

Statement of Accounts 2012/13

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Executive Summary

1. Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2012/13. This is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet, while the Movement in Reserves and Cash Flow statements provide further analysis of specific movements on the Balance Sheet.

1.1 Income and Expenditure – Funding Basis

TABLE 1.1 KEY FIGURES - FUNDING BASIS		
DESCRIPTION	2011/12 £m	2012/13 £m
Cost of services (portfolios)	278.445	270.501
(Surplus)/Deficit before transfers to reserves	(5.305)	(15.523)
(Surplus)/Deficit after transfers to reserves	(3.082)	(2.116)

When setting its Budget and Council Tax the Council is required to follow legislative requirements to fund its expenditure (Funding Basis). On the Funding Basis the Council generated a surplus of income over expenditure of £2.116m after contributions of £13.735m had been made to earmarked reserves. This surplus increases the General Fund by £2.116m, and was generated by services underspending by £6.446m, offset by additional uses of the General Fund totalling £4.330m.

Further analysis of the spending in 2012/13 is set out within section 2.2 of the Explanatory Foreword.

1.2 Income and Expenditure – Financial Reporting Basis

TABLE 1.2 KEY FIGURES - FINANCIAL REPORTING BASIS		
DESCRIPTION	2011/12 £m	2012/13 £m
Cost of Services	432.536	305.281
Total Comprehensive Income and Expenditure (Surplus)/Deficit	353.571	(28.368)

The CIES is produced using International Financial Reporting Standards (IFRS) and shows a surplus for the year of £28.696m. The difference from the Funding Basis is due to the inclusion of the Housing Revenue Account (HRA), the treatment of capital financing and timing differences in the recognition of income and expenditure. The surplus, together with a reduction in unusable reserves (£12.169) is used to increase the General Fund (£2.116m), Earmarked Reserves (£13.735m), HRA Reserves (£0.436m) and Capital Financing Reserves (£24.578m).

Further explanation of these differences is set out in section 5 of the accounts and also in note 6.3.1.

1.3 Balance Sheet

TABLE 1.3 KEY FIGURES - BALANCE SHEET		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Long Term Assets	2,083.640	2,086.298
Current Assets	256.618	324.898
Current Liabilities	(273.594)	(247.015)
Long Term Liabilities	(1,274.781)	(1,343.933)
NET ASSETS	791.883	820.248

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of property, plant and equipment (PPE). The value of these assets has fallen by £2.862m. This movement is as a result of a number of factors:

- Expenditure on new PPE assets or improving existing assets has increased their value by £120.653m.
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £81.387m
- Each year the Council's PPE assets are reviewed to assess whether their depreciated value reflects an objective assessment of their current value. This assessment has resulted in an increase in the value of these assets by £0.910m.
- A number of schools have switched to Academy status which together with the de-recognition of other assets resulted in £35.725m of assets being removed.
- The disposal, sale or removal of other PPE assets has reduced their value by £3.066m
- Assets transferred to Held for Sale amounted to £4.247m

Further details appear in note 6.2.1

Within long term liabilities, expenditure on assets that have been financed by borrowing has helped to produce a net increase in the long term borrowing figure of £63.609m. However, this increase has been offset by the repayments on existing loans. The Council is required to monitor its need to borrow arising from capital expenditure (Capital Financing Requirement) which currently stands at £902.178m, an increase of £9.106m. Note 6.5.9 provides further details of capital expenditure and its financing.

The Balance Sheet also includes a liability of £546.235m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. For 2012/13 the credit to the CIES was £7.957m. However, the Funding Basis approach, maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund. The Pension Fund is then periodically reviewed and employer's contributions are adjusted to meet liabilities over the longer term. Therefore, the difference in approach relates to timing differences in recognising the net charge to the CIES.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. At 31 March 2013, this totals £820.248m.

1.4 Movement in Reserves Statement

TABLE 1.4 KEY FIGURES - MOVEMENT IN RESERVES STATEMENT			
DESCRIPTION	31 March 2012 £m	Movement 2012/13 £m	31 March 2013 £m
General Fund	11.686	2.116	13.802
Earmarked General Fund Reserves	105.249	13.407	118.656
Other Usable Reserves	36.551	25.014	61.565
Unusable Reserves	638.394	(12.169)	626.225
TOTAL AUTHORITY RESERVES	791.880	28.368	820.248

Previous years' surpluses and deficits on the CIES are reflected in the reserves figures. The Movement in Reserves Statement shows how the reserves have changed during the year.

The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget, otherwise known as the General Fund (£13.802m), Earmarked Reserves (£118.656m) the HRA (£5.030m) and Capital Financing (£56.535m). The movement in the General Fund reflects the surplus after transfers to reserves on the funding basis (Table 1.1). Unusable reserves are created to account for the timing differences between the Funding Basis and IFRS basis of accounting as already referred to in paragraph 1.2. These reserves are therefore not available for distribution as they are required as and when the timing differences fall out.

Further details of the reserves and movements are set out in the Movement in Reserves Statement and in notes 6.2.3, 6.2.12 and 6.2.13.

1.5 Group Accounts

TABLE 1.5 KEY FIGURES - GROUP ACCOUNTS		
DESCRIPTION	2011/12 £m	2012/13 £m
Total Comprehensive Income and Expenditure (Surplus)/Deficit	375.994	(31.997)
Net Assets	775.361	808.071
Council's Share of other Group Reserves/Minority Interests	(16.522)	(12.177)

Group Accounts consolidate statements for the Council with organisations where the Council has material financial interests and a significant level of control. The 2012/13 Group Accounts consolidate the accounts for Arrow Light Rail Ltd, Bridge Estate, Nottingham City Homes, Nottingham City Transport, Nottingham Ice Centre, Enviroenergy and Nottinghamshire Futures Ltd.

On an IFRS basis the group's surplus is £3.629m higher than the Council's primarily due to gains and losses on the pension scheme valuations for Nottingham City Transport and Nottingham City Homes. The value of the Group as represented by Net Assets is £808.071m. This is £12.177m less than the Council's Net Assets which is due in part to the additional pension scheme liabilities. This reduction is also reflected in the Group's reserves as a result of the consequential accumulated net losses. Further details appear in section 8 of the accounts.

1.6 Forward Plans

DESCRIPTION	2013/14 £m	2014/15 £m	2015/16 £m
Medium Term Financial Outlook - Indicative Cumulative Revenue Gap	-	22.462	43.256
Capital Programme - Planned Expenditure	209.763	205.066	69.157

Details of the Council's Plans for the future are held in a number of documents including the Nottingham Plan to 2020, the Medium Term Financial Plan and the Asset Management Plan.

The Council will continue to face a period of uncertainty due to the current economic conditions and a number of Government initiatives. The council has set a balanced budget for 2013/14. However, it is clear that there will be further funding reductions in the future, within which inflationary and demographic pressures will have to be managed. As a result the current Medium Term Financial Outlook shows an estimated gap of £43.256m by 2015/16.

A similar challenge is faced by the Capital Programme. However, the programme is boosted by expenditure on NET lines 2 and 3 for the next two years. Thereafter the programme is dominated by expenditure on public sector housing which will be predominantly financed by the Housing Revenue Account.

Further details appear in section 2 of the accounts.

Explanatory Foreword

2. Explanatory Foreword

2.1 Introduction

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Nottingham City Council are by their nature both technical and complex and so this foreword explains some of the statements and sections in this document and provides a summary of the council's financial performance for 2012/13 and its financial prospects.

The Statement of Accounts features four main statements reporting on Nottingham City Council's core activities:

- Comprehensive Income and Expenditure Statement (CIES),
- Balance Sheet,
- Movement in Reserves Statement,
- Cash Flow Statement.

Each is preceded by a short note describing its purpose, and they are followed by notes explaining the statements.

The main statements are supplemented by three further sections:

- The Housing Revenue Account (HRA) reports on the council's activities as a social landlord, which are consolidated into the main statements;
- The Collection Fund account reports on the collection of local taxes and their distribution;
- The Group Accounts show the full extent of the council's activities by including subsidiary and associate companies and joint ventures.

These are also preceded by notes explaining their purpose and have explanatory notes.

We also produce a simplified compact set of accounts. Whilst having no formal legal standing and not being audited, by stripping out many of the technicalities they give a clear, if simplified, view of our financial position. They are available at www.nottinghaminsight.org.uk/f/96578/Library/Council-Government-and-Democracy/Financial-Statements/

Although these accounts provide a comprehensive view of the Council's financial position during the period to which they relate, having been produced within a rigorous regulatory structure, they do not fulfil the role of a private company's annual report. In order to obtain this wider view of the Council's activities, priorities and plans, the following published documents would also need to be consulted:

- The Council Plan 2009-2012 sets out the organisation's strategic priorities for the period and introduced the Council's 'Message Map'. The 'Message Map' sets out our purpose in 'Leading Nottingham' and gives direction and focus for the Council. As such, it is intended to support the Nottingham Plan to 2020 (Sustainable Community Strategy).
- The Medium Term Financial Strategy sets out both the broad financial policy to ensure financial resources are aligned with the delivery of Council policy and the principles and objectives for our financial management.
- The Medium Term Financial Plan comprises the revenue budget, capital programme and the HRA and sets out details of expenditure and income for a rolling 3 year period.
- The Capital Strategy outlines the Council's approach to capital investment and how it is directed toward the corporate priorities.
- The Asset Management Plan details the Council's approach to asset management and is designed to improve the property portfolio, ensuring that it is well maintained, appropriately located, fit for purpose and accessible for its intended users.

2.2 Review of 2012/13 Outturn

2.2.1 Revenue

Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserve accounts. Although the major area of spending is on employees' salaries, other significant areas include premises costs, the purchase of supplies and services and the costs of capital financing.

This expenditure is offset by income, generated by charging users for certain services, contributions from the National Non-Domestic Rate (NNDR) Pool, income from Council Tax payers and the receipt of grants from the Government and other organisations. The level of Revenue Support Grant and NNDR is determined by Central Government. The Council set its share of the Band D Council Tax at £1,377.58 to raise funding of £103.885m via a precept on the Collection Fund. The pre-audit outturn was reported to Executive Board on 18 June 2013 and showed the net outturn as being £6.446m lower than that planned for the year, prior to carry forwards.

The variances by Portfolio are summarised below:

TABLE 2.2.1: 2012/13 OUTTURN - VARIANCES BY PORTFOLIO		
DESCRIPTION	£m	£m
Overspends		
Health, Commissioning & Human Resources		0.649
Underspends		
Area Working, Cleansing & Community Safety	(0.468)	
Children's Services	(2.345)	
Economic Development, Resources & Regeneration	(0.110)	
Energy & Sustainability	(0.280)	
Housing, Adults & the Community Sector	(0.410)	
Jobs, Skills & Business	(0.085)	
Leisure, Culture & Tourism	(0.123)	
Planning & Transportation	(0.023)	
Corporate Items	(3.251)	(7.095)
		(6.446)
Carry forwards 2012/13		2.091
NET UNDERSPEND AFTER CARRY FORWARDS		(4.355)

The significant variances are detailed below:

Health, Commissioning & Human Resources +£0.649 m

This overspend is mostly due to a higher than anticipated increase in Adult Assessment numbers and slippage in achieving 2012/13 savings targets.

Children's Services -£2.345m

This underspending is a result of the management of vacancies, a revised mix of provision for Children in Care and associated commissioning efficiencies, as well as the early implementation of 2013/14 efficiency savings.

Corporate Items -£3.251m

This underspending mostly results from lower than anticipated borrowing, and the inclusion of 2 year's dividends from Nottingham City Transport due to the timing of the dividend declarations.

2.2.2 Capital

The Council's capital expenditure relates to the acquisition of new assets and the development of existing assets, which will be of benefit to the Council for longer than one year. The expenditure and financing in 2012/13 was as follows:

TABLE 2.2.2: 2012/13 CAPITAL PROGRAMME OUTTURN	
DESCRIPTION	£m
Expenditure By Portfolio:	
Housing, Adults & Community Sector	46.360
Area Working, Cleansing & Community Safety	1.560
Children's Services	35.549
Economic Development, Resources & Regeneration	7.030
Energy and Sustainability	1.012
Leisure, Culture & Tourism	4.002
Planning and Transportation	27.492
TOTAL CAPITAL EXPENDITURE	123.005
Funding:	
Supported Borrowing	1.760
Unsupported Borrowing	26.882
Capital Receipts	0.242
Revenue /Reserves/Funds	26.001
Grants & Contributions	68.120
TOTAL FUNDING	123.005

The capital programme is actively managed throughout the year and varied in line with agreed approvals and changes in funding. At the year end, available resources were £184.437m. Resources of £61.432m are therefore available to carry forward to cover expenditure that has slipped between years.

2.2.3 Balance Sheet

Usable Reserves - General Fund Balance

The General Fund Balance has increased from £11.686m at 31 March 2012 to £13.802m at 31 March 2013. In addition to an increase for the net underspendings by services, a number of other movements have taken place during the year as follows:

TABLE 2.2.3: MOVEMENTS IN GENERAL FUND BALANCE 2012/13	
DESCRIPTION	£m
Balance at 31 March 2012	11.686
Contributions	
Net underspend by Services	6.446
Use	
Agreed Carry Forwards 2011/12	(2.080)
New/Increased Earmarked Reserves	(2.250)
BALANCE AT 31 MARCH 2013	13.802

The General Fund Balance is analysed within the **Movement in Reserves Statement (Table 4.3)** and is monitored closely to ensure that it is kept at a prudent level to cover any unforeseen circumstances.

Further details appear on the Council's website within the Pre-audit Revenue Outturn report 2012/13, which was reported to Executive Board on 18 June 2013.

Long Term Borrowing

The Local Government Act 2003 provides the legislative framework for borrowing undertaken by the Council. The Council approved an operational boundary on the level of external debt during 2012/13 of £1,158m (including PFI and finance lease related debt of £248m). Actual external debt (see Table 6.2.16(b)) on 1 April 2012 using this definition was £814.547m and this increased to £842.900m at 31 March 2013.

During the year, advance borrowing of £100m was raised from the Public Works Loan Board (PWLB) in respect of the Nottingham Express Transit (NET) scheme, Phase 2. This was offset by a reduction in temporary borrowing of £35m and repayment of maturing PWLB debt totalling £43m, all met from the Council's surplus cash.

2.3 Medium Term Financial Plan

In February 2013 the Executive Board approved a revised Medium Term Financial Plan (MTFP) covering the 3 year period from 2013/14 to 2015/16.

The Council's MTFP was developed within the context of an integrated service planning and budget preparation cycle with emphasis on objectivity, accountability, early decision making and service and Councillor engagement in order to enhance policy-led budgeting and longer term planning. The process included identifying cost reductions, budget and cost pressures for the next three years. Detailed budgets were then worked up based on current priorities and plans, underlying demographic trends and predicted inflation factors.

Local government continues to operate in a challenging environment and there is considerable uncertainty over the future levels of funding. However, it is clear that the public sector will have lower than previously anticipated levels of funding in the years ahead and that significant further savings will need to be identified. These issues have been brought together to produce a 3 year Medium Term Financial Outlook (MTFO) as detailed below:

TABLE 2.3(a): MTFO – 3 YEAR PROJECTIONS			
DESCRIPTION	2013/14 £m	2014/15 £m	2015/16 £m
Net Expenditure:			
2012/13 Net Budget Requirement	276.947	276.947	276.947
Estimated Inflation	10.208	20.664	30.984
Corporate Adjustments	2.277	7.469	7.051
Pressures	4.294	5.982	8.741
Contingencies and Reserves	19.126	7.708	7.779
Net savings from previous MTFP decisions	(6.826)	(5.101)	(5.102)
Strategic Choices	(7.437)	(7.611)	(7.615)
Big Ticket	(6.250)	(6.543)	(8.243)
Corporate Proposals	(5.484)	(6.115)	(6.820)
NET BUDGET REQUIREMENT	286.855	293.400	303.722
Funded By:			
Central Government "Start Up" funding	206.854	186.812	174.698
100% Retained Business Rates	0.250	0.258	0.265
Council Tax	79.751	83.868	85.503
TOTAL FUNDING	286.855	270.938	260.466
CUMULATIVE INDICATIVE GAP	-	22.462	43.256

The capital programme faces a similar challenge for the foreseeable future so, apart from the investment in NET2 and Public Sector Housing, there is limited significant new investment in the capital programme for future years. The capital programme and funding proposals following the 2012/13 Outturn are detailed below:

TABLE 2.3(b): CAPITAL PROGRAMME				
DESCRIPTION	2013/14 £m	2014/15 £m	2015/16 £m	Total £m
Expenditure:				
Public Sector Housing	78.052	56.821	47.569	182.442
Transport	20.057	10.368	6.745	37.170
Education	25.709	7.074	6.392	39.175
All Other Services	85.945	130.803	8.451	225.199
TOTAL	209.763	205.066	69.157	483.986
Forecast Funding:				
Unsupported Borrowing	79.851	132.228	10.022	222.101
Capital Receipts	11.631	8.043	3.439	23.113
Revenue /Reserves/Funds	40.429	34.838	36.603	111.870
Grants & Contributions	52.008	29.841	13.883	95.732
TOTAL	183.919	204.950	63.947	452.816
Resources Brought Forward	61.432	35.588	35.472	
CUMULATIVE SURPLUS	(35.588)	(35.472)	(30.262)	

The three year programme shows an overall funding surplus of £30.262m which will be needed to fund new schemes, together with meeting pressures on or changes to existing schemes.

Although the capital programme is influenced by the current economic difficulties, the medium term programme still represents a substantial investment in the city. Reductions in funding are factored into the projections and we continue to monitor the programme to ensure that no significant funding shortfall arises.

Capital receipts remain vulnerable and their inclusion within the resources projections is based on a carefully considered risk assessment that seeks to avoid over optimism or undue prudence.

The Council is able to undertake additional “unsupported” borrowing provided it is affordable, and sustainable.

Some spending within the capital programme will be delivered in partnership with other organisations. The paragraphs below summarise the major partnership schemes with expenditure in 2013/14:

- **NET2 (Lines 2 and 3)** – A PFI scheme with a private sector partner (“Tramlink”) which was signed on 15 December 2011 for the operation of Line 1 and construction and operation of Lines 2 and 3. The Council will incur capital expenditure of around £146m together with annual availability payments to Tramlink.
- **Nottingham Station Improvements (The Hub)** – An agreement with Network Rail to fund improvements of £60m to Nottingham Station. The Council has approved a contribution of up to £18.130m
- **Building Schools for the Future (BSF) and Academies Programmes** – A Government initiative to rebuild and/or renew school buildings. The council obtained funding for rebuilding and remodeling 13 schools and academies together with provision of ICT managed services.

2.4 Future Significant Developments

Central Government's agenda for local government will see a number of changes that will impact on the services that the Council provides. The financial impact of these changes has already been included in the MTFO, however, the most significant changes are explained below.

2.4.1 Public Health

From 1 April 2013 the Council will assume responsibility for Public Health services previously provided by the local National Health Service. It is anticipated that the council will receive a ring-fenced grant of around £27m in 2013/14, to help cover the cost of the new responsibilities transferred to the Council.

2.4.2 Retained Business Rates

Under the new localisation of business rates scheme, from 1 April 2013 Central Government has set the locally retained element of business rates at 50%. The monitoring and estimating of business rates will be a new local responsibility which transfers more financial risk to the council. Latest estimates suggest that £53.750m of business rates will be retained, however the Council will also be responsible for related liabilities relating to business rate appeals which will bring an estimated provision of £16.5m on to the balance sheet.

2.4.3 Council Tax Support Scheme

From 1 April 2013, the national Council Tax benefit scheme will be abolished and replaced by local Council Tax Support schemes. The funding available is being reduced by a headline 10%, although in reality this is equivalent to 18% for Nottingham due to increased demand and Council Tax increases. This change is likely to put increasing pressure on the future Council Tax collection rates.

2.4.4 Universal Credit

Over the next 6 years the Government plans to introduce a single Universal Benefit to replace a number of individual benefits, including Council Tax Benefit and Housing Benefit. The Council will no longer receive payments for these benefits directly, but instead will need to recover Council Tax and rents directly from residents, potentially increasing the level of bad debts the council incurs.

2.5 Supplementary Comments

This Statement of Accounts is prepared according to International Financial Reporting Standards which specifically require some further statements to be made. These statements are provided below.

2.5.1 Impact of Economic Climate

The change in economic circumstances in the United Kingdom, Europe and globally has had a significant effect on all local authorities. Continuing concerns about the consequent level of UK public sector debt, the security of financial institutions and the European debt crisis have created a specific and wide-ranging impact upon the local government sector. The restrictions in public spending that have now followed and seem set to continue, will reduce the level of funding available to the Council and this situation is being managed through the Medium Term Financial Planning process.

Additionally within this context, the collapse of the Icelandic banks created specific but manageable issues for the Council (further details can be found in the separate notes to the accounts).

The economic climate has also resulted in more volatile asset values. The most commonly reported falls in property value relate to the housing market. An impairment review of all Council property and land assets in 2008/09 correspondingly identified the requirement for material adjustments in values. Subsequent impairment reviews have not deemed any further adjustments necessary as a result of significant changes in the property market. The Nottingham area has experienced increased interest from property developers for small to medium sized serviced development sites resulting in an increase in land prices. In addition a shortage of good residential sites should see land prices maintained for the foreseeable future.

The fall in property values has affected the affordability of capital programmes, with the financing of many schemes being reliant on the sales of council assets. The downturn in the housing market with fewer new houses being built will also affect the level of planning fees received. The slowdown in the property market has also reduced the level of income being generated from commercial properties.

In addition, the economic situation has created higher levels of demand within certain services as, for example, people suffer hardship through loss of employment. This has resulted in a higher demand for many council services including homelessness, benefits, social care and local authority school places.

2.5.2 Provisions and write offs

The CIES for 2012/13 includes the following significant charges for items that have been written off, and changes to provisions:

Impairment Losses (£17.747m)

Assets are assessed at 31 March for impairment arising from physical damage to and demolition of properties. In 2012/13 a net amount of £9.053m for impairments was charged to the CIES.

Impairments charged to the Revaluation Reserve in 2012/13 amounted to £8.694m.

Increase in Current Provisions (£4.752)

New Current Provisions have been created for compulsory purchase orders relating to the NET2 project (£4.307m) and the expected cost of Carbon Reduction Credits (CRCs) resulting from energy usage (£0.445m)

Increase in Non-Current Provisions (£3.634m)

The provisions shown in the Balance Sheet for 2012/13 include a new provision of £1.762m which has been made to meet the potential cost of additional settlements arising from an ongoing equal pay tribunal case. An additional provision of £2.561m for known and estimated future insurance compensation claims has also been made. These increases have been offset by reductions in provisions of £0.689m.

2.5.3 Material Items of Income and Expense

During the year 6 properties with a total value of £26.573m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent. This change has also resulted in a corresponding charge to the CIES.

The Council's rolling programme of revaluations on property has given rise to revaluation gains on the Royal Centre of £52.435m, the Council House of £14.161m and a revaluation loss of £13.822m on Fairham School. These changes have resulted in a credit to the CIES of £12.336m and a charge to the Revaluation Reserve of £65.110m.

No other material assets have been acquired or liabilities incurred in 2012/13 other than those identified elsewhere in the statement.

2.5.4 Events after the Reporting Date

As identified in section 2.4.2 the new arrangements for the retention of business rates come into effect on 1 April 2013. As a result the Council will also assume 50% of the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties. This liability is expected to result in a provision for £16.5m and will be included in the 2013/14 statements

In addition, after the reporting date of 28 June 2013 when the un-audited accounts were authorised for issue, by the Chief Financial Officer, any subsequent material events will need to be reported within this section.

2.5.5 Material assets acquired and liabilities incurred.

No material assets have been acquired or liabilities incurred in 2012/13 other than those identified elsewhere in the statement.

2.5.6 Pension Fund

The Council is a member of the Nottinghamshire County Council pension fund and the assets and liabilities of that fund that may be attributed to the Council are evaluated on an annual basis by an independent actuary. The actuary has estimated that, at 31 March 2013, the Council's fund was in deficit by £546.235m (£536.819m as at 31 March 2012) which is average for a Council of this size. The strategy adopted by the actuary is for the deficit to be recovered over the next twenty five years with tri-annual revaluations of the fund.

Introductory Statements

3. Introductory Statements

3.1 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 27 September 2013.

Signed..... Date: 27 September 2013

Councillor Sarah Piper
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 local authority code.

I have also:

- Kept proper accounting records which were up-to-date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

These financial statements give a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2013.

Signed..... Date: 27 September 2013

Carole Mills (CPFA)
Chief Finance Officer, Deputy Chief Executive & Corporate Director for Resources
Loxley House
Station Road
Nottingham
NG2 3NG

3.2 Accounting Policies

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

3.2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. It provides the reader with information about the Council's financial position and its stewardship of public funds. The Statement of Accounts is a legal requirement under the Accounts and Audit Regulations 2011 and must comply with proper accounting practices. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) which is based on approved accounting standards. In addition to compliance with the Code, the Council's accounts also comply with the Service Reporting Code of Practice 2012/13. This Code sets out proper practice for financial reporting to ensure consistency and comparability across Councils. The accounts are supported by IFRS and statutory guidance issued under section 7 of the 2011 Act.

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.

3.2.2 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accrual basis. This means that income and expenditure are recognised in the accounts in the period in which they are earned or incurred and not when money is received or paid. Further details are given below:

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor 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 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 to revenue for the income that might not be collected.
- Fees, charges and rents due from customers are accounted for as income at the date that the Council provides the associated goods or services.
- 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.
- Works are charged as expenditure, once complete, prior to completion they are carried as 'works in progress' 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 forecasted 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 revenue account 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.

3.2.3 Accounting for the Costs of the Carbon Reduction Commitment Scheme

Under the Carbon Reduction Commitment (Energy Efficiency Scheme), the Council has to purchase and surrender allowances retrospectively on the basis of carbon dioxide emissions. As energy is used and carbon dioxide is emitted, an expense is charged to services in the CIES together with a corresponding liability being created on the Balance Sheet. The expense is apportioned to services on the basis of energy consumption. The liability is estimated at the year end, normally based on the current market price of the allowances required to meet the liability. The liability is then discharged when the allowances are surrendered.

