(114.355)</b>	<b>69.748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44.607)</b>	<b>(157.679)</b>	<b>(202.286)</b>	<b>(32.085)</b>	<b>(0.587)</b>	<b>(234.958)</b>
Funding basis adjustments	164.655	-	164.655	(68.009)	0.609	10.793	(16.282)	91.766	(91.766)	-	-	-	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>50.300</b>	<b>-</b>	<b>50.300</b>	<b>1.739</b>	<b>0.609</b>	<b>10.793</b>	<b>(16.282)</b>	<b>47.159</b>	<b>(249.445)</b>	<b>(202.286)</b>	<b>(32.085)</b>	<b>(0.587)</b>	<b>(234.958)</b>
Transfers to/from earmarked reserves	(3.447)	3.447	-	-	-	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>46.853</b>	<b>3.447</b>	<b>50.300</b>	<b>1.739</b>	<b>0.609</b>	<b>10.793</b>	<b>(16.282)</b>	<b>47.159</b>	<b>(249.445)</b>	<b>(202.286)</b>	<b>(32.085)</b>	<b>(0.587)</b>	<b>(234.958)</b>
<b>BALANCE AT 31 MARCH 2021</b>	<b>49.092</b>	<b>157.130</b>	<b>206.222</b>	<b>9.930</b>	<b>27.428</b>	<b>31.421</b>	<b>10.400</b>	<b>285.401</b>	<b>667.105</b>	<b>952.506</b>	<b>(118.034)</b>	<b>0.212</b>	<b>834.684</b>

\* CIE - Comprehensive Income and Expenditure

## Section 6 – Group Financial Statements and Notes

2019/20	General Fund	Earmarked General Fund	General Fund Total	Housing Revenue Account	Capital Receipts	Major Repairs	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Group Reserves	Minority Interest	Total Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2019</b>	<b>7.994</b>	<b>140.814</b>	<b>148.808</b>	<b>8.096</b>	<b>24.163</b>	<b>17.201</b>	<b>29.238</b>	<b>227.506</b>	<b>818.866</b>	<b>1,046.372</b>	<b>(85.242)</b>	<b>0.572</b>	<b>961.702</b>
<b>Movement in 2019/20:</b>													
Total CIE* (Table 6.4.1)	38.778	-	38.778	(3.378)	-	-	-	35.400	126.581	161.981	(54.086)	0.227	108.122
Adjustments between group accounts and authority accounts (Note 6.7.3)	(53.561)	-	(53.561)	-	-	-	-	(53.561)	-	(53.561)	53.379	-	(0.182)
<b>Net Increase/Decrease before transfers</b>	<b>(14.783)</b>	<b>-</b>	<b>(14.783)</b>	<b>(3.378)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18.161)</b>	<b>126.581</b>	<b>108.420</b>	<b>(0.707)</b>	<b>0.227</b>	<b>107.940</b>
Funding basis adjustments	21.897	-	21.897	3.473	2.656	3.427	(2.556)	28.897	(28.897)	-	-	-	-
<b>Net increase/decrease before transfers to earmarked reserves</b>	<b>7.114</b>	<b>-</b>	<b>7.114</b>	<b>0.095</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>10.736</b>	<b>97.684</b>	<b>108.420</b>	<b>(0.707)</b>	<b>0.227</b>	<b>107.940</b>
Transfers to/from earmarked reserves	(12.869)	12.869	-	-	-	-	-	-	-	-	-	-	-
<b>Movement in Year</b>	<b>(5.755)</b>	<b>12.869</b>	<b>7.114</b>	<b>0.095</b>	<b>2.656</b>	<b>3.427</b>	<b>(2.556)</b>	<b>10.736</b>	<b>97.684</b>	<b>108.420</b>	<b>(0.707)</b>	<b>0.227</b>	<b>107.940</b>
<b>BALANCE AT 31 MARCH 2020</b>	<b>2.239</b>	<b>153.683</b>	<b>155.922</b>	<b>8.191</b>	<b>26.819</b>	<b>20.628</b>	<b>26.682</b>	<b>238.242</b>	<b>916.550</b>	<b>1,154.792</b>	<b>(85.949)</b>	<b>0.799</b>	<b>1,069.642</b>

\* CIE - Comprehensive Income and Expenditure

#### 6.4.4 Group Cash Flow Statement

The purpose of this statement is explained in section 3.4 of the Council's single entity Statement of Accounts.

Notes	2019/20 £m	2020/21 £m
<b>Net (Surplus)/Deficit on the provision of Services</b>	<b>(31.589)</b>	<b>(11.268)</b>
Adjustments to net surplus or deficit on the provision of services for non-cash movements	136.583	256.346
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(94.671)	(137.804)
<b>6.7.4.1 Net Cash Flows from Operating Activities</b>	<b>10.323</b>	<b>107.274</b>
Investing activities:		
6.5.1 Obtaining control of a subsidiary	(4.724)	-
Other investing activities	(56.009)	(112.352)
<b>6.7.4.2 Total Investing Activities</b>	<b>(60.733)</b>	<b>(112.352)</b>
<b>6.7.4.3 Financing activities</b>	<b>99.271</b>	<b>(24.504)</b>
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>48.861</b>	<b>(29.582)</b>
Cash and cash equivalents at the beginning of the reporting period	57.815	106.676
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>106.676</b>	<b>77.094</b>

## **6.5 Details of subsidiaries, jointly controlled entities and trust funds included in the group accounts**

The accounts used to produce the 2020/21 group accounts are unaudited, except those of Nottingham City Homes Ltd and Blueprint Limited Partnership whose accounts are audited.

Copies of the accounts can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ unless otherwise stated in sections 6.5.1 to 6.5.3 below.

### **6.5.1 Subsidiaries:**

#### **Enviroenergy Ltd (Registered Company Number: 04131345)**

##### *Nature of the business*

Its main activities are the production of heat and steam for supply to domestic and commercial customers, along with the generation and sale of electricity.

##### *Relationship with the Council*

Enviroenergy Ltd is a private company limited by shares and is a wholly owned subsidiary of the Council. The Council acquired the business and associated assets of the company on 28 June 2001.

The steam used to generate energy for resale and electricity generation is purchased from the Council. Debt for the steam purchased due to the Council as at 31 March 2021 is £10.987m (31 March 2020 £11.333m)

#### **Nottingham City Homes Ltd (Registered Company Number: 05292636)**

##### *Nature of the business*

The principal activities of the group are to act as the managing agent of the Council's housing stock and to provide a repairs and maintenance service in respect of these properties, as well as owning housing stock of its own for social and market rent.

The group comprises Nottingham City Homes Ltd (NCH), Nottingham City Homes Registered Provider Ltd and Nottingham City Homes Enterprises Ltd.

##### *Relationship with the Council*

NCH is incorporated as a private company limited by guarantee under the Companies Act 1985. The company's sole member is the Council.

The Council has a management agreement with NCH and pays an annual management fee. The fee paid to NCH in 2020/21 was £22.649m (2019/20 £22.374m).

The Council will continue to assist NCH in meeting their pension fund liabilities as and when they fall due, but only to the extent that money is not otherwise available to NCH to meet such liabilities.

The Council has a NCH debtor balance of £60.466m at 31 March 2021 (£31.080m at 31 March 2020), this is made up of a loan and a short term debtor balance.

Since 1 April 2021 there have been no further loans provided to NCH.

**Nottingham City Transport Ltd (Registered Company Number: 2004967)**

*Nature of Business*

The company is the principal public bus operator in the Greater Nottingham area.

*Relationship with the Council*

This company is controlled by the Council and commenced trading on 26 October 1986. The total shareholding owned by the Council is 95%. Transdev Plc has a minority interest in Nottingham City Transport Ltd (NCT) of 5% which comprises of 238,526 B Ordinary shares at £1 each.

The company has the following shares in issue:

- 4,532,000 “A” Ordinary shares at £1 each, which are owned by the Council.
- 238,526 “B” Ordinary shares at £1 each, which are owned by Transdev Plc.
- 2,882,750 £1 cumulative, convertible, redeemable preference shares owned by Transdev Plc. These shares carry a 10% coupon rate and are convertible at the rate of 3.64 preference shares to 1 “B” Ordinary share at any time. The shares are redeemable by the shareholder at any time after 1 January 2005, and by the company at any time after 1 January 2010.

The “A” and “B” shares rank equally in all material respects.

The group takes into account 100% of the results of the company with the 5% minority interest being disclosed where appropriate.

*Period of Accounts*

The financial statements used in the preparation of the group accounts are for the 52 week period ending 27 March 2021 (as this is the last week ending date for NCT’s internal group reporting purposes).

*Summarised Financial Information of Nottingham City Transport Ltd showing Minority Interest*

	2019/20		2020/21	
	NCT £m	5% Minority Interest £m	NCT £m	5% Minority Interest £m
Profit for the period attributable to equity shareholders	(4.338)	(0.217)	(2.275)	(0.113)
Other Comprehensive Income and Expenditure	(0.187)	(0.010)	14.001	0.700
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(4.525)</b>	<b>(0.227)</b>	<b>11.726</b>	<b>0.587</b>
Non-current Assets	56.190	2.808	51.329	2.566
Current Assets	11.736	0.588	12.855	0.643
Current Liabilities	(18.354)	(0.917)	(16.361)	(0.818)
Non-current Liabilities	(33.597)	(1.680)	(43.574)	(2.179)
<b>NET ASSETS</b>	<b>15.975</b>	<b>0.799</b>	<b>4.249</b>	<b>0.212</b>

## Section 6 – Group Financial Statements and Notes

---

### **Nottingham Ice Centre Ltd (Registered Company Number: 03563341)**

#### *Nature of the business*

The principal activity of the company is to manage the trading aspects of the National Ice Centre.

#### *Relationship with the Council*

Nottingham Ice Centre Ltd (NIC) is a wholly owned subsidiary of the Council.

NIC have a loan facility with an annual review of requirements. At 31 March 2021 the balance was £7.384m (£2.385m at 31 March 2020).

### **Nottingham Revenues & Benefits Ltd (Registered Company Number: 09157986)**

#### *Nature of the business*

The company is principally engaged in the provision of administration services in relation to Nottingham's revenue and benefit services.

#### *Relationship with the Council*

The Council is the ultimate controlling party of Nottingham Revenues & Benefits Ltd, owning 100% of the issued share capital.

