

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

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CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

REFERENCE AND ADMINISTRATIVE DETAILS OF THE SOCIETY, ITS TRUSTEES AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2020

| | |
|----------------------------------|--|
| Members & Trustees | Peter Gaw, Member & Trustee, CEO & Librarian Kirsty Blyth, Member John Cottee, Chair of Trustees Sarah King, Co-opted trustee Tim Eatherington, Co-opted trustee (resigned 25 February 2020) Peter Ware, Co-opted trustee Liz Howell, Co-opted trustee John Hess, Community trustee Richard Gaunt, Community trustee (resigned 17 October 2019) Glynn Gilfoyle, Nominated by Nottinghamshire County Council trustee Philip Jones, Community trustee (resigned 17 October 2019) Claire Henson, Community trustee Liz Edwards, Staff representative trustee Carol Hanley, Community (appointed 17 October 2019) Margot Madin, Co-opted trustee (appointed 16 April 2020) Emma Maraio, Community trustee (appointed 17 October 2019) |
| Society registered number | RS007139 |
| Principal office | Inspire Head Quarters Glaisdale Parkway Nottingham NG8 4GP |
| Independent auditors | Smith Cooper Audit Limited Chartered Accountants and Statutory Auditors 2 Lace Market Square Nottingham NG1 1PB |
| Bankers | Barclays Bank plc 2 High Street Nottingham NG1 2EN |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2020

The chairman presents his statement for the year.

This annual report outlines a successful fourth full year of operations for Inspire consolidating its self as an effective organisation, delivering its contractual obligations to the full and being creative and innovative in its approach to inspiring Nottinghamshire people and communities to read, learn and enjoy culture.

Following the introduction of a new financial management system, a new learning management system and a new human resources system in the previous year, our priority aim to be a more effective and efficient organisation has seen great progress. Our internal ability to manage our financial processes, recruitment, staff management, payroll and data have all developed well over the last year.

I'm also pleased to report that against the main contracts delivered by Inspire we have again continued to fulfil and in some areas surpassed performance.

Inspire has maintained its high levels of customer services and will renew its long standing CSE (Customer Service Excellence) and MATRIX awards during 2020/21 which were delayed due to Covid 19. We were also nominated and shortlisted for 2 TES Awards for best adult learner provider and most improved GCSE results.

Our compliance with a range of legal requirements has been supported by the board and through specialist post holders and advisors.

The board is fully committed to the sustainable development of Inspire as a key provider of culture and learning, offering real benefits to individuals, families, communities and schools. The 2 sector committees established in 2017 (learning and skills and music, culture and heritage) have added significant value to the governance of the Society. During 2020/21 we will establish a business development committee to steer the future of the Society. Work to further engage with the Inspire membership (now over 69,000) through the launch of a new Community Makers programme scheduled for April 2020, but due to Covid 19 will be launched in Spring 2021.

Worksop library is one our strategic libraries offering a large range of services. Due to a devastating flood in November 2019, it has been closed during the whole of 2020. The quick response of staff from across Inspire to save the book stock and to open a temporary library directly leased by Inspire is worthy of special note and thanks.

In 2018 Inspire became a National Portfolio Organisation of the Arts Council England and receives regular funding between April 2018 – March 2022 to deliver a range of new cultural programmes for children and young people across Nottinghamshire. We have completed a successful third year of delivery engaging with over 11,055 people and delivering 664 events. Due to Covid the funding programme has been extended until March 2023.

Due to the Covid 19 emergency we ended 2019/20 by closing all our buildings and ceasing the majority of our face to face services due to a nation-wide lock down. Inspire teams quickly facilitated building closure and enabled many staff to work from home. The rapid enabling and development of a range of virtual services was substantial and enabled many service users to still access reading, music, arts, heritage, learning and skills. Inspire continued to provide its information service, the council's records management service and facilitate the completion of accredited courses within the constraints of the lock down.

Sadly our fourth annual 'Inspire Awards' scheme was cancelled due to Covid19. An award scheme covering our fourth and fifth years will be launched in March 2021.