3.2.4 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.

3.2.5 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, however, details of all exceptional items are given in the Explanatory Foreword.

3.2.6 Charges to Revenue 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 fixed 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.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to Housing Revenue Account (HRA) activity). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the Movement in Reserves Statement (MIRS), by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two. The HRA currently receives a statutory charge in respect of interest only.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

The Council is permitted by Statute to treat some items of expenditure as capital even though they do not generate an asset or have lasting economic benefit. This is referred to as revenue expenditure funded from capital under statute (REFCUS) and is charged to the relevant service in the CIES. Any REFCUS grant funding used to finance the expenditure is credited to the CIES. The net expenditure is then reversed out of the General Fund revenue account via the MIRS to ensure that the capital expenditure is not funded from Council Tax payers.

3.2.7 Employee Benefits

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and 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, e.g. time off in lieu earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

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 Non Distributed Costs line in the CIES 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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

Pensions

The Council has accounted for its pension costs arising from the Local Government Pension Scheme and for all unfunded discretionary benefits which it has granted as defined benefit schemes.

Pension costs relating to Teachers' Pension Scheme have been treated as defined contribution schemes in accordance with the Code and the costs are charged to Children's and Education in the CIES.

Defined Benefit Schemes

For those schemes treated as defined benefit schemes, pension fund assets are accounted for at fair value, quoted and unitised securities at current bid price, unquoted securities at professional estimate and property at market value.

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

Liabilities are discounted at the Balance Sheet date. The discount rate is the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the employer's liabilities. This approach has been updated from previous years when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption.

Within the CIES, service revenue accounts have been charged with their current service cost, which represents the extent to which the pension liability has increased as a result of employee service during the year. Past service costs, settlements and curtailments have been charged to non-distributable costs. The interest cost and expected return on assets have been included in net operating expenditure. Expected return on assets is credited to Financing and Investment Income. Actuarial gains and losses are charged to the Pension Reserve.

An appropriation to the Pensions Reserve has been made to reverse out the pension costs calculated according to IAS 19 in the CIES and replace them with the actual pension payment for the year. This complies with statutory provisions which limit the Council from raising Council Tax to cover the amounts payable to the pension fund.

Discretionary Benefits

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

3.2.8 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.

3.2.9 Financial Instruments

Financial Liabilities

Financial liabilities 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 at 31st March. Gains and losses on the repurchase or early settlement of borrowing are also credited and debited to the Financing and Investment line in the year of repurchase/settlement. Where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, the Council in accordance with regulations allow the impact on the General Fund Balance 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 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 MIRS.

Financial Assets

Financial assets comprise of loans and receivables and available-for-sale assets.

Loans and receivables are recognised on the Balance Sheet, initially at fair value and carried 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.

When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument which results 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 increasing the amortised cost of the loan in the Balance Sheet. In accordance with statutory provisions, 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 MIRS.

Where loans and receivables are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the loan is written down and a charge made to the CIES. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Available-for-sale Assets

Available-for-sale assets are included within Long Term Investments in the Balance Sheet and valued at fair value. Where available-for-sale assets are quoted in an active market, the quoted market price is taken as fair value and for other instruments with fixed and determinable payments, discounted cash flow analysis is used. For equity shares where no market price is available, then fair value is based on independent appraisal of company valuations.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

3.2.10 Government Grants and Contributions

Government grants and other contributions are recognised as 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 service line and non-ring fenced grants and capital grants are credited to Taxation and Non-specific grant income in the CIES.

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

Business Improvement Districts (BID)

A BID scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the CIES.

3.2.11 Heritage Assets

The Council has eight collections of heritage assets which involves over 95,000 items or groups of items (excluding natural history). The heritage assets information is held on an asset register. The Council holds these assets in support of its objective to be contributing to the knowledge and cultural development of City's Citizens and visitors to the city and region. The heritage assets items are either held on display at one of the Council's museums or held in storage. Regarding the pieces held in storage, access is encouraged for scholars and others for research.

These eight collections have been grouped as follows:

- Byron Collection
- Costume Collection
- Decorative Art
- Fine Art
- Human & Social History
- Industrial History
- Civic Regalia & Silver Collection
- Civic Miscellaneous Items

Civic Miscellaneous Items have been omitted from the Balance Sheet due to not having received an external valuation and consists of circa 100 TW Hammond paintings. 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.

The remaining collections are reported in the Balance Sheet at market value and have been valued by an external valuer, the valuation dates range from 2001 to 2008. 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 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.

The Councils Heritage Assets do not incur any depreciation or amortisation, due to the assets having an indefinite life.

Heritage Assets are assessed during the year and at the end of each financial year for evidence of damage or reduction in value. Once an impairment has been identified the impairment loss will be charged against the Revaluation Reserve balance for the specific asset. If there is no balance of revaluation gains the impairment loss is charged to the relevant service revenue account.

When a Heritage Asset is disposed of, the gain or loss is calculated from the difference between the net disposal proceeds and the carrying amount of the items. The gain or loss on disposal is recognised in the CIES.

3.2.12 Intangible Assets

Intangible assets where the Council has control of the asset through either custody or legal protection for e.g. software licences, are capitalised at cost. Expenditure on website development is not capitalised if the website is solely or primarily used to promote or advertise the Council's goods or services. Internally generated assets are capitalised when it can be demonstrated that the project is technically feasible, will be completed and will generate future economic benefit or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be attributed to the asset but is restricted to that incurred during the development phase.

The capital cost of an intangible asset is charged to revenue over its economic life on a straight line basis which is generally assessed to be 5 years.

Assets have been reviewed for any impairment loss in respect of consumption of economic benefit. Where an impairment loss has occurred, it has been charged to the service revenue account. An amount equal to the amortised charges for the use of intangible assets and relevant impairment losses included in revenue accounts is reversed within the MIRS. Gains or losses on disposal of intangible assets are

included in the Other Operating line of the CIES. Any sale proceeds greater than £10k are posted to the Capital Receipts Reserve.

3.2.13 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 investments and valued at cost less any provision for losses.

3.2.14 Inventories and Work in Progress

Stocks 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.

3.2.15 Investment Property

Investment properties are those used solely to earn rentals and/or for capital appreciation and 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 according to market conditions. Gains and losses on revaluation and on disposal are posted to the Financing and Investment Income and Expenditure line in the CIES. Rentals received in relation to investment properties are also credited to the gain or loss on investment properties line. Any sale proceeds greater than £10k are posted to the Capital Receipts Reserve.

3.2.16 Leases

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

PPE held under finance leases are recognised on the Balance Sheet initially at fair value or the present value of the minimum lease payments if lower. 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.

PPE recognised under finance leases is depreciated over the lease term if this is shorter than the asset's estimated useful life and where ownership of the asset does not transfer to the authority at the end of the lease period.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in

accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, via an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

Operating Leases

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.

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.

The gain on disposal in accordance with statute cannot increase the General Fund Balance and must be treated as a capital receipt. Where rental payments are due in future financial years, the balance is transferred from the General Fund Balance to the Capital Receipts Reserve in the MIRS.

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.

Operating Leases

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.

3.2.17 Overheads and Support Services

Overheads and support services are charged to service revenue accounts, trading undertakings and other support services in accordance with the Service Reporting Code of Practice. The basis for apportionment is generally time spent by colleagues on relevant tasks although other bases are used where more appropriate. The costs of Corporate and Democratic and Non-Distributable costs are not charged to service revenue accounts but are shown as separate lines on the CIES.

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

3.2.19 Property, Plant and Equipment (PPE)

Recognition

All expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it brings benefits to the Council for more than one financial year. 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.

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:

- Infrastructure for e.g. roads and bridges and community assets for e.g. parks and land used for cemeteries and crematoria are generally valued at depreciated historical cost.
- 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 2009/10 based on a full valuation of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman and Mitchell.
- Other land and buildings are valued at fair value, the amount that would be paid for the asset in its existing use. Where insufficient market based evidence of fair value is available because an asset is specialised in nature, Depreciated Replacement Cost has been applied.
- All other assets are valued at fair value, the amount that would be paid for the asset in its existing use.

Assets included in the Balance Sheet at fair value are revalued, as a minimum, every 5 years. However, 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 service 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.

De Minimis Levels

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.

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

Impairment

Asset values are assessed at the end of each financial year for evidence of reductions in value. If identified either as part of this review or as a result of a valuation exercise, 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. Thereafter, or if there is no balance of revaluation gains the impairment loss is charged to the relevant service line of the CIES.

Depreciation

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, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

- Dwellings – straight line allocation over the useful life on the building major components.
- Buildings – 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.

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.

3.2.20 Disposals and Capital Receipts

When a non-current asset is disposed of or decommissioned, a gain or loss is calculated from the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss on disposal is recognised in the CIES.

Sale proceeds in excess of £10k are categorised as capital receipts. A proportion of receipts relating to HRA disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is credited to the Usable Capital Receipts Reserve. Costs of up to 4% of the disposal proceeds may be funded from the capital receipt.

Any balance on the net surplus or loss on disposals is transferred to capital reserves.

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', pending a decision on the future use of the asset.

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 and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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 accordingly. 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.

3.2.21 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). Therefore, the Council carries the assets used under the contracts, on its Balance Sheet as PPE, where 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 is comprised of 5 elements. The Fair Value of Services received during the year, Finance Cost, Contingent Rent, Payment towards liability and Lifecycle replacement costs which are posted to the CIES.

3.2.22 Provisions, Contingent Liabilities and Contingent Assets

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 e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provisions are also set up for bad and doubtful debts, but are offset against the debtor balance on the balance sheet, rather than being included in the provisions figure.

Provision for Back Pay Arising from Unequal Pay Claims

Provision has been made for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

Landfill Allowance Schemes

The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is estimated at Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. After initial recognition, allowances are measured at lower of cost and net realisable value.

As landfill is used, an expense is charged to services in the CIES together with a corresponding liability being created on the Balance Sheet. the year end, normally based on the current market price of the allowances required to meet the liability. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty. As information from the market and DEFRA indicate that there are significant levels of surplus of landfill allowances and trading is minimal, the landfill allowances held by the Council have been valued at nil within the CIES.

Contingent Liabilities

Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, it has not been included in the accounts but is disclosed in the Explanatory Foreword/notes.

Contingent Assets

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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

3.2.24 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

3.3 Prior Year Reclassifications

In 2011/12 the Council received £6.843m from the Department for Transport and £17.506m from the Department for Communities and Local Government in its capacity as the accountable body for the Nottingham, Nottinghamshire, Derby and Derbyshire Local Enterprise Partnership. The funding received was primarily earmarked for capital loans to businesses and as such was treated as a capital grant received in advance.

The treatment of the funding was reconsidered for the 2012/13 accounts. The funding is held on behalf of the Local Enterprise Partnership with the expectation that it will be fully utilised, and the majority of loans being to businesses outside the City Council boundaries. The funding received has therefore been reclassified as a short term creditor for expenditure incurred in 2012/13 and a long term liability for the remainder. The following table identifies the relevant changes to the Council's Balance Sheet at 31 March 2012:

Description	As Previously Stated 31 March 2012 £m	As Restated 31 March 2012	Restatement £m
Short Term Creditors	(146.511)	(146.671)	(0.160)
Current Liabilities	(273.434)	(273.594)	(0.160)
Other Long Term Liabilities	(57.287)	(81.476)	(24.189)
Capital Grant Receipts in Advance	(31.995)	(7.646)	24.349
Long Term Liabilities	(1,274.941)	(1,274.781)	0.160

3.4 Changes in Accounting Policies and Statutory Functions

There have been no changes to the Council's Accounting Policies or statutory functions for 2012/13.

3.5 Accounting Standards Issued, not adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted.

The International Accounting Standards Board has published a final version of the revised standard for pension charges (IAS19), which will apply for accounting periods beginning on or after 1 January 2013. The change in accounting standard will affect the IAS19 pension charges in the CIES and more disclosures will be required about the risks posed by the pension schemes involved.

The changes do not come into effect until 2013/14. However, for the Local Government Pension Scheme, the impact on the CIES had the revised standard been applied in 2012/13 would have been an £8.107m increase in the charge from £43.836m to £51.943m. The change in charge for the Teachers Pension Scheme would not be material for the Council.

The revised IAS19 will have no impact on the Council's Balance Sheet.

3.6 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 3.2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council has entered into a partnership arrangement with Leicestershire County Council to provide financial and human resources services. The structure of the partnership has been judged to be a “joint operation” with the Council’s share of revenue, expenditure, assets and liabilities shown in the single entity financial statements.
- As part of the cyclical valuation process the Council’s Property Services have reviewed the valuation of the Theatre Royal Complex. Property Services have assessed that the valuation of the Complex should be based on a Depreciated Replacement Cost basis rather than Existing Use Value (see section 3.2.20). This judgement has increased the valuation of the Complex by £52.435m
- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

3.7 Assumptions about the Future and other Major Sources of Estimation Uncertainty

The preparation of the financial statements requires the Council to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including 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:

- PPE – Assets are depreciated over the useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the current spending on repairs and maintenance will be maintained, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings excluding Council dwellings would increase by £1.652m for every year that useful lives had to be reduced. Further details can be found in Note 6.2.1.
- Post Retirement Benefits – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide 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 6.2.15 for further details
- Debt Impairment (Doubtful debts) – At 31 March 2013, the Council had a balance of sundry debtors for £12.984m. A review of significant balances suggested that an impairment of doubtful debts of 10.57% (£1.373m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debt would require an additional £1.373m to be set aside as an allowance.

- Intangible Assets / Prepayments – During 2011/12, the Authority recognised an intangible asset at £43.848m; this valuation was arrived at by discounting the expected future cash flows by a factor of 6.5%. If the Authority had used a factor of 5.75% this would have increased the asset's value by £4.922m. The model used to identify the value of this intangible excludes all infrastructure related costs on the basis that they are funded by the unitary charge. This intangible asset has since been transferred to a prepayment for Net Line 2. See note 6.2.5 for further details.

Core Financial Statements

4. Core Financial Statements

4.1 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 regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

TABLE 4.1: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

DESCRIPTION (Note)	2011/12			2012/13		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure £m	Income £m	Expenditure £m	Expenditure £m	Income £m	Expenditure £m
Central services to the public	4.765	(2.865)	1.900	5.383	(3.183)	2.200
Cultural and related services	66.626	(10.847)	55.779	62.933	(11.047)	51.886
Environmental and Regulatory services	46.753	(15.834)	30.919	46.208	(16.156)	30.052
Planning Services	35.240	(11.841)	23.399	26.451	(19.800)	6.651
Education and children's services	338.239	(227.693)	110.546	280.198	(189.497)	90.701
Highways and transport services	61.441	(33.937)	27.504	64.160	(46.198)	17.962
Local authority housing (HRA)	143.193	(93.076)	50.117	78.591	(100.574)	(21.983)
Other housing services	202.239	(175.630)	26.609	203.545	(184.765)	18.780
Adult social care	116.252	(37.396)	78.856	118.714	(34.281)	84.433
Corporate and democratic core	44.243	(21.496)	22.747	49.408	(28.944)	20.464
Non distributed costs	4.406	(0.246)	4.160	4.444	(0.309)	4.135
Cost of Services	1,063.397	(630.861)	432.536	940.035	(634.754)	305.281
Other operating expenditure (Note 6.1.1)						
Transfer of school buildings to academies	94.778	-	94.778	23.665	-	23.665
Other	40.987	(9.249)	31.738	20.045	(10.197)	9.848
Financing and investment income and expenditure (Note 6.1.2)	132.027	(70.465)	61.562	93.902	(55.091)	38.811
Taxation and non-specific grant income (Note 6.1.3 & 6.1.5)						
Exceptional Items						
Investment Impairment	30.261	-	30.261	-	-	-
HRA Debt Redemption	-	(65.988)	(65.988)	-	-	-
HRA Debt Premiums	-	(12.755)	(12.755)	-	-	-
Other	-	(340.342)	(340.342)	-	(341.713)	(341.713)
(Surplus)/Deficit on Provision of Services	1,361.450	(1,129.660)	231.790	1,077.647	(1,041.755)	35.892
Surplus or deficit on revaluation of Property, Plant and Equipment assets (Note 6.1.6)			(66.236)			(56.259)
Actuarial gains/losses on pension assets/liabilities (Note 6.1.4)			188.110			(7.957)
Other gains/losses recognised required			(0.093)			(0.044)
Other Comprehensive Income and Expenditure			121.781			(64.260)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE (SURPLUS)/DEFICIT			353.571			(28.368)

4.2 Balance Sheet

The Balance Sheet shows the value, as at 31 March each year, of the assets and liabilities recognised by the Council. The net assets (i.e. assets less liabilities) are matched by the reserves held. Reserves are reported in two categories:

- Usable reserves - i.e. those reserves that may be used to help provide services, 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).
- Those reserves that the Council is not able to use to help provide 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'.

DESCRIPTION	Notes	Restated 31 March 2012 £m	31 March 2013 £m
Property, Plant & Equipment	6.2.1	1,934.536	1,931.674
Heritage Assets	6.2.2	44.489	46.344
Investment Property	6.2.4	37.454	36.962
Intangible Assets	6.2.5	2.063	1.781
Long Term Investments		12.472	10.885
Long Term Debtors	6.2.16(a)	52.626	58.652
Long Term assets		2,083.640	2,086.298
Assets Held for Sale	6.2.6	5.607	5.918
Intangible Assets (current assets)	6.2.11(a)	-	0.034
Short Term Investments	6.2.16(a)	49.963	147.455
Inventories	6.2.7	1.468	1.209
Short Term Debtors	6.2.8	76.230	93.366
Cash and Cash Equivalents	6.2.9	123.350	76.916
Current Assets		256.618	324.898
Short Term Borrowing	6.2.16(b)	(126.923)	(85.898)
Short Term Creditors	6.2.10	(146.671)	(151.718)
Provisions (current provisions)	6.2.11(a)	-	(9.399)
Current Liabilities		(273.594)	(247.015)
Long Term Borrowing	6.2.16(b)	(637.713)	(701.322)
Other Long Term Liabilities	6.2.16(b)	(81.476)	(81.344)
Provisions (non-current)	6.2.11(b)	(11.127)	(10.442)
Capital Grants Receipts in Advance	6.2.14	(7.646)	(4.590)
Defined Benefit Pension Scheme	6.2.15	(536.819)	(546.235)
Long Term Liabilities		(1,274.781)	(1,343.933)
NET ASSETS		791.883	820.248
Usable Reserves	6.2.12*	153.486	194.023
Unusable Reserves	6.2.13	638.397	626.225
TOTAL RESERVES		791.883	820.248

* See tables 4.3 and 6.2.3 for details

4.3 Movement in Reserves Statement

This statement shows the in-year movement of the various reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. However, these are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and dwellings rent setting purposes, which are shown by the Net Increase/Decrease before Transfers to Earmarked Reserves line. Discretionary transfers to or from earmarked reserves are undertaken before arriving at the Increase/Decrease in Year line

TABLE 4.3(a): MOVEMENT IN RESERVES STATEMENT 2012/13

DESCRIPTION (Note)	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance at 31 March 2012	11.686	105.249	4.594	0.440	15.817	15.700	153.486	638.394	791.880
Movement in reserves during 2012/13:									
Surplus/(deficit) on the provision of services	(45.724)	-	9.832	-	-	-	(35.892)	-	(35.892)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	64.260	64.260
Total Comprehensive Income and Expenditure (Table 4.1)	(45.724)	-	9.832	-	-	-	(35.892)	64.260	28.368
Adjustments between accounting basis and funding basis under regulations (Note 6.3.1)	61.247	-	(9.396)	8.863	12.190	3.525	76.429	(76.429)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	15.523	-	0.436	8.863	12.190	3.525	40.537	(12.169)	28.368
Transfers to/from Earmarked Reserves	(13.407)	13.407	-	-	-	-	-	-	-
Increase/Decrease in Year	2.116	13.407	0.436	8.863	12.190	3.525	40.537	(12.169)	28.368
BALANCE AT 31 MARCH 2013	13.802	118.656	5.030	9.303	28.007	19.225	194.023	626.225	820.248

TABLE 4.3(b): MOVEMENT IN RESERVES STATEMENT 2011/12

DESCRIPTION (Note)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2011	8.604	102.979	5.171	1.015	13.397	22.088	153.254	992.200	1,145.454
Movement in reserves during 2011/12:									
Surplus/(deficit) on the provision of services	(236.428)	-	4.638	-	-	-	(231.790)	-	(231.790)
Other Comprehensive Income and Expenditure	-	0.047	-	-	-	-	0.047	(121.828)	(121.781)
Total Comprehensive Income and Expenditure (Table 4.1)	(236.428)	0.047	4.638	-	-	-	(231.743)	(121.828)	(353.571)
Adjustments between accounting basis and funding basis under regulations (Note 6.3.1)	241.733		(5.215)	(0.575)	2.420	(6.388)	231.975	(231.975)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	5.305	0.047	(0.577)	(0.575)	2.420	(6.388)	0.232	(353.803)	(353.571)
Transfers to/from Earmarked Reserves	(2.223)	2.223	-	-	-	-	-	-	-
Increase/Decrease in Year	3.082	2.270	(0.577)	(0.575)	2.420	(6.388)	0.232	(353.803)	(353.571)
BALANCE AT 31 MARCH 2012	11.686	105.249	4.594	0.440	15.817	15.700	153.486	638.397	791.883

Details regarding the Major Repairs Reserve are covered in the HRA notes to the accounts.

4.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how cash and cash equivalents are generated and used by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which 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 for resources which are 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).

TABLE 4.4: CASH FLOW STATEMENT			
DESCRIPTION	Notes	2011/12 £m	2012/13 £m
Net Surplus/(Deficit) on the provision of Services		(231.790)	(35.892)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		491.032	203.124
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(149.222)	(82.389)
Net Cash Flows from Operating Activities	6.4.1	110.020	84.843
Investing activities	6.4.2	(259.752)	(140.407)
Financing activities	6.4.3	186.144	9.130
Net Increase or Decrease in Cash and Cash Equivalents		36.412	(46.434)
Cash and cash equivalents at the beginning of the reporting period		86.938	123.350
CASH AND CASH EQUIVALENTS AT 31 MARCH 2013		123.350	76.916

Alternative Presentations

5. Alternative Presentations

Local Authorities are required by statute to make their funding decisions on a different basis from the Statement of Accounts as required by International Financial Reporting Standards. The accounts used for resource allocation and budget management are therefore shown on a funding basis and a number of adjustments are, therefore, required to produce the Statement of Accounts on an IFRS basis. The adjustments required to the CIES are generally offset by adjustments to unusable reserves. The impact on the CIES is shown in section 5.1 and the movements in reserves are shown in section 6.3.

5.1 Funding Basis

The table below shows the net surplus for the accounts on a funding basis together with the adjustments required to arrive at the equivalent figure for the Statement of Accounts:

DESCRIPTION	2011/12 £m	2012/13 £m
Funding Basis		
Net Portfolio Spend	278.445	270.501
(Use)/Contributions to Reserves included above	1.367	(9.077)
Expenditure financed from Council Tax and Non-specific Grants	279.812	261.424
Council Tax	(100.315)	(103.885)
Non-Specific Grants	(184.802)	(173.062)
(SURPLUS)/DEFICIT ON FUNDING BASIS BEFORE TRANSFERS TO RESERVES	(5.305)	(15.523)
Adjustments to move to Accounting Basis		
Items removed from CIES:		
a) Net pension contributions/payments by employees	(29.820)	(27.838)
b) Provision for Debt Redemption	(13.937)	(29.976)
c) Capital expenditure charged to revenue	(8.637)	(5.834)
Replaced by:		
a) Assessment of retirement benefits due	38.708	45.211
b) Change in valuation of Pension assets	188.110	(7.957)
c) Depreciation, impairment etc	212.396	94.799
d) Change in valuation of other assets	40.827	(11.006)
e) Revenue expenditure funded from Capital under Statute	(1.784)	1.960
Additional items required by Accounting Basis:		
Housing Revenue Account	(4.638)	(9.832)
Grants and Contributions used to finance Capital	(52.651)	(61.770)
Financial Instruments	(0.346)	(0.344)
Other smaller items	(9.352)	(0.258)
(SURPLUS)/DEFICIT ON ACCOUNTING BASIS	353.571	(28.368)

5.2 Net Portfolio Spend on Funding Basis (management accounts)

The analysis of income and expenditure by service in the CIES is presented using the analysis required by the Service Reporting Code of Practice for Local Authorities. However, the table below provides a more detailed analysis of Net Portfolio Spend identified in table 4.1 on the basis used for budget management and resource allocations.