### **Robin Hood Energy Ltd (Registered Company Number: 08053212)**

#### *Nature of the business*

Robin Hood Energy Ltd (RHE) was a company limited by shares run on a not for profit basis, set up to tackle fuel poverty. It supplied gas and electricity to residential and business customers. The company started trading in a controlled manner (Controlled Market Entry) in July 2015 and started trading nationally in September 2015.

#### *Relationship with the Council*

RHE was a wholly owned subsidiary of the Council with an issued share capital of 7,500,000 ordinary shares at £1 each.

As at 31 March 2021 the Council's total balance of loans to RHE was £30.088m, with £1.642m of loan principal repayments invoiced in 2020/21 (loans balance at 31 March 2020 was £31.371m).

The RHE loans and outstanding invoices were impaired by £13.439m during 2020/21, with the expected loss allowance balance being £29.974m at 31 March 2021.

In 2020/21 the Council's financial liabilities relating to financial guarantees in respect of RHE were wound down as RHE ceased trading. These were previously provided, to a maximum total value of £16.5m, which was 80% of RHE's liability to its wholesale energy suppliers. These guarantees were required by energy suppliers to cover advance purchases of energy.

A Report in the Public Interest (PIR) into the Council's governance of RHE was published on 11 August 2020 by the Council's external auditor Grant Thornton. A copy of the Report in the Public Interest can be read here along with additional background information: <https://www.nottinghamcity.gov.uk/publicinterestreport>

The report stated that:

- There was an insufficient appreciation within the Council (as a corporate body) of the huge risks involved in ownership of, and investment in RHE;
- There was insufficient understanding within the Council of RHE's financial position, partly due to delays in the provision of information by RHE and the quality and accuracy of that information.

## Section 6 – Group Financial Statements and Notes

The Council has fully accepted the findings of the report and will implement all the recommendations made including reviewing the Council's company governance practices. The Council has engaged with bodies such as CIPFA and the Local Government Association (LGA) to assist in the identification of best practice in this area and the delivery of the required improvements.

Following publication of the PIR the Council undertook a strategic review to consider the future options for RHE. Following this review, the decision was made to sell the customer base of the company, comprising 112,000 domestic and 2,600 business customers to Centrica in September 2020.

RHE went into administration in January 2021. Information about the administration can be found on Companies House website using the following link:

<https://find-and-update.company-information.service.gov.uk/company/08053212/filing-history>

### **Thomas Bow Ltd (Registered Company Number: 04503934)**

#### *Nature of the business*

The company is a civil engineering and road surfacing contractor. It is principally engaged in the provision of highway maintenance and repair services.

#### *Relationship with the Council*

Thomas Bow Ltd is a wholly owned subsidiary of the Council following the Council's acquisition of the business on 11 September 2019. The Council owns 100% of the issued ordinary share capital of Thomas Bow Ltd (1,000 ordinary shares with a nominal value of £1 each).

The net cash outflow on acquisition of Thomas Bow Ltd was as follows:

	£m
Consideration paid in cash	6.671
Less: cash acquired in subsidiary	(1.947)
<b>Net cash outflow on acquisition of subsidiary</b>	<b>4.724</b>

### **6.5.2 Joint Ventures:**

#### **Blueprint Limited Partnership (Registered Limited Partnership Number: LP010442)**

#### *Nature of the business*

The principal activities of the partnership are that of the purchase of interests in and redevelopment of property and the sale and interim rental of land and property. The General Partner, Blueprint (General Partner) Ltd, manages the activity of the partnership.

The objectives of the partnership are to carry out this trading and development in order to generate a commercial return and to encourage the physical regeneration and economic growth of the priority urban areas within Nottingham City.

#### *Relationship with the Council*

The Council purchased its share on 9 March 2015. Places for People (PFPC1 LP) bought out the Igloo Regeneration Partnership share on 3 May 2018. The Council and PFPC1 LP each own 49.95%, with Blueprint (General Partner) Ltd owning the remaining 0.1% (the general partner being owned equally by the Council & PFPC1 LP). The Council in effect owns 50% of Blueprint Limited Partnership through a limited liability partnership agreement.

## Section 6 – Group Financial Statements and Notes

### Summarised Financial Information of Blueprint Limited Partnership

	2019/20 £m	2020/21 £m
Turnover	(5.905)	(5.268)
Cost of Sales	5.276	4.628
<b>Gross Profit</b>	<b>(0.629)</b>	<b>(0.640)</b>
Other Operating Income	(0.268)	(0.336)
Administrative Expenses	0.505	0.428
Net Impairment (Loss)/Fair Value Gain on Financial Assets	0.217	(0.260)
<b>Operating Profit</b>	<b>(0.175)</b>	<b>(0.808)</b>
Interest Receivable	(0.011)	(0.001)
Interest Payable	0.014	0.001
<b>Profit for the Year</b>	<b>(0.172)</b>	<b>(0.808)</b>
Other Comprehensive Income and Expenditure	-	-
<b>TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR</b>	<b>(0.172)</b>	<b>(0.808)</b>
Non-current Assets	0.022	0.007
Current Assets	15.341	21.273
Current Liabilities	(1.413)	(4.538)
Non-current Liabilities	(0.008)	-
<b>NET ASSETS AS AT 31 MARCH</b>	<b>13.942</b>	<b>16.742</b>
<b>INVESTMENT IN JOINT VENTURE INCLUDED IN THE COUNCIL'S GROUP ACCOUNTS (50% OF NET ASSETS)</b>	<b>6.971</b>	<b>8.371</b>
Amounts included in the above figures:		
Cash at Bank and In Hand (included in current assets)	0.699	1.453
Accruals and Deferred Income (included in Current Liabilities)	(0.720)	(0.662)

### **Futures Advice, Skills and Employment Ltd (Registered Company Number: 04172770)**

#### *Nature of the business*

Futures Advice, Skills and Employment Ltd (Futures) is a company which is an all age, careers and employability advice service which delivers a range of careers, advice and consultancy services in the East Midlands and across England.

#### *Relationship with the Council*

The company is jointly owned 50/50 by the Council and Nottinghamshire County Council. The Council's share of Futures accumulated net liability and profit / loss in year as at 31 March 2021, equating to £13.678m (2019/20 £8.772m) and £4.906m loss (2019/20 £2.770m loss) respectively, have not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

#### *Commitments*

The Council is committed to paying Futures £0.861m in 2021/22, being grant funding for the delivery of careers advice.



## Section 6 – Group Financial Statements and Notes

### Summarised Financial Information of Futures group

	2019/20 £m	2020/21 £m
Revenue	(14.565)	(16.486)
Operating Charges	16.417	16.702
<b>Operating (Profit)/Loss</b>	<b>1.852</b>	<b>0.216</b>
Finance Costs	0.445	0.583
Investment Income	(0.009)	(0.005)
<b>(Profit)/Loss before Tax</b>	<b>2.288</b>	<b>0.794</b>
Income Tax Expense	(0.036)	-
<b>(Profit)/Loss for the Year</b>	<b>2.252</b>	<b>0.794</b>
Other Comprehensive Income and Expenditure	3.289	9.017
<b>TOTAL COMPREHENSIVE (PROFIT) / LOSS FOR THE YEAR</b>	<b>5.541</b>	<b>9.811</b>
Non-current Assets	1.413	1.736
Current Assets	6.027	12.955
Current Liabilities	(1.814)	(8.800)
Non-current Liabilities	(23.170)	(33.247)
<b>NET LIABILITIES AS AT 31 MARCH</b>	<b>(17.544)</b>	<b>(27.356)</b>
<b>COUNCIL'S SHARE (50%) OF NET LIABILITY NOT RECOGNISED IN THE GROUP ACCOUNTS UNDER IAS 28</b>	<b>(8.772)</b>	<b>(13.678)</b>
<b>Amounts included in the above figures:</b>		
Depreciation (in Operating Charges)	0.309	0.351
Defined Benefit Pension Finance Costs (in Finance Costs)	0.426	0.573
Interest Earned on Loans and Deposits (in Investment Income)	(0.009)	(0.005)
Cash and Cash Equivalents (in Current Assets)	3.556	3.726
Accruals (in Current Liabilities)	(1.094)	(1.396)
Retirement Benefit Obligation (in Non-current Liabilities)	(22.730)	(32.997)

### 6.5.3 Trust Fund:

#### Bridge Estate (Registered Charity Number: 220716)

##### *Nature of the Trust Fund*

The earliest mention of Bridge Estate is in 1302. Since that date, various bequests of land and property have been made, the income from which being set aside for the maintenance of bridges over the River Trent. By 1882 the income generated by the Estate was in excess of that required for the maintenance of Trent Bridge and consequently the objectives of the Estate were extended by virtue of section 78 of the Nottingham Corporation Act 1882.

The objectives of the charity are as follows:

- Provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.
- In effect, to set up a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.

## Section 6 – Group Financial Statements and Notes

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- The residue of such income is to be applied as the Trustee thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

### *Relationship with the Council*

Bridge Estate is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Bridge Estate are subject to the same financial regulations and procedures as those relating to the Council.

### *Accounts*

Copies of the accounts of Bridge Estate can be obtained from Technical Accounting, Strategy and Resources, Loxley House, Station Street, Nottingham, NG2 3NG.

## 6.6 Details of subsidiaries, associates, joint ventures and trust funds not included in the group accounts

The Council has considered its relationship with the following associates, joint ventures and trust funds. These organisations have been excluded from the group accounts on the basis of risk and materiality.

### 6.6.1 Subsidiaries

#### **Nottingham Science Park Management Ltd (Registered Company Number: 05977314)**

##### *Nature of the company*

The company essentially functions to administer service charges at Nottingham Science Park through its property agent.

##### *Relationship with the Council*

Nottingham Science Park Management Ltd is a wholly owned subsidiary of the Council. The Council owns 100% of the issued share capital.

### 6.6.2 Associates

#### **Ticketing Network East Midlands Ltd (Registered Company Number: 06623526)**

##### *Nature of the company*

The founding members of Ticketing Network East Midlands Ltd (TNEM) are the Lakeside Arts Centre, Nottingham Theatre Royal and Royal Concert Hall, Nottingham Playhouse and Dance4. TNEM is run on behalf of this consortium of arts organisations to manage its ticketing and customer relationship management system.