Financially we have continued to work hard to manage our resources effectively, achieving a surplus of £465k (prior to pension accounting adjustments) and gaining additional funding through bidding and partnering with several organisations and funders. This £465k surplus represents a deficit for the year of £1,772k as reported in the Statement of Financial Activities net of LGPS pension scheme adjustments of £2,237k - see note 22.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

**CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Our published annual review will this year be produced digitally and can be found on our web site. We have listed some of the highlights of a successful year by getting our customers and learners to talk about the benefits of Inspire services for them. Our web site also provides a comprehensive news archive, outlining all developments, projects and programmes over the last 4 years and is a great way of find out more about the range of work and impact Inspire is making.

John Cottee

Chairman

Date:



15/10/2020

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Trustees present their annual report together with the audited financial statements of the Society for the year 1 April 2019 to 31 March 2020. The Trustees confirm that the annual report and financial statements of the Society (registered society number: RS007139) comply with the Co operative and Community Benefit Societies Act 2014, the requirements of the Society's governing document and Articles of Association and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to entities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

Objectives, Activities and Financial Review

a. Policies and objectives

Our mission is to Inspire people to read, learn and enjoy culture. Our objects as a Society are:

For the benefit of the public of the Midlands

- (a) the provision or assistance in the provision of facilities for recreation or other leisure time occupation in the interest of social welfare and with the object of improving the conditions of life for the public at large and for persons who by youth, age, infirmity or disablement poverty or social or economic circumstances may have need for such facilities;
- (b) to advance the education of people who live work or study in or who visit the area of benefit including, without limitation, through:
 - (i) the provision of advice on the services and amenities available to them in the area of benefit;
 - (ii) the provision of an archive service including the collection and preservation of documents and other records related to the area of benefit;
 - (iii) the promotion of the arts, music, reading, heritage and culture;
 - (iv) the provision or assistance in the provision of lending and reference library services either free or at reasonable charge;
 - (v) the provision or assistance in the provision of cultural resources (including but not limited to music and curriculum support) to schools and educational institutions either free or at a reasonable charge;
 - (vi) the provision and promotion of education and lifelong learning for adults and families;
 - (vii) the provision and promotion of training and skills development and schemes for young people whereby such young people may receive training for employment.

In setting its objectives above, the Trustees have given consideration to the guidance on public benefit published by the Charity Commission.

b. Review of activities

The Society in its second year adopted a four-year forward plan to ensure the organisation can meet its contractual obligations and maintain a sustainable financial basis. Customer satisfaction continues to be high, with considerable positive feedback from service users, accreditation bodies and stakeholders.

For detailed information about the activity of the Society a comprehensive news archive is maintained online at www.inspireculture.ork.uk/whats-on/news/.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Objectives, Activities and Financial Review (continued)

c. Going concern

After making appropriate enquiries and given the performance of the Society in 2019/20 and the level of reserves as at 31 March 2020, the Members have a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

d. Financial risk management objectives and policies

Inspire has a set of financial regulations approved by the main board and reviewed by the finance and audit committee. The current financial regulations can be found at <https://www.inspireculture.org.uk/about-us/governance/documentation/> These include procurement and reserve policies.

A budget is set and approved by the board in February each year, following agreement with the County Council regarding the annual contract sum agreement reached by the preceding December.

An activity based budget planning approach commences in December with current budget holders, establishing where savings, costs and budget pressures are likely to emerge.

Regular monitoring is undertaken by each budget manager, providing updates on the forecast annual outcome. The Inspire leadership team review finance on a monthly basis to share the current organisational finance position and review levels of income and expenditure. Regular financial reports are provided to the main board, the finance and audit subcommittee and to the Council at quarterly contract meetings.

The Chief Executive Officer and Chief Financial Officer (CFO) meet on a regular basis to review the current position and emerging issues. The CFO has a small team of qualified accountants and technicians to ensure financial management is good.

Inspire will file its annual report and accounts under the Charities SORP to the Financial Conduct Authority (FCA). The Society is externally audited annually by the accounting firm Smith Cooper Audit Limited.

The leadership team maintain two live logs, one covering risks for the organisation and the other covering its compliance. These are reviewed monthly and reported to the quarterly main board meetings.