DESCRIPTION	Area Working, Cleansing & Community Safety	Children's Services	Economic Development, Resources & Regeneration	Energy & Sustainability	Health, Commissioning & Human Resources	Housing, Adults & Community Sector	Jobs, Skills & Business	Leisure, Culture & Tourism	Planning & Transportation	Corporate Items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, Charges & other Service income	(13.968)	(15.591)	(40.595)	(3.020)	(26.265)	(1.094)	(0.629)	(26.590)	(31.743)	(32.468)	(191.963)
Government Grants	(3.424)	(174.337)	(5.552)	(0.379)	(8.230)	(0.850)	(0.389)	(0.775)	(10.254)	(209.150)	(413.340)
Total Income	(17.392)	(189.928)	(46.147)	(3.399)	(34.495)	(1.944)	(1.018)	(27.365)	(41.997)	(241.618)	(605.303)
Employee Expenses	24.036	146.337	44.038	0.973	18.423	16.978	1.504	18.668	10.571	5.609	287.137
Other Service Expenses	14.690	85.331	30.522	9.288	82.279	17.408	1.857	20.849	37.441	289.002	588.667
Support Service Recharges	0.282	0.304	(1.571)	0.046	16.042	(15.653)	-	(0.136)	0.709	(0.023)	-
Total Expenditure	39.008	231.972	72.989	10.307	116.744	18.733	3.361	39.381	48.721	294.588	875.804
NET EXPENDITURE	21.616	42.044	26.842	6.908	82.249	16.789	2.343	12.016	6.724	52.970	270.501

TABLE 5.2(b): PORTFOLIO INCOME AND EXPENDITURE 2011/12											
DESCRIPTION	Adult Support & Health	Area Working, Cleansing & Community Safety	Children's Services	Economic Development, Resources and Customer Care	Energy & Sustainability	Housing, Regeneration and Communities	Leisure, Culture & Customers	Planning & Transportation	Training, Employment & Human Resources	Corporate Items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, Charges & other Service income	(26.000)	(11.969)	(9.549)	(41.711)	(0.426)	(0.558)	(27.022)	(25.296)	(2.409)	(57.429)	(202.369)
Government Grants	(7.471)	(1.741)	(217.878)	(5.123)	-	(0.934)	(0.866)	(7.120)	(1.623)	(200.422)	(443.178)
Total Income	(33.471)	(13.710)	(227.427)	(46.834)	(0.426)	(1.492)	(27.888)	(32.416)	(4.032)	(257.851)	(645.547)
Employee Expenses	25.644	23.143	178.819	41.447	0.735	1.991	18.435	11.655	8.030	6.420	316.319
Other Service Expenses	77.172	12.713	100.823	36.566	4.594	20.664	20.716	36.787	3.444	289.932	603.411
Support Service Recharges	0.588	0.742	4.336	(1.360)	-	0.028	(0.208)	0.295	(0.159)	-	4.262
Total Expenditure	103.404	36.598	283.978	76.653	5.329	22.683	38.943	48.737	11.315	296.352	923.992
NET EXPENDITURE	69.933	22.888	56.551	29.819	4.903	21.191	11.055	16.321	7.283	38.501	278.445

5.3 Reconciliation of CIES between Funding Basis and IFRS basis

Table 5.3(a) and 5.3(b) show how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the CIES.

TABLE 5.3(a): RECONCILIATION TO SUBJECTIVE ANALYSIS 2012/13						
DESCRIPTION	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(191.963)	(86.501)	57.613	(220.851)	(10.197)	(231.048)
Interest and investment income	-	(0.219)	(0.344)	(0.563)	(55.091)	(55.654)
Income from council tax	-	-	-	-	(105.192)	(105.192)
Government grants and contributions	(413.340)	-	-	(413.340)	(236.521)	(649.861)
Total Income	(605.303)	(86.720)	57.269	(634.754)	(407.001)	(1,041.755)
Employee expenses	287.137	44.763	(27.838)	304.062	-	304.062
Other service expenses	588.667	54.579	(102.928)	540.318	-	540.318
Depreciation, amortisation and impairment	-	131.465	(35.810)	95.655	0.195	95.850
Interest payments	-	-	-	-	93.707	93.707
Payments to Housing Capital Receipts Pool	-	-	-	-	1.541	1.541
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	42.169	42.169
Total Expenditure	875.804	230.807	(166.576)	940.035	137.612	1,077.647
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	270.501	144.087	(109.307)	305.281	(269.389)	35.892

TABLE 5.3(b): RECONCILIATION TO SUBJECTIVE ANALYSIS 2011/12

DESCRIPTION	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(202.369)	(160.378)	148.892	(213.855)	(9.361)	(223.216)
Interest and investment income	-	(0.250)	(0.346)	(0.596)	(70.465)	(71.061)
Income from council tax	-	-	-	-	(100.315)	(100.315)
Government grants and contributions	(443.178)	(12.414)	2.462	(453.130)	(318.658)	(771.788)
Total Income	(645.547)	(173.042)	151.008	(667.581)	(498.799)	(1,166.380)
Employee expenses	316.319	38.464	(29.820)	324.963	-	324.963
Other service expenses	603.411	76.675	(138.646)	541.440	-	541.440
Support Service recharges	4.262	-	-	4.262	-	4.262
Depreciation, amortisation and impairment	-	255.633	(26.274)	229.359	38.311	267.670
Interest payments	-	-	-	-	132.027	132.027
Payments to Housing Capital Receipts Pool	-	-	-	-	2.973	2.973
Gain or Loss on Disposal of Fixed Assets	-	0.093	-	0.093	124.742	124.835
Total Expenditure	923.992	370.865	(194.740)	1,100.117	298.053	1,398.170
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	278.445	197.823	(43.732)	432.536	(200.746)	231.790

Notes to the Financial Statements

6. Notes to the Financial Statements

These notes provide information that supports, and helps in interpreting, the Financial Statements.

6.1 Comprehensive Income and Expenditure Notes

6.1.1 Other Operating Expenditure

Transfer of School Buildings to Academies

During the year 6 properties with a total value of £23.665m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent.

Other

TABLE 6.1.1: OTHER OPERATING EXPENDITURE		
DESCRIPTION	2011/12 £m	2012/13 £m
Payments to the Government Housing Capital Receipts Pool	2.973	1.541
Gains/Losses on the disposal of non-current assets	28.765	8.307
TOTAL	31.738	9.848

6.1.2 Financing and Investment Income and Expenditure

TABLE 6.1.2: FINANCING AND INVESTMENT INCOME AND EXPENDITURE		
DESCRIPTION	2011/12 £m	2012/13 £m
Interest payable and similar charges	55.348	32.935
Pensions interest cost and expected return on pensions assets	9.575	15.905
Interest receivable and similar income	(4.150)	(2.785)
Other investment income	0.789	(7.244)
TOTAL	61.562	38.811

Also see Table 6.2.16(c) for elements relating to Financial Instruments

6.1.3 Taxation and Non-Specific Grant Income

TABLE 6.1.3: TAXATION AND NON-SPECIFIC GRANT INCOME		
DESCRIPTION	2011/12 £m	2012/13 £m
Council Tax income	(100.315)	(105.192)
National Non domestic rates (NDR)	(141.167)	(169.771)
Non-ringfenced government grants	(46.146)	(4.980)
Capital grants and contributions	(52.714)	(61.770)
TOTAL	(340.342)	(341.713)

See Note 6.1.5 for further detail

6.1.4 Transactions Relating to Post Employment Benefits (inc. Pensions)

The following transactions have been made in the CIES during the year:

TABLE 6.1.4(a): POST EMPLOYMENT BENEFITS TRANSACTIONS				
DESCRIPTION	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2011/12 £m	2012/13 £m	2011/12 £m	2012/13 £m
Cost of Services				
Current service cost	28.442	34.295	-	-
Losses(gains) on curtailments and settlements	0.691	(4.989)	-	-
Financing and Investment Income and Expenditure				
Interest cost	55.842	55.435	1.602	1.375
Expected return on scheme assets	(47.869)	(40.905)	-	-
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	37.106	43.836	1.602	1.375
Other Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services				
Actuarial losses (gains)	186.855	(12.169)	1.255	4.212
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	223.961	31.667	2.857	5.587

These transactions are summarised in the following table:

TABLE 6.1.4(b): POST EMPLOYMENT BENEFITS TRANSACTIONS SUMMARY		
DESCRIPTION	2011/12 £m	2012/13 £m
Comprehensive Income and Expenditure Statement:		
Cost of services	29.133	29.306
Financing and Investment income and expenditure	9.575	15.905
Actuarial losses(gains)	188.110	(7.957)
TOTAL	226.818	37.254

6.1.5 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

TABLE 6.1.5: GRANT INCOME		
DESCRIPTION	2011/12 £m	2012/13 £m
Credited to Taxation and Non Specific Grant Income		
<i>Revenue Grants</i>		
Revenue Support Grant	(43.635)	(3.291)
Non-domestic rates distribution	(141.167)	(169.771)
Demand on the Collection Fund	(100.427)	(103.885)
Council Tax Freeze Grant	(2.511)	-
Apportionment of Collection Fund Deficit/Surplus	0.112	(1.307)
New Homes Bonus	-	(1.689)
<i>Capital Grants</i>		
Government Departments	(37.670)	(58.873)
Other	(15.044)	(2.897)
TOTAL	(340.342)	(341.713)
Credited to Services		
<i>Revenue Grants</i>		
Department for Education: Dedicated School Grant	(175.112)	(148.274)
Department for Education: Standard Fund	(0.111)	-
Department of Transport: PFI Grants	(26.091)	(26.091)
Department for Education: PFI Grant	(3.419)	(3.419)
Department for Communities and Local Government: PFI Grant	-	(2.898)
Department for Works and Pensions: Council Tax Benefit	(33.147)	(33.879)
Mandatory Rent Allowances: Subsidy	(72.478)	(83.696)
Rent Rebates Granted to HRA Tenants	(61.105)	(62.217)
Major Repairs Allowance	(17.074)	-
Department for Work & Pensions: Housing Benefit Admin	(3.518)	(3.269)
Learning & Skills Grant	(0.957)	(0.689)
Young People Learning Agency Grant	(4.237)	(1.937)
Early Intervention Grant	(17.164)	(17.807)
Growth Fund	(2.219)	(4.183)
Learning Disabilities & Health Reform Grant	(7.029)	(6.830)
Pupil Premium Grant	(4.509)	(6.387)
HRA Subsidy PWLB Debt Extinguished Grant	(65.988)	-
HRA Subsidy Premium Extinguished Grant	(12.754)	-
Drug Action Team	-	(1.658)
Other Revenue Grants	(20.377)	(15.359)
<i>Contributions</i>	(25.068)	(29.630)
<i>Donations</i>	(0.679)	(0.639)
TOTAL	(553.036)	(448.862)

6.1.6 Surplus or Deficit on revaluation of Property, Plant and Equipment (PPE) assets

During 2012/13 PPE revaluation gains and losses charged to Other Comprehensive Income and Expenditure and reflected in the Revaluation Reserve amounted to a net credit of (£56.259m). This comprised a charge of £8.694m relating to physical damage and demolition of assets together with a net revaluation gain of (£64.953m).

6.2 Balance Sheet Notes

6.2.1 Property Plant and Equipment

TABLE 6.2.1(a): PROPERTY, PLANT AND EQUIPMENT (PPE) 2012/13 - COST/VALUATION

MOVEMENTS IN COST/VALUATION	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total PPE £m	PFI Assets included in PPE £m
COST OR VALUATION AT 1 APRIL 2012	562.651	953.325	106.106	394.861	26.413	18.100	40.895	2,102.351	67.514
additions	34.631	20.166	11.086	11.574	1.489	5.135	21.711	105.792	(0.008)
additions - PFI	-	-	-	8.944	-	-	-	8.944	8.944
donations	5.917	-	-	-	-	-	-	5.917	-
revaluation increases/(decreases) recognised in the Revaluation Reserve	(20.113)	18.322	-	-	-	(7.557)	-	(9.348)	-
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6.367)	(0.307)	-	-	-	(0.440)	-	(7.114)	-
derecognition - disposals	-	-	(0.936)	-	-	(3.066)	-	(4.002)	-
derecognition - other	(2.877)	(27.495)	(0.155)	(12.687)	-	(1.615)	-	(44.829)	-
assets reclassified (to)/from Held for Sale	(2.971)	(0.267)	-	-	-	(1.135)	-	(4.373)	-
other movements in cost or valuation	(8.808)	(29.570)	3.793	-	-	21.032	13.553	-	-
AT 31 MARCH 2013	562.063	934.174	119.894	402.692	27.902	30.454	76.159	2,153.338	76.450

TABLE 6.2.1(a) (Continued): PROPERTY, PLANT AND EQUIPMENT (PPE) - DEPRECIATION AND IMPAIRMENT MOVEMENTS IN 2012/13

MOVEMENTS IN DEPRECIATION AND IMPAIRMENT	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 1 APRIL 2012	0.000	(25.610)	(37.705)	(98.628)	(4.601)	(1.271)	-	(167.815)	(1.956)
Depreciation charge	(25.655)	(25.999)	(12.959)	(15.205)	(0.837)	(0.732)	-	(81.387)	(2.828)
Depreciation written out to the Revaluation Reserve	25.068	7.820	-	-	-	1.286	-	34.174	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(0.030)	0.129	-	-	-	0.045	-	0.144	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	(5.862)	31.942	-	-	-	3.498	-	29.578	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	5.674	(44.876)	-	-	-	(7.322)	-	(46.524)	-
Derecognition - disposals	-	-	0.936	-	-	-	-	0.936	-
Derecognition - other	-	2.841	0.151	6.097	-	0.015	-	9.104	-
Other movements in depreciation and impairment	0.617	7.674	-	-	-	(4.156)	(4.009)	0.126	-
AT 31 MARCH 2013	(0.188)	(46.079)	(49.577)	(107.736)	(5.438)	(8.637)	(4.009)	(221.664)	(4.784)
NET BOOK VALUE									
At 31 March 2012	562.651	927.715	68.401	296.233	21.812	16.829	40.895	1,934.536	65.558
At 31 March 2013	561.875	888.095	70.317	294.956	22.464	21.817	72.150	1,931.674	71.666

TABLE 6.2.1(b): PROPERTY, PLANT AND EQUIPMENT (PPE) 2011/12 - COST/VALUATION

MOVEMENTS IN COST/VALUATION 2011/12	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total PPE £m	PFI Assets included in PPE £m
COST OR VALUATION AT 1 APRIL 2011	594.300	909.913	106.520	355.639	25.103	32.819	154.774	2,179.068	189.025
additions	53.565	28.286	28.640	13.816	1.310	1.027	29.071	155.715	0.004
PFI Adjustments	-	13.328	6.875	31.641	-	-	-	51.844	(72.947)
revaluation increases/(decreases) recognised in the Revaluation Reserve	(23.941)	48.405	0.254	-	-	(2.753)	-	21.965	
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(51.394)	(86.516)	(1.665)	(5.971)	-	(0.398)	-	(145.944)	(15.360)
derecognition - disposals	-	(97.415)	(0.890)	-	-	(7.371)	-	(105.676)	-
derecognition - other	(5.825)	(2.655)	(33.628)	-	-	(0.202)	(0.080)	(42.390)	(33.628)
assets reclassified (to)/from Held for Sale	(1.966)	(0.424)	-	-	-	(4.866)	-	(7.256)	-
other movements in cost or valuation	(2.088)	140.403	-	(0.264)	-	(0.156)	(142.870)	(4.975)	0.420
AT 31 MARCH 2012	562.651	953.325	106.106	394.861	26.413	18.100	40.895	2,102.351	67.514

TABLE 6.2.1(b) (Continued): PROPERTY, PLANT AND EQUIPMENT (PPE) - DEPRECIATION AND IMPAIRMENT MOVEMENTS IN 2011/12

MOVEMENTS IN DEPRECIATION AND IMPAIRMENT 2011/12	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE	PFI Assets included in PPE
	£m	£m	£m	£m	£m	£m	£m	£m	£m
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 1 APRIL 2011	0.000	(16.465)	(34.071)	(85.419)	(3.818)	(2.884)	-	(142.657)	(32.011)
Depreciation charge	(25.275)	(23.552)	(11.980)	(13.209)	(0.783)	(0.752)	-	(75.551)	(6.150)
Depreciation written out to the Revaluation Reserve	24.851	11.554	(0.060)	-	-	0.449	-	36.794	1.603
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	3.777	-	-	-	2.157	-	5.934	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	(3.979)	-	-	-	(0.331)	-	(4.310)	-
Derecognition - disposals	-	2.637	0.828	-	-	0.038	-	3.503	-
Derecognition - other	0.252	0.050	7.578	-	-	0.020	-	7.900	7.578
Other movements in depreciation and impairment	0.172	0.368	-	-	-	0.032	-	0.572	27.024
AT 31 MARCH 2012	0.000	(25.610)	(37.705)	(98.628)	(4.601)	(1.271)	-	(167.815)	(1.956)
NET BOOK VALUE									
At 31 March 2011	594.300	893.448	72.449	270.220	21.285	29.935	154.774	2,036.411	157.014
At 31 March 2012	562.651	927.715	68.401	296.233	21.812	16.829	40.895	1,934.536	65.558

Depreciation

In line with the Accounting Policies for PPE (para 3.2.19) the following useful lives and depreciation rates have been used in the calculation of depreciation:

TABLE 6.2.1(c): PROPERTY PLANT AND EQUIPMENT USEFUL LIVES AND DEPRECIATION RATES		
DESCRIPTION	Standard Life	Overall Range
Council Dwellings – component based calculation	-	20-80 years
Other Land and Buildings	-	5-75 years
Furniture & Equipment	5 years	5-22 years
Vehicles	7 years	1-7 years
Infrastructure and Community Assets	25 years	6-52 years

Where the departures from the standard lives applied to assets are required, these are within the overall range outlined in the table above.

Revaluations

The Council carries out a rolling programme that ensures that all PPE required to be valued at fair value is revalued at least every 5 years. Valuations of land and buildings were 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 2012/13, the Council's internal valuers completed asset valuations for operational and surplus properties in compliance with the 5-year requirement. In addition, internal valuers also completed a number of 'non cyclical' (those outside the Council's 5-year property revaluation programme) for properties undergoing significant changes as a result of capital investment, material impairment or reclassification.

External valuers Herbert Button & Partners and Freeman and Mitchell completed a desktop review of the Council Housing Stock valuation as at 31st March 2013.

Valuers Assumptions

Cyclical and Non Cyclical Valuations

State of Repair - All properties have been assumed to be in good condition unless specific disrepair has been identified which has been taken into account in the valuation.

Contamination - 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 would affect the present or future use of the properties. Where there is evidence of contamination this has been reflected in the valuation but otherwise it is assumed that the cost of decontamination work would be immaterial.

Title - It is assumed that there are no encumbrances on title.

Council Housing Stock Valuation – Desktop Review

Condition - The desktop review assumes that no significant changes have taken place to the council housing properties from the date of the 2010 full revaluation and that all properties are in a similar condition to that at the date of the original inspections

Material Revaluation Gains, Losses and Impairments

6 properties with a total value of £26.573m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent.

The following properties have experienced a material change in their carrying amount as a result of revaluation in 2012/13:

- The Council House and Royal Centre valuations have been assessed using the Depreciated Replacement Cost valuation method. This is based on the current cost of replacing the asset with its modern equivalent asset adjusted to reflect listed status, specific features, prominence and iconic nature.
 - The Council House valuation has increased from £32.921m to £47.082m.
 - The Royal Centre valuation has increased from £5.164m to £57.599m.
- The valuation for Fairham Comprehensive School has been reduced by £13.822m to reflect closure of the site and future demolition of the school.

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 2012/13.

Valuation at 31 March 2013

DESCRIPTION	Council Dwellings £m	Other Land and Buildings £m	Furniture & Equipment £m	Vehicles, Plant, £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total £m
Carried at depreciated historical cost	-	-	70.317	294.956	22.464	-	-	-	387.737
Valued at depreciated fair value as at:									
2008/09	-	47.996	-	-	-	1.845	28.231	-	78.072
2009/10	-	18.595	-	-	-	0.117	4.988	-	23.700
2010/11	-	186.669	-	-	-	1.279	2.196	-	190.144
2011/12	-	369.475	-	-	-	3.408	29.314	-	402.197
2012/13	561.875	265.360	-	-	-	15.168	7.421	-	849.824
TOTAL	561.875	888.095	70.317	294.956	22.464	21.817	72.150	-	1,931.674

Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of PPE in 2012/13 and future years budgeted to cost £78.814m. Similar commitments at 31 March 2012 were £82.581m. The major commitments are:

DESCRIPTION	Contract Period	31 March 2012 £m	31 March 2013 £m
Station Hub	2010-2015	10.110	6.111
Sycamore Primary	2011-2013	0.214	-
St Anns Primary	2011-2013	0.628	-
Ellis Guildford School – BSF	2011-2013	4.362	0.075
Victoria Leisure Centre	2009-2013	0.018	0.023
St Anns Joint Service Centre	2009-2013	1.514	-
NET2/3 Land Acquisitions	2012-2013	45.150	38.185
Bluecoat / Wollaton BSF	2012-2014	8.806	2.274
Woodlands Special School	2012-2013	1.084	-
ICT Managed Services - Installation in BSF schools	2009-2015	2.322	2.334
Nottingham Academy - Construction of new academy	2010-2013	0.207	-
Forest Fields Primary Reorganisation	2012-2014	-	4.944
Manning Academy	2012-2014	-	1.308
Northgate Primary Reorganisation	2012-2014	-	0.681
Forest Recreation Ground Masterplan	2012-2014	-	0.823
Green Bus Fund - Round 3 Purchases	2012-2014	-	1.600
Local Link Buses (Local Sustainable Transport Fund)	2012-2014	-	0.980
Eastcroft Incinerator Waste Recycling Contract	Rolling	3.416	2.292
Contracts with Commitments less than £1m as at 31 March	-	4.750	17.184
TOTAL		82.581	78.814

6.2.2 Heritage Assets

Nottingham City Council's collections are reported at cost or an adjusted external valuation. The external valuations have been primarily completed for insurance valuation; this insurance valuation is based on market value. These valuations are updated annually to remain at the market rate, while items declared at cost will remain as such until the relevant collection is periodically revalued.

MOVEMENTS IN COST/VALUATION	1 April 2011 £m	Revaluations £m	31 March 2012 £m	Revaluations £m	31 March 2013 £m
Byron Collection	12.839	0.462	13.301	0.591	13.892
Costume Collection	0.476	0.017	0.493	0.042	0.535
Decorative Art	2.202	0.079	2.281	0.075	2.356
Fine Art	25.657	0.921	26.578	1.077	27.655
Human & Social History	0.545	0.019	0.564	0.029	0.593
Industrial History	0.015	-	0.015	-	0.015
Civic Regalia & Silver Collection	1.213	0.044	1.257	0.041	1.298
TOTAL	42.947	1.542	44.489	1.855	46.344

There have been no additions, disposals or impairments recognised in the "Revaluation Reserve" or "Surplus or Deficit on the Provision of Services" in either 2011/12 or 2012/13.

DESCRIPTION	2012/13 £m	2011/12 £m	2010/11 £m	2009/10 £m	2008/09 £m
Purchases:					
Decorative Art	-	-	0.015	-	-
Fine Art	-	-	0.010	-	0.050
TOTAL ADDITIONS	-	-	0.025	-	0.050

There have been no donations, disposals or impairments over the 5 year period

Preservation and Management

Each of the collections is managed by a curator who is responsible for the care and management of these collections in accordance with Nottingham City Council's policies which have been produced in accordance with the national guidelines.

The policy sets out that the assets in the collections are only disposed of when it is considered that they no longer contribute to the interest of the general public in the area of the collection. Acquisitions are rare and primarily made by donation. However, on rare occasions when a particularly important asset is available for purchase, Nottingham City Council will apply for funding and undertake the purchase, provided that it meets the objectives of the relevant Museum and Nottingham City Council in terms of its collections.

Assets are collated, preserved and managed in accordance with the aforementioned guidelines. The computerised register/database is for Nottingham City Council's internal purposes and records the nature, provenance, acquisition data and valuation records.

6.2.3 Transfers to/from Earmarked Reserves

The following table sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13:

TABLE 6.2.3(a): TRANSFERS TO/FROM EARMARKED RESERVES							
DESCRIPTION	Balance at 1 April 2011	Transfers Out	Transfers In	Balance at 31 March 2012	Transfers Out	Transfers In	Balance at 31 March 2013
	£m	£m	£m	£m	£m	£m	£m
REVENUE							
Job Evaluation - Equal Pay	13.105	(2.484)	1.026	11.647	(4.652)	5.555	12.550
E-Government/IT Fund	5.374	(3.368)	4.635	6.641	(3.031)	4.656	8.266
Future Nottingham	5.608	(2.642)	7.380	10.346	(4.993)	2.353	7.706
Street Lighting PFI	1.830	-	2.058	3.888	-	2.502	6.390
Treasury Management	1.450	(0.549)	5.965	6.866	(3.207)	2.343	6.002
NHS Local Improvement Finance (LIFT)	2.788	-	0.545	3.333	-	1.642	4.975
Trade Waste VAT Refund	-	-	-	-	-	4.786	4.786
C&F (CHS) Transitional Reserve	-	-	-	-	-	4.752	4.752
Investment Reserve	1.180	(0.053)		1.127	(0.085)	3.709	4.751
Transforming Services	-	-	0.805	0.805	(1.898)	5.092	3.999
Nottingham First Project	2.329	(1.022)	1.630	2.937	-	0.835	3.772
Housing Benefits	1.299	(0.537)	0.203	0.965	(0.354)	2.451	3.062
BSF Bigwood & Oakfield PFI	2.180	-	0.765	2.945	(0.430)	0.270	2.785
Insurance Reserve	4.744	(0.350)	-	4.394	(2.094)	-	2.300
Agreed Budget Carry Forward	0.282	(0.337)	0.706	0.651	(1.082)	2.150	1.719
Revenue Grants Unapplied	1.535	(0.862)	1.217	1.890	(0.658)	0.317	1.549
VAT Cultural Exemption	-	-	1.525	1.525	(0.144)	-	1.381
Property Maintenance	-	-	1.638	1.638	(1.093)	0.750	1.295
Economic Growth Plan	-	-	-	-	(0.022)	1.200	1.178
Jobs Fund	-	-	-	-	-	1.039	1.039
Area Committees	0.871	(0.210)	0.525	1.186	(0.443)	0.132	0.875

Continued on the next page

TABLE 6.2.3(a) (Continued): TRANSFERS TO/FROM EARMARKED RESERVES

DESCRIPTION	Balance at	Transfers	Transfers In	Balance at	Transfers	Transfers In	Balance at
	1 April 2011	Out	£m	31 March 2012	Out	£m	31 March 2013
	£m	£m		£m	£m		£m
REVENUE (Continued)							
Supporting People	5.597	(3.244)	-	2.353	(2.353)	-	-
Management of Change (WFR)	1.943	(1.811)	0.364	0.496	(0.496)	-	-
Medium Term Financial Plan	9.844	(9.844)	-	-	-	-	-
NET PFI Grant Joint Fund	1.908	(3.606)	1.698	-	-	-	-
Workplace Parking Inquiry	1.006	(1.006)	-	-	-	-	-
Other Earmarked Reserves	9.638	(7.898)	14.264	16.004	(17.255)	10.312	9.061
	74.511	(39.823)	46.949	81.637	(44.290)	56.846	94.193
BALANCES HELD BY SCHOOLS UNDER A SCHEME OF DELEGATION							
School Statutory Reserve - Central	13.076	(9.837)	5.448	8.687	(2.730)	3.936	9.893
School Statutory Reserve - Schools	10.535	(0.576)	-	9.959	(0.450)	-	9.509
	23.611	(10.413)	5.448	18.646	(3.180)	3.936	19.402
CAPITAL							
Revenue Reserves for Capital	4.857	(0.135)	0.244	4.966	(1.429)	1.524	5.061
	4.857	(0.135)	0.244	4.966	(1.429)	1.524	5.061
TOTAL	102.979	(50.371)	52.641	105.249	(48.899)	62.306	118.656

The purpose of each earmarked reserve (greater than £2m) is listed below:

Revenue

Job Evaluation – Equal Pay £12.550m

Annual revenue contributions have been made to earmarked reserves to support the costs relating to Job Evaluation. Phase 1 and 2 have been implemented prior to 2012/13 and Phase 3 in relation to schools is to be implemented in May 2013. Repayments have been made to the reserve where the costs associated with single status in year have been less than budgeted. The reserve has been used in year to fund equal pay costs and other costs incurred as a result of single status.