TNEM is the first consortium in the United Kingdom to be formed specifically for the purpose of enabling multiple organisations within this region to share Tessitura software and services from the Tessitura network.

##### *Relationship with the Council*

The Council holds 25% of the shares of TNEM, as do each of the other three member organisations Lakeside Arts Centre, Nottingham Playhouse and Dance4.

### 6.6.3 Joint Ventures

#### **Blueprint (General Partner) Ltd (Registered Company Number: 05340186)**

##### *Nature of the Company*

Blueprint (General Partner) Ltd manages the activity of the Blueprint Limited Partnership.

##### *Relationship with the Council*

The company is jointly owned by the Council and PFPC1 LP. The Council purchased the 50% share on 9 March 2015.

#### **Creative Quarter Nottingham Ltd (Registered Company Number: 08336489)**

##### *Nature of Company*

Creative Quarter Nottingham Limited are an economic development agency, encouraging growth and productivity in Nottingham's creative and digital industries. Creative Quarter Nottingham Limited is a private company limited by guarantee.

##### *Relationship with the Council*

At the 31st March 2021 Creative Quarter Nottingham Limited was jointly owned by Nottingham City Council and Nottingham Trent University.

#### **emPSN Services Ltd – formerly EMBC Procurement Ltd (Registered Company Number: 05882746)**

##### *Nature of the Company*

emPSN Service Ltd is a regional partnership formed to secure a regional network and services for schools and a service framework for the public sector.

##### *Relationship with the Council*

As a customer of emPSN the Council is a member of the company and has a stake in its future as a public sector owned company Limited by Guarantee.

#### **Inspiredspaces Nottingham Ltd - Local Education Partnership (Registered Company Number: 06506329)**

##### *Nature of the Company*

This company was set up in June 2008 and the principal activities of the company are the provision of the construction project development and partnering services within the education sector in accordance with the terms and agreement set up with the Council.

##### *Relationship with the Council*

The Council has a 10% shareholding in the company. 10% is also held by Building Schools for the Future Investments LLP and 80% is held by Inspiredspaces Nottingham (PSP1) Limited, owned by Amber LEP Investments Limited, part of the Amber Group of companies.

### 6.6.4 Trust Funds

#### **Harvey Hadden Stadium Trust (Registered Charity Number: 522271)**

##### *Nature of the Trust Fund*

On 18 July 1955 the court made a scheme and order for an athletics stadium to be erected out of the bequest of Harvey Hadden. Under the court order there is a requirement for "the Corporation" – now Nottingham City Council – to maintain the stadium built with those funds, "under the name of Harvey Hadden Stadium in good order and condition in perpetuity for the purposes of public recreation".

The objective of the Trust is to provide public recreation for the people of the City of Nottingham forever.

## Section 6 – Group Financial Statements and Notes

### *Relationship with the Council*

Harvey Hadden Stadium Trust is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Harvey Hadden Stadium Trust are subject to the same financial regulations and procedures as those relating to the Council.

### **Highfields Leisure Park Trust (Registered Charity Number: 1006603)**

#### *Nature of the Trust Fund*

The Highfields Leisure Park Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. The objective of the Trust is to provide public recreation and pleasure grounds for the people of the City of Nottingham forever.

#### *Relationship with the Council*

Highfields Leisure Park Trust is a charity of which the Council is sole trustee. Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee including the responsibility for making recommendations on the management of the charity.

All transactions relating to Highfields Leisure Park Trust are subject to the same financial regulations and procedures as those relating to the Council.

## 6.7 Notes to the Core Group Financial Statements

These notes provide information that supports and helps in interpreting the financial statements. Where the group account figures are not materially different from those of the Council only accounts, no additional disclosure notes have been made.

### 6.7.1 Group Comprehensive Income and Expenditure Statement Notes

#### 6.7.1.1 Financing and Investment Income and Expenditure

	2019/20			2020/21		
	Expenditure £m	Income	Net	Expenditure £m	Income	Net
Net Interest on Pension Fund	20.851	-	20.851	20.827	-	20.827
Capitalisation Directive	-	-	-	20.000	-	20.000
Interest and similar charges and income	22.385	(0.055)	22.330	21.557	(0.438)	21.119
Interest revenue/costs calculated using the effective interest rate method	32.739	(3.573)	29.166	32.661	(5.540)	27.121
Change in value of financial assts held at fair value through profit and loss	0.002	-	0.002	-	(0.124)	(0.124)
Impairment Losses	12.214	-	12.214	24.678	-	24.678
Trading Operations	1.641	(2.237)	(0.596)	1.845	(2.402)	(0.557)
Income and expenditure in relation to investment properties and changes in their fair value	18.427	(22.314)	(3.887)	13.552	(22.561)	(9.009)
Other Finance and Investment items	0.288	(2.294)	(2.006)	0.826	(0.375)	0.451
<b>TOTAL</b>	<b>108.547</b>	<b>(30.473)</b>	<b>78.074</b>	<b>135.946</b>	<b>(31.440)</b>	<b>104.506</b>

6.7.1.2 Revenue from Contracts with Service Recipients

Revenue included in the CIES for contracts with service recipients:

	Restated 2019/20				2020/21			
	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total	Fees and charges under statutory requirements	Sale of goods	Charges for services	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Adult Care and Local Transport	-	(0.393)	(29.776)	(30.169)	-	(0.307)	(20.799)	(21.106)
Children and Young People	-	(0.001)	(0.807)	(0.808)	-	-	(0.755)	(0.755)
Communities, Highways and Strategic Transport	(2.042)	(0.072)	(15.049)	(17.163)	(2.088)	(0.050)	(8.936)	(11.074)
Employment and Community Protection	(0.032)	-	(1.764)	(1.796)	-	-	(1.842)	(1.842)
Energy, Environment and Democratic Services	-	(0.024)	(8.560)	(8.584)	-	(0.011)	(7.318)	(7.329)
Finance, Growth and the City Centre	(1.314)	(4.083)	(0.401)	(5.798)	(1.124)	(2.874)	(0.232)	(4.230)
Health, HR and Equalities	-	-	(0.670)	(0.670)	-	-	(0.672)	(0.672)
Housing, Planning and Heritage	(6.725)	-	(6.900)	(13.625)	(104.165)	-	(10.006)	(114.171)
Leisure, Culture and IT	(0.108)	(1.410)	(29.967)	(31.485)	(0.124)	(1.086)	(6.941)	(8.151)
Regeneration, Schools and Communications	-	(0.023)	(12.426)	(12.449)	-	-	(13.628)	(13.628)
Corporate Items	-	-	(1.149)	(1.149)	-	(0.011)	(1.466)	(1.477)
Group Organisations	-	(4.658)	(202.807)	(207.465)	-	(0.361)	(61.185)	(61.546)
Financing and Investment Income and Expenditure	-	(0.426)	(5.033)	(5.459)	-	(0.392)	(20.613)	(21.005)
<b>Revenue from contracts with service recipients</b>	<b>(10.221)</b>	<b>(11.090)</b>	<b>(315.309)</b>	<b>(336.620)</b>	<b>(107.501)</b>	<b>(5.092)</b>	<b>(154.393)</b>	<b>(266.986)</b>
Impairment of receivables				4.278				8.390
<b>TOTAL INCLUDED IN THE CIES</b>				<b>(332.342)</b>				<b>(258.596)</b>

As outlined in note 4.3.1 Prior Year Reclassifications, 2019/20 has been restated to align with the 2020/21 portfolio position of the Council. This restatement only alters the classification of the portfolios and overall the total value is unchanged. The group organisations are not included within the portfolios but are shown on a separate line.

In line with the 2020/21 Code, the portfolio Housing, Planning and Heritage of the Council now includes HRA Rent income (£96.806m).

Revenue is recognised either over time or at a point in time. This is analysed in the following table:

Timing of revenue recognition	2019/20		2020/21	
	Over time	At a point in time	Over time	At a point in time
	£m	£m	£m	£m
Fees and charges under statutory requirements	(9.452)	(0.769)	(107.072)	(0.429)
Sale of goods	-	(11.090)	-	(5.092)
Charges for services	(112.775)	(202.534)	(102.799)	(51.594)
<b>TOTAL</b>	<b>(122.227)</b>	<b>(214.393)</b>	<b>(209.871)</b>	<b>(57.115)</b>

Amounts included in the Balance Sheet for contracts with service recipients are shown in the following table:

## Section 6 – Group Financial Statements and Notes

	31 March 2020 £m	31 March 2021 £m
Receivables included in debtors	55.797	51.301
Contract assets	0.448	0.399
Contract liabilities	(18.832)	(19.774)
<b>TOTAL</b>	<b>37.413</b>	<b>31.926</b>

Changes in the contract assets and contract liabilities balances during the year are as follows:

	2019/20		2020/21	
	Contract Assets £m	Contract Liabilities £m	Contract Assets £m	Contract Liabilities £m
<b>Balances at 1 April</b>	<b>0.187</b>	<b>(18.313)</b>	<b>0.448</b>	<b>(19.142)</b>
Reversal for amounts recognised in the CIES in year	(0.404)	18.042	(0.373)	17.205
Increases (decreases) due to cash received (paid)	0.276	(18.561)	0.324	(17.837)
Changes as a result of changes in the measure of progress	0.089	-	-	-
Other Movements	0.300	-	-	-
<b>BALANCE AT 31 MARCH</b>	<b>0.448</b>	<b>(18.832)</b>	<b>0.399</b>	<b>(19.774)</b>

Other movements £0.300m in 2019/20 relate to Thomas Bow Ltd who became a subsidiary of the Council during 2019/20.