The Risk Register and Issues Log identifies key risks which Inspire faces in meeting its goals including a relative rating score of these risks and accompanying list of management actions which the board and the leadership team will take to reduce to an acceptable level.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Objectives, Activities and Financial Review (continued)

e. Principal risks and uncertainties

Areas of risk and volatility

The range of unfunded inflationary and statutory requirements are difficult to accurately forecast. Financial planning is based on reasonable assumptions around these pressures. Income from schools and from fees and charges has been under pressure for several years and is volatile to broader changes in the economy. The post-Brexit position in relation to ESFA funded learning is unclear, as some elements currently rely on EU funding programmes. The impact of the Covid 19 pandemic on the service delivery models, income sources and customer demand is unclear but is likely to be far reaching, long term and difficult to forecast.

Governance

A Finance and Audit Committee (FAC) was established during 2016 and has a range of delegated responsibilities from the main board to ensure the good financial management and position of the Society. The committee supports the Chief Financial Officer in developing strong and sustainable finances, provides financial scrutiny and ensures good financial management for the organisation.

Reliance on public funding

Inspire acknowledges that its reliance on public funding is a challenge to its long term sustainability as the landscape for the public finances remains very challenging. Even standstill budgets represent a real term reduction in spending power as price and wage inflation have a year on year impact. The contract price with the County Council is an annual negotiation. The contract price has declined £343k since 2017. Income from the public, and especially schools is under pressure as households' and schools' discretionary spend is squeezed. In addition to this Covid19 lockdown has created new challenges to be faced with income reducing and future public funding anticipated to be constrained.

Inspire's response is to continue to drive down costs and become more effective and efficient as we gain from the synergies and economies of scale offered by the size and reach of the range of Inspire services. Through tight financial controls and creative entrepreneurial thinking the freedoms the Society model offers will be exploited to the full. Inspire will also negotiate with funders as it agrees contracts to ensure the financial security of the Society is not weakened. The establishment of a commercial company and or a registered charity, to enable both increased income generation and charitable donations for specific areas of Inspire's work will be considered in the coming year.

In the renewal of the Society's contract with Nottinghamshire County Council for a further 5 years (2021 – 2026) the board have developed a costed prospectus to identify the requirement for indexation and impact of a standstill or reducing contract price.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Objectives, Activities and Financial Review (continued)

Capital investment

The County Council continues to invest in Inspire buildings and technical infrastructure. A capital programme of £1.2m is being delivered between 2018 and 2020, including a major refurbishment of Retford Library and minor works at Ladybrook Library. The County Council investment in the replacement of two mobile libraries has benefited Inspire and stakeholders alike in 2019/2020, with the remaining fleet being replaced in 2020/21. Work to reinstate Worksop library following a devastating flood in November 2019 has progressed during the year and is due for completion in December 2020. Further investment in replacing and upgrading the Inspire wide area network and the public ICT equipment will be undertaken during 2020/21.

Defined benefit pension scheme

The Directors would like to draw your attention to the impact of its defined benefit pension scheme on the Society's financial position.

The Society is a member of a multi employer Local Government Pension Scheme (LGPS) administered by Nottinghamshire County Council, which is a defined benefit pension scheme.

Under a methodology prescribed by Financial Reporting Standard 102 (FRS 102) an annual valuation of the scheme must be made. Any deficit in the scheme's assets compared with its future obligations (liabilities) must be included on the Society's Balance Sheet. Following a valuation of the scheme (under FRS102) at the 31 March 2020 a pension scheme liability of £14,894,000 has been included on the Balance Sheet as a long term liability.

The FRS 102 valuation differs to the methodology adopted by the scheme's actuary. In comparison, the FRS 102 valuation results in a higher liability.

Because of the way this LGPS scheme is structured, this pension scheme liability can only be called-in in special circumstances, over which the Society has control. As long as the Society continues to operate and has actively contributing members (i.e. employees who are current members of the scheme and for whom contributions are actively being paid into the scheme), which it has, then the scheme's liability cannot be called-in.

A triennial valuation is undertaken by the actuary and required rates of contributions are established for the short to medium term. The Directors foresee no issues in meeting employer's pension contributions for the foreseeable future and, given the level of the Society's reserves, the Directors are confident that it can meet all foreseeable calls on it by the pension scheme while meeting all our other known financial obligations.

f. Reserves policy

Following the meeting of the Finance and Audit Committee (FAC) of the Society, a revised approach to the creation of a reserve was agreed.