IT Development/E Government Fund £8.266m

A major programme of computer hardware and software upgrades was implemented during the late 1990s and early 2000s. These included the introduction of One World, Acorn, etc. Part of the overall funding programme for all the proposals identified revenue savings. To ensure these revenue savings were achieved, the relevant budgets were reduced and equivalent sums appropriated directly to the IT Development Fund.

These sums continue and provide an important reserve for continuing development of IT infrastructure for the Council.

Future Nottingham £7.706m

This reserve includes the carry forward of unspent ringfenced grant to deliver approved future schemes aligning to the organisation's corporate priorities and associated service aligning costs.

Street Lighting PFI £6.390m

The Street Lighting PFI contract reached financial close in May 2010, becoming operational in September 2010. The reserve is used to manage the Council's commitments under the PFI contract for Street Lighting, to ensure that these commitments can be met over the 25 year contract period.

Treasury Management £6.002m

The creation of a Treasury Management Reserve was formally approved by the Executive Board on 21 June 2005. The reserve was created, with the aim of providing a fund in anticipation of future volatility in revenue charges arising in the Financing Transactions budget.

NHS Local Improvement Finance Trust (LIFT) £4.975m

LIFT is a public-private partnership initiative that is sponsored by the Department of Health. Its principal aim is to replace old and inadequate buildings with new health-related facilities.

The Council has procured three Joint Service Centres at Clifton, Hyson Green and Bulwell which became operational in 2005/06, 2007/08 and 2011/12 respectively using the LIFT vehicle. Under this arrangement, which is supported by PFI Credits issued by the Department for Communities and Local Government, the Council entered into an agreement with the LIFT Company for a 25-year period.

As part of the accounting arrangements for the schemes, a 'fund' is established into which PFI grant and required contributions from service departments will be paid in order to provide certainty as to the annual Council contributions. The reserve also includes the initial contribution to a lifecycle sinking fund in respect of St Ann's Valley Joint Service Centre (procured as a design and build contract) which became operational in April 2012 to ensure consistency in respect of lifecycle costs to the other centres.

Trade Waste VAT Refund £4.786

This reserve is due to a successful claim to HMRC for VAT previously paid to them on income relating to the authority's trade waste collections.

C&F (CHS) Transitional Reserve £4.752m

This reserve, approved as part of an Executive Board report on 17 July 2012, was created for grant specific programme slippage and/or approved project expenditure.

Investment Reserve £4.751m

An investment reserve was created from the balances on other reserves. This balance is £3.189m, no allocations have been made from the reserve. The local housing investment reserve is £0.582m and represents the unspent New Homes Bonus. The remainder represents balances reserved to fund invest to save schemes that have been agreed.

Transforming Services £3.999m

The transformation reserve was created from the balances on other reserves and is used to support transformation within the Council.

Nottingham First Project £3.772m

This reserve was approved as part of the 2008/09 closedown process and has received further contributions in successive years to support Work Place Strategy implementation costs and prudential borrowing repayments. This investment supports future savings and efficiencies identified and agreed in the Medium Term Financial Plan.

Housing Benefits £3.062m

The reserve is used to manage variations in the complex Housing Benefit claim.

BSF Bigwood & Oakfield PFI £2.785m

The reserve was approved by Executive Board in 2008 as part of wider approval for the Building Schools for the Future Programme. The reserve is used to manage the Council's commitments under the PFI contract for Big Wood and Oak Field schools, to ensure that these commitments can be met over the 25 year contract period.

Insurance Reserve £2.628m

This reserve reflects the potential future liabilities in relation to insurance claims.

Balances held by schools under a scheme of delegation

Schools' Statutory Reserve – Other £9.893m

This represents unspent school balances; these funds have not been delegated to schools but remain under the control of the Council. Part of the reserve is used to finance a school loan scheme, whereby schools are advanced funding and then repay this over a maximum period of three years.

Schools' Statutory Reserve – Schools £9.509m

This represents unspent school balances; these are funds that have been delegated to schools but have not yet been spent. As part of the Council's Fair Funding Scheme schools are allowed to carry forward unspent balances from one financial year to the next. Equally, any deficit balances are deducted from the following year's school budget share letter. The £9.509m total schools balance is made up of £9.609m surpluses and £0.100m deficits.

TABLE 6.2.3(b): SCHOOLS STATUTORY RESERVE			
DESCRIPTION	Balance at 31 March 2012 £m	Movement £m	Balance at 31 March 2013 £m
Primary Schools	7.365	(0.070)	7.295
Secondary Schools	1.962	(0.386)	1.576
Special Schools	0.510	0.072	0.582
Nursery Schools	0.122	(0.066)	0.056
TOTAL	9.959	(0.450)	9.509

Capital

Revenue Reserves for Capital Purposes £5.061m

Over the years sums have been appropriated into this reserve to provide funding for capital investment over and above that provided by central government and that which can be met from capital receipts. The balance represents the sum still available and earmarked for future capital investment.

6.2.4 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the CIES:

DESCRIPTION	2011/12 £m	2012/13 £m
Rental income from investment property	3.200	2.621
Direct operating expenses arising from investment property	(0.520)	(0.491)
NET GAIN / (LOSS)	2.680	2.130

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	43.538	37.454
Additions	0.001	0.227
Disposals	(0.233)	(0.220)
Net gains/(losses) from fair value adjustments	(10.449)	(0.499)
Transfers to / from Property Plant and Equipment	4.597	-
BALANCE AT 31 MARCH	37.454	36.962

6.2.5 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of PPE. The balances shown below relate to purchased software licences. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites are generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2012/13 was £0.502m.

The movement on intangible asset balances during the year is as follows:

TABLE 6.2.5: INTANGIBLE ASSETS		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance at start of year:		
Gross carrying amounts	3.440	4.363
Accumulated amortisation	(1.762)	(2.299)
Net carrying amount at start of year	1.678	2.064
Additions:		
Purchases	0.922	0.219
Acquired via PFI settlement	43.848	-
Amortisation for the period	(0.537)	(0.502)
Transfer of NET1 rights to Long Term Debtors	(43.848)	-
Net carrying amount at end of year	2.063	1.781
Comprising:		
Gross carrying amounts	4.362	4.582
Accumulated amortisation	(2.299)	(2.801)
TOTAL	2.063	1.781

6.2.6 Assets Held for Sale

TABLE 6.2.6: ASSETS HELD FOR SALE		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance outstanding at start of year	1.645	5.607
Assets newly classified as held for sale:		
Property, Plant and Equipment	7.818	4.423
Revaluation losses	(0.629)	(0.589)
Revaluation gains	2.057	2.978
Assets declassified as held for sale:		
Property, Plant and Equipment	(1.020)	(0.050)
Assets sold	(4.375)	(6.325)
Other movements	0.111	(0.126)
BALANCE AT 31 MARCH	5.607	5.918

6.2.7 Inventories

TABLE 6.2.7: INVENTORIES								
DESCRIPTION	2011/12				2012/13			
	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
Balance at 1 April	0.765	0.086	0.696	1.547	0.697	0.055	0.716	1.468
Purchases	3.132	1.330	2.722	7.184	4.172	1.264	8.381	13.817
Recognised as an expense in the year	(3.200)	(1.361)	(2.702)	(7.263)	(4.335)	(1.268)	(8.475)	(14.078)
Written off balances	-	-	-	-	0.002	-	-	0.002
BALANCE AT 31 MARCH	0.697	0.055	0.716	1.468	0.536	0.051	0.622	1.209

6.2.8 Short Term Debtors

TABLE 6.2.8: SHORT TERM DEBTORS		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Central government bodies	18.814	13.491
Other local authorities	4.881	7.287
NHS Bodies	0.113	-
Other entities and individuals	52.422	72.588
TOTAL	76.230	93.366

6.2.9 Cash and Cash Equivalents

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

TABLE 6.2.9: CASH AND CASH EQUIVALENT		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Cash held by the Authority	0.320	0.306
Bank current accounts	(1.970)	0.610
Short-term deposits with banks and building societies	125.000	76.000
TOTAL	123.350	76.916

6.2.10 Short Term Creditors

DESCRIPTION	Restated 31 March 2012	31 March 2013
	£m	£m
Central government bodies	(34.494)	(25.501)
Other local authorities	(8.884)	(10.184)
NHS Bodies	(0.236)	(0.121)
Other entities and individuals	(103.057)	(115.912)
TOTAL	(146.671)	(151.718)

6.2.11 Provisions

DESCRIPTION	Compulsory Purchases for NET2	Carbon Reduction Credits	Job Evaluation	Municipal Mutual Insurance	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2012	-	-	-	-	-
Recassified from non-current provisions	-	-	(4.319)	-	(4.319)
Additional provisions made	(4.307)	(0.445)	-	(0.328)	(5.080)
BALANCE AT 31 MARCH 2013	(4.307)	(0.445)	(4.319)	(0.328)	(9.399)

These accounts represent amounts set aside for a specific purpose to meet expenditure expected to be due in 2013/14.

Compulsory Purchases for NET2

The Council has obtained the full legal title of a number of properties which are required as part of the NET2 project.

A provision of £4.307 has therefore been set up, where the Council is currently in the process of negotiating the final sale price with previous landowners.

Carbon Reduction Credits (CRCs)

A provision of £0.445m has been made to show the expected cost of CRCs in relation to the Council's energy usage during 2012/13.

The Council compiles a report of its usage during 2012/13 for submission in July 2013, this report will identify the actual figure to be paid by the Council.

The Balance Sheet also includes a current intangible asset of £0.034m in reference to unused CRC's purchased during 2012/13. The Council intends to offset these unused credits against future CRC charges.

Job Evaluation

A provision of £4.319m has been made to support the implementation of Single Status for school based non teaching staff. The funding was agreed by the Schools Forum. The first phase of implementation begins 1st May 2013.

Municipal Mutual Insurance

As of the 1 October 1992 Municipal Mutual Insurance ceased writing new business but retained the liabilities incurred prior to this period. For the company to achieve a solvent settlement of these liabilities, a Scheme of Arrangement was arranged with the company's Scheme creditors. The Scheme provides for a clawback of paid claims since 30 September 1993. The Council has now been informed that there will be an initial clawback rate of 15%. After allowing for insurance excesses the Council will be required to repay £0.328m.

DESCRIPTION	Injury and Damage Compensation Claims	Other Provisions	Total
	£m	£m	£m
Balance at 1 April 2012	(6.499)	(4.628)	(11.127)
Reclassified to current provisions	-	4.319	4.319
Additional provisions made	(2.561)	(1.762)	(4.323)
Amounts utilised	0.440	0.249	0.689
BALANCE AT 31 MARCH 2013	(8.620)	(1.822)	(10.442)

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

Insurance Compensation Claims

Nottingham City Council maintains an insurance provision to meet the cost of claims arising from self-insured risks and risks which fall below the external policy retention levels.

The majority of the cost met from the provision arises 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 external fire, motor and liability policies have been arranged with excesses of £0.100m, and £0.050m 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 2012/2013 policy year were £5m across all classes. Other costs falling on the provision include self-insured risks.

Contributions to the insurance provision arise from annual charges to Service Areas. These maintain the insurance provision at a sufficient level to meet 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.

Nottinghamshire County Council Closed Fund

At the time of unitary status the County Council's insurance fund was 'closed'. All claims relating to services previously delivered by the County which occurred between 1 April 1974 and 31 March 1998 are administered by the County and paid by insurers of that time. Uninsured claims and those that fall within the insurer excess levels are paid from the Closed Fund. At 31 March 2013, Nottinghamshire County Council was predicting a deficit of £5.799m based on known claims. The agreed contribution to the

fund by the Council is 23.55%. Therefore, an additional provision of £1.366m has been made to cover the Council's contribution to the shortfall in the fund.

Equal Pay

A provision of £1.762m has been made to meet the potential cost of additional settlements arising from an ongoing equal pay tribunal case.

6.2.12 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

6.2.13 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, therefore, not available as a source of general funding.

DESCRIPTION	2011/12 £m	2012/13 £m
Revaluation Reserve	262.648	310.122
Capital Adjustment Account	921.935	869.605
Financial Instruments Adjustment Account	(7.902)	(7.530)
Pensions Reserve	(536.819)	(546.235)
Deferred Capital Receipts Reserve	4.058	3.985
Collection Fund Adjustment Account	0.112	1.419
Accumulated Absences Account	(5.635)	(5.187)
Available for Sale Financial Instruments Reserve	-	0.046
TOTAL UNUSABLE RESERVES	638.397	626.225

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	209.039	262.648
Upward revaluation of assets	81.182	92.445
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14.946)	(36.188)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	66.236	56.257
Difference between fair value depreciation and historical cost depreciation	(3.532)	(6.976)
Accumulated gains on assets sold or scrapped	(6.524)	(1.807)
Asset Reclassifications	(2.571)	-
Amount written off to the Capital Adjustment Account	(12.627)	(8.783)
BALANCE AT 31 MARCH	262.648	310.122

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 Comprehensive Income and Expenditure Statement (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 as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

TABLE 6.2.13(c): CAPITAL ADJUSTMENTS ACCOUNT		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	1,132.568	921.935
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(0.537)	(0.502)
Charges for depreciation of non-current assets	(75.553)	(81.387)
Charges for impairment of non-current assets	(4.310)	(9.023)
Revaluation losses on Property, Plant and Equipment	(144.516)	(42.082)
Donated assets	-	5.916
Movements in the market value of Investment Properties	(10.449)	(0.499)
Revenue expenditure funded from capital under statute (REFCUS)	(9.405)	(12.696)
REFCUS expenditure funded by grants	8.030	9.876
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(141.274)	(45.334)
Charges for impairment of investment in subsidiary	(30.261)	(0.195)
Adjusting amounts written out of the Revaluation Reserve	12.628	8.783
	(395.647)	(167.143)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	5.370	0.242
Use of the Major Repairs Reserve to finance new capital expenditure	14.653	15.466
Application of grants from the Capital Grants Unapplied Account	59.033	58.244
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	84.182	13.757
Voluntary set aside of capital receipts for debt redemption	5.753	17.226
Capital expenditure charged against the General Fund and HRA balances	13.937	10.534
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Bulwell LIFT	3.159	-
Principal Repayment of Capital Loans	(1.073)	(0.656)
	185.014	114.813
BALANCE AT 31 MARCH	921.935	869.605

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains 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).

DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	(8.284)	(7.902)
Premiums incurred in the year	0.432	0.426
Discounts incurred in the year	(0.072)	(0.072)
Lenders Option Borrowers Option Loans	0.006	0.003
Soft Loans	0.016	0.015
BALANCE AT 31 MARCH	(7.902)	(7.530)

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, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are made to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

TABLE 6.2.13(e): PENSIONS RESERVE		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	(339.821)	(536.819)
Actuarial gains or (losses) on pensions assets and liabilities	(188.110)	7.957
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(38.708)	(45.211)
Employer's pensions contributions and direct payments to the pensioners payable in the year	29.820	27.838
BALANCE AT 31 MARCH	(536.819)	(546.235)

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 they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

TABLE 6.2.13(f): DEFERRED CAPITAL RECEIPTS RESERVE		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	4.132	4.058
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.074)	(0.073)
BALANCE AT 31 MARCH	4.058	3.985

Collection Fund Adjustment Account

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

TABLE 6.2.13(g): COLLECTION FUND ADJUSTMENT ACCOUNT		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	0.445	0.112
Adjustment for council tax income credited to the CIES on an accounting basis instead of funding basis.	(0.333)	1.307
BALANCE AT 31 MARCH	0.112	1.419

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.

TABLE 6.2.13(h): ACCUMULATED ABSENCES ACCOUNT		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	(5.879)	(5.635)
Settlement or cancellation of accrual made at the end of the preceding year	5.879	5.635
Amounts accrued at the end of the current year	(5.635)	(5.187)
Adjustment to CIES to include officer remuneration on an accounting (accruals) basis instead of funding basis	0.244	0.448
BALANCE AT 31 MARCH	(5.635)	(5.187)

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains lost
- disposed of and the gains are realised

TABLE 6.2.13(i): AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance at 1 April	-	-
Upward revaluation of investments	-	0.046
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	-
	-	0.046
Accumulated gains on assets sold and maturing assets written out to the CIES as part of Other Investment Income	-	-
BALANCE AT 31 MARCH	-	0.046

6.2.14 Capital Grants Received in Advance

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

The balances at the year-end are as follows:

TABLE 6.2.14: CAPITAL GRANTS RECEIVED IN ADVANCE		
DESCRIPTION	2011/12 £m	2012/13 £m
Department for Education	(0.379)	(0.575)
Department for Communities and Local Government	(24.349)	(24.188)
Home Office	(0.032)	-
Department for Transport	(2.537)	(1.326)
S106 Contributions - Affordable Housing	(0.941)	(0.762)
S106 Contributions - Open Space	(0.730)	(0.828)
S106 Contributions - Transport / Public Realm / Training	(0.840)	(0.624)
Other Grants and Contributions	(2.187)	(0.475)
TOTAL	(31.995)	(28.778)

6.2.15 Defined Benefit Pension Schemes

Pension schemes accounted for as defined contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the DfE. 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 technically a defined benefit scheme. However, the Scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. 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 2012/13, the Council paid £5.949m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £7.204m and 14.1%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

Defined Benefit Pension Schemes

Participation in 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 the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Nottinghamshire County Council – this is a funded defined-benefit final salary scheme, meaning

that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined-benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Assets and Liabilities in Relation to Post-employment Benefits

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

TABLE 6.2.15(a): PRESENT VALUE OF DEFINED BENEFIT OBLIGATION				
DESCRIPTION	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2011/12 £m	2012/13 £m	2011/12 £m	2012/13 £m
Opening balance at 1 April	(1,017.132)	(1,225.358)	(30.129)	(30.959)
Current service cost	(28.442)	(34.295)	-	-
Interest cost	(55.842)	(55.435)	(1.602)	(1.375)
Actuarial gains and losses	(155.935)	(57.648)	(1.255)	(4.212)
Losses/gains on curtailments	(2.412)	(1.009)	-	-
Liabilities extinguished on settlements	3.718	9.970	-	-
Estimated benefits paid net of transfers in	38.247	36.100	-	-
Contributions by scheme participants	(8.836)	(8.284)	-	-
Unfunded pension payments	1.276	1.289	2.027	2.144
CLOSING BALANCE AT 31 MARCH	(1,225.358)	(1,334.670)	(30.959)	(34.402)

Reconciliation of fair value of the scheme (plan) assets:

TABLE 6.2.15(b): FAIR VALUE OF SCHEME ASSETS		
DESCRIPTION	Local Government Pension Scheme	
	2011/12 £m	2012/13 £m
Opening balance at 1 April	707.440	719.498
Expected rate of return	47.869	40.905
Actuarial gains and losses	(30.920)	69.817
Employer contributions	27.793	25.694
Contributions by scheme participants	8.836	8.284
Benefits paid	(39.523)	(37.389)
Settlements/Curtailments	(1.997)	(3.972)
CLOSING BALANCE AT 31 MARCH	719.498	822.837

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £110.722m (2011/12 £16.949m).

TABLE 6.2.15(c): LOCAL GOVERNMENT PENSION SCHEME HISTORY					
DESCRIPTION	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m
Cumulative Actuarial Gains and Losses from 1 April 2005	(29.237)	(320.143)	(12.643)	(199.498)	(187.329)
Present Value of Liabilities:					
Pension Scheme	(880.249)	(1,351.909)	(1,017.132)	(1,225.358)	(1,334.670)
Discretionary Benefits	(24.489)	(29.261)	(30.129)	(30.959)	(34.402)
Fair value of assets	493.247	664.133	707.440	719.498	822.837
TOTAL NET LIABILITY	(411.491)	(717.037)	(339.821)	(536.819)	(546.235)
Consisting of:					
Pension Scheme	(387.002)	(687.776)	(309.692)	(505.860)	(511.833)
Discretionary Benefits	(24.489)	(29.261)	(30.129)	(30.959)	(34.402)

The liabilities show the underlying commitments that the Council has in the long run to pay in respect of post-employment (retirement) benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, as a result of the negative overall balance of £546.235m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government Scheme 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.

Under the revised IAS19 standard the total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £23.378m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2014 are £2.191m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham Public Sector Consulting, 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 2010.

The principal assumptions used by the actuary have been:

TABLE 6.2.15(d): ASSUMPTIONS				
DESCRIPTION	Local Government Pension Scheme		Discretionary Benefits	
	2011/12	2012/13	2011/12	2012/13
Long-Term Expected Rate of Return on Assets in the Scheme:				
Equity investments	7.3%	6.2%	N/A	N/A
Bonds	5.5%	4.6%	N/A	N/A
Property	6.8%	5.7%	N/A	N/A
Cash	3.0%	3.0%	N/A	N/A
Gilts	4.4%	3.3%	N/A	N/A
Mortality Assumptions (Years):				
Longevity at 65 for current pensioners:				
Men	18.60	18.70	18.60	18.70
Women	22.70	22.80	22.70	22.80
Longevity at 65 for future pensioners:				
Men	20.60	20.70	20.60	20.70
Women	24.50	24.60	24.50	24.60
RPI increase	3.3%	3.4%	3.3%	3.0%
CPI increase	2.5%	2.6%	2.5%	2.2%
Rate of increase in salaries	4.7%	4.8%	4.7%	4.4%
Rate of increase in pensions	2.5%	2.6%	2.5%	2.2%
Rate for discounting scheme liabilities	4.6%	4.5%	4.6%	2.7%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	N/A	N/A

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

TABLE 6.2.15(e): PENSION SCHEME ASSETS		
DESCRIPTION	31 March	31 March
	2012	2013
	%	%
Equity investments	70	73
Gilts	7	7
Other bonds	5	6
Property	14	12
Cash	4	2
TOTAL	100	100

History of Experience – Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

DESCRIPTION	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets	(30.5)	20.0	(0.6)	(4.3)	8.5
Experience gains and losses on liabilities	-	-	9.2	-	-

6.2.16 Financial Instruments

The operation of the Council's Treasury Management function is regulated through the Local Government Act 2003 and through this Act by Department for Communities and Local Government Investment Guidance, the CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. In advance of each year the Council approves a treasury strategy reviewing risk and expected activities during the year.

The 2011 Accounting Code of Practice 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. The Balance Sheet contains a range of such financial instruments, both assets and liabilities.

The tables below show the appropriate value of all financial instruments on the Balance Sheet as at 31 March 2013 (and 31 March 2012). The investments figures reflect the impairment of deposits placed with Icelandic banks.

TABLE 6.2.16(a): FINANCIAL ASSETS					
DESCRIPTION	Notes	Long-term		Current	
		31 March 2012 £m	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m
Investments					
Loans and receivables					
- investments (principal)	1	-	-	41.344	116.000
- cash equivalents (principal)		-	-	125.000	76.000
- interest	1	-	-	0.309	0.269
- Icelandic deposits	1	7.243	5.565	6.927	4.896
		7.243	5.565	173.580	197.165
Available for sale		-	-	-	25.103
Unquoted equity investment at cost		0.696	0.787	-	-
TOTAL INVESTMENTS		7.939	6.352	173.580	222.268
Debtors					
Loans and receivables	2	52.626	58.652	64.011	74.856
TOTAL DEBTORS		52.626	58.652	64.011	74.856

Notes:

1. Current Total Investments, excluding cash equivalents, plus Investment in Arrow Light Rail (£1.187m at 31/3/13) equate to Short Term Investments in Table 4.2: Balance Sheet.
2. Debtor exclude non-contractual items e.g. NNDR and Council Tax, together with Payments in Advance.

TABLE 6.2.16(b): FINANCIAL LIABILITES					
DESCRIPTION	Notes	Long-term		Current	
		31 March 2012 £m	31 March 2013 £m	31 March 2012 £m	31 March 2013 £m
Borrowings					
Financial liabilities at amortised cost					
- principal	1	636.760	700.372	118.196	76.308
- interest		-	-	8.727	9.590
- accounting adjustments		0.953	0.950	-	-
TOTAL BORROWINGS		637.713	701.322	126.923	85.898
Other Long Term Liabilities					
PFI and finance lease liabilities	1	57.287	64.035	2.304	2.185
Growing Places Fund		24.189	17.309	-	-
TOTAL OTHER LONG TERM LIABILITIES		81.476	81.344	2.304	2.185
Creditors					
Financial liabilities at amortised cost	2	-	-	96.160	109.302
TOTAL CREDITORS		-	-	96.160	109.302

Notes:

1. the principal element of borrowings plus PFI and finance lease liabilities equates to external debt for comparison against the operational boundary (see Explanatory Foreword 2.2.3).
2. Creditors exclude non-contractual items e.g. NNDR and Council Tax, together with Receipts in Advance.