The value of revenue that is expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the year is:

	31 March 2020 £m	31 March 2021 £m
Not later than one year	(16.575)	(17.281)
Later than one year	(2.257)	(2.493)
<b>TOTAL</b>	<b>(18.832)</b>	<b>(19.774)</b>

## 6.7.2 Group Balance Sheet Notes

## 6.7.2.1 Property, Plant and Equipment

2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	1,002.178	969.423	316.827	740.332	36.480	43.826	79.954	<b>3,189.020</b>	<b>300.524</b>
Accumulated Depreciation b/f	-	(5.173)	(145.925)	(264.439)	(12.263)	-	(0.006)	<b>(427.806)</b>	<b>(52.069)</b>
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>Net Book Value at 1 April 2020</b>	<b>1,002.178</b>	<b>964.250</b>	<b>170.902</b>	<b>475.893</b>	<b>24.017</b>	<b>43.826</b>	<b>79.948</b>	<b>2,761.014</b>	<b>248.455</b>
Additions - Capital Expenditure	28.105	4.260	8.631	18.760	0.728	(0.140)	35.237	<b>95.581</b>	-
Depreciation Charge	(10.850)	(29.273)	(23.628)	(26.030)	(1.101)	(0.045)	-	<b>(90.927)</b>	(12.746)
Revaluations - Recognised in Revaluation Reserve	64.899	(5.714)	-	-	-	11.530	-	<b>70.715</b>	-
Revaluations - Recognised in the CIES	50.205	(12.265)	-	-	-	0.905	-	<b>38.845</b>	-
Derecognition - Disposals	(7.390)	(0.718)	(0.094)	-	-	(1.836)	(0.097)	<b>(10.135)</b>	-
Derecognition - Other	(1.842)	(1.644)	-	(2.453)	(0.014)	(0.066)	-	<b>(6.019)</b>	-
Impairments - Recognised in the CIES	-	(0.139)	(0.551)	-	-	-	-	<b>(0.690)</b>	-
Other Transfers	6.788	15.234	1.811	(8.818)	0.010	3.470	(17.977)	<b>0.518</b>	-
<b>Net Book Value at 31 March 2021</b>	<b>1,132.093</b>	<b>933.991</b>	<b>157.071</b>	<b>457.352</b>	<b>23.640</b>	<b>57.644</b>	<b>97.111</b>	<b>2,858.902</b>	<b>235.709</b>
Gross Book Value c/f	1,132.093	965.551	311.858	737.411	37.078	57.644	97.111	<b>3,338.746</b>	300.524
Accumulated Depreciation c/f	-	(31.560)	(154.787)	(280.059)	(13.238)	-	-	<b>(479.644)</b>	(64.815)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2021</b>	<b>1,132.093</b>	<b>933.991</b>	<b>157.071</b>	<b>457.352</b>	<b>23.640</b>	<b>57.644</b>	<b>97.111</b>	<b>2,858.902</b>	<b>235.709</b>

## Section 6 – Group Financial Statements and Notes

2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross Book Value b/f	1,000.216	929.841	318.401	718.412	33.654	29.532	28.440	<b>3,058.496</b>	<b>300.524</b>
Accumulated Depreciation b/f	-	(5.727)	(162.480)	(238.964)	(11.323)	-	(0.006)	<b>(418.500)</b>	<b>(40.049)</b>
Accumulated Impairment b/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>Net Book Value at 1 April 2019</b>	<b>1,000.216</b>	<b>924.114</b>	<b>155.921</b>	<b>479.448</b>	<b>22.131</b>	<b>29.532</b>	<b>28.434</b>	<b>2,639.796</b>	<b>260.475</b>
Additions - Capital Expenditure	34.577	7.356	36.915	25.927	2.827	0.297	65.520	<b>173.419</b>	-
Depreciation Charge	(18.441)	(26.411)	(22.551)	(29.482)	(0.941)	(0.022)	-	<b>(97.848)</b>	(12.746)
Revaluations - Recognised in Revaluation Reserve	4.018	59.037	-	-	-	14.652	-	<b>77.707</b>	0.726
Revaluations - Recognised in the CIES	(15.102)	3.720	-	-	-	1.197	-	<b>(10.185)</b>	-
Derecognition - Disposals	(11.052)	(0.330)	(1.881)	-	-	(0.506)	-	<b>(13.769)</b>	-
Derecognition - Other	(1.737)	(1.055)	-	-	-	(0.685)	-	<b>(3.477)</b>	-
Impairments - Recognised in the CIES	-	-	(0.379)	-	-	-	-	<b>(0.379)</b>	-
Other - Transfers to Held for Sale	-	(0.322)	-	-	-	(1.280)	-	<b>(1.602)</b>	-
Other Transfers	9.699	(1.859)	2.877	-	-	0.641	(14.006)	<b>(2.648)</b>	-
<b>Net Book Value at 31 March 2020</b>	<b>1,002.178</b>	<b>964.250</b>	<b>170.902</b>	<b>475.893</b>	<b>24.017</b>	<b>43.826</b>	<b>79.948</b>	<b>2,761.014</b>	<b>248.455</b>
Gross Book Value c/f	1,002.178	969.423	316.827	740.332	36.480	43.826	79.954	<b>3,189.020</b>	300.524
Accumulated Depreciation c/f	-	(5.173)	(145.925)	(264.439)	(12.263)	-	(0.006)	<b>(427.806)</b>	(52.069)
Accumulated Impairment c/f	-	-	-	-	(0.200)	-	-	<b>(0.200)</b>	-
<b>NET BOOK VALUE AT 31 MARCH 2020</b>	<b>1,002.178</b>	<b>964.250</b>	<b>170.902</b>	<b>475.893</b>	<b>24.017</b>	<b>43.826</b>	<b>79.948</b>	<b>2,761.014</b>	<b>248.455</b>



### 6.7.2.2 Investment Properties

The following table summarises the movement in the fair value of investment properties over the year:

	2019/20 £m	2020/21 £m
Opening Balance At 1 April	326.356	306.192
Additions	5.842	3.483
Disposals	(14.391)	(5.170)
Net gains/losses from fair value adjustments	(14.391)	(11.784)
Transfers to / from Property Plant and Equipment	2.776	(0.400)
<b>CLOSING BALANCE AT 31 MARCH</b>	<b>306.192</b>	<b>292.321</b>

Where the Bridge Estate's fixed assets have been consolidated with the Council's it has been assumed that the properties class will remain as investment property upon consolidation.

### Fair Value Hierarchy

Details of the group's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

	Quoted prices in active markets for identical assets (Level 1) £m	Other significant observable inputs (Level 2) £m	Significant unobservable inputs (Level 3) £m	Fair value as at 31 March 2020 £m
Industrial	-	64.226	-	64.226
Land	-	41.619	-	41.619
Leisure / Other	-	47.472	-	47.472
Office	-	61.131	-	61.131
Retail	-	63.211	-	63.211
Services	-	14.662	-	14.662
<b>Total</b>	<b>-</b>	<b>292.321</b>	<b>-</b>	<b>292.321</b>

Details of the Fair Value hierarchy information are shown in note 4.4.3.

### 6.7.2.3 Short Term Debtors

	31 March 2020 £m	31 March 2021 £m
Prepayments	16.361	23.700
Local Taxation	8.275	8.960
Trade	63.756	49.751
Other receivable amounts	90.744	96.257
<b>TOTAL</b>	<b>179.136</b>	<b>178.668</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.2.4 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises of the following elements:

	31 March 2020 £m	31 March 2021 £m
Cash held by the Authority / Group Organisation	0.275	0.278
Bank current accounts	23.682	38.504
Short-term deposits with banks and building societies	82.719	38.312
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>106.676</b>	<b>77.094</b>

### 6.7.2.5 Short Term Creditors

	31 March 2020 £m	31 March 2021 £m
Receipts in Advance	(39.385)	(35.285)
Trade	(96.359)	(62.249)
Other payables	(63.999)	(118.154)
<b>TOTAL</b>	<b>(199.743)</b>	<b>(215.688)</b>

### 6.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS (section 6.4.3).

### 6.7.2.7 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions. These reserves represent differences due to timing of funding certain items of expenditure and are, therefore, not available as a source of general funding. The unusable reserves also include the Council's share of profit and loss and other reserves of jointly controlled entities included in the group accounts.

	31 March 2020 £m	31 March 2021 £m
Revaluation Reserve	650.220	701.763
Capital Adjustment Account	1,059.076	1,082.778
Financial Instruments Adjustment Account	(5.578)	(5.398)
Pensions Reserve	(777.847)	(1,066.517)
Deferred Capital Receipts Reserve	1.042	1.042
Collection Fund Adjustment Account	2.028	(38.773)
Accumulated Absences Account	(4.672)	(7.625)
Profit and Loss and Other Reserves of Group Entities	(93.089)	(117.919)
Authority's share of Profit and Loss and Other Reserves of an associate / joint venture	(0.579)	(0.280)
Minority Interest - Equity	0.799	0.212
<b>TOTAL</b>	<b>831.400</b>	<b>549.283</b>

6.7.3 Group Movement in Reserves Statement Notes

The following tables detail the adjustments between group accounts and authority accounts in the Group Movement in Reserves Statement:

2020/21	General	Total	Total	Authority's	Total
	Fund	Usable	Authority	Share of	Total
	Balance	Reserves	Reserves	Group	Reserves
	£m	£m	£m	Reserves	£m
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(77.767)	(77.767)	(77.767)	77.767	-
Grants and provisions for subsidiaries	(0.111)	(0.111)	(0.111)	0.111	-
Receipts in relation to goods and services provided to subsidiaries	25.580	25.580	25.580	(25.580)	-
Interest and investment income from/to subsidiaries	2.378	2.378	2.378	(2.378)	-
Contributions from subsidiaries		-	-	(0.054)	(0.054)
Other movements	1.545	1.545	1.545	(1.545)	-
<b>TOTAL ADJUSTMENTS</b>	<b>(48.375)</b>	<b>(48.375)</b>	<b>(48.375)</b>	<b>48.321</b>	<b>(0.054)</b>

2019/20	General	Total	Total	Authority's	Total
	Fund	Usable	Authority	Share of	Total
	Balance	Reserves	Reserves	Group	Reserves
	£m	£m	£m	Reserves	£m
	£m	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(87.542)	(87.542)	(87.542)	87.542	-
Grants and provisions for subsidiaries	(0.050)	(0.050)	(0.050)	0.050	-
Receipts in relation to goods and services provided to subsidiaries	29.829	29.829	29.829	(29.829)	-
Interest and investment income from/to subsidiaries	2.657	2.657	2.657	(2.657)	-
Contributions from subsidiaries		-	-	(0.182)	(0.182)
Other movements	1.545	1.545	1.545	(1.545)	-
<b>TOTAL ADJUSTMENTS</b>	<b>(53.561)</b>	<b>(53.561)</b>	<b>(53.561)</b>	<b>53.379</b>	<b>(0.182)</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.4 Group Cash Flow Notes