Inspire has set itself the requirement to maintain at least one month's operating costs as a cash reserve total. This amounts to £850k (to provide one month's salary cover and statutory payments). As a new organisation establishing this is a significant challenge. The positive cash balances also contribute to financial resilience and flexibility. Full compliance with establishing the agreed level of cash reserves was originally set to be achieved by March 2021, but is likely to take several years beyond this date to achieve. It should be noted that a significant element of financial risk is held or shared with Nottinghamshire County Council covering redundancy costs, pension liabilities, major building maintenance and capital replacement of buildings, vehicles and technical infrastructure.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Objectives, Activities and Financial Review (continued)

g. Financial results

The total turnover of the Society in its fourth year was £17.9 million and this is split as £6.0m restricted and £11.9m unrestricted income.

Expenditure for 2019/2020 was slightly below budgets.

The Liquidity position of Inspire is excellent, largely due to receiving grants in advance of expenditure. Deferred Income (i.e. money paid to us in advance) at the end of March 2020 was £122k.

The level of bank and cash balances at the year end of £2.3 million represents 12.7% of income from charitable activities or 1.65 months of average expenditure.

h. Principal funding

Most funding for Inspire services comes from public funding. Nottinghamshire County Council is the main funder for Libraries, Archives, Culture and Records Management services. The County Council also provided several brought back services, which Inspire pay for (HR, ICT etc.) and provides for major property costs, pension liabilities and any future redundancy costs if initiated by reductions in its funding or grant funding.

The Education and Skills Funding Agency (ESFA) and the Arts Council England (ACE) through various channels fund specific areas of service delivery, some through grant and some in a formula funding method relating to recruitment and retention of learners.

The Education Library Service and the Instrumental and Music Teaching Service are both reliant on income from schools and parents, and have during the last year moved firmly to full cost recovery models.

Income from non school services based fees, charges and sales is around £228k and will be a focus of future growth and development, as will grant seeking, sponsorships, donations and commercial developments.

Inspire has established robust budget monitoring and reporting systems to ensure close management of financial risk is enabled. The organisation achieved a surplus before Pension and Fixed asset adjustments at year end as a contribution to its aim to establish reserves to ensure Inspire is resilient to financial shocks. The cash flow position is extremely strong, as funding payments are often made in advance and delayed expenditure during the early months of operation have a positive impact.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Objectives, Activities and Financial Review (continued)

The Finance and Audit Sub-committee (FAC) regularly meets to ensure the financial health and good management of the Society is undertaken. The committee also reviews procurement, financial regulations and appointment of external auditors periodically.

Structure, governance and management

a. Constitution

The Society was registered on 15 June 2015. Trading activity commenced on 1 April 2016.

Inspire – Culture, Learning and Libraries (Midlands) is a not for profit Community Benefit Society registered with the Financial Conduct Authority (FCA), with charitable status. The Society has a contract with Nottinghamshire County Council (NCC) to deliver a range of cultural, learning and library services and a contract with Arts Council England (ACE) to host the Nottinghamshire Music Hub and deliver the music education plan. The five year contract with NCC commenced on 1st April 2016. Inspire also became a National Portfolio Organisation (NPO) in April 2018 to deliver a range of arts and cultural programmes. The Council retains control of and delivers its statutory library duty and legal archive obligations through its contract with Inspire.

Inspire is a membership organisation, all 726 staff (as at March 2020) are members and currently there are over 69,000 public members. Public members are members of the public (mainly service users) who register as a member. The Society is governed by an independent board of elected, nominated and co opted directors.