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

The following table discloses the income and expenditure recognised in the Income and Expenditure account during 2012/13 in respect of all financial assets and liabilities not held at fair value, calculated using the effective interest method:

TABLE 6.2.16(c):INTEREST, EXPENSE, GAINS AND LOSSES		
DESCRIPTION	2011/12 £m	2012/13 £m
Interest expense	(52.297)	(21.388)
Impairment losses	0.957	(0.059)
Total Expense in Surplus or Deficit on the Provision of Services	(51.340)	(21.447)
Interest income	2.310	1.785
Interest income - impaired financial assets	1.590	0.676
Total Income in Surplus or Deficit on the Provision of Services	3.900	2.461
NET GAIN/(LOSS) FOR THE YEAR	(47.440)	(18.986)

Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the net present value, at 31 March 2013, of the cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- For PWLB loans, the fair value has been based on the published interest rates and the premature repayment rates in force on the relevant day (31 March).
- For other loans, relevant premature repayment rates have been applied to provide a fair value.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- Other long term liabilities, comprising finance leases and notional debt in respect of PFI schemes, have been excluded.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.
- The fair value of investments excludes all sums deposited with Icelandic banks which have been accounted for separately.
- Available for sale investments is held on the Balance Sheet at fair value and therefore excluded from table 6.2.16(d).

The fair values calculated are as follows:

TABLE 6.2.16(d): FINANCIAL INSTRUMENTS - FAIR VALUES				
DESCRIPTION	31 March 2012		31 March 2013	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
PWLB debt	636.086	764.904	693.869	848.935
Market loans	50.442	62.556	50.437	72.941
3% stock	2.335	1.703	2.335	1.707
Bonds etc	0.990	0.990	0.595	0.595
Other debt	74.783	74.783	39.985	39.985
Trade creditors	96.160	96.160	109.302	109.302
Financial Liabilities	860.796	1,001.096	896.523	1,073.465
Investments (< 1 year)	166.653	166.653	192.269	192.269
Debtors	64.011	64.011	74.856	74.856
Long-term debtors	52.626	52.626	58.652	58.652
Financial Assets	283.290	283.290	325.777	325.777

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 at the balance sheet date.

All loans and receivables held on the Balance Sheet at 31 March were issued at par. They have been accounted for on the Balance Sheet on an amortised cost basis, and reflect the principal outstanding, plus any accrued interest at 31 March 2013, giving a 'carrying amount' at year-end.

6.3 Movement in Reserves Statement Notes

6.3.1 Adjustments between Accounting Basis and Funding Basis under regulations

DESCRIPTION	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
Non Current Assets						
• Amortisation of Intangible Fixed Assets	0.493	0.009	-	-	-	(0.502)
• Depreciation	53.731	27.656	-	-	-	(81.387)
• Impairment	7.945	1.078	-	-	-	(9.023)
• Revaluation Losses	44.754	(2.672)	-	-	-	(42.082)
• Donated Assets	-	(5.917)	-	-	-	5.917
• Investment Property Movement	0.499	-	-	-	-	(0.499)
• Derecognition of Fixed Assets	32.696	3.027	-	-	-	(35.723)
• (Loss)/Gain on Sale of Fixed Assets	(0.261)	(0.045)	9.917	-	-	(9.611)
	139.857	23.136	9.917	-	-	(172.910)
Capital Financing						
• Revenue Expenditure Funded From Capital Under Statute	1.960	0.860	-	-	-	(2.820)
• Statutory Minimum Revenue Provision for Capital Financing	(8.537)	-	-	-	-	8.537
• Voluntary Revenue Provision for Capital Financing	(16.219)	(1.007)	-	-	-	17.226
• PFI Minimum Revenue Provision	(5.220)	-	-	-	-	5.220
• Write down Arrow Share Value	0.195	-	-	-	-	(0.195)
• Capital Expenditure charged in year to General Fund Balance	(5.834)	(4.700)	-	-	-	10.534
• Transfer to/from Major Repairs Reserve	-	(27.656)	-	12.190	-	15.466
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	1.541	-	(1.541)	-	-	-
• Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	-	-	0.729	-	-	(0.729)
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(0.242)	-	-	0.242
• Capital Grants Applied	-	-	-	-	(58.245)	58.245
	(32.114)	(32.503)	(1.054)	12.190	(58.245)	111.726
Employee Benefits	(0.448)	-	-	-	-	0.448

Continued on the next page

TABLE 6.3.1(a) (Continued): Adjustments between Accounting Basis and Funding Basis under regulations 2012/13

DESCRIPTION	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
Pension Fund						
• Net charges made for Retirement Benefits in accordance with FRS17	45.211	-	-	-	-	(45.211)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(27.838)	-	-	-	-	27.838
	17.373	-	-	-	-	(17.373)
Other Movements						
• Revenue Grants & Contributions	(61.770)	-	-	-	61.770	-
• Financial Instrument Adjustment Account	(0.344)	(0.029)	-	-	-	0.373
• Transfer to/(from) Collection Fund Adjustment Account	(1.307)	-	-	-	-	1.307
	(63.421)	(0.029)	-	-	61.770	1.680
TOTAL ADJUSTMENTS	61.247	(9.396)	8.863	12.190	3.525	(76.429)

**TABLE 6.3.1(b): Adjustments between Accounting Basis and Funding Basis under regulations
2011/12**

DESCRIPTION	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
Non Current Assets						
• Amortisation of Intangible Fixed Assets	0.516	0.021	-	-	-	(0.537)
• Depreciation	48.867	-	-	26.686	-	(75.553)
• Impairment	4.383	(0.073)	-	-	-	(4.310)
• Revaluation Losses	103.164	51.801	-	-	-	(154.965)
• Decrecogniton of Fixed Assets	59.123	5.763	-	-	-	(64.886)
• (Loss)/Gain on Sale of Fixed Assets	94.566	(0.354)	12.437	-	-	(106.649)
	310.619	57.158	12.437	26.686	-	(406.900)
Capital Financing						
• Revenue Expenditure Funded From Capital Under Statute	1.375	-	-	-	-	(1.375)
• Statutory Minimum Revenue Provision for Capital Financing	(8.338)	(65.988)	-	-	-	74.326
• Voluntary Revenue Provision for Capital Financing	(7.811)	(0.660)	(5.753)	-	-	14.224
• PFI Minimum Revenue Provision	(1.385)	-	-	-	-	1.385
• Capital Expenditure charged in year to General Fund Balance	(8.636)	(5.300)	-	-	-	13.936
• Transfer to/from Major Repairs Reserve	-	9.612	-	(24.265)	-	14.653
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.973	-	(2.973)	-	-	-
• Exceptional Item: HRA Debt Redemption	-	(12.755)	12.755	-	-	-
• Exceptional Item: HRA Debt Premiums	-	12.755	(12.755)	-	-	-
• Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	(3.090)	-	1.084	-	(0.559)	2.565
-Transfer from Deferred Capital Receipts upon receipt of cash						-
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(5.370)	-	-	5.370
• Capital Grants Applied					(58.544)	58.544
	(24.912)	(62.336)	(13.012)	(24.265)	(59.103)	183.628
Employee Benefits	(0.244)	-	-	-	-	0.244

Continued on the next page

TABLE 6.3.1(b) (Continued): Adjustments between Accounting Basis and Funding Basis under regulations 2011/12

DESCRIPTION	Usable Reserves					Unusable Reserves £m
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	
Pension Fund						
• Net charges made for Retirement Benefits in accordance with FRS17	38.708	-	-	-	-	(38.708)
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(29.820)	-	-	-	-	29.820
	8.888	-	-	-	-	(8.888)
Other Movements						
• Revenue Grants & Contributions	(52.714)	-	-	-	52.714	-
• Financial Instrument Adjustment Account	(0.016)	(0.037)	-	-	-	0.053
• Transfer to/(from) Collection Fund Adjustment Account	0.112	-	-	-	-	(0.112)
	(52.618)	(0.037)	-	-	52.714	(0.059)
TOTAL ADJUSTMENTS	241.733	(5.215)	(0.575)	2.421	(6.389)	(231.975)

6.3.2 Post Employment Benefits Transactions

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees; rather than when the benefits are eventually paid as pensions. However, 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 made in the General Fund Balance via the MIRS during the year:

TABLE 6.3.2(a): POST EMPLOYMENT BENEFITS TRANSACTIONS				
DESCRIPTION	Local Government		Discretionary	
	2011/12 £m	2012/13 £m	2011/12 £m	2012/13 £m
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(37.106)	(43.836)	(1.602)	(1.375)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	27.793	25.694		
Retirement benefits payable to pensioners			2.027	2.144

TABLE 6.3.2(b): POST EMPLOYMENT BENEFITS TRANSACTIONS SUMMARY		
DESCRIPTION	2011/12 £m	2012/13 £m
Movement in Reserves Statement:		
Reversal of Charges made in accordance with the Code	(38.708)	(45.211)
Charges to General Fund made on a funding basis	29.820	27.838
TOTAL	(8.888)	(17.373)

6.4 Cash Flow Statement Notes

6.4.1 Operating Activities

The cash flows for operating activities includes the following items:

TABLE 6.4.1: OPERATING ACTIVITIES		
DESCRIPTION	2011/12 £m	2012/13 £m
Interest received	15.753	1.686
Interest paid	(58.876)	(20.529)
Dividends received	0.500	0.500

6.4.2 Investing Activities

TABLE 6.4.2: INVESTING ACTIVITIES		
DESCRIPTION	2011/12 £m	2012/13 £m
Purchase of property, plant and equipment, investment property and intangible assets	(199.402)	(114.435)
Purchase of short-term and long-term investments	(236.558)	(95.517)
Other payments for investing activities	(1.428)	(4.064)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12.640	10.007
Proceeds from short-term and long-term investments	75.030	-
Other receipts from investing activities	89.966	63.602
NET CASH FLOWS FROM INVESTING ACTIVITIES	(259.752)	(140.407)

6.4.3 Financing Activities

TABLE 6.4.3: FINANCING ACTIVITIES		
DESCRIPTION	2011/12 £m	2012/13 £m
Cash receipts of short and long-term borrowing	319.200	138.750
Other receipts from financing activities	7.374	(10.154)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8.295)	(2.280)
Repayments of short and long-term borrowing	(132.135)	(117.186)
NET CASH FLOWS FROM FINANCING ACTIVITIES	186.144	9.130

6.5 Other Notes

6.5.1 Trading Operations

These trading operations operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

TABLE 6.5.1: TRADING OPERATIONS						
DESCRIPTION	2011/12			2012/13		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£m	£m	£m	£m	£m	£m
Bereavement Services	0.908	0.769	(0.139)	1.082	0.944	(0.138)
Car Parks, Bus Stations and Park & Ride	7.528	5.965	(1.563)	7.802	6.194	(1.608)
Property	10.603	11.501	0.898	10.250	4.004	(6.246)
City Advertising	0.288	0.747	0.459	0.279	0.337	0.058
Markets	1.443	1.605	0.162	1.413	1.358	(0.055)
Royal Centre	14.262	12.472	(1.790)	13.268	12.572	(0.696)
Translation and Interpretation	0.337	0.340	0.003	0.340	0.355	0.015
Highways and Sewer Work	6.755	6.125	(0.630)	4.762	5.797	1.035
Garage Revenue	2.599	3.388	0.789	2.886	2.991	0.105
Education Catering	8.027	7.725	(0.302)	6.570	6.708	0.138
NET (SURPLUS)/DEFICIT ON TRADING OPERATIONS	52.750	50.637	(2.113)	48.652	41.260	(7.392)

Trading operations (surpluses)/deficits are incorporated into the CIES, under Financing and Investment Income – other investment income.

6.5.2 Agency Services

The Council does not receive any significant income for agency services.

6.5.3 Pooled Budgets

Section 31 of the 1999 Act and the 2002 Act enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable bodies to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the need of clients who meet the criteria established for the pool, rather than the respective contributions by the partners. Pooled funds are not legal entities. The partners in the pool will nominate one partner to be the host to the pool. That host has responsibility for the administration of the pool and is required to produce a memorandum account of the financial activity of the pool.

Integrated Community Equipment Services (ICES)

A partnership exists to provide health and social care equipment for children and adults, who require assistance to perform essential activities in their daily living.

Host Organisation – Nottingham City Council

A new combined ICES contract commenced on 1 April 2011 and the County Council is the Host Authority from that date. The remaining balance of funds on the previous contract has been repaid to partners during 2012/13 and the table below details these activities:

TABLE 6.5.3(a): INTEGRATED COMMUNITY EQUIPMENT SERVICES (ICES)		
DESCRIPTION	2011/12 £m	2012/13 £m
Surplus Brought Forward	0.429	0.815
Funding provided to the pooled budget:		
Nottingham City Council	0.003	-
Other Partners	0.003	-
Other	0.394	-
Total Funding	0.400	-
Expenditure met from the pooled budget	(0.014)	-
Repayment to Partners:		
Nottingham City Council	-	(0.074)
Other Partners	-	(0.741)
NET SURPLUS C/FWD	0.815	-

Host Organisation – Nottinghamshire County Council

The new combined ICES contract is for a period of 3 years with options to extend for up to a further 2 years. The County Council is the Host Authority for the pooled budget and has responsibility for its financial management. The partnership consists of:

- Nottinghamshire County Council (Host)
- Nottingham City Council
- Nottinghamshire County PCT
- Nottingham City PCT
- Bassetlaw PCT

TABLE 6.5.3(b): INTEGRATED COMMUNITY EQUIPMENT SERVICES (ICES)		
DESCRIPTION	2011/12 £m	2012/13 £m
Surplus/(Deficit) Brought Forward	(0.017)	(0.395)
Income from Other Partners to cover 2011/12 overspend	-	0.395
Funding provided to the pooled budget:		
Nottingham City Council	0.926	0.949
Other Partners	4.478	7.423
Other	0.017	0.008
Total Funding	5.421	8.775
Expenditure met from the pooled budget	(5.799)	(7.733)
NET SURPLUS/(DEFICIT) C/FWD	(0.395)	0.647

The balance carried forward represents a health payment in advance, and the balance on unspent Continuing Healthcare specialist equipment funding.

Nottingham City Adult Safeguarding Partnership Board

Host organisation – Nottingham City Council

A partnership with the following partners exists to provide a safeguarding service for adults:

- Nottingham City Council
- Nottinghamshire Probation Service
- NHS Nottingham City
- Nottingham Healthcare Trust

TABLE 6.5.3(c): ADULT SAFEGUARDING PARTNERSHIP BOARD		
DESCRIPTION	2011/12 £m	2012/13 £m
Surplus Brought Forward	0.163	0.317
Funding provided to the pooled budget:		
Nottingham City Council	0.316	0.124
Other Partners	0.276	0.306
Total Funding	0.592	0.430
Expenditure met from the pooled budget	(0.438)	(0.388)
NET SURPLUS C/FWD	0.317	0.359

The Council's share of the net surplus for the year is £0.183m.

St Ann's Valley Centre (Previously known as St. Ann's Joint Service Centre)

Host organisation – Nottingham City Council

The partnership was established by an agreement dated 17th February 2011 under section 75 of the National Health Service Act 2006 between the following partners:

- Nottingham City Council
- Nottingham City PCT

The partnership is established to provide a new Joint Service Centre in St Ann's which will provide PCT services, including GP Practices and other Clinics, and City Council services including a Library Service and Family Community Teams. The

facility also provides shared flexible office accommodation occupied by the PCT, City Council, and Nottingham City Homes.

After construction was completed in March 2012, occupation of the facility took place in April 2012. It is expected that the pooled budget partnership arrangement will continue to operate the centre and facilitate joint working between the Partners.

Funding by the respective partners and overall expenditure is as set out in table below:

TABLE 6.5.3(d):ST ANN'S VALLEY CENTRE		
DESCRIPTION	2011/12 £m	2012/13 £m
Surplus Brought Forward	4.370	0.573
Funding provided to the pooled budget:		
Nottingham City Council	-	-
Other Partners	4.633	-
Other	0.012	-
Total Funding	4.645	-
Expenditure met from the pooled budget	(8.442)	(0.441)
NET SURPLUS C/FWD	0.573	0.132

The Council's share of the net surplus for the year is £0.040m.

6.5.4 Councillors Allowances

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

TABLE 6.5.4: COUNCILLORS ALLOWANCES		
DESCRIPTION	2011/12 £m	2012/13 £m
Allowances	1.032	1.042
Expenses	0.002	0.002
TOTAL	1.034	1.044

6.5.5 Officers Remuneration

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

TABLE 6.5.5(a): SENIOR EMPLOYEES		
POST HOLDER	2011/12 £	2012/13 £
Chief Executive - Jane Todd **		
- Salary, Fees & Allowances	165,000	81,354
- Expense Allowances	-	-
- Compensation for loss of employment	-	42,842
- Pension Contributions	29,700	-
	194,700	124,196
Deputy Chief Executive and Corporate Director Resources - Carole Mills ***		
- Salary, Fees & Allowances	142,428	160,952
- Expense Allowances	170	227
- Pension Contributions	26,038	28,971
	168,636	190,151
Chief Executive - Ian Curryer (Previously Corporate Director - Children and Families) *		
- Salary, Fees & Allowances	144,653	148,516
- Expense Allowances	509	-
- Pension Contributions	26,038	26,728
	171,200	175,244
Corporate Director - Children and Families ****		
- Salary, Fees & Allowances	81,696	88,329
- Expense Allowances	120	-
- Pension Contributions	14,705	15,899
	96,521	104,229
Corporate Director - Communities		
- Salary, Fees & Allowances	111,478	130,000
- Pension Contributions	-	3,900
	111,478	133,900
Corporate Director - Development		
- Salary, Fees & Allowances	106,935	127,500
- Expense Allowances	3,843	2,006
- Pension Contributions	19,248	22,950
	130,026	152,456
Director - One Nottingham		
- Salary, Fees & Allowances	61,253	61,530
- Expense Allowances	245	-
- Pension Contributions	10,810	11,049
	72,308	72,580
Director - Policy, Partnership and Comms		
- Salary, Fees & Allowances	85,152	77,820
- Expense Allowances	167	-
- Pension Contributions	15,328	14,008
	100,647	91,827

* Chief Executive (Previous Corporate Director - Children and Families) - Appointed 1/1/2013

** Chief Executive - Jane Todd - Resigned 30/9/2012

*** Acting Chief Executive - Carole Mills Evans - Period of Appointment 13/3 - 31/12/2012

**** Corporate Director - Children and Families - Appointed 1/2/2013

A total of 197 employees (including senior employees) received remuneration of more than £0.050m, of these 103 are employed directly by schools. However, the figures do not include staff employed by academy schools, who are not Council employees:

TABLE 6.5.5(b): EMPLOYEE REMUNERATION						
Remuneration Banding	Number of Employees					
	2011/12			2012/13		
	School Based Staff	Senior Employees	Other Staff	School Based Staff	Senior Employees	Other Staff
£						
50,000 - 54,999	42	-	34	31	-	28
55,000 - 59,999	30	-	19	23	-	19
60,000 - 64,999	20	1	17	24	1	15
65,000 - 69,999	13	-	2	13	-	4
70,000 - 74,999	3	-	5	2	-	2
75,000 - 79,999	3	-	4	1	1	5
80,000 - 84,999	2	-	4	1	-	3
85,000 - 89,999	1	1	9	2	1	6
90,000 - 94,999	-	-	-	3	-	-
95,000 - 99,999	3	-	-	3	-	1
100,000 - 104,999	-	-	1	-	-	2
105,000 - 109,999	-	-	-	-	-	-
110,000 - 114,999	-	2	-	-	-	-
115,000 - 119,999	-	-	1	-	-	1
120,000 - 124,999	-	-	-	-	1	-
125,000 - 129,999	-	-	-	-	1	-
130,000 - 134,999	-	-	-	-	1	-
135,000 - 139,999	-	-	-	-	-	-
140,000 - 144,999	-	1	-	-	-	-
145,000 - 149,999	-	1	-	-	1	-
150,000 - 154,999	-	-	-	-	-	-
155,000 - 159,999	-	-	-	-	-	-
160,000 - 164,999	-	-	-	-	1	-
165,000 - 169,999	-	1	-	-	-	-

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

TABLE 6.5.5(c): EXIT PACKAGES						
Type of Exit Package	2011/12			2012/13		
	Banding					
	Up to £20,000	£20,001 to £40,000	£40,001 to £150,0000	Up to £20,000	£20,001 to £40,000	£40,001 to £150,0000
Number of compulsory redundancies	88	26	2	62	10	5
Number of other departures agreed	178	82	34	61	13	3
Total number of departures	266	108	36	123	23	8
Total cost of exit packages in each band	£2,205,129	£2,810,569	£2,005,988	£1,101,610	£678,548	£501,515

6.5.6 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections and certification of grant claims:

TABLE 6.5.6: EXTERNAL AUDIT COSTS		
DESCRIPTION	2011/12 £m	2012/13 £m
Statutory audit and inspection work	0.412	0.232
Certification of grant claims and returns	0.064	0.023
Refund of prior year fees by Audit Commission	-	(0.020)
TOTAL	0.476	0.235

There were no other non-audit services provided by the Council's external auditors.

6.5.7 Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department of Education through DSG. DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. 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.

Details of the deployment of DSG receivable for 2012/13 are as follows:

TABLE 6.5.7: DEDICATED SCHOOLS GRANT (DSG)				
Notes	DESCRIPTION	Central Expenditure		Total
		£m	ISB £m	
A	Final DSG for 2012/13 before Academy recoupment			209.794
B	Academy figure recouped for 2012/13			(61.520)
C	Total DSG after Academy recoupment for 2012/13			148.274
D	Brought forward from 2011/12			7.868
E	Carry forward to 2013/14 agreed in advance			(5.340)
F	Agreed initial budgeted distribution in 2012/13	28.388	136.376	150.802
G	In year Adjustments	(7.529)	(19.320)	(26.849)
H	Final Distribution for 2012/13	20.859	122.066	123.953
I	Less Actual central expenditure	24.595		
J	Less ISB deployed to schools		(122.066)	
K	Plus Local Authority contribution 2012/13	-	-	-
L	CARRY FORWARD TO 2013/14	(3.736)	-	(9.076)

Notes to DSG:

- A DSG figure as announced by the Department for Education (DfE) in June 2012.
- B Figure recouped from the Council in 2012/13 by the DfE for the conversion of maintained schools into Academies.
- C Total figure after DfE recoupment for 2012/13.
- D Figure brought forward from 2011/12 as agreed with the DfE.
- E The amount which the Council planned after consultation with the schools forum to carry forward to 2013/14, rather than distribute in 2012/13.
- 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 2012/13.
- 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 2012/13 which will have the effect of substituting for DSG in funding the Schools Budget.
- L Carry forward to 2013/14. The total figure is the carry forward to 2013/14 agreed in advance (line E) plus carry forwards on central expenditure and ISB (Line L).

6.5.8 Related Parties

The Council is required to disclose material transactions with related parties – 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 6.1.5. Grant receipts outstanding at 31 March 2013 are shown in Table 6.2.14.

Councillors

Councillors of the Council have direct control over the financial and operating policies. The total of Councillors' allowances paid in 2012/13 is shown in the Councillors' allowances note.

During 2012/13 payments, receipts and balances outstanding for works and services to companies (including subsidiaries and associated companies) in which Councillors had an interest were as follows:

DESCRIPTION	2011/12 £m	2012/13 £m
Payments	76.946	81.131
Receivables	(11.560)	(8.266)
Debtors	4.811	2.736
Creditors	(0.058)	-

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

Other Public Bodies

The Council has pooled budget arrangements with ICES, the Adult Safeguarding Partnership Board and the St Ann's Valley Centre. Transactions and balances outstanding are detailed in the pooled budget note.

The Council paid £0.077m in 2012/13 (£0.077m 2011/12) 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. These companies are included in the Group Accounts. Further information on all companies, associated with the Council (NCC), can be found within the Group Accounts section.

TABLE 6.5.8(b): RELATED PARTIES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES				
DESCRIPTION	2011/12		2012/13	
	Payments £m	Receipts £m	Payments £m	Receipts £m
Nottingham City Transport				
Concessionary Fares	6.330	-	6.373	-
Season ticket passes provided to NCC	0.118	-	0.051	-
Revenue from various routes on tender let by NCC	0.979	-	1.054	-
Skylink Service and Link 1 and 2 Park and Ride				
Services.	0.616	-	0.406	-
Scholars	0.007	-	0.116	-
City works	0.278	-	0.087	-
Dividends	-	-	-	(1.000)
Non-Domestic Business Rates	-	(0.188)	-	(0.203)
Interest on Loan and Rent	-	(0.011)	-	(0.009)
Nottingham City Homes (NCH) Ltd				
Management and repair of homes	58.551	-	55.568	-
General services provided to NCH Ltd	-	(5.358)	-	(5.517)
Nottingham Ice Centre Ltd				
Rent	-	(0.100)	-	(0.100)
Other Expenses (including NNDR)	-	(0.272)	-	(0.280)
Asset purchases for the company	-	(0.233)	-	(0.225)
Sales	0.046	-	0.013	-
Revenue Grant	0.101	-	0.224	-
Enviroenergy Ltd				
Purchase of steam from NCC	-	(1.889)	-	(1.675)
Supply of Energy	0.456	-	0.673	-
Other operating costs including rent, rates and motor repair costs	-	(0.449)	-	(0.956)
Interest on Prudential borrowing	-	(0.023)	-	(0.015)
Guideline Careers Services Ltd				
Sales	0.012	-	-	-
Purchases	-	-	-	-
Nottingham and Nottinghamshire Futures Ltd				
Sales	2.696	-	3.144	-
Purchases	-	(0.018)	-	(0.002)

Continued on the next page

TABLE 6.5.8(b) (Continued): RELATED PARTIES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES				
DESCRIPTION	2011/12		2012/13	
	Payments £m	Receipts £m	Payments £m	Receipts £m
Highfields Trust				
Revenue Grant	0.116	-	0.110	-
Grounds maintenance charges	-	(0.198)	-	(0.211)
Harvey Hadden Trust				
Revenue Grant	0.124	-	0.091	-
Grounds maintenance charges	-	(0.110)	-	(0.109)
Bridge Estate				
Balance transferred to General Fund	-	(1.275)	-	(1.484)
Property Leases	0.341	-	0.291	-
Interest	0.024	-	0.012	-
Management and Administration	-	(0.068)	-	(0.122)
Agency & Contracted Services	-	(0.011)	-	(0.012)
Arrow Light Rail Ltd				
Availability Payments	15.944	-	-	-
Other expenses	1.210	-	-	-
Performance Penalties	-	(0.041)	-	-

TABLE 6.5.8(c): RELATED PARTIES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES				
DESCRIPTION	2011/12		2012/13	
	Debtors £m	Creditors £m	Debtors £m	Creditors £m
Nottingham City Transport	0.118	(0.060)	1.071	(0.029)
Nottingham City Homes (NCH) Ltd	4.857	(5.051)	4.481	(6.318)
Nottingham Ice Centre Ltd	0.231	(0.387)	0.279	(0.280)
Enviroenergy Ltd	5.055	(0.052)	16.131	(0.341)
Guideline Careers Services Ltd	-	-	-	-
Nottingham and Nottinghamshire Futures Ltd	-	(0.005)	-	(0.015)
Highfields Trust	-	-	-	-
Harvey Hadden Trust	-	-	-	-
Bridge Estate	-	(2.158)	5.515	(0.295)
Arrow Light Rail Ltd	0.156	-	-	(1.107)

6.5.9 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is financed by borrowing the expenditure results in an increase in the Capital Financing Requirement. The Capital Financing Requirement is, therefore, a measure of the capital expenditure incurred historically by the Council that has yet to be repaid. The Capital Financing Requirement is analysed in the second part of this note.