#### 6.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £m	2020/21 £m
Interest received	5.647	6.849
Interest paid	(61.639)	(56.462)
Dividends received	0.407	0.949
Dividends paid	(0.288)	(0.825)

#### 6.7.4.2 Investing Activities

	2019/20 £m	2020/21 £m
Purchase of property, plant and equipment, investment property and intangible assets	(155.021)	(135.677)
Purchase of short-term and long-term investments	(55.000)	(106.102)
Obtaining control of a subsidiary - cash paid net of cash and cash equivalents acquired	(4.724)	-
Other payments for investing activities	(18.902)	(8.796)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	35.983	21.879
Proceeds from short-term and long-term investments	59.564	45.026
Other receipts from investing activities	77.367	71.318
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(60.733)</b>	<b>(112.352)</b>

#### 6.7.4.3 Financing Activities

	2019/20 £m	2020/21 £m
Cash receipts of short and long-term borrowing	197.500	17.000
Other receipts from financing activities	-	174.380
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(13.672)	(13.080)
Repayments of short and long-term borrowing	(84.557)	(158.612)
Other payments for financing activities - Council Tax and NNDR adjustments	-	(41.475)
Other payments for financing activities	-	(2.717)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>99.271</b>	<b>(24.504)</b>

## Section 6 – Group Financial Statements and Notes

### 6.7.4.4 Reconciliation of Liabilities arising from Financing Activities

	Financing		Non-cash changes		31 March 2021
	1 April 2020	cash outflows (inflows)	Acquisition	Other	
	£m	£m			
Long-term borrowings	(925.526)	26.224	-	(0.326)	(899.628)
Short-term borrowings	(158.175)	123.781	-	(7.640)	(42.034)
Lease liabilities	(35.188)	3.485	-	(0.003)	(31.706)
On balance sheet PFI liabilities	(191.864)	9.595	-	2.683	(179.586)
Other	(1.368)	(0.097)	-	(0.011)	(1.476)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,312.121)</b>	<b>162.988</b>	<b>-</b>	<b>(5.297)</b>	<b>(1,154.430)</b>

	Financing		Non-cash changes		31 March 2020
	1 April 2019	cash outflows (inflows)	Acquisition	Other	
	£m	£m			
Long-term borrowings	(877.710)	(65.000)	-	17.184	(925.526)
Short-term borrowings	(86.394)	(56.269)	-	(15.512)	(158.175)
Lease liabilities	(20.351)	6.378	(20.936)	(0.279)	(35.188)
On balance sheet PFI liabilities	(198.824)	7.294	-	(0.334)	(191.864)
Other	(18.114)	8.326	-	8.420	(1.368)
<b>TOTAL LIABILITIES FROM FINANCING ACTIVITIES</b>	<b>(1,201.393)</b>	<b>(99.271)</b>	<b>(20.936)</b>	<b>9.479</b>	<b>(1,312.121)</b>

# Section 7 (Appendix A)

## PENSION SCHEMES

### 7.1 Defined Benefit Pension Schemes accounted for as Defined Contribution Schemes

#### 7.1.1 Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Business Services Ltd on behalf of the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme has more than of 11,200 participating employers and consequently the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2020/21, the Council paid £6.561m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £5.546m representing 16.48% of pensionable pay for April 2019 to August 2019, and 23.68% of pensionable pay for September 2019 to March 2020. The employer contribution includes a levy of 0.08% for administration.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Scheme. These costs are accounted for on a defined benefit basis and shown under past service costs/gains in section 7.2.1 below. The teacher's benefits arrangements have no assets to cover its liabilities.

The Council is not liable to the scheme for any other entities obligations under the plan.

#### 7.1.2 NHS Pension Scheme

Public Health employees who transferred into the Council from Nottingham City PCT on 01 April 2013 are members of the NHS Pension Scheme. The NHS Pension Scheme is administered by NHS Business Services Authority.

On 1 April 2015 a new NHS Pension Scheme was introduced. The new scheme covers all former members of the 1995/2008 Scheme not eligible to continue in that Scheme as well as new NHS employees on or after 1 April 2015. The 2015 Scheme is a Career Average Revalued Earnings Scheme, with benefits based on a proportion of pensionable earnings each year during your career.

The scheme is an unfunded defined benefit occupational scheme with the benefits underwritten by the Government. The scheme is not designed to be run in a way that

would enable NHS bodies / local authorities to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the Council is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme receives contributions from employers and employees to defray the costs of pensions and other benefits. The costs of the scheme are determined by the Government and also the scheme actuary who performs periodic valuations of the scheme to determine how much needs to be paid in to provide the benefits paid out. These costs are shared between the NHS employers and the scheme members.

The employer contribution rate for the period 1 April 2019 to 31 March 2023 is 20.6% of pensionable pay for both the 1995-2008 Scheme and the 2015 Scheme.

The employer contribution rate is set through a process known as the scheme valuation. A scheme valuation is carried out every four years and it measures the full cost of paying pension benefits (to current pensioners). The most recent 2016 scheme valuation identified the need to increase the employer contribution from 14.3% to 20.6% (6.3% increase) from 1 April 2019.

Employers are required to pay a scheme administration levy, in addition to the employer contribution rate, to cover the cost of the scheme administration. This levy is 0.08% of pensionable pay and is collected at the same time and in the same way as normal employer contributions. In practical terms, this means employers will pay 20.68% of pensionable pay.

For 2020/21 the Council was responsible for paying 14.38% of contributions. The Council also paid some of the increase in costs foreseen in Budget 2016 which equated to a 2.5% increase in employer contributions with the remaining 3.8% (together totalling the 6.3% increase) constituting unforeseen costs which were funded by the Government. These contribution rates were unchanged from 2019/20.

In 2020/21 the Council's contribution to the Scheme was £0.078m (2019/20 £0.069m), representing 14.38% of pensionable pay £0.541m (2019/20 £0.483m). £0.014m was also paid by the Council, representing the 2.5% increase in costs.

The employee contributions are on a tiered scale from 5.0% to 14.5% of their pensionable pay.

If the scheme operates with a surplus of cash outflow, due to income exceeding the payments made, the surplus is returned to HM Treasury during the following financial year. If payments exceed income within a financial year, or the scheme requires funds to maintain a level of cash flow to make payments the balance of the funding required is requested from parliament through the annual Supply Estimates process.

As the scheme is unfunded liabilities are underwritten by the Exchequer.

## 7.2 Defined Benefit Pension Scheme

### 7.2.1 Local Government Pension Scheme

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013, and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to

## Section 7 – Pension Schemes

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LGPS benefits due to the McCloud and Sargeant judgement and the 2016 cost cap process. The Government has published its consultation on a remedy for the McCloud and Sargeant judgement and at the same time announced the unpausing of the 2016 cost cap process which will take into account the remedy for the McCloud and Sargeant judgement. These are yet to be finalised and therefore it remains uncertain what changes may be made to LGPS benefits as a result.

The administering authority for the Fund is Nottinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Nottinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These are amended when appropriate based on the Fund's performance and funding.

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On an Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

**Investment risk:** The Fund holds investment in asset classes, such as equities, which have volatile market values. Whilst these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

**Interest rate risk:** The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

**Inflation risk:** All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

**Longevity risk:** In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so the difference may fall on the remaining employers.

All of the risks above may also benefit the Council e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.



### **Court of Appeal Judgement in Relation to the McCloud and Sargeant Cases**

#### *Context*

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015. Transitional protection enabled some members to remain in their pre-2015 schemes after 1 April 2015 until retirement or the end of a pre-determined tapered protection period. The claimants challenged the transitional protection arrangements on the grounds of direct age discrimination, equal pay and indirect gender and race discrimination.

The first case (McCloud) relating to the Judicial Pension Scheme was ruled in favour of the claimants, while the second case (Sargeant) in relation to the Fire scheme was ruled against the claimants. Both rulings were appealed and as the two cases were closely linked, the Court of Appeal decided to combine the two cases. In December 2018, the Court of Appeal ruled that the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination.

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, the actuary has not included any further adjustment in light of the ongoing consultation.

#### *Impact*

The Scheme Advisory Board, with consent of the Ministry of Housing, Communities and Local Government (MHCLG), commissioned GAD to report on the possible impact of the McCloud/Sargeant judgement on LGPS liabilities, and in particular, those liabilities to be included in local authorities' accounts as at 31 March 2019. This followed an April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. This analysis was to be carried out on a "worst-case" basis, (i.e. what potential remedy would incur the highest increase in costs/liabilities). The results of this analysis are set out in GAD's report dated 10 June 2019.

Although GAD were asked to carry out their analysis on a "worst-case" basis, there are a number of other potential outcomes to the case which would potentially inflict less cost to the Employer. For example, the solution proposed by the Government would only apply the underpin to all members who were active on 31 March 2012. This would have less impact than GAD's scenario (which also includes any new joiners from 1 April 2012).

IAS19 requires the Actuary to place a best estimate value on liabilities and costs. Consistent with the approach the Actuary adopted for the McCloud impact estimates made last year, they have adjusted the GAD's estimate to include only members that were active on 31 March 2012. This is in line with that proposed in the Government's consultation.

## Section 7 – Pension Schemes

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GAD's analysis compared the cost of the old pre-2014 final salary scheme with the new CARE scheme. The key parameter in assessing this cost is the assumed level of future salary increases in excess of CPI. GAD considered the following two scenarios:

- Salaries increase at CPI plus 1.5% – on this scenario GAD assessed the average cost of implementing their worst-case scenario to be 3.2% of active liabilities at 31 March 2019 and the impact on service cost (i.e. the cost of benefits accruing) to be 3.0% of active payroll.
- Salaries increase at CPI plus 0% p.a. – on this scenario GAD assessed the average cost to be less than 0.1% of active liabilities at 31 March 2019 and the impact on service cost to be less than 0.1% of payroll.

For the purposes of the impact estimate the actuary has made an allowance to reflect the Council's own salary increase assumption.

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results of the Actuary report at the last accounting date and therefore is already included in the starting position for the 2020/21 Actuary report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

### **Public Sector Exit Cap**

As in previous years, the actuary makes an allowance for the additional costs of unreduced early retirements that they are aware of having taken place over the year. These predominantly include early retirements on grounds of redundancy or business efficiency in respect of LGPS members who are aged 55 or over and will be treated as "curtailments" within the disclosures. On 4 November 2020, the Restriction of Public Sector Exit Payment Regulations 2020 came into effect which essentially capped the value of exit payments to £95,000 for certain public sector workers, including early retirement pension costs, except in particular cases where a waiver was deemed to apply. The effect is that some Funds may have applied a reduction to affected members' benefits in order to bring the costs of early payment of benefits to within the cap.