The 12 member Board of trustees is made up of:

Staff Director elected by staff members
Community Directors (4) – elected by the whole membership
County Council (2) nominated Directors
Co Opted Directors (4)
The Chief Executive Officer

b. Methods of appointment or election of Trustees

The following trustees have been appointed:

John Cottee, Chairman, nominated by Nottinghamshire County Council (appointed 19 April 2016)
Liz Edwards, Staff elected (appointed 20 September 2018)
Peter Gaw, CEO & Librarian (appointed 15 June 2015)
Glynn Gilfoyle, nominated by Nottinghamshire County Council (appointed 27 June 2017)
Carol Hanley, Community (appointed 17 October 2019)
Claire Henson, Community (appointed 13 February 2018)
John Hess, Community (appointed 12 October 2016)
Liz Howell, Co opted (appointed 13 September 2016)
Sarah King, Co opted (appointed 7 June 2016)
Margot Madin, Co-opted (appointed 16 April 2020)
Emma Maraio Community (appointed 17 October 2019)
Peter Ware, Co opted (appointed 27 June 2017)

Committees have been established to develop the work of the Society; Finance and Audit, Staffing and Standards, Development, Learning and Skills and, Music, Culture and Heritage.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Structure, governance and management (continued)

The Chief Executive Officer (CEO) has delegated powers from the main board to operationally manage the work of the Society. The CEO is supported by a leadership team consisting of an Assistant CEO, a Chief Financial Officer, Director of Culture and Director of Learning.

For information about the organisation, its constitution and board visit [www.inspireculture.org.uk/about us](http://www.inspireculture.org.uk/about-us)

All members of the board have participated in several induction and development activities. Further development will be undertaken during the coming year.

The Board of Directors may at its discretion admit to membership any individual, corporate body or nominee of an unincorporated body, firm or partnership who supports the objects of the Society and has paid or agreed to pay any subscription or other sum due in respect of membership for the time being in force.

All those wishing to become a share holding Member must support the objects of the Society and complete an application for membership which shall include an application for at least one share in the Society. Such an application form must be approved by the Directors and the Directors must approve each application for a share holding membership.

c. Pay policy for senior staff

All Inspire posts are linked to a grading scheme, nationally recognised by local government. All posts are evaluated against either the National Job Evaluation (NJE) Scheme or the HAY Evaluation Scheme. This evaluation includes senior staff. Job evaluation services are provided by an external organisation.

d. Risk management

The Members have assessed the major risks to which the Society is exposed, in particular those related to the operations and finances of the Society and are satisfied that systems and procedures have been established to manage those risks.

Plans for future periods

Future developments

The Inspire budget for 2020/2021 has been set and aims to be a balanced outcome. The budget recognises the impact of reduced funding from the council, increased staff costs (due to wage increases, living wage, apprenticeship levy), inflation; balanced by increased income, management team reduction, business efficiencies and tight cost control. The budget also adds a realistic assumption that not all posts will be filled 100% of the time, as there is always a lag between vacancy and recruitment.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Plans for future periods (continued)

Priorities 2022

We have 6 priorities for development over the next four years for Inspire to become more sustainable and grow. These are:

1. Effective and efficient systems – good reliable systems allow us to maximise the value of the resources we have;
2. Finances – through good management and diversification we can spread the risks of reducing funding;
3. Governance and advocacy – good governance provides support and scrutiny, alongside active member involvement especially at a community level;
4. Growth and retention – we need to retain our current funding, income and customer base and increase market share and gain new contracts without putting at risk the current Inspire contracts;
5. Integration of our learning and cultural offers – we need to communicate our offer and ensure the customer and learner journey is smooth, integrated and supports progression; and
6. Organisational capacity and resilience – our staff retention, recruitment, performance management and skills development is essential to continued delivery of successful services and further development.

Engagement with employees and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The Society carries out exit interviews for all staff leaving the organisation and has adopted a procedure of upward feedback for senior management and the Trustees.

The Society has implemented a number of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy
- Dying to Work charter

In accordance with the Society's equal opportunities policy, the Society has long-established fair employment practices in the recruitment, selection, retention and training of staff.

Inspire has a comprehensive approach to both the recruitment, retention and support of disabled employees. This is reflected in our policies and working practices.

Our equality policy states Inspire's commitment to the principles of the Equality Act 2010. This commitment is delivered through our:

- Recruitment Policy
- Performance Management Policy
- Workforce Development Strategy
- Inspire business plans

Also, additional guidance is provided to Managers to support them in the fair application of Inspire's policies including specific guidance on supporting Employees with disabilities.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

Engagement with employees and employment of the disabled (continued)

Over and above this, Managers (alongside all Inspire Staff) undertake Equalities training, disability awareness training and mental wellbeing and stress awareness training. Supported by our HR provider (Nottinghamshire County Council Human Resources and Occupational Health service) managers are able to access specialist support to assess the needs and any reasonable adjustments required by disabled employees. Inspire currently supports 14 employees with a declared disability.