TABLE 6.5.9(a): CAPITAL FINANCING AND EXPENDITURE		
DESCRIPTION	2011/12 £m	2012/13 £m
Opening Capital Financing Requirement	793.088	892.990
Capital Investment		
Property, Plant and Equipment	155.826	105.792
Investment Properties	0.001	0.227
Intangible Assets	44.770	0.219
Revenue Expenditure Funded from Capital under Statute	9.405	12.696
Long Term Debtors	31.433	4.168
Short Term Investments	164.099	0.188
Assets acquired under PFI Contracts and Finance Leases		
Assets acquired under finance leases	(0.027)	(0.021)
Assets acquired under PFI/PPP contracts	(116.270)	6.510
Sources of Finance		
Capital receipts	(5.370)	(0.242)
Government grants and other contributions	(81.716)	(68.120)
Sums set aside from revenue	(8.293)	(4.248)
Direct revenue contributions	(5.643)	(21.752)
Statutory Minimum Revenue Provision	(8.338)	(8.537)
Voluntary Revenue Provision	(8.471)	(17.224)
Voluntarily Set Aside Capital Receipts	(5.753)	-
Debt Redemption - HRA Subsidy Changes	(65.988)	-
Other Items	0.237	(0.468)
CLOSING CAPITAL FINANCING REQUIREMENT	892.990	902.178
MOVEMENT IN THE YEAR	99.902	9.188

TABLE 6.5.9(b): CAPITAL FINANCING AND EXPENDITURE		
DESCRIPTION	2011/12 £m	2012/13 £m
Explanation of Movements in Year		
Increase in underlying need to borrow:		
Supported by government financial assistance	20.558	1.760
Unsupported by government financial assistance	283.954	26.882
Statutory Minimum Revenue Provision	(8.338)	(8.537)
Voluntary Revenue Provision	(8.471)	(17.224)
Voluntarily Set Aside Capital Receipts	(5.753)	-
PWLB Debt Extinguished - HRA Subsidy system change	(65.988)	-
Assets acquired under finance leases	(0.027)	(0.021)
Assets acquired under PFI/PPP contracts	(116.695)	8.944
PFI Liability Discharged	0.425	(2.434)
Other Items	0.237	(0.182)
INCREASE/(DECREASE) IN CAPITAL FINANCING REQUIREMENT	99.902	9.188

6.5.10 Leases

Council as Lessee

Finance Leases

The assets acquired under these leases are carried as PPE in the Balance Sheet at the following net amounts:

TABLE 6.5.10(a): FINANCE LEASES		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Other Land and Buildings	32.830	31.992
Vehicles, Plant, Furniture and Equipment	0.022	0.002
TOTAL	32.852	31.994

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 while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

TABLE 6.5.10(b): MINIMUM LEASE PAYMENTS		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Finance lease liabilities*:		
current	0.021	0.006
non-current	2.214	2.208
Finance costs payable in future years	11.927	11.717
MINIMUM LEASE PAYMENTS	14.162	13.931

* Net present value of minimum lease payments

The finance costs which the Council has committed to is 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:

TABLE 6.5.10(c): LEASES				
DESCRIPTION	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2012	31 March 2013	31 March 2012 £m	31 March 2013 £m
Not later than one year	0.231	0.213	0.021	0.006
Between one and five years	0.839	0.834	0.010	0.005
Later than five years	13.092	12.884	2.204	2.203
TOTAL	14.162	13.931	2.235	2.214

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 in future years are:

TABLE 6.5.10(d): OPERATING LEASES		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Not later than one year	0.606	0.603
Between one and five years	2.439	2.108
Later than five years	2.556	2.268
TOTAL	5.601	4.979

The expenditure charged to the CIES during 2012/13 in relation to these leases was £0.559m (2011/12 £0.566m).

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 and 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:

TABLE 6.5.10(e): FINANCE LEASES		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Long term finance lease debtor*	1.022	1.022
Finance income receivable in future years	59.537	59.470
Anticipated residual value of property	8.734	8.144
GROSS INVESTMENT IN THE LEASE	69.293	68.636

* 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.

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

TABLE 6.5.10(f): FINANCE LEASES				
DESCRIPTION	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2012	31 March 2013	31 March 2012 £m	31 March 2013 £m
Not later than one year	0.067	0.067	0.067	0.067
Between one and five years	0.266	0.266	0.266	0.266
Later than five years	68.960	68.303	60.226	60.160
TOTAL	69.293	68.636	60.559	60.493

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 uncollectible 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 in future years are:

DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Not later than one year	4.253	4.533
Between one and five years	13.442	16.018
Later than five years	109.961	106.399
TOTAL	127.656	126.950

Contingent Rents

The minimum lease payments identified in tables 6.5.10 (a-g) 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 (Table 6.5.10(g)) there were contingent rents receivable by the Authority in 2012/13 of £1.181m (2011/12 £1.019m). There were no contingent rents for any of the other types of lease arrangement.

6.5.11 Private Finance Initiatives and Similar Contracts

NET

The Council reached financial close on NET Phase Two in December 2011, when the Council terminated the NET Line One contract. The assets previously held under NET Line One remain on the Council's balance sheet.

NET Phase Two is currently under construction to incorporate two new tram lines. It is anticipated that the two additional lines will become operational during winter 2014. Due to the scheme not becoming operational until financial year 2014/15 all payments made to the concessionaire consist of a service payment element only, as the finance lease liability is not created until the scheme is operational. The remaining payments as at 31 March 2013 total £642.792m.

The concession agreement runs from 15 December 2011 to 20 March 2034 (a contract period of 22 years, 3 months, 5 days). Upon expiry of the contract term, the infrastructure will be passed back to the City Council (or continuing concessionaire) in accordance with the 'handback standard' as set out in the project agreement, i.e. of no lower standard than that envisaged by the concessionaire's proposals.

Applying the tests of control under IFRIC 12, the asset has been recognised on the Council's Balance Sheet as a finance lease.

Building Schools for the Future

The Council received handover of two PFI schools, Big Wood Phase 1 and Oak Field in 2009/10, and Big Wood Phase 2 in 2010/11. The remaining payments due at 31 March 2013 total £101.488m (£106.226m at 31 March 2012), excluding contingent rentals arising from inflation estimates, payable over the next 23 years. This amount will be reduced if the schools are not maintained to agreed standards. The contract will end in 2034.

The remaining school will be added to the Building Schools for the Future programme during financial year 2013/14. There were no payments made in relation to Farnborough during 2012/13, while the remaining payments due for the Farnborough element total £63.487m, which is payable over the period December 2013 to August 2038.

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

Applying the tests of control under IFRIC 12, the PFI assets have been recognised on the Council's Balance Sheet.

Local Improvement Finance Trust (LIFT) Joint Service Centres

The Council have completed the procurement of three new Joint Service Centres at Clifton, Hyson Green and Bulwell using the LIFT vehicle in partnership with NHS Nottingham City.

Under these arrangements, which are supported by a PFI Credit issued by the Department for Communities and Local Government, the Council enters into a Lease Plus agreement with the LIFT Company for a 25-year period.

Applying the tests of control under IFRIC 12 each centres results are as follows:

- *Mary Potter Centre, the Council's share of the occupation of the Mary Potter Centre in Hyson Green has been recognised as an asset on the Council's Balance Sheet. Upon expiry of the contract term, the Council does not have an option to purchase.*
- *Clifton Cornerstone, however, has not been classified as an asset since the tests of control under IFRIC 12 and IFRIC 4 in respect of the lease have not been fulfilled and it has therefore been classified as an operating lease.*
- *Bulwell Riverside Joint Service Centre, the Council's share of the occupation of the Bulwell Centre has been recognised as an asset on the Council's Balance Sheet. Upon expiry of the contract term, the Council does have an option to purchase.*

The total remaining payments for the LIFT Schemes due at the 31 March 2013 total £46.108m (£48.174m at 31 March 2012).

Street Lighting Contract

The Street Lighting PFI contract reached financial close in May 2010. The 25-year contract became operational in September 2010 and is supported by a PFI Credit from central government in respect of the capital elements of the contract.

The first five years of the contract provide 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 in respect of additional columns resulting from new developments or reductions, if areas are decommissioned. This is

followed by operation and maintenance of the street lighting network. The PFI service provider will be paid a monthly unitary charge which is subject to deduction for failures to meet the project's performance standards. The remaining payments due at 31 March 2013 total £151.617m, excluding contingent rentals arising from inflation estimates above a working assumption of 2.5% per annum, payable over the next 23 years.

Upon expiry of the contract terms, the assets will revert back to the City Council at nil cost.

Applying the tests of control under IFRIC 12, the assets under the contract have been recognised on the Council's Balance Sheet.

Payments

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year. Payments remaining to be made under the PFI contracts at 31 March 2013 (excluding any estimation of inflation and availability / performance deductions) are as follows:

TABLE 6.5.11(a): REMAINING PFI CONTRACT PAYMENTS AT 31 MARCH 2013				
DESCRIPTION	Payment for Services & Lifecycle Costs £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2013/14				
NET	12.280	-	-	12.280
BSF	2.726	0.223	3.154	6.103
LIFT	0.450	0.365	1.250	2.065
Street Lighting	1.888	0.961	2.256	5.105
Payable between 2-5 Years				
NET	55.013	111.139	50.046	216.198
BSF	9.679	4.143	15.310	29.132
LIFT	1.924	1.641	4.695	8.260
Street Lighting	6.643	2.680	16.072	25.395
Payable between 6-10 Years				
NET	69.222	19.663	58.785	147.670
BSF	11.282	8.324	16.808	36.414
LIFT	2.636	2.598	5.091	10.325
Street Lighting	7.552	5.948	19.125	32.625
Payable between 11-15 Years				
NET	70.876	23.799	35.844	130.519
BSF	11.566	12.010	12.838	36.414
LIFT	3.108	3.283	3.934	10.325
Street Lighting	7.544	10.363	14.719	32.626
Payable between 16-20 Years				
NET	74.839	25.658	14.863	115.360
BSF	13.190	15.786	7.438	36.414
LIFT	3.485	4.373	2.467	10.325
Street Lighting	13.759	10.641	8.224	32.624
Payable between 21-25 Years				
NET	20.883	(0.255)	0.137	20.765
BSF	7.585	10.203	1.653	19.441
LIFT	1.420	2.720	0.668	4.808
Street Lighting	4.598	9.581	1.595	15.774
Payable in 26 Years				
BSF	0.366	0.678	0.012	1.056
TOTAL				
NET	303.113	180.004	159.675	642.792
BSF	56.394	51.367	57.213	164.974
LIFT	13.023	14.980	18.105	46.108
Street Lighting	41.984	40.174	61.991	144.149
TOTAL	414.514	286.525	296.984	998.023

NB The above excludes Clifton Cornerstone LIFT JSC which is classified as an operating lease.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the amount due to the contractor for capital expenditure incurred is as follows:

TABLE 6.5.11(b):OUTSTANDING PFI LIABILITIES FOR CAPITAL EXPENDITURE		
DESCRIPTION	2011/12 £m	2012/13 £m
Opening Balance at 1 April		
NET	(130.446)	-
BSF	(34.944)	(34.317)
LIFT	(6.078)	(15.331)
Street Lighting	(1.922)	(7.472)
Payments during the Year		
NET	130.446	-
BSF	0.627	0.642
LIFT	2.889	0.352
Street Lighting	1.438	1.258
Capital Expenditure incurred in the Year		
NET	-	-
BSF	-	-
LIFT	(12.142)	-
Street Lighting	(6.988)	(8.944)
Closing Balance at 31 March		
NET	-	-
BSF	(34.317)	(33.675)
LIFT	(15.331)	(14.979)
Street Lighting	(7.472)	(15.158)
OVERALL CLOSING BALANCE AT 31 MARCH	(57.120)	(63.812)

6.5.12 Trust Funds

The Council acts as a sole trustee for the following trust funds. The funds do not represent assets of the Council and therefore have not been include in the Balance Sheet.

TABLE 6.5.12(a): TRUST FUNDS					
DESCRIPTION	2012/13				
	Income £m	Expenditure £m	Net Expenditure £m	Assets £m	Liabilities £m
Year Ended 31 March 2013					
Bridge Estate	(1.997)	1.997	-	32.551	(5.911)
Harvey Hadden Stadium	(0.121)	0.121	-	-	-
Highfields Leisure Park Trust	(0.229)	0.229	-	0.889	-
Hanley and Gellestrop	(0.027)	0.018	(0.009)	0.776	(0.007)
The Nottingham Aged Persons Trust	-	-	-	0.029	-
George Pendry's Fund for the Elderly in Nottingham	-	-	-	0.021	-
Nottingham Education Trust (Formerly - Nottingham Derby Road British School Exhibition Fund)	(0.013)	0.016	0.003	0.128	-
Year Ended 31 December 2012					
The Abbott-Brown Fund	-	-	-	0.005	-
The Church and Poor's Charity (known as the Assarts Charity)	(0.004)	0.004	-	-	-
TOTAL	(2.391)	2.385	(0.006)	34.399	(5.918)

TABLE 6.5.12(b): TRUST FUNDS					
DESCRIPTION	2011/12				
	Income £m	Expenditure £m	Net Expenditure £m	Assets £m	Liabilities £m
Year Ended 31 March 2013					
Bridge Estate	(1.663)	1.663	-	28.461	(0.305)
Harvey Hadden Stadium	(0.152)	0.152	-	0.006	(0.006)
Highfields Leisure Park Trust	(0.241)	0.241	-	0.889	-
Hanley and Gellestrop	(0.025)	0.021	(0.004)	0.758	(0.018)
The Nottingham Aged Persons Trust	-	-	-	0.011	-
George Pendry's Fund for the Elderly in Nottingham	-	-	-	0.016	-
Nottingham Derby Road British School Exhibition Fund	(0.056)	0.006	(0.050)	0.050	-
Year Ended 31 December 2011					
The Abbott-Brown Fund	-	-	-	0.005	-
The Church and Poor's Charity (known as the Assarts Charity)	(0.004)	0.004	-	-	-
TOTAL	(2.141)	2.087	(0.054)	30.196	(0.329)

Nature of Trust Funds

Bridge Estate

To provide for the efficient maintenance and repair of Trent Bridge and the approaches to it; to provide a contingency fund for the possible construction of a new bridge or bridges over the River Trent as may be found necessary or desirable; to apply the residue of any income as the Trustees think best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

Harvey Hadden Stadium Trust

To ensure the provision of public recreation, for the people of the City of Nottingham.

Highfields Leisure Park Trust

The provision of public recreation and pleasure grounds for the people of the City of Nottingham.

Hanley and Gellestrobe

To provide almshouse accommodation to poor persons of good character by letting of its nine properties.

The Nottingham Aged Persons Trust

Relieving persons of at least 60 years of age who are resident in the City of Nottingham and who are in conditions of need, hardship or distress.

George Pendry's Fund for the elderly in Nottingham

Relieving either generally or individually widows and spinsters of at least 60 years of age who are resident in the City of Nottingham and who are in conditions of need, hardship and distress.

The Abbott-Brown Fund

To enable a doctor practicing at a Ljubljana Hospital to visit the United Kingdom for the purpose of studying medicine and medical treatment and to provide such doctor with funds for the cost of his maintenance, travelling expenses and any other fees or expenses incidental to such a visit.

The Church and Poor's Charity (known as Assarts Charity)

Maintenance and repair of fabric of the parish church of Sneinton. Benefit the poor of Sneinton.

Nottingham Education Trust (Formerly Nottingham Derby Road British School Exhibition Fund)

The charity gives financial assistance to children and young people resident in the City of Nottingham, under the age of 21 years, for the promotion of their education, including their social and physical training and development.

6.5.13 Contingent Liabilities

At 31 March 2013, the Council has the following material contingent liabilities:

Employment Tribunal Cases

There are a number of Employment Tribunal and Equal Pay claims/cases outstanding together with the potential costs arising from the cases. Due to the stage that the Employment Tribunal cases are at, it is very difficult to make an accurate cost analysis.

Insurance Claims

A contingent liability exists for insurance claims that pre date the coverage provided by the 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 rare but 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 incurred but are as yet unreported (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. These severity, value and number of IBNR cases are unknown.

A contingent liability therefore exists to the extent that existing provisions could be insufficient to meet the potential liabilities.

Municipal Mutual Insurance

Under the scheme for a solvent settlement for Municipal Mutual Insurance's liabilities, the clawback rate is reviewed every 12 months. The review includes provision for the rate to be adjusted up or down as necessary. Predicting ultimate claims costs for occupational disease and abuse related claims arising from past exposure is extremely difficult and, therefore, there may further calls for clawback over the next 10 to 20 financial years as IBNR's become known liabilities.

NET – Chilwell Road and Clifton Financial Assistance

A contingent liability exists for financial assistance that may be paid in recognition of the potential for economic hardship on small and medium size businesses whilst NET Phase Two is under construction. The estimated financial effect of £1.750m is based on the assessment of the number and nature of businesses involved. Actual assistance provided will depend on magnitude of claims received during the 3-4 year construction period.

Workforce Reductions

As outlined in the 2012/13 MTFP, the Council anticipates incurring one-off costs in respect of workforce reduction. The 2012/13 MTFP allows for £3.860m but the actual cost will depend on a number of factors such as the actual staff numbers and employment profile of the affected employees.

Cavendish Court and Residential Property in Basford

The Council has responsibility under the Housing Act to undertake some work in relation to Cavendish Court and a residential property in Basford, which are both in serious disrepair. The responsibilities are with the property owner, but it is likely the Council will have to undertake works and will be able to recover some, but not all of

the costs. The work involved could include improvements, closure demolition or clearance and compulsory purchase. Decisions will be made in 2013/14 and action undertaken to deal with the conditions. The estimated financial effect is approximately £0.700m, however some cost recovery may be possible.

Judicial Review Proceedings

Judicial review proceedings have commenced against the Council relating to prosecutions issued by the Trading Standards department in 2002 and 2004. Judicial Review is conducted in the High Court and so requires the use of Counsel. The estimated financial effect is unknown as at 31 March 2013.

6.5.14 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 financial loss might arise for the Council as a result of changes in such measures as 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 through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require compliance 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, limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures in the maturity structure of its debt;
 - Its maximum annual exposures 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 the 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 annually 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 (TMPs). These TMPs are a requirement of the Code of Practice and are regularly reviewed.

Credit Risk

Credit risk arises from the Council's investments with banks and other financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that investments are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum 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 2012/13 are:

- 1) Minimum credit ratings – a minimum long-term credit rating from all three rating agencies of A- (Fitch and S&P) and A3 (Moody's).
- 2) Individual cash limits – a limit of £25m per counterparty for eligible UK banks and £10m for eligible non-UK banks.
- 3) Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds TSB Bank), individual limits will also apply to the group as a whole.
- 4) Country limits – other than UK institutions, a total investment limit for all counterparties in a particular country. No more than 10% of the investment portfolio, at the time of the deposit, will be placed with any one country.
- 5) Overall country limit – no more than 25% of the investment portfolio, at the time of the deposit, will be placed with non-UK banks in total.
- 6) Money Market Funds – individual cash limit of £10m with any one fund and an overall limit of £80m for all Money Market Funds.

The Council's maximum exposure to credit risk in relation to its investments of £217.000m at 31 March 2013 (excluding deposits in Icelandic banks) 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 such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

The following table summarises the value of the Council's investment portfolio at 31 March 2013 (excluding Icelandic bank deposits) and confirms that all investments were made in line with the approved credit rating criteria:

TABLE 6.5.14(a):CREDIT RATING CRITERIA			
COUNTERPARTY	Criteria met?		Total
	at time of investment (Yes /No)	at 31 March 2013 (Yes /No)	£m
UK banks - deposits	Yes	Yes	65.000
UK banks - call accounts	Yes	Yes	60.000
UK banks - Certificates of Deposit	Yes	Yes	25.000
UK building societies - deposits	Yes	Yes	25.000
Money Market Funds	Yes	Yes	16.000
Government Debt Management Office	Yes	Yes	26.000
TOTAL			217.000

Provision for trade debtor default is provided for through impairment of the principal sum (a bad debt provision), based on local experience.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover day to day cash flow need, and whilst the 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 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. There is therefore no significant risk that it will be unable 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.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. There is a risk relating to managing exposure to replacing financial instruments as they mature. This risk relates to the maturity of both longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. 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; and
- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council's day-to-day cash flow needs, and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the principal element of financial liabilities at 31 March 2013 is:

TABLE 6.5.14(b): FINANCIAL LIABILITIES		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Less than 1 year	118.196	76.308
1 to 2 years	32.380	14.015
2 to 5 years	32.499	46.506
5 to 10 years	122.063	152.780
10 – 25 years	229.532	276.033
25 – 40 years	83.837	127.476
40 – 70 years	133.908	81.197
Irredeemable	2.541	2.365
TOTAL	754.956	776.680

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

The maturity analysis of the principal element of loans and receivables at 31 March 2013 is shown below. The Icelandic bank deposits have been expressed based on the current forecast of recovery percentages and dates.

TABLE 6.5.14(c): LOANS AND RECEIVABLES		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Less than 1 year	173.271	221.895
1 to 2 years	1.631	0.838
2 to 3 years	0.755	0.892
More than 3 years	4.857	3.836
TOTAL	180.514	227.461

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 complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – 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.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other 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 and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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 2012/13 strategy allowed for a maximum of 50% of borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the cost of borrowing and provide compensation for a proportion of any higher costs.

According to this assessment strategy, at 31 March 2013, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

TABLE 6.5.14(d): IMPACT OF 1% INCREASE IN INTEREST RATES	
DESCRIPTION	£m
Increase in interest payable on variable rate borrowings	(0.543)
Increase in interest receivable on variable rate investments	0.760
Impact on Surplus or Deficit on the Provision of Services	0.217
Share of overall impact debited to the HRA	0.342
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	0.559

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 £0.787m in a number of joint ventures and in local industry, at 31 March 2013. These holdings are generally illiquid and are shown in the balance sheet at cost. The equity holding in Nottingham City Transport Limited is excluded from the financial instruments disclosure notes because this interest is shown at cost 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. Instead, "open book" arrangements are maintained with the companies concerned to enable monitoring of the factors that might cause a fall in the value of specific holdings.

Foreign Exchange Risk

As a result of the collapse of certain Icelandic banks (see 6.5.15), the Council currently has approximately ISK465m (Icelandic Krona) held in escrow in Iceland which had a sterling value of £2.5m, based on the official exchange rate at 31 March 2013 (see note 6.5.15). The Council is working with the Local Government Association, in conjunction with other affected authorities, to progress the conversion of this ISK element of its Icelandic bank deposits into sterling.

6.5.15 Icelandic Bank Deposits

Early in October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £41.600m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

TABLE 6.5.15: ICELANDIC BANK DEPOSITS				
BANK	Principal £m	From	To	Rate
Glitnir	5.000	20/04/2007	20/04/2009	5.92%
Landsbanki	4.000	15/06/2007	15/06/2009	6.43%
Glitnir	6.000	30/11/2007	28/11/2008	5.98%
Heritable	3.300	18/03/2008	21/11/2008	5.93%
Landsbanki	3.500	14/05/2008	13/05/2009	6.05%
Heritable	5.500	14/05/2008	13/05/2009	6.05%
Heritable	4.000	18/07/2008	22/04/2009	6.24%
Heritable	2.800	22/07/2008	21/07/2009	6.37%
Landsbanki	6.000	19/09/2008	27/04/2009	6.21%
Landsbanki	1.500	19/09/2008	21/08/2009	6.35%
	41.600			

All monies within these institutions remain subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below.

As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst & Young outlined that the return to creditors remained between 86% and 90%, by January 2014. To 31 March 2013, the Council has received dividend payments of £12.315m, constituting principal and interest, representing repayments of 77p in the £. Based on the latest advice, the Council has decided to recognise an impairment based on it recovering a total of 88p in the £. In calculating the impairment the Council has made assumptions re the timing of recoveries in line with the timetable suggested in the latest advice from CIPFA. The final payment is expected in January 2014.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old

Landsbanki being placed in the hands of a Winding Up Board. Old Landsbanki's affairs are being administered under Icelandic law.

The Winding Up Board accepted the Council's claims in respect of its deposits and deemed that they have priority creditor status under Icelandic law. This status was the subject of a legal challenge by other Landsbanki creditors in the Icelandic courts. In April 2011, the Icelandic District Court found in favour of UK and other local authorities and affirmed the priority status of their deposits with Landsbanki. Following an appeal heard by the Icelandic Supreme Court in October 2011, this decision was upheld.