However, on 12 February 2021, HM Treasury (HMT) published the Exit Payment Cap Directions 2021 which effectively disapplied the exit cap for all exits taking place on or after that date. HMT has also issued guidance on these Directions, setting out their expectation that employers should pay the additional sums that would be paid had the cap not applied for employees who left between 4 November 2020 and 12 February 2021. Although the guidance is currently silent on the issue of pensions, it is likely that some Funds have, or will, put into payment the uncapped value of benefits for affected members who left during this period.

The disclosures allow for any additional costs to the extent they are notified to the actuary within the data they receive on early retirements and are included within the "curtailments" figure. Any additional costs not notified to the actuary at this stage will, as with all other types of membership experience, be assessed at the next triennial funding valuation and incorporated into the disclosures thereafter.

**Assets and Liabilities in Relation to Post-Employment Benefits**

The projected pension expenses for the year to 31 March 2022 are as follows:

	LGPS 31 March 2022 £m	Teachers Benefits £m
Service cost	77.138	-
Net interest on the defined liability (asset)	20.299	0.574
Administration expenses	0.628	-
<b>TOTAL</b>	<b>98.065</b>	<b>0.574</b>
<b>Employer Contributions</b>	<b>36.459</b>	<b>-</b>

Note that these figures exclude the capitalised cost of any early retirement or augmentations which may occur after 31 March 2021.

These projections are based on the assumptions as at 31 March 2021.

**Actuarial Methods and Assumptions**

Both the Local Government Pension Scheme and Teachers Benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2019 and using financial assumptions that comply with IAS19.

**Valuation Data - Data Sources**

In completing the calculations for pensions accounting purposes the actuary has used the following items of data, which they received from Nottinghamshire County Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2020 IAS19 report which was carried out for accounting purposes.
- Estimated whole fund income and expenditure items for the period to 31 March 2021.
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2019, 31 March 2020 and 31 March 2021, and Fund income and expenditure as noted above.
- Estimated Fund income and expenditure in respect of the employer for the period to 31 March 2021.
- Details of any new early retirements for the period to 31 March 2021 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.
- Details of any settlements for the period to 31 March 2021.

Although some of the data items have been estimated, they are not likely to have a material effect on the results. The Actuary is not aware of any material changes or events since they received the data. The Actuary checks the data for reasonableness to ensure it is sufficient for them to be able to provide advice.

## Section 7 – Pension Schemes

### Employer Membership Statistics

The following table summarises the membership data, as at 31 March 2019 for members receiving funded benefits, and as at 31 March 2020 for any members receiving unfunded benefits.

Local Government Pension Scheme			
	Number	Salaries / Pensions £m	Average Age
Actives	7,728	146.742	45
Deferred Pensioners	14,237	17.458	47
Pensioners	7,390	34.669	71
Unfunded Pensioners	686	0.653	81

Teachers Benefits			
	Number	Salaries / Pensions £m	Average Age
Unfunded Pensioners	2,395	2.716	74

The Council also has a share of the responsibility for some of the historic Nottinghamshire County Council liabilities accrued prior to the reorganisation of local government 1 April 1998, and a responsibility for the liabilities of Nottingham City Transport Limited accrued prior to 26 October 1986. The data underlying the pre-1998 Nottinghamshire County Council and Nottingham City Transport Limited LGPS liabilities is as follows as at 31 March 2019:

Local Government Pension Scheme			
	Number	Salaries / Pensions £m	Average Age
<b>Pre-1998 Nottinghamshire County Council:</b>			
Deferred pensioners	3,311	1.817	58
Pensioners	5,160	18.397	78
Unfunded Pensioners	1,114	1.393	84
<b>Nottingham City Transport Limited:</b>			
Actives	42	0.982	61
Deferred pensioners	30	0.096	59
Pensioners	822	5.372	74

The service cost for the year ending 31 March 2021 is calculated using an estimate of the total pensionable payroll during the year of £155.375m. The projected service cost for the year ending 31 March 2022 has been calculated assuming the payroll remains at this level over the year.

There were 156 new early LGPS retirements in respect of the year ending 31 March 2020. The total annual pension that came into payment was £1.287m.

**Scheduled Contributions**

The following table summarises the minimum employer contributions due from the Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 17.9% of payroll p.a.

	Minimum employer contributions due for the period beginning		
	1 Apr 2020	1 Apr 2021	1 Apr 2022
Percent of Payroll	17.9%	17.9%	17.9%
plus monetary amounts £m	8.544	8.855	9.178

However, the Council have agreed with the administering authority that they will prepay their monetary contributions for the three years up to 31 March 2023 by making lump sum payments of £8.345m, £8.649m and £8.964m by 30 April 2020, 30 April 2021 and 30 April 2022 respectively. These lump sum payments have received an actuarially equivalent discount to the monetary rates above and the Council has been notified separately of these amounts. If the Council does not make these lump sum payments by 30 April each year, the contribution rates set out above will apply as normal.

The Council may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by the Actuary.

**Assets**

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 21.57%. The actual return on Fund assets over the year may be different.

The LGPS estimated asset allocation for the Council as at 31 March 2021 is as follows:

	Local Government Pension Scheme			
	31 March 2020		31 March 2021	
	£m	%	£m	%
Equities	616.484	58%	837.753	65%
Gilts	44.383	4%	43.453	3%
Other Bonds	98.148	9%	88.643	7%
Property	159.272	15%	132.124	10%
Cash	43.532	4%	58.808	5%
Inflation-linked pooled fund	39.907	4%	62.581	5%
Infrastructure	66.456	6%	69.951	5%
Unit trust	-	n/a	-	0%
<b>TOTAL</b>	<b>1,068.182</b>	<b>100%</b>	<b>1,293.313</b>	<b>100%</b>

The bid values have been estimated where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2021 is likely to be different from that shown due to estimation techniques.

Based on the above, the Council's share of the assets of the Fund is approximately 21.19%.

## Section 7 – Pension Schemes

The following information has been provided by the administering authority regarding the detail of the assets as at 31 March 2021. It represents the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset Breakdown	31 March 2021	
	% Quoted	% Unquoted
<b>Fixed Interest Government Securities:</b>		
UK	3.4%	-
<b>Corporate Bonds:</b>		
UK	1.7%	-
Overseas	5.2%	-
<b>Equities:</b>		
UK	24.6%	0.0%
Overseas	36.2%	-
<b>Property:</b>		
All	-	10.2%
<b>Others:</b>		
Private Equity	-	3.0%
Infrastructure	-	5.4%
Unit Trust	-	1.0%
Inflation Linked Pooled Fund	-	4.8%
Credit	-	1.1%
Cash/Temporary Investments	-	3.4%
<b>TOTAL</b>	<b>71.0%</b>	<b>29.0%</b>

Please note that as above, no adjustments for presentational purposes have been made to the percentages shown.

### Valuation Approach

To assess the value of the Council's liabilities at 31 March 2021, the value of the Council's liabilities calculated for the funding valuation as at 31 March 2019 have been rolled forward, using financial assumptions compliant with IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2021 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results, provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. The actuary has confirmed that there appears to be no evidence that this approach is inappropriate.

As required under the IAS19 accounting standard, the projected unit credit method of valuation has been used.

The asset share has been calculated by rolling forward the assets allocated to the Council at 31 March 2019 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from the fund by and in respect of the Council and its employees.

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. The actuary has allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

As a result of allowing for actual experience, an experience item is observed in the reconciliation to 31 March 2021. The effect of allowing for the actual experience is shown in section 4.4.13.

As a result of the High Courts' recent Lloyds ruling on the equalisation of Guaranteed Minimum Pension (GMP) between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is the actuary's understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found here:

[Consultation on indexation and equalisation of GMP in public service pension schemes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/equalisation-of-gmp-in-public-service-pension-schemes)

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here:

[Public Service Pensions: Guaranteed Minimum Pension Indexation consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/public-service-pensions-guaranteed-minimum-pension-indexation-consultation)

The actuary's valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuary has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the actuary does not believe that they need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

### **Assumptions**

The actuary has adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables adopted are the S3PA tables with a multiplier of 110% for males and 105% for females. These base tables are then projected using the CMI\_2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.5, an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the

## Section 7 – Pension Schemes

latest version of the Continuous Mortality Investigation’s model, CMI\_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI\_2020 Model introduces a “2020 weight parameter” for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The actuary’s view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks more negative than before as a result of the pandemic. Therefore, the actuary has updated to use the CMI\_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI\_2018 Model was adopted. The effect on the Employer’s liabilities of updating to the most recent model is reflected in the Change in demographic assumptions figure in note 4.4.13, and the effect on the assumed life expectancies is demonstrated in the following table.

The assumed life expectations from age 65 are:

	Local Government Pension Scheme			Teachers Benefits		
	2019/20	2020/21 (before CMI_2020 update)	2020/21 (after CMI_2020 update)	2019/20	2020/21 (before CMI_2020 update)	2020/21 (after CMI_2020 update)
<b>Mortality Assumptions (Years):</b>						
Longevity at 65 retiring today:						
Males	21.8	21.9	21.6	21.8	21.9	21.6
Females	24.4	24.5	24.3	24.4	24.5	24.3
Longevity at 65 retiring in 20 years:						
Males	23.2	23.3	22.9	n/a	n/a	n/a
Females	25.8	25.9	25.7	n/a	n/a	n/a

The financial assumptions used for the purpose of IAS19 calculations are shown in the following table:

	Local Government Pension Scheme		Teachers Benefits	
	2019/20	2020/21	2019/20	2020/21
<b>Financial Assumptions:</b>				
RPI increase	SEIR approach	SEIR approach	SEIR approach	SEIR approach
CPI increase	1.90%	2.80%	1.90%	2.85%
Rate of increase in salaries	2.90%	3.80%	n/a	n/a
Rate of increase in pensions	1.90%	2.80%	1.90%	2.85%
Rate for discounting scheme liabilities	2.35%	2.00%	2.30%	1.80%
Estimate in years of duration of liabilities	20	20	10	10

The financial assumptions are set with reference to market conditions at 31 March 2021.