Recruitment Policy Extract:

3.5 The organisation is committed to applying its Equality Policy at all stages of recruitment and selection. Shortlisting, interviewing and selection will always be carried out without regard to disability, gender, gender reassignment, sexual orientation, marital or civil partnership status, colour, race, nationality, ethnic or national origins, religion or belief, age, pregnancy and maternity or trade union membership.

3.6 Reasonable adjustments to the recruitment process will be made to ensure that no applicant is disadvantaged because of his/her disability.

Performance Management Policy Extract:

3.3 Managers are required to reasonably consider the performance issues and the action taken to address them before formal action is instigated. Employees will be given every opportunity and all appropriate support to improve. Early intervention by managers will include:

- clarifying the required standards
- identifying areas of concern
- establishing the likely causes of poor performance (having regard to the possibility of making reasonable adjustments if the employee has a disability) and identify any training needs
- setting targets for improvement and a timescale for review.

Full details of these policies are available from the Society's offices.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Registration of Society. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020

Disclosure of information to auditors

Each of the persons who are Trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charity's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Auditors

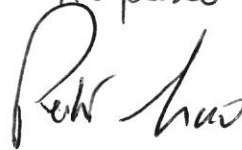
The auditors, Smith Cooper Audit Limited, have indicated their willingness to continue in office. The designated Trustees will propose a motion reappointing the auditors at a meeting of the Trustees.

Approved by order of the members of the board of Trustees on
and signed on their behalf by:

15/10/2020



**Margot Madin, Trustee & Chair of
Finance and Audit Committee**



Peter Gaw, CEO

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

Opinion

We have audited the financial statements of Culture, Learning and Libraries (Midlands) (the 'Society') for the year ended 31 March 2020 which comprise the Statement of financial activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with the Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2020 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CULTURE, LEARNING AND LIBRARIES (MIDLANDS) (CONTINUED)

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the society or to cease operations, or have no realistic alternative but to do so.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CULTURE, LEARNING AND LIBRARIES (MIDLANDS) (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

Use of our report

This report is made solely to the society's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the society's trustees those matters we are required to state to them in an Auditors' 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 society and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Coope Audit limited

Smith Cooper Audit Limited
Chartered Accountants and Statutory Auditors
2 Lace Market Square
Nottingham
NG1 1PB

Date: *27/10/20*

Smith Cooper Audit Limited are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2020

| | Note | Unrestricted funds 2020 £ | Restricted funds 2020 £ | Restricted fixed assets funds 2020 £ | Total funds 2020 £ | Total funds 2019 £ |
|--|------|------------------------------------|----------------------------------|--|-----------------------------|-----------------------------|
| Income from: | | | | | | |
| Donations and legacies | 3 | 8,555 | - | - | 8,555 | 9,843 |
| Charitable activities | 4 | 11,888,035 | 5,994,717 | - | 17,882,752 | 18,555,363 |
| Trading activities | 5 | 40,698 | - | - | 40,698 | 21,985 |
| Total income | | 11,937,288 | 5,994,717 | - | 17,932,005 | 18,587,191 |
| Expenditure on: | | | | | | |
| Trading expenses | 5 | 28,775 | - | - | 28,775 | 14,705 |
| Charitable activities | 6 | 12,554,441 | 6,386,689 | 733,891 | 19,675,021 | 20,091,543 |
| Total expenditure | | 12,583,216 | 6,386,689 | 733,891 | 19,703,796 | 20,106,248 |
| Net expenditure | | (645,928) | (391,972) | (733,891) | (1,771,791) | (1,519,057) |
| Transfers between funds | 14 | (996,651) | - | 996,651 | - | - |
| Net movement in funds before other recognised gains | | (1,642,579) | (391,972) | 262,760 | (1,771,791) | (1,519,057) |
| Other recognised gains: | | | | | | |
| Actuarial gains on defined benefit pension schemes | 20 | 4,771,000 | - | - | 4,771,000 | 89,000 |
| Net movement in funds | | 3,128,421 | (391,972) | 262,760 | 2,999,209 | (1,430,057) |
| Reconciliation of funds: | | | | | | |
| Total funds brought forward | | (18,219,421) | 1,948,263 | 1,807,473 | (14,463,685) | (13,033,628) |
| Net movement in funds | | 3,128,421 | (391,972) | 262,760 | 2,999,209 | (1,430,057) |
| Total funds carried forward | | (15,091,000) | 1,556,291 | 2,070,233 | (11,464,476) | (14,463,685) |

The Statement of financial activities includes all gains and losses recognised in the year.