Subsequently the Winding Up Board has made three distributions to priority creditors, representing around 47% of the value of the Council's total claim. A small percentage of this payment was made in Icelandic Krona, which are still the subject of control by the Central Bank of Iceland (CBI). As a consequence, this element has been lodged in an Icelandic interest-bearing escrow account, pending approved release by the CBI.

It is expected that further distributions will be received as the Landsbanki administration proceeds, and the Winding Up Board's latest estimate is that sufficient proceeds will eventually be realised to pay priority claims in full, although the final instalment is not expected until 2019.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law.

The Winding Up Board accepted the Council's claims in respect of its deposits but did not recognise its priority creditor status under Icelandic law. This decision was the subject of a legal challenge by UK and other local authorities in the Icelandic courts. On 1 April 2011, the Icelandic District Court found in favour of UK and other local authorities, affording priority status to all local authority deposits with Glitnir. Following an appeal heard by the Icelandic Supreme Court in October 2011, this decision was upheld.

The Glitnir Winding Up Board has previously indicated that sufficient proceeds from the Glitnir Bank administration existed to repay all priority creditors in full, once the legal process had been completed. In March 2012, therefore, a distribution was made to the Council which represented the full value of the claim. Around 19% of this payment was made in Icelandic Krona, which are still the subject of control by the Central Bank of Iceland (CBI). As a consequence, this element has been lodged in an Icelandic interest-bearing escrow account, pending approved release by the CBI.

Impairment

Based on the assumed percentage recoveries above, the Council would have to write off £1.860m of the £41.600m originally invested with Icelandic banks. This sum would be a charge against the CIES.

In accordance with proper accounting practice, an impairment loss has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits, in order to recognise the anticipated loss of interest to the Council until monies are recovered. (This assumes that the investments would continue to earn interest at the rate agreed from maturity date to the actual repayment date).

A gross impairment provision of £7.150m was made in the 2010/11 Income and Expenditure Account. At 31 March 2013, as a consequence of the improved repayment forecasts, this impairment loss had reduced to £6.252m. The revised provision has been offset by accrued interest to date of £4.043m, with a further £1.626m to be credited to the CIES in future years. This provides a net cash loss, when all monies have been repaid, of £0.583m.

6.5.16 Jointly Controlled Operations

From 3rd September 2012 Nottingham City Council (NCC) entered into 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 a separate legal personality and is therefore 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 50.1%. EMSS does not separately own any assets or liabilities.

A summary of the income and expenditure of EMSS, and the associated amounts included in NCC's accounts, for the period September 2012 to March 2013 is shown below:

TABLE 6.5.16: EAST MIDLANDS SHARED SERVICES		
DESCRIPTION	Total EMSS Sept 2012 to March 2013 £m	Amounts included within NCC Accounts £m
Income:		
Direct External Income	(1.074)	(0.353)
LCC Share of NCC Direct Costs	-	(0.135)
Total Income	(1.074)	(0.488)
Expenditure:		
Total EMSS Expenditure	3.806	-
Direct costs incurred by NCC		0.329
Third party payments to LCC		1.774
Total Expenditure	3.806	2.103
NET EXPENDITURE	2.732	1.615

Supplementary Financial Statements and Notes

7. SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

7.1 Housing Revenue Account (HRA)

7.1.1 Housing Revenue Income and Expenditure Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority'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, ringfenced from the rest of the General Fund, so that rents cannot be subsidised from council tax.

TABLE 7.1.1: HRA INCOME AND EXPENDITURE ACCOUNT		
DESCRIPTION	2011/12 £m	2012/13 £m
Expenditure		
Repairs and maintenance	30.738	31.870
Supervision and Management	25.644	20.201
Rents, rates, taxes and other charges	2.224	1.994
Depreciation and impairment of non-current assets	84.197	24.041
Debt management costs	0.134	0.091
Movement in the allowance for bad debts	0.256	0.393
Total Expenditure	143.193	78.590
Income		
Dwelling Rents	(95.184)	(97.412)
Non Dwelling Rents	(1.429)	(2.451)
Charges for Services and Facilities	(0.344)	(0.346)
HRA Subsidy Receivable	4.168	(0.077)
Major Repairs Allowance receivable	(0.287)	(0.288)
Total Income	(93.076)	(100.574)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	50.117	(21.984)
HRA services' share of Corporate and Democratic Core	0.042	0.033
NET COST FOR HRA SERVICES	50.159	(21.951)
HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
Gain or (loss) on sale of HRA non-current assets	(0.353)	(0.045)
Interest payable and similar charges	11.794	12.383
HRA Self Financing Premium Payable	12.755	-
Exceptional Item - HRA Debt Redemption	(65.988)	-
Exceptional Item - HRA Debt Premiums	(12.755)	-
Interest and Investment Income	(0.250)	(0.219)
DEFICIT FOR THE YEAR ON HRA SERVICES	(4.638)	(9.832)

7.1.2 Movement on the HRA Statement

TABLE 7.1.2: MOVEMENT ON HRA STATEMENT		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance on HRA at the start of the Year	5.171	4.594
Surplus or (deficit) for the year	4.638	9.832
Adjustments between accounting basis and funding basis	(5.215)	(9.396)
Increase or (Decrease) in Year on the HRA	(0.577)	0.436
BALANCE ON THE HRA AT THE END OF THE YEAR	4.594	5.030

7.1.3 Notes to the HRA Financial Statements

7.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

TABLE 7.1.3.1: HOUSING STOCK		
DESCRIPTION	31 March 2012 Number	31 March 2013 Number
Houses and Bungalows		
1 Bedroom	999	996
2 Bedroom	5,756	5,778
3 Bedroom	10,775	10,675
4 or more Bedrooms	587	526
Flats		
1 Bedroom	6,719	7,504
2 Bedrooms	3,011	1,620
3 or more Bedrooms	226	227
TOTAL	28,073	27,326

7.1.3.2 Valuation of Housing Assets

The value of land, houses and other property within the HRA in 2012/13 was as follows:

TABLE 7.1.3.2: HOUSING ASSETS		
DESCRIPTION	Value at 31 March 2012 £m	Value at 31 March 2013 £m
Operational Assets		
Council Dwellings	562.651	561.875
Other Land and Buildings		
Land	3.695	2.265
Buildings	5.316	4.891
Vehicles, IT and Other Equipment	3.111	5.224
Infrastructure	19.345	19.482
Total Operational Assets	594.118	593.737
Non-Operational Assets		
Land	0.963	2.605
Buildings	-	10.118
Total Non-Operational Assets	0.963	12.723
TOTAL VALUE OF ASSETS	595.081	606.460

7.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2013 was £1,652.574m (1 April 2012 £1,654.855m). The Balance Sheet value of dwellings was £561.875m. The difference of £1,090.699m 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.

External valuers Herbert Button & Partners and Freeman & Mitchell completed a desktop review of the housing stock valuation as at 31 March 2013.

7.1.3.4 The Major Repairs Reserve

The purpose of this reserve is to earmark funding to provide for the long-term maintenance of the housing stock. Following the introduction of Self Financing from 1 April 2012 the appropriation to the HRA is no longer required. Movements on the reserve in 2012/13 were as follows:

TABLE 7.1.3.4: MAJOR REPAIRS RESERVE		
DESCRIPTION	2011/12 £m	2012/13 £m
Balance Brought Forward	(13.397)	(15.817)
Credits to the Reserve		
Depreciation on HRA Assets	(26.686)	(27.656)
Debits to the Reserve		
Capital Expenditure	14.654	15.466
Appropriation to HRA	9.612	-
BALANCE AT END OF YEAR	(15.817)	(28.007)

7.1.3.5 Capital Expenditure

Capital expenditure of £44.225m (£58.008m in 2011/12) in respect of HRA assets was financed from a range of sources in 2012/13. This is set out below:

TABLE 7.1.3.5: HRA CAPITAL EXPENDITURE		
DESCRIPTION	2011/12 £m	2012/13 £m
CAPITAL EXPENDITURE	58.008	44.225
Financed By:		
Borrowing	27.682	-
Capital Receipts Reserve	5.435	-
Major Repairs Reserve (MRR)	14.653	15.466
Direct Revenue Financing*	5.300	4.700
Other Capital Grants and Contributions	4.938	24.059
TOTAL FINANCING	58.008	44.225

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

7.1.3.6 Capital Receipts

Capital receipts of £7.888m (£9.042m in 2011/12) arose from the sale of land, houses and other property within the HRA in 2012/13. Of this total, £4.906m (£4.107m in 2011/12) related to the disposal of houses and flats under the right to buy scheme and £2.799m (£4.935m in 2011/12) from the sale of vacant non purpose built council houses.

TABLE 7.1.3.6: CAPITAL RECEIPTS		
DESCRIPTION	2011/12 £m	2012/13 £m
Land	-	0.095
Houses	9.042	7.705
Other Property	-	0.088
TOTAL	9.042	7.888

7.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2012/13 as follows:

TABLE 7.1.3.7: HRA DEPRECIATION		
DESCRIPTION	2011/12 £m	2012/13 £m
Dwellings	25.275	25.656
Other Operational HRA Assets	1.411	2.000
TOTAL	26.686	27.656

7.1.3.8 Revaluations and Impairments during the Financial Year

£1.584m (£51.728m loss in 2011/12) in respect of revaluation gains have been credited to the HRA during the year.

Donated assets amounting to £5.917m resulted from energy efficiency works undertaken to council dwellings by energy companies as part of the Community Energy Savings Programme government initiative.

A de-recognition write out of £3.026m was made to reflect the residual value of assets replaced.

£0.860m revenue expenditure funded from capital under statute (REFCUS) was incurred not resulting in a tangible asset.

7.1.3.9 Housing Subsidy

The Housing Revenue Account records the payment of £0.077m (£4.202m in 2011/12) in Housing Subsidy in 2012/13. This figure is an adjustment in respect of the year ended 31 March 2012 and reflects the final subsidy transaction on the HRA.

7.1.3.10 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 £4.266m at 31 March 2013 (£5.024m at 31 March 2012). A total bad debt provision of £3.420m has been established at 31 March 2013 (£4.248m at 31 March 2012).

7.1.3.11 Average Rent for HRA Dwellings

TABLE 7.1.3.11: AVERAGE RENT	
Year	Average Rent £
2004/05	45.83
2005/06	48.07
2006/07	50.68
2007/08	52.94
2008/09	56.04
2009/10	57.98
2010/11	59.39
2011/12	63.73
2012/13	67.37

The average rent figures have been calculated on a 50-week basis and exclude service charges.

7.1.3.12 Item 8 Debit and Credit (General) Determination

The Item 8 Debit and Credit Determinations set out the entries to be accounted for within the Housing Revenue Account and are required by legislation under the Local Government and Housing Act 1989. The Item 8 Debit Determination sets out the method for charging the capital asset charges and the deduction required for capital asset accounting adjustment. Debt management charges are also included in this section. The Item 8 Credit Determination covers bank interest charges, mortgage interest and premiums and discounts on premature loan repayments and rescheduling. There is also an entry known as the "T" adjustment, which is an adjustment between the depreciation charge and the Major Repairs Allowance. The overall effect on the HRA of the Item 8 Debit and Credit entries is to neutralise the effect on the bottom line of the HRA, so that only the actual capital financing charges and impact on the Account.

The reconciliation between the Item 8 Determination and the actual charges to the HRA is shown in the following two tables:

TABLE 7.1.3.12(a) DEBIT AND CREDIT (GENERAL DETERMINATION)		
DESCRIPTION	2011/12 £m	2012/13 £m
Debit Determination		
Capital Asset Charges	78.414	24.032
Debt Repayment and Management Charges	0.134	0.091
Capital Asset Charges and Accounting Adjustment	(39.934)	19.895
Transfer to Major Repairs Reserve	-	27.655
	38.614	71.673
Credit Determination		
Bank Interest	(0.238)	(0.210)
Mortgage Interest	(0.012)	(0.008)
"T" Adjustment	(9.612)	(28.516)
Premiums and Discounts	0.034	0.028
	(9.828)	(28.706)
TOTAL	28.786	42.967

TABLE 7.1.3.12(b) DEBIT AND CREDIT (ACTUAL HRA CHARGES)		
DESCRIPTION	2011/12 £m	2012/13 £m
Bank Interest	(0.238)	(0.210)
Mortgage Interest	(0.012)	(0.008)
Capital Financing	11.794	12.384
Debt Repayment and Management Charges	0.134	0.091
Premiums and Discounts	0.034	0.028
Transfer to Major Repairs Reserve	17.074	30.682
TOTAL	28.786	42.967

7.2 Collection Fund

7.2.1 Collection Fund Statement

The Collection Fund (England) 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 non-domestic rates.

TABLE 7.2.1: COLLECTION FUND		
DESCRIPTION	2011/12 £m	2012/13 £m
INCOME		
Income from Council Tax	(87.474)	(91.627)
Transfers from General Fund:		
Council Tax Benefit	(32.890)	(33.464)
Income collectable from business ratepayers	(124.257)	(122.668)
Contribution towards previous years' deficit	-	
TOTAL INCOME	(244.621)	(247.759)
EXPENDITURE		
Precepts		
Police Authority	12.069	12.549
Fire Authority	5.253	5.255
City Council General Fund	100.427	103.885
NNDR		
Payment to national pool	122.534	119.658
Cost of collection	0.493	0.497
Amounts written off and provision for losses	1.143	2.410
Interest paid on refunds	0.087	0.103
Council Tax		
Amounts written off and provision for losses	3.004	1.873
TOTAL EXPENDITURE	245.010	246.230
Movement on the Collection Fund Balance	0.389	(1.529)
(Surplus)/Deficit Brought Forward from previous year	(0.521)	(0.132)
(SURPLUS)/DEFICIT CARRIED FORWARD	(0.132)	(1.661)

7.2.2 Notes to Collection Fund Statement

7.2.2.1 National Non-Domestic Rates (NNDR)

Non-domestic rates are organised on a national basis. Local businesses are required to pay, subject to transitional arrangement, an amount calculated by applying a sum specified by central Government (expressed as a rate in the pound) to the rateable value of their property.

The Council is responsible for collecting and paying over this amount to the NNDR pool administered by central government. The government redistributes sums paid into the pool on the basis of a fixed amount per head of population.

DESCRIPTION	2011/12 £	2012/13 £
Rate in the pound	43.3p	45.8p
Total non-domestic rateable value per NNDR system	320,734,101	326,154,425
Gross Debit	138,878,000	149,379,000
Net debit after adjustments and reliefs	124,257,000	131,688,000

7.2.2.2 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 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.

		2011/12	2012/13	
Council Tax Base		77,053	77,519	
Council Tax (Band D) Property		£1,562.08	£1,613.68	
Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	85,683	67,404	6/9	44,936
B	21,793	16,129	7/9	12,545
C	15,443	11,513	8/9	10,234
D	6,504	5,003	9/9	5,003
E	2,308	1,944	11/9	2,376
F	994	884	13/9	1,277
G	692	611	15/9	1,018
H	109	65	18/9	130

7.2.2.3 Redistribution of Collection Fund Surplus/Deficit

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

TABLE 7.2.2.3: ANALYSIS OF SURPLUS DEFICIT ON COLLECTION FUND		
DESCRIPTION	2011/12 £m	2012/13 £m
Nottingham City Council	(0.112)	(1.419)
Nottinghamshire Police Authority	(0.014)	(0.172)
Nottinghamshire Fire and Rescue Authority	(0.006)	(0.070)
TOTAL	(0.132)	(1.661)

Group Financial Statements



8. GROUP FINANCIAL STATEMENTS AND NOTES

8.1 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 standard main financial statements consider the Council only as a single entity, therefore 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

8.2 Inclusion within the Group Accounts

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 exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they have been included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. 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.

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 with intra-group transactions written out. Associates / jointly controlled entities are accounted for by including the Council's share of their net operating results and net assets (equity method of accounting).

For 2012/13 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 8.5.

The group accounts for 2012/13 have been completed using unaudited accounts from Arrow Light Rail Ltd, Bridge Estate Trust, EnviroEnergy Ltd, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Nottingham and Nottinghamshire Futures Ltd.

8.3 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. The accounting policies followed in the preparation of the group financial statements differ from those applicable to the Council's primary financial statements only in the following respects:

- 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.
- Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

Any impairments of goodwill are recognised as losses in the Comprehensive Income and Expenditure Statement, with an equal amount being reversed out of the General Fund Balance in the MIRS and posted to the Capital Adjustment Account.

8.4 Core Group Financial Statements

8.4.1 Group Comprehensive Income and Expenditure Statement (Group CIES)

The purpose of this statement is explained in section 4.1 of the Council's single entity Statement of Accounts.

TABLE 8.4.1: GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

DESCRIPTION	2011/12			2012/13		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£m	£m	£m	£m	£m	£m
Central services to the public	4.765	(2.865)	1.900	5.383	(3.183)	2.200
Cultural and related services	72.852	(17.025)	55.827	70.461	(18.482)	51.979
Environmental and regulatory services	46.753	(15.834)	30.919	46.208	(16.156)	30.052
Planning services	35.173	(13.056)	22.117	26.513	(21.354)	5.159
Education and children's services	338.239	(227.693)	110.546	280.198	(189.497)	90.701
Highways and transport services	105.430	(81.925)	23.505	104.743	(88.599)	16.144
Local authority housing (HRA)	143.193	(93.076)	50.117	78.591	(100.574)	(21.983)
Other housing services	201.975	(174.703)	27.272	203.950	(183.993)	19.957
Adult social care	116.252	(37.396)	78.856	118.714	(34.281)	84.433
Corporate and democratic core	44.243	(21.496)	22.747	49.408	(28.944)	20.464
Non distributed costs	4.406	(0.246)	4.160	4.444	(0.309)	4.135
Cost of Services	1,113.281	(685.315)	427.966	988.613	(685.372)	303.241
Other operating expenditure						
Transfer of school buildings to academies	94.778	-	94.778	23.665	-	23.665
Other	168.354	(9.249)	159.105	20.045	(10.197)	9.848
Financing and investment income and expenditure (Note 8.7.1.1)	193.876	(80.661)	113.215	107.525	(62.667)	44.858
Surplus or deficit on discontinued operations	2.953	(7.930)	(4.977)	-	-	-
Taxation and non-specific grants						
Exceptional Items						
Investment Impairment	30.261	-	30.261	-	-	-
HRA Debt Redemption	-	(65.988)	(65.988)	-	-	-
HRA Debt Premiums	-	(12.755)	(12.755)	-	-	-
Other		(340.342)	(340.342)	-	(341.713)	(341.713)
(Surplus) or Deficit on Provision of Services	1,603.503	(1,202.240)	401.263	1,139.848	(1,099.949)	39.899
Tax expenses of subsidiaries			(0.259)			(0.547)
Group (Surplus)/Deficit			401.004			39.352
Surplus or deficit on revaluation of Property, Plant and Equipment assets			(66.236)			(56.259)
Actuarial gains/losses on pension assets/liabilities			215.115			(14.965)
Other gains/losses recognised required			(173.889)			(0.125)
Other Comprehensive Income and Expenditure			(25.010)			(71.349)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			375.994			(31.997)

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.

TABLE 8.4.1(a): ANALYSIS OF MINORITY INTEREST SHARES IN THE GROUP CIES						
DESCRIPTION	2011/12			2012/13		
	Authority	Minority Interest	Total	Authority	Minority Interest	Total
	£m	£m	£m	£m	£m	£m
Group (surplus) / Deficit	401.245	(0.241)	401.004	39.352	-	39.352
Other CIES	(25.017)	0.007	(25.010)	(71.502)	0.153	(71.349)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	376.228	(0.234)	375.994	(32.150)	0.153	(31.997)

Reconciliation of single entity (surplus)/deficit for the year to the Group (surplus)/deficit

TABLE 8.4.1(b): RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT FOR THE YEAR TO THE GROUP SURPLUS/DEFICIT		
DESCRIPTION	2011/12 £m	2012/13 £m
Total (surplus)/deficit on the authority's single entity CIES	353.571	(28.368)
Add (surplus)/deficit arising from group entities:		
Subsidiaries	20.726	(5.145)
Trust Funds	1.697	1.516
Total (surplus)/deficit on the Group CIES	375.994	(31.997)

8.4.2 Group Balance Sheet

The purpose of this statement is explained in section 4.2 of the Council's single entity Statement of Accounts.

TABLE 8.4.2: GROUP BALANCE SHEET			
Description	Notes	Restated 31 March 2012 £m	31 March 2013 £m
Property, Plant & Equipment	8.7.2.1	1,972.202	1,968.970
Heritage Assets		44.489	46.344
Investment Property	8.7.2.2	60.591	66.587
Intangible Assets		2.063	1.781
Assets held for Sale		0.250	-
Long Term Investments		8.475	6.665
Long Term Debtors		52.113	54.349
Long Term Assets		2,140.183	2,144.696
Short Term Investments		48.581	146.268
Intangible Assets		-	0.034
Assets Held for Sale		5.607	6.249
Inventories		3.813	4.016
Short Term Debtors	8.7.2.3	71.392	76.324
Cash and Cash Equivalents	8.7.2.4	138.815	90.467
Current Tax Asset		0.247	0.081
Current Assets		268.455	323.439
Short Term Borrowing		(127.181)	(85.715)
Short Term Creditors	8.7.2.5	(165.687)	(163.432)
Provisions		-	(10.415)
Current Tax Liability		-	(0.003)
Current Liabilities		(292.868)	(259.565)
Long Term Creditors		(15.386)	(13.163)
Provisions		(13.273)	(10.442)
Long Term Borrowing		(637.713)	(701.370)
Other Long Term Liabilities		(81.476)	(81.344)
Capital Grants Receipts in Advance		(7.646)	(4.590)
Deferred Tax Liability		(0.577)	(0.108)
Defined Benefit Pension Scheme		(584.338)	(589.482)
Long Term Liabilities		(1,340.409)	(1,400.499)
NET ASSETS		775.361	808.071
Usable Reserves	8.7.2.6	158.545	195.237
Unusable Reserves	8.7.2.7	616.816	612.834
TOTAL RESERVES		775.361	808.071

8.4.3 Group Movement in Reserves Statement

The purpose of this statement is explained in section 4.3 of the Council's single entity Statement of Accounts.

TABLE 8.4.3(a): GROUP MOVEMENT IN RESERVES STATEMENT 2012/13												
DESCRIPTION (Note)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	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
Balance at 31 March 2012	11.686	105.249	4.594	0.440	15.817	15.700	153.486	638.394	791.880	(17.071)	0.549	775.358
Opening balance restatement (note 8.7.3.1)										(0.116)		(0.116)
Movement in reserves during 2012/13:												
Surplus/(deficit) on the provision of services	8.369	-	9.832	-	-	-	18.201	-	18.201	(57.553)	-	(39.352)
Other CIES	-	-	-	-	-	-	-	64.260	64.260	7.242	(0.153)	71.349
Total CIES (Table 8.4.1)	8.369	-	9.832	-	-	-	18.201	64.260	82.461	(50.311)	(0.153)	31.997
Adjustments between group accounts and authority accounts (Note 8.7.3.2(a))	(54.093)	-	-	-	-	-	(54.093)	-	(54.093)	54.531	-	0.438
Net Increase/Decrease before Transfers	(45.724)	-	9.832	-	-	-	(35.892)	64.260	28.368	4.220	(0.153)	32.435
Adjustments between accounting basis and funding basis under regulations	61.247	-	(9.396)	8.863	12.190	3.525	76.429	(76.429)	-	0.394	-	0.394
Net Increase/Decrease before Transfers to Earmarked Reserves	15.523	-	0.436	8.863	12.190	3.525	40.537	(12.169)	28.368	4.614	(0.153)	32.829
Transfers to/from Earmarked Reserves	(13.407)	13.407	-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year	2.116	13.407	0.436	8.863	12.190	3.525	40.537	(12.169)	28.368	4.614	(0.153)	32.829
BALANCE AT 31 MARCH 2013	13.802	118.656	5.030	9.303	28.007	19.225	194.023	626.225	820.248	(12.573)	0.396	808.071

TABLE 8.4.3(b): GROUP MOVEMENT IN RESERVES STATEMENT 2011/12

DESCRIPTION (Note)	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	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
Balance at 31 March 2011	8.604	102.979	5.171	1.015	13.397	22.088	153.254	992.200	1,145.454	12.517	0.699	1,158.670
Opening balance restatement (note 8.7.3.1)										(5.989)	(0.384)	(6.373)
Movement in reserves during 2011/12:												
Surplus/(deficit) on the provision of services	(177.960)	-	4.638	-	-	-	(173.322)	-	(173.322)	(227.923)	0.241	(401.004)
Other CIES		0.047	-	-	-	-	0.047	(121.828)	(121.781)	146.798	(0.007)	25.010
Total CIES (Table 8.4.1)	(177.960)	0.047	4.638	-	-	-	(173.275)	(121.828)	(295.103)	(81.125)	0.234	(375.994)
Adjustments between group accounts and authority accounts (Note 8.7.3.2(a))	(58.468)	-	-	-	-	-	(58.468)	-	(58.468)	57.174	-	(1.294)
Net Increase/Decrease before Transfers	(236.428)	0.047	4.638	-	-	-	(231.743)	(121.828)	(353.571)	(23.951)	0.234	(377.288)
Adjustments between accounting basis and funding basis under regulations	241.733	-	(5.215)	(0.575)	2.420	(6.388)	231.975	(231.975)	-	0.352	-	0.352
Net Increase/Decrease before Transfers to Earmarked Reserves	5.305	0.047	(0.577)	(0.575)	2.420	(6.388)	0.232	(353.803)	(353.571)	(23.599)	0.234	(376.936)
Transfers to/from Earmarked Reserves	(2.223)	2.223	-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year	3.082	2.270	(0.577)	(0.575)	2.420	(6.388)	0.232	(353.803)	(353.571)	(23.599)	0.234	(376.936)
BALANCE AT 31 MARCH 2012	11.686	105.249	4.594	0.440	15.817	15.700	153.486	638.397	791.883	(17.071)	0.549	775.361

8.4.4 Group Cash Flow Statement

The purpose of this statement is explained in section 4.4 of the Council's single entity Statement of Accounts.