An estimate of the Council’s future cash flows is made using notional cash flows based on the estimated duration of liabilities. These estimated cash flows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed



to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cash flows described above. The single inflation rate derived is that which gives the same net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England (BoE) implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, the actuary includes an Inflation Risk Premium (IRP) adjustment such that their assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date. The impact of this change in derivation on the liability value is shown in note 4.4.13.

As future pension increases are expected to be based on the Consumer Price Index (CPI) rather than RPI, a further assumption about CPI is that it will be 0.40% p.a. below RPI i.e. 2.8%. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Council's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030. The impact of this change in derivation on the liability value is shown in note 4.4.13.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.

The following assumptions have also been made:

- Members will exchange pension to get 50% of the maximum available cash on retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

## Section 7 – Pension Schemes

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### Special Events Dates

Amendments to the IAS19 standard now requires that, when determining any past service cost or gain or loss on settlement, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. The amendment does, however, note that the extra remeasurement does not need to be applied where the application of that remeasurement is immaterial.

As requested by the Council, the actuary has treated 161 events, which occurred over the accounting period, as material 'special events'.

The net defined benefit liability has been remeasured at each of these event dates using market statistics and the fair value of plan assets at the time of the event.

The following table sets out the dates of these 'special events' and the financial assumptions adopted for each period of remeasurement. The assumptions at special event dates have been derived consistently with the previous accounting date.

Event Date	Discount Rate	Pension Increases
31 Mar 2020	2.35%	1.90%
4 Apr 2020	2.15%	2.05%
15 Apr 2020	1.80%	2.00%
21 Apr 2020	1.70%	1.90%
31 Aug 2020	1.55%	2.35%
1 Sep 2020	1.55%	2.30%
30 Sep 2020	1.50%	2.25%
9 Oct 2020	1.55%	2.30%
16 Oct 2020	1.45%	2.30%
18 Oct 2020	1.45%	2.30%
21 Oct 2020	1.50%	2.35%
24 Oct 2020	1.55%	2.40%
31 Oct 2020	1.55%	2.35%
1 Nov 2020	1.55%	2.35%
30 Nov 2020	1.45%	2.40%
18 Dec 2020	1.35%	2.35%
31 Dec 2020	1.25%	2.30%
15 Jan 2021	1.35%	2.30%
31 Jan 2021	1.45%	2.30%
5 Feb 2021	1.60%	2.40%
31 Mar 2021	2.00%	2.80%

### Past Service Costs/Gains

Past service costs or gains arise as a result of introduction or withdrawal of or changes to member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost. The actuary is not aware of any additional benefits which were granted over the year ending 31 March 2021.

## Curtailments

The cost of curtailments is calculated as a result of the payment of unreduced pensions on early retirement. The Council will also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, the actuary has only calculated the cost of curtailments which affect the Council's LGPS pension liabilities. The cost of curtailments is calculated at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, 156 former Council employees became entitled to unreduced early retirement benefits under the LGPS. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £10.538m. This has been included within the service cost.

The cost of each material curtailment is calculated using assumptions derived based on market conditions at the date of exit. If not material, then the cost is calculated based on the assumptions applicable at the previous material 'special event' date (or at the previous accounting date if there are no previous material 'special events'). All curtailments of the Council have been treated as material 'special events'.

## Settlements

As a result of some members transferring into / out of the Council over the year liabilities have been settled at a cost different to the accounting reserve. The capitalised gain of this settlement is £0.074m. This figure has been included in the service cost.

A summary of the transfers into/out of the Council over the last year is set out below. This includes the value of the assets transferred to/from the Council in respect of any transfers and the value of the transferred defined benefit obligation. Where applicable, the date of the report provided to the Administering Authority in relation to the transfer which includes a summary of the membership data used to calculate the value of the assets and liabilities transferred has been provided.

The value of the transferred defined benefit obligation for each settlement is calculated using assumptions derived based on market conditions at the date of transfer. If not material, then the cost is calculated based on the assumptions applicable at the previous material 'special event' date (or at the previous accounting date if there are no previous material 'special events'). All settlements of the Council have been treated as material 'special events'.

Settlements In and Settlements Out	Transfer Date	Assets Transferred £m	Liabilities Transferred £m	Report Date	Treated as special event?
<b>Council transferred from:</b>					
Nottinghamshire County Council (Stanhope Primary and Nursery, Woodland View Primary and Newstead Primary)	4 April 2020	0.064	0.125	n/a	Yes
<b>TOTAL</b>		<b>0.064</b>	<b>0.125</b>		
<b>Council transferred to:</b>					
Bulwell St Mary's C of E Primary and Nursery School	1 September 2020	0.025	0.047	n/a	Yes
Roslyn Park Primary and Nursery School	1 September 2020	0.035	0.077	n/a	Yes
Highbank Primary School	1 September 2020	0.024	0.047	n/a	Yes
South Wilford Endowed C of E Primary	1 September 2020	0.060	0.108	n/a	Yes
<b>TOTAL</b>		<b>0.144</b>	<b>0.279</b>		

## Section 7 – Pension Schemes

### Sensitivity Analysis

The sensitivity analysis below focuses on four assumptions – discount rate, long term salary increase, inflation (which is used to determine pension increases and deferred revaluation) and mortality.

	Local Government Pension Scheme			Teachers Benefits		
	£m	£m	£m	£m	£m	£m
<b>Adjustment to discount rate:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	2,280.623	2,326.889	2,374.140	32.616	32.941	33.270
Projected service cost	74.915	77.138	79.421	-	-	-
<b>Adjustment to long term salary increase:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	2,330.818	2,326.889	2,322.992	-	-	-
Projected service cost	77.180	77.138	77.096	-	-	-
<b>Adjustment to pension increases and deferred revaluation:</b>	+0.1%	0.0%	-0.1%	+0.1%	0.0%	-0.1%
Present value of total obligation	2,369.793	2,326.889	2,284.833	33.267	32.941	32.619
Projected service cost	79.397	77.138	74.936	-	-	-
<b>Adjustment to life expectancy assumptions:</b>	+1 Year	None	-1 Year	+1 Year	None	-1 Year
Present value of total obligation	2,434.358	2,326.889	2,224.311	34.593	32.941	31.369
Projected service cost	80.614	77.138	73.796	-	-	-

### COVID-19

Member mortality experience - the actuary's standard approach is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the Fund is complete. Consideration of the mortality assumption in light of COVID-19 is set out earlier in this note.

Any impact on service cost due to the Coronavirus Job Retention Scheme will be reflected in the report based on the payroll information that the actuary is provided with. The actuary request information relating to unreduced early retirements each year from the administering authority and any redundancies that they are made aware of as part of this are included as a curtailment where applicable.

# Section 8

## ABBREVIATIONS/GLOSSARY

### 8.1 Abbreviations

<b>BID</b>	-	Business Improvement District
<b>BSF</b>	-	Building Schools for the Future
<b>CIES</b>	-	Comprehensive Income and Expenditure Statement
<b>CFR</b>	-	Capital Financing Requirement
<b>CRC</b>	-	Carbon Reduction Credits
<b>DRF</b>	-	Direct Revenue Financing
<b>DSG</b>	-	Dedicated Schools Grant
<b>EFA</b>	-	Expenditure and Funding Analysis
<b>EMSS</b>	-	East Midlands Shared Services
<b>HRA</b>	-	Housing Revenue Account
<b>IBNR</b>	-	Incurred but not yet Reported
<b>IAS</b>	-	International Accounting Standard
<b>IFRS</b>	-	International Financial Reporting Standards
<b>ISB</b>	-	Individual Schools Budget
<b>LGPS</b>	-	Local Government Pension Scheme
<b>LIFT</b>	-	Local Improvement Finance Trust
<b>LCC</b>	-	Leicestershire County Council
<b>MIRS</b>	-	Movement in Reserves Statement
<b>MTFO</b>	-	Medium Term Financial Outlook
<b>MTFP</b>	-	Medium Term Financial Plan
<b>NCC</b>	-	Nottingham City Council
<b>NET</b>	-	Nottingham Express Transit
<b>NNDR</b>	-	National Non-Domestic Rates
<b>PFI</b>	-	Private Finance Initiative
<b>PPE</b>	-	Property Plant and Equipment
<b>PWLB</b>	-	Public Works Loan Board
<b>REFCUS</b>	-	Revenue Expenditure Financed from Capital under Statute
<b>RSG</b>	-	Revenue Support Grant

### 8.2 Glossary of Financial Terms

Items in **bold** are described further within the glossary.

#### **Accounting Period**

The period of time covered by the Council's accounts. Normally twelve months, beginning on 1 April. Also known as the Financial Year.

#### **Accounting Policies**

The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, measuring and presenting **assets**, **liabilities**, gains, losses and changes to **reserves**.

#### **Accrual**

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Accruals are made for **revenue** and **capital expenditure** and income (see **debtors** and **creditors**).

#### **Actuarial gains and losses**

This reflects the extent to which the movements of the pension assets and liabilities over the accounting year have not been exactly as assumed at the previous accounting date, and also the effect on the pension liabilities of changes to the assumptions used to value them.

#### **Agency Services**

Services that are performed by or for another Council or public body, where the Council responsible for the service reimburses the Council for the cost of that work.

#### **Amortisation**

The writing down of an **intangible asset** reflecting its diminution in value as its useful life expires over time.

#### **Assets**

Items having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year e.g. land, buildings, plant, vehicles and equipment. Current assets can be readily converted into cash.

#### **Bad (and doubtful) Debts**

Debts which may be uneconomical to collect or unrecoverable.

#### **Balance Sheet**

A statement of recorded **assets** and **liabilities**, and other balances at the end of an **accounting period**.

#### **Business Rates – see National Non-Domestic Rates**

#### **Capital Adjustment Account**

This account contains the balances previously held on the Capital Financing Account, the Fixed Asset Restatement Account and the Government Grants Deferred Account. The movements in year relate to the amount of capital expenditure financed from revenue, grants and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

#### **Capital Expenditure**

Expenditure on the acquisition or enhancement of property, plant and equipment that has a long-term value to the Council. This includes grants or advances paid to third parties to assist them in acquiring or enhancing their own property, plant and equipment.

### **Capital Financing Requirement**

An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account and **Revaluation Reserve**. This represents the Council's "underlying" need to borrow. The Council is required to make an annual provision from revenue resources to meet its debt repayment obligations. This is known as the **Minimum Revenue Provision**.

### **Capital Receipt**

Money received from the disposal of land and other **assets**, and from the repayment of capital grants and loans made by the Council.

### **Cash and Cash Equivalents**

Cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services. It draws up the Accounting Code of Practices and issues professional guidance used to compile these accounts. CIPFA advises central government and other bodies on local government and public sector finance matters.

### **Code of Practice on Local Authority Accounting (UK)**

Publication produced by **CIPFA** that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

### **Collection Fund**

A separate fund recording the expenditure and income relating to **Council Tax**, **National Non-Domestic Rates** (collected on behalf of the Central Government) and residual community charge.

### **Community Assets**

**Assets** that a local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples are parks and allotments.

### **Consolidated**

Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration e.g. debtors.

### **Contingency**

A sum included in the revenue budget to cover unexpected expenditure during the **accounting period**. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

### **Contingent Liabilities**

A contingent liability is defined as either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control;
- or a present obligation that arises from past events but is not recognised because either
  - it is not probable that a transfer of economic benefits will be required to settle the obligation or;
  - the amount of the obligation cannot be measured with sufficient reliability.

## Section 8 – Abbreviations/Glossary

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### **Contingent Rents**

The portion of the lease payments that is not fixed in amount, but is based on the future amount of a factor that changes other than with the passage of time (e.g. percentage of future sales, amount of future use, future price indices and future market rates of interest).

### **Contract Assets**

Debtors for goods or services provided by the Council where not all of the goods or services that the Council is required to provide in order to receive payment have been delivered by 31<sup>st</sup> March.

### **Contract Liabilities**

Creditors for goods or services provided by the Council where the Council has received payment but not done everything that is required to retain the payment by 31<sup>st</sup> March.

### **Council Tax**

A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of the property.

### **Council Tax Benefit**

Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their **Council Tax** bills.

### **Council Tax Discounts and Exemptions**

Discounts are available to people who live alone and for homes that are not anyone's main home. **Council Tax** is not charged for certain properties, known as exempt properties, such as those only lived in by students.

### **Creditors**

Amounts owed by an authority for works done, goods received or services rendered before the end of an **accounting period**, but for which actual payments had not been made by the end of that accounting period.

### **Current Service Cost**

The increase in present value of a defined benefit pension scheme's **liabilities** expected to arise from employee service in the current financial year.

### **Current Value**

The current value of an **asset** is a measurement of the asset's service potential and can be measured at:

- Existing Use Value – where an active market exists,
- Existing Use Value Social Housing – for council dwellings, or
- Depreciated Replacement Cost– for assets where there is no market and / or the assets are specialised

### **Debtors**

Amounts due to an authority for works done, goods supplied or service rendered before the end of an **accounting period**, but for which actual payments had not been received by the end of that accounting period.

### **Dedicated Schools Grant**

A **specific grant** paid to Local Authorities to fund the cost of running its schools.

### **Defined Benefit Pension Scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the



contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

### **Depreciation**

A charge to the revenue account to reflect the reduction in an asset's value as a result of its use in the delivery of services.

### **Direct Revenue Financing**

Capital expenditure funded from revenue budgets.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **External Audit**

The auditor is appointed by **PSAA Ltd** and is required to verify that all statutory and regulatory requirements have been met during the production of the Council's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

### **Fair Value**

The fair value of an **asset** is the price at which assets or liability could be exchanged between market participants at the measurement date under current market conditions.

### **Finance Lease**

A lease, which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance. Assets held under Finance Leases are recognised on the Balance Sheet as assets.

### **Financial Instrument**

Any contract giving rise to a financial **asset** in one entity and a financial **liability** or equity instrument in another. Examples include the treasury management activity of the Council, including the borrowing and lending of money and the making of investments.

### **Fixed Assets**

Tangible assets which have value to the Council for more than one year.

### **Funding Basis**

The accounting basis that local authorities are required by statute to follow when setting their Council Tax. This is different to the IFRS basis, which is used to produce the Statement of Accounts.

### **General Fund**

The common name for the account which accumulates balances for all services except the **Housing Revenue Account** and the **Collection Fund**.

### **Group Financial Statements**

Where a Council has an interest in another organisation (e.g. a **subsidiary** organisation) group accounts have to be produced. These accounts report the consolidated financial position of the Council and all organisations in which it has an interest.

### **Heritage Assets**

**Assets** with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for their contribution to knowledge and culture.

## Section 8 – Abbreviations/Glossary

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### **Historical Cost**

This represents the original cost of acquisition, construction or purchase of a fixed **asset**.

### **Housing Benefit**

Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their rent. Parts of the cost, including those associated with the running expenses of the scheme, are refunded directly by the Government.

### **Housing Revenue Account (HRA)**

Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

### **Impairment**

A reduction in the value of a fixed **asset**, resulting from financial loss, damage or obsolescence. In order to comply with accounting standards, the Council undertakes annual reviews of its assets to identify any that are impaired.

### **Infrastructure Assets**

**Assets** held by local authorities which do not normally have a resale value and for which a useful life span cannot easily be assessed. Examples include highways, bridges and drainage facilities.

### **Intangible Assets**

**Assets** that do not have physical substance but are identifiable and controlled by the Council through custom or legal rights.

### **International Financial Reporting Standards**

International Financial Reporting Standards are standards and interpretations adopted by the International Accounting Standards Board (IASB). Many of the standards forming part of the IFRS were previously known as International Accounting Standards.

### **Investment Properties**

An interest in land and buildings that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services as well as for investment purposes does not meet the definition of an investment property.

### **Joint Ventures**

An organisation in which the Council is involved where decisions require the consent of all participants.

### **Liability**

Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

### **Loss Allowance**

An allowance provided for bad debts i.e. credit losses.

### **Medium Term Financial Plan (MTFP)**

A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP currently covers three years.

### **Minimum Revenue Provision**

The minimum amount that the Council must charge to the income and expenditure account to provide for the repayment of debt.

### **National Non-Domestic Rates (NNDR)**

The means by which local businesses contribute to the cost of providing the Council's services. NNDR cover all property consisting of land or buildings not classed as domestic property or exempt from rating. The Valuation Office Agency gives a rateable value to each non-domestic property and this is used by local councils to calculate a property's NNDR.

### **Net Revenue Expenditure**

This represents the Council's budget requirement and use of **reserves**.

### **Non-Cancellable Lease**

A lease that is cancellable only:

- Upon the occurrence of some remote contingency.
- With the permission on the lessor.
- If the lessee enters into a new lease for the same or an equivalent asset with the same lessor
- Upon payment by the lessee of such an additional amount that, at the inception of the lease, continuation of the lease is reasonably certain.

### **Non-operational Assets**

**Assets** held by the Council but not actually used in the direct delivery of services, including surplus assets and **investment properties**. See **Operational Assets**.

### **Operating Leases**

A lease where substantially all of the risks and rewards of ownership of a fixed **asset** are retained by the lessor. Operating leases do not result in a charge against the Council's capital resources.

### **Operational Assets**

**Assets** held by the Council for the purpose of the direct delivery of services for which the Council has either a statutory or discretionary responsibility. See **Non-operational Assets**.

### **Outturn**

Actual income and expenditure in an **accounting period**.

### **Past Service Cost**

The increase in **liabilities** arising from current year decisions whose effect relates to years of service earned in earlier years.

### **PFI Credits**

The financial support provided to Local Authorities to part fund **Private Finance Initiative** capital projects.

### **Post Balance Sheet Events**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

### **Precept**

The amount of **Council Tax** income that County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services.

### **Prior Year Adjustments**

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction

## Section 8 – Abbreviations/Glossary

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of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

### **Private Finance Initiative (PFI)**

A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

### **Provision**

An amount set aside to cover a **liability** that will almost certainly occur, but where the amounts or dates on which the cost will arise are uncertain.

### **Prudential Code**

The Prudential Code ensures, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable.

### **Public Sector Audit Appointments (PSAA) Ltd**

PSAA was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government has delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. Under these transitional arrangements, PSAA is responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims. Before 1 April 2015, these responsibilities were discharged by the Audit Commission. The Secretary of State has specified PSAA as an appointing person under provisions of the Local Audit and Accountability Act 2014. For audits of the accounts from 2018/19, PSAA has appointed auditors to relevant principal local government bodies that opt into its national scheme. Grant Thornton UK LLP are the external auditors for Nottingham City Council for 2020/21.

### **Public Works Loans Board (PWLB)**

A Government agency which provides loans, for terms of one year and above, to local authorities. The interest rates applied are only slightly higher than those at which the Government can borrow.

### **Reserves**

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and **provisions** which are set up to meet known liabilities.

### **Residual Value**

The net realisable value of an **asset** at the end of its useful life.

### **Revaluation Reserve**

This represents the non-distributable increase/decrease in the valuation of fixed **assets**.

### **Revenue Expenditure**

Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

### **Revenue Expenditure Funded from Capital under Statute (REFCUS)**

This is expenditure that legislation allows to be funded from capital resources that does not result in an **asset** to the Council (e.g. Housing improvement grants). This expenditure is written off to the Income and Expenditure Account in the year it is incurred.

### **Revenue Support Grant (RSG)**

Government financial support to aid local authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

### **Section 106 contributions**

These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

### **Service Reporting Code of Practice**

Published by **CIPFA** the Service Reporting Code of Practice establishes "proper practice" with regard to consistent financial reporting to enhance the comparability of local authority financial information and was given statutory force in England by regulations under the Local Government Act 2003.

### **Single Entity Financial Statements**

The main financial statements for the Council as shown in section 3. The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools within the control of the Council.

### **Specific Grant**

Government financial support for a specific purpose or service that cannot be spent on anything else.

### **Stocks**

Comprise of goods or other **assets** purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

### **Subsidiary and Associated Companies**

An organisation in which the Council has a participating interest and over which it can exercise significant influence e.g. where the Council controls the majority of voting rights.

### **Trading Accounts**

Services run commercially to provide services that are mainly funded from fees and charges levied on customers.

### **Trust Funds**

Funds administered by a local authority for purposes such as charities, and specific projects and on behalf of minors.

### **Work in Progress**

The value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.

# Section 9 Independent Auditor’s Report

## 9.1 Independent Auditor’s Report to the members of Nottingham City Council