The notes on pages 20 to 41 form part of these financial statements.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

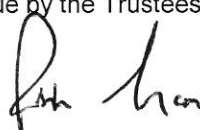
BALANCE SHEET
AS AT 31 MARCH 2020

| | Note | 2020 £ | 2019 £ |
|--|------|---------------------|---------------------|
| Fixed assets | | | |
| Tangible assets | 11 | 2,070,233 | 1,807,474 |
| Current assets | | | |
| Debtors | 12 | 840,022 | 1,214,325 |
| Cash at bank and in hand | 18 | 2,267,472 | 2,104,115 |
| | | <u>3,107,494</u> | <u>3,318,440</u> |
| Creditors: amounts falling due within one year | 13 | (1,748,203) | (2,161,599) |
| Net current assets | | <u>1,359,291</u> | <u>1,156,841</u> |
| Total assets less current liabilities | | <u>3,429,524</u> | <u>2,964,315</u> |
| Defined benefit pension scheme liability | 20 | (14,894,000) | (17,428,000) |
| Total net liabilities | | <u>(11,464,476)</u> | <u>(14,463,685)</u> |
| Society funds | | | |
| Restricted funds: | | | |
| Restricted funds | 14 | 1,556,291 | 1,948,263 |
| Restricted fixed asset funds | 14 | 2,070,233 | 1,807,473 |
| | | <u>3,626,524</u> | <u>3,755,736</u> |
| Unrestricted funds: | | | |
| Unrestricted funds excluding pension liability | 14 | (197,000) | (791,421) |
| Pension reserve | 14 | (14,894,000) | (17,428,000) |
| | | <u>(15,091,000)</u> | <u>(18,219,421)</u> |
| Total funds | | <u>(11,464,476)</u> | <u>(14,463,685)</u> |

The financial statements were approved and authorised for issue by the Trustees on 15/10/2020 and signed on their behalf by:



Margot Madin, Trustee and Chair of Audit & Finance Committee



Peter Gaw, CEO

The notes on pages 20 to 41 form part of these financial statements.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

| | Note | 2020 £ | 2019 £ |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net cash used in operating activities | 17 | 1,160,008 | 749,839 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Purchase of tangible fixed assets | | (996,651) | (909,092) |
| | | <hr/> | <hr/> |
| Net cash used in investing activities | | (996,651) | (909,092) |
| | | <hr/> | <hr/> |
| Change in cash and cash equivalents in the year | | 163,357 | (159,253) |
| Cash and cash equivalents at the beginning of the year | | 2,104,115 | 2,263,368 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | 18 | 2,267,472 | 2,104,115 |
| | | <hr/> <hr/> | <hr/> <hr/> |

The notes on pages 20 to 41 form part of these financial statements

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. General information

Culture, Learning and Libraries (Midlands) is a UK society incorporated under the Co-operative and Communities Benefits Act 2014 and is registered on the Mutuals Public Register by the FCA. The address of the registered office is given in the company information page of these financial statements. The society's registered number is RS007139.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), Charities Act 2011 and the Co-operative and Communities Benefits Act 2014.

Culture, Learning and Libraries (Midlands) constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling which is the functional currency of the society and are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts.

On the commencement date of the Service Agreement with Nottinghamshire County Council (NCC), a consideration of £1 was payable by the Society for all equipment, furniture, fixtures and fittings, including but not limited to library books stock, musical instruments and shelving, on the site of the properties or used for the provision of the services. Legal title transferred to the Society at that date. In order to recognise the donation, for a value other than £1, a reliable value needs to be made for recognition to be permissible under the Charity SORP. Following appropriate review it was deemed impractical