TABLE 8.4.4: GROUP CASH FLOW			
DESCRIPTION	Notes	2011/12 £m	2012/13 £m
Net (Surplus)/Deficit on the provision of Services		(410.193)	(39.899)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		491.032	214.350
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(194.166)	(78.816)
Net Cash Flows from Operating Activities	8.7.4.1	(113.327)	95.635
Investing Activities:			
Share subscription - obtaining control of subsidiary		211.572	-
Other investing activities		(256.338)	(151.934)
Total investing activities	8.7.4.2	(44.766)	(151.934)
Financing activities	8.7.4.3	199.019	7.951
Net Increase or Decrease in Cash and Cash Equivalents		40.926	(48.348)
Cash and cash equivalents at the beginning of the reporting period		97.889	138.815
CASH AND CASH EQUIVALENTS AT 31 MARCH		138.815	90.467

Notes to the Group Financial Statements

8.5 Details of subsidiaries, jointly controlled entities and trust funds included in the group accounts

8.5.1 Subsidiaries:

Arrow Light Rail Ltd (Registered Company Number: 03942516)

Nature of Business

On 15 December 2011 the Council purchased Arrow Light Rail Ltd, the Special Purpose Vehicle for NET Line One. As soon as Arrow Light Rail was purchased, notice was served to terminate the NET Line One concession and the new concession agreement was granted to Tramlink to design, build, finance and operate NET Phase Two, while operating and maintaining Line One. This acquisition was determined to provide the best value to the Council in exiting the existing arrangements and allowing a timely transition of assets to the new concessionaire.

Arrow Light Rail ceased trading immediately after acquisition and will be wound up as soon as is practically possible.

Relationship with the Council

The Council is the ultimate controlling party of Arrow Light Rail Ltd, owning 100% of the issued share capital.

Accounts

Copies of the accounts of Arrow Light Rail Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

Arrow Light Rail Ltd's financial year end date is 31 December. An additional set of unaudited accounts for Arrow Light Rail Ltd for the period 1 April 2012 to 31 March 2013 have been produced for consolidation within the Council's 2012/13 Group Accounts.

Enviroenergy Limited (Registered Company Number: 4131345)

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

The Council is the ultimate controlling party of Enviroenergy Ltd, owning 100% of the issued share capital. The Council acquired the business and associated assets of the company on 28 June 2001.

Accounts

Copies of the accounts of Enviroenergy Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2012/13 group accounts are audited.

Nottingham City Homes Limited (Registered Company Number: 05292636)

Nature of the business

The principal activities of the company are to act as the managing agent of Council's housing stock, and to provide a repairs and maintenance service to the landlord in respect of these properties.

Relationship with the Council

The company is incorporated as a private company limited by guarantee under the Companies Act 1985. As such it has no share capital. The company's sole member is the Council.

Accounts

Copies of the accounts of Nottingham City Homes Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2012/13 group accounts are audited.

Nottingham City Transport Limited (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 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 pari passu 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.

Accounts

Copies of the accounts of Nottingham City Transport Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2012/13 group accounts are audited.

Nottingham Ice Centre (Registered Company Number: 3563341)

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

The Council is the ultimate controlling party of Nottingham Ice Centre Ltd, owning 100% of the issued share capital.

Accounts

Copies of the accounts of Nottingham Ice Centre Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2012/13 group accounts are audited.

8.5.2 Jointly Controlled Entity:

Nottingham and Nottinghamshire Futures Ltd (Registered Company Number: 04172770)

Nature of the business

Nottingham and Nottinghamshire Futures 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 by the Council and Nottinghamshire County Council.

Accounts

Copies of the accounts of Nottingham and Nottinghamshire Futures Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Council's share of Future's accumulated liability as at 31 March 2013 has not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Audit Opinion

The accounts used to produce the 2012/13 group accounts are audited.

8.5.3 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.
- 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.

It was established in 1945 that Bridge Estate was, and had from the beginning been, a charity. Consequently, the property of the Estate and the Council as Trustee are subject to the law affecting charitable trusts, the jurisdiction of the Charity Commissioners and the provisions of the Charities Act 1960.

Relationship with the Council

Bridge Estate is a charity of which the Council is sole trustee. The trustees are members of the Council. Since May 2011 Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee. Until May 2011 the Executive Board of the Council met to make recommendations on the management of the charity in their capacity as trustees. Since May 2011 the responsibility for making recommendations on the management of the charity has been delegated to the Trusts and Charities Committee.

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 Financial Reporting, Resources, Loxley House, Station Street, Nottingham, NG2 3NG.

Audit Opinion

The accounts used to produce the 2012/13 group accounts are audited.

8.6 Details of associates, jointly controlled entities and trust funds not included in the group accounts

The Council has considered its relationship with the following associates, jointly controlled entities and trust funds. These organisations have been excluded from the group accounts on the basis of risk and materiality.

8.6.1 Associates:

Nottingham Regeneration Ltd (Registered Company Number: 3665996)

Nature of the company

The principal activity of Nottingham Regeneration Ltd is that of securing the overall economic social and environmental regeneration of the City of Nottingham, the greater Nottingham area and beyond.

Relationship with the Council

A partnership between the Council and the Homes and Communities Agency.

Ticketing Network East Midlands Ltd (Registered Company Number: 06623526)

Nature of the company

The founding members of Ticketing Network East Midlands Ltd (TNEM) are Lakeside Arts Centre, Nottingham Theatre Royal and Royal Concert Hall (part of the Council), 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.

TNEM offers an improved and more reliable customer service to ticket buyers in the East Midlands and beyond. By working together it will jointly promote the world-class entertainment on offer in Nottingham, give more understanding about what customers want and allow the organisations to work more cost effectively.

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.

8.6.2 Jointly Controlled Entities:

emPSN Services Ltd – formerly EMBC Procurement Ltd (Registered Company Number: 5882746)

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.

Inspired Spaces Nottingham Ltd - Local Education Partnership (Registered Company Number: 6506329)

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 Amber Investments and 80% is held by Carillion.

8.6.3 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 terms of the scheme the Council was stated to be the owner of Bilborough Park and used its statutory powers

to set aside part of the land for use as a stadium. Construction of the stadium began in 1955 with completion in 1960/61. The entire legacy of Harvey Hadden funded part of the cost of construction. Therefore, it follows that the land on which the stadium is built is subject to the Council's obligation to make it available for the use of the stadium charity.

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.

Relationship with the Council

Harvey Hadden Stadium Trust is a charity of which the Council is sole trustee. The trustees are members of the Council. Since May 2011 Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee. Until May 2011 the Executive Board of the Council met to make recommendations on the management of the charity in their capacity as trustees. Since May 2011 the responsibility for making recommendations on the management of the charity has been delegated to the Trusts and Charities Committee.

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 land conveyed to the Council was, for the most part, laid out as a park. The land lies to the south of the University and to the north of the railway. It is divided along the east-west axis by University Boulevard.

To the north of University Boulevard is a large boating lake with lakeside walks, formal gardens and fine turf sports facilities including putting, bowls and croquet greens. Plantations of rhododendrons and mature trees provide a unique natural backdrop to enhance the park setting. To the south of University Boulevard are playing fields, for winter and summer outdoor sports, running track and tennis courts together with an indoor tennis centre.

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. The trustees are members of the Council. Since May 2011 Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee. Until May 2011 the Executive Board of the Council met to make recommendations on the management of the charity in their capacity as trustees. Since May 2011 the responsibility for making recommendations on the management of the charity has been delegated to the Trusts and Charities Committee.

All transactions relating to Highfields Leisure Park Trust are subject to the same financial regulations and procedures as those relating to the Council.

8.7 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.

8.7.1 Group Comprehensive Income and Expenditure Statement Notes

8.7.1.1 Financing and Investment Income and Expenditure

TABLE 8.7.1.1: FINANCING AND INVESTMENT INCOME AND EXPENDITURE		
DESCRIPTION	2011/12 £m	2012/13 £m
Interest payable and similar charges	103.349	32.596
Pensions interest cost and expected return on pensions assets	9.702	17.328
Interest receivable and similar income	(3.295)	(0.392)
Income and expenditure in relation to investment properties and changes in their fair value	1.729	1.535
Other investment income and expenditure	1.730	(6.209)
TOTAL	113.215	44.858

8.7.2 Group Balance Sheet Notes

8.7.2.1 Property, Plant and Equipment

TABLE 8.7.2.1(a): PROPERTY, PLANT AND EQUIPMENT (PPE) 2012/13									
DESCRIPTION	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total PPE £m	PFI Assets included in PPE £m
Cost or Valuation									
Opening Balance at 1 April	562.651	953.830	169.531	394.861	26.413	18.100	40.901	2,166.287	67.514
Additions	34.631	20.260	16.878	11.574	1.489	5.135	22.140	112.107	(0.008)
Additions - PFI	-	-	-	8.944	-	-	-	8.944	8.944
Donations	5.917	-	-	-	-	-	-	5.917	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(20.113)	18.322	-	-	-	(7.557)	-	(9.348)	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(6.367)	(0.307)	-	-	-	(0.440)	-	(7.114)	-
Derecognition - disposals	-	-	(2.790)	-	-	(3.066)	-	(5.856)	-
Derecognition - other	(2.877)	(27.495)	(0.155)	(12.687)	-	(1.615)	(0.019)	(44.848)	-
Assets reclassified (to)/from Held for Sale	(2.971)	(0.267)	0.019	-	-	(1.135)	-	(4.354)	-
Other movements in cost or valuation	(8.808)	(29.570)	3.793	-	-	21.032	13.553	-	-
Other movements PFI Creditor	-	-	-	-	-	-	-	-	-
CLOSING BALANCE AT 31 MARCH	562.063	934.773	187.276	402.692	27.902	30.454	76.575	2,221.735	76.450

TABLE 8.7.2.1(b): PROPERTY, PLANT AND EQUIPMENT (PPE) - DEPRECIATION AND IMPAIRMENT MOVEMENTS 2012/13

DESCRIPTION	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total PPE £m	PFI Assets included in PPE £m
Accumulated Depreciation and Impairment									
Opening Balance at 1 April	0.000	(26.113)	(63.472)	(98.628)	(4.601)	(1.271)	-	(194.085)	(1.956)
Depreciation charge	(25.655)	(26.050)	(18.190)	(15.205)	(0.837)	(0.732)	-	(86.669)	(2.828)
Depreciation written out to the Revaluation Reserve	25.068	7.820	-	-	-	1.286	-	34.174	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	(0.030)	0.129	-	-	-	0.045	-	0.144	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	(5.862)	31.922	-	-	-	3.498	-	29.558	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	5.674	(44.876)	(1.120)	-	-	(7.322)	-	(47.644)	-
Derecognition - disposals	-	-	2.527	-	-	-	-	2.527	-
Derecognition - other	-	2.841	0.151	6.097	-	0.015	-	9.104	-
Other movements in depreciation and impairment	0.617	7.674	-	-	-	(4.156)	(4.009)	0.126	-
CLOSING BALANCE AT 31 MARCH	(0.188)	(46.653)	(80.104)	(107.736)	(5.438)	(8.637)	(4.009)	(252.765)	(4.784)
Net Book Value									
At 31 March 2012	562.651	927.717	106.059	296.233	21.812	16.829	40.901	1,972.202	65.558
At 31 March 2013	561.875	888.120	107.172	294.956	22.464	21.817	72.566	1,968.970	71.666

TABLE 8.7.2.1(c): PROPERTY, PLANT AND EQUIPMENT (PPE) 2011/12

DESCRIPTION	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total PPE £m	PFI Assets included in PPE £m
	£m	£m	£m	£m	£m	£m	£m		
Cost or Valuation									
Opening Balance at 1 April	594.299	910.401	164.539	355.639	25.103	32.819	154.785	2,237.585	189.025
Additions	53.565	28.304	40.672	13.816	1.310	1.027	29.167	167.861	0.004
Additions - PFI	-	13.328	6.875	31.641	-	-	-	51.844	(72.947)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(23.941)	48.405	0.254	-	-	(2.753)	-	21.965	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(51.394)	(86.516)	(1.665)	(5.971)	-	(0.398)	-	(145.944)	(15.360)
Derecognition - disposals	-	(97.415)	(7.618)	-	-	(7.371)	-	(112.404)	-
Derecognition - other	(5.825)	(2.655)	(33.527)	-	-	(0.202)	(0.181)	(42.390)	(33.628)
Assets reclassified (to)/from Held for Sale	(1.966)	(0.424)	-	-	-	(4.866)	-	(7.256)	-
Other movements in cost or valuation	(2.087)	140.402	0.001	(0.264)	-	(0.156)	(142.870)	(4.974)	0.420
Other movements PFI Creditor	-	-	-	-	-	-	-	-	-
CLOSING BALANCE AT 31 MARCH	562.651	953.830	169.531	394.861	26.413	18.100	40.901	2,166.287	67.514

TABLE 8.7.2.1(d): PROPERTY, PLANT AND EQUIPMENT (PPE) - DEPRECIATION AND IMPAIRMENT MOVEMENTS 2011/12

DESCRIPTION	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total PPE £m	PFI Assets included in PPE £m
Accumulated Depreciation and Impairment									
Opening Balance at 1 April	-	(16.940)	(61.216)	(85.419)	(3.818)	(2.884)	-	(170.277)	(32.011)
Depreciation charge	(25.275)	(23.600)	(16.317)	(13.209)	(0.783)	(0.752)	-	(79.936)	(6.150)
Depreciation written out to the Revaluation Reserve	24.851	11.554	(0.060)	-	-	0.449	-	36.794	1.603
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	3.797	-	-	-	2.157	-	5.954	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(3.979)	-	-	-	(0.331)	-	(4.310)	-
Derecognition - disposals	-	2.637	6.543	-	-	0.038	-	9.218	-
Derecognition - other	0.252	0.050	7.578	-	-	0.020	-	7.900	7.578
Other movements in depreciation and impairment	0.172	0.368	-	-	-	0.032	-	0.572	27.024
CLOSING BALANCE AT 31 MARCH	0.000	(26.113)	(63.472)	(98.628)	(4.601)	(1.271)	-	(194.085)	(1.956)
Net Book Value									
At 31 March 2011	594.299	893.461	103.323	270.220	21.285	29.935	154.774	2,067.297	157.014
At 31 March 2012	562.651	927.717	106.059	296.233	21.812	16.829	40.901	1,972.202	65.558

8.7.2.2 Investment Properties

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

TABLE 8.7.2.2(a): FAIR VALUE OF INVESTMENT PROPERTIES		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Rental income from investment property	4.808	4.430
Direct operating expenses arising from investment property	(0.722)	(0.785)
NET GAIN/(LOSS)	4.086	3.645

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

TABLE 8.7.2.2(b): FAIR VALUE OF INVESTMENT PROPERTIES		
DESCRIPTION	2011/12 £m	2012/13 £m
Opening Balance At 1 April	68.414	60.591
Additions:	0.001	8.604
Disposals	(0.233)	(0.431)
Net gains/losses from fair value adjustments	(12.188)	(2.177)
Transfers to / from Property Plant and Equipment	4.597	-
CLOSING BALANCE AT 31 MARCH	60.591	66.587

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.

8.7.2.3 Short Term Debtors

TABLE 8.7.2.3: SHORT TERM DEBTORS		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Central government bodies	18.814	13.511
Other local authorities	(0.453)	2.913
NHS bodies	0.113	0.005
Other entities and individuals	52.918	59.895
TOTAL	71.392	76.324

8.7.2.4 Cash and Cash Equivalents

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

TABLE 8.7.2.4: CASH AND CASH EQUIVALENTS		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Cash held by the Authority / Group Organisation	0.331	0.317
Bank current accounts	6.320	7.003
Short-term deposits with banks and building societies	132.164	83.147
TOTAL CASH AND CASH EQUIVALENTS	138.815	90.467

8.7.2.5 Short Term Creditors

TABLE 8.7.2.5: SHORT TERM CREDITORS		
DESCRIPTION	Restated 31 March 2012 £m	31 March 2013 £m
Central government bodies	(36.094)	(28.270)
Other local authorities	(0.608)	(4.661)
NHS bodies	(0.236)	(0.121)
Other entities and individuals	(128.749)	(130.380)
TOTAL	(165.687)	(163.432)

8.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the MIRS.

8.7.2.7 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.

TABLE 8.7.2.7(a): UNUSABLE RESERVES		
DESCRIPTION	31 March 2012 £m	31 March 2013 £m
Revaluation Reserve	273.978	319.783
Capital Adjustment Account	933.790	885.701
Financial Instruments Adjustment Account	(7.902)	(7.530)
Pensions Reserve	(588.941)	(588.226)
Deferred Capital Receipts Reserve	4.058	3.985
Collection Fund Adjustment Account	0.112	1.419
Accumulated Absences Account	(6.029)	(5.577)
Available For Sale Financial Instruments Reserve	-	0.046
Profit and Loss and Other Reserves of Group Entities	7.202	2.837
Minority Interest - Equity	0.548	0.396
TOTAL	616.816	612.834

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group 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, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

TABLE 8.7.2.7(b): REVALUATION RESERVE		
DESCRIPTION	2011/12 £m	2012/13 £m
Opening Balance at 1 April	222.064	273.978
Upward revaluation of assets	85.015	93.003
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(20.498)	(38.439)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	64.517	54.564
Difference between fair value depreciation and historical cost depreciation	(3.508)	(6.952)
Accumulated gains on assets sold or scrapped	(6.524)	(1.807)
Asset reclassifications	(2.571)	-
Amount written off to the Capital Adjustment Account	(12.603)	(8.759)
CLOSING BALANCE AT 31 MARCH	273.978	319.783

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation. Impairment losses and amortisations are charged to the 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 as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Group. The account also contains revaluation gains accumulated on PPE before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

TABLE 8.7.2.7(c): CAPITAL ADJUSTMENT ACCOUNT		
DESCRIPTION	2011/12 £m	2012/13 £m
Opening Balance at 1 April	1,144.421	933.790
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Amortisation of intangible assets	(0.537)	(0.502)
Charges for depreciation of non-current assets	(75.525)	(81.384)
Charges for impairment of non-current assets	(4.310)	(9.023)
Revaluation losses on Property, Plant and Equipment	(144.516)	(42.083)
Donated Assets	-	5.917
Movements in the market value of Investment Properties	(10.449)	(0.499)
Revenue expenditure funded from capital under statute (REFCUS)	(9.405)	(12.696)
REFCUS expenditure funded by grants	8.030	9.876
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(141.274)	(45.550)
Charges for Impairment of investment in subsidiary	(30.261)	(0.195)
Adjusting amounts written out of the Revaluation Reserve	12.603	8.783
	(395.644)	(167.356)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	5.369	4.696
Use of the Major Repairs Reserve to finance new capital expenditure	14.653	15.466
Application of grants to capital financing from the Capital Grants Unapplied Account	59.033	58.244
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	84.182	13.757
Voluntary set aside of capital receipts for debt redemption	5.753	17.226
Capital expenditure charged against the General Fund and HRA balances	13.937	10.534
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Bulwell LIFT	3.159	-
Principal Repayment of Capital Loans	(1.073)	(0.656)
	185.013	119.267
CLOSING BALANCE AT 31 MARCH	933.790	885.701

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, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are made to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

DESCRIPTION	2011/12 £m	2012/13 £m
Opening Balance at 1 April	(365.076)	(588.941)
Actuarial gains or (losses) on pensions assets and liabilities	(214.977)	18.088
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(38.708)	(45.211)
Employer's pensions contributions and direct payments to the pensioners payable in the year	29.820	27.838
CLOSING BALANCE AT 31 MARCH	(588.941)	(588.226)

8.7.3 Group Movement in Reserves Statement Notes

8.7.3.1 Opening Balance Restatement

Enviroenergy Ltd's 2011/12 final audited accounts were adjusted by non-material amounts from those figures included within the 2011/12 Group accounts. The balance of reserves at 31 March 2012 was affected, therefore an opening balance adjustment has been included within the MIRS.

8.7.3.2 Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

TABLE 8.7.3.2(a): ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS IN THE GROUP MIRS 2012/13				
DESCRIPTION	General Fund Balance	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(64.857)	(64.857)	64.857	-
Grants and provisions for subsidiaries	(0.224)	(0.224)	0.224	-
Receipts in relation to goods and services provided to subsidiaries	8.499	8.499	(8.499)	-
Interest and investment income from/to subsidiaries	1.005	1.005	(1.005)	-
Contributions from subsidiaries	1.484	1.484	(1.484)	-
Other movements	-	-	0.438	0.438
TOTAL ADJUSTMENTS	(54.093)	(54.093)	54.531	0.438

TABLE 8.7.3.2(b): ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS IN THE GROUP MIRS 2011/12				
DESCRIPTION	General Fund Balance	Total Authority Reserves	Authority's Share of Group Reserves	Total Reserves
	£m	£m	£m	£m
Payments in relation to goods and services from subsidiaries	(67.677)	(67.677)	67.677	-
Grants and provisions for subsidiaries	(0.101)	(0.101)	0.101	-
Receipts in relation to goods and services provided to subsidiaries	8.032	8.032	(8.032)	-
Interest and investment income from/to subsidiaries	0.003	0.003	(0.003)	-
Contributions from subsidiaries	1.275	1.275	(1.275)	-
Other movements	-	-	(1.294)	(1.294)
TOTAL ADJUSTMENTS	(58.468)	(58.468)	57.174	(1.294)

8.7.4 Group Cash Flow Notes

8.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

TABLE 8.7.4.1: OPERATING ACTIVITIES		
DESCRIPTION	2011/12 £m	2012/13 £m
Interest received	16.687	7.748
Interest paid	(107.891)	(28.327)
Surplus received from discontinued operations	3.927	-
Dividends received	0.500	0.500
Dividends paid	(0.814)	(0.814)
Taxation	0.024	(0.120)

8.7.4.2 Investing Activities

TABLE 8.7.4.2: OTHER INVESTING ACTIVITIES		
DESCRIPTION	2011/12 £m	2012/13 £m
Purchase of property, plant and equipment, investment property and intangible assets	(202.610)	(126.411)
Purchase of short-term and long-term investments	(236.558)	(95.563)
Other payments for investing activities	(1.428)	(4.064)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	13.357	10.502
Proceeds from short-term and long-term investments	79.594	-
Other receipts from investing activities	91.307	63.602
NET CASH FLOWS FROM INVESTING ACTIVITIES	(256.338)	(151.934)

8.7.4.3 Financing Activities

TABLE 8.7.4.3: FINANCING ACTIVITIES		
DESCRIPTION	2011/12 £m	2012/13 £m
Cash receipts of short and long-term borrowing	319.233	142.673
Other receipts from financing activities	30.310	0.270
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(12.267)	(7.492)
Repayments of short and long-term borrowing	(132.231)	(117.346)
Other payments for financing activities	(6.026)	(10.154)
NET CASH FLOWS FROM FINANCING ACTIVITIES	199.019	7.951

Auditors' Report to Nottingham City Council

9. AUDITOR'S REPORT FOR NOTTINGHAM CITY COUNCIL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM CITY COUNCIL

We have audited the financial statements of Nottingham City Council for the year ended 31 March 2013 on pages 20 to 159. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2013 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

CONCLUSION ON NOTTINGHAM CITY COUNCIL'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Nottingham City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

CERTIFICATE

We certify that we have completed the audit of the financial statements of Nottingham City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Sue Sunderland
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ
27 September 2013

Abbreviations/ Glossary

10. ABBREVIATIONS/GLOSSARY

10.1 Abbreviations

BID	-	Business Improvement District
BSF	-	Building Schools for the Future
CIES	-	Comprehensive Income and Expenditure Statement
CRCs	-	Carbon Reduction Credits
DSG	-	Dedicated Schools Grant
EMSS	-	East Midlands Shared Services
HRA	-	Housing Revenue Account
IAS	-	International Accounting Standard
ICES	-	Integrated Community Equipment Services
IFRS	-	International Financial Reporting Standards
ISB	-	Individual Schools Budget
LIFT	-	Local Improvement Finance Trust
LCC	-	Leicestershire County Council
MIRS	-	Movement in Reserves Statement
MTFO	-	Medium Term Financial Outlook
MTFP	-	Medium Term Financial Plan
NCC	-	Nottingham City Council
NET	-	Nottingham Express Transit
NNDR	-	National Non-Domestic Rates
PFI	-	Private Finance Initiative
PPE	-	Property Plant and Equipment
PWLB	-	Public Works Loan Board
REFCUS-	-	Revenue Expenditure Financed from Capital Under Statute
RSG	-	Revenue Support Grant

10.2 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

The changes in the net pension's **liability** that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.

Agency Services

Services that are performed by or for another Council or public body, where the Council responsible for the service reimburses the Council carrying out the work 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.

Audit Commission

Independent body with the responsibility of appointing **external auditors** to local authorities.

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 **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 an acquisition or enhancement of fixed **assets**. Enhancement would include increases in value, lengthening the life of the **asset** or increasing the usage of the **asset**.

Capital Financing Requirement

An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account and Fixed Asset Restatement Account. The sum represents the “underlying” need to borrow of the Council. The Council is required to make an annual provision of 4% of this amount 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 that is 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 historical buildings.

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.

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.)

Corporate and Democratic Core

Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

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 home.

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, like 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.

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

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

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 the **Audit Commission** 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 it could be exchanged in an arms length transaction.

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. Asset 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 financial position of the Council and all organisations in which it has an interest.

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/or buildings which is held for its investment potential.

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.

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 statutory minimum amount that authorities must set aside each year as provision for debt repayment based on 4% of the Capital Financing Requirement

National Non-Domestic Rates

The means by which local businesses contribute to the cost of providing local authority services. All Non-Domestic Rates are paid into a central pool and then divided between all authorities depending on the number of residents each authority has.

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, industrial units and assets used by other organisations in order to provide services on the Council's behalf. 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 local authority'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 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 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 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 can be deemed capital expenditure under Statute but does not result in an **asset** for the Council (e.g. Housing improvement grants). Such 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 is given statutory force in England by regulations under the Local Government Act 2011.

Specific Grant

Government financial support for a specific purpose or service that can not be spent on anything else.

Stocks

Comprise the following categories; 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 in a commercial style and environment, providing 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

Work in progress is 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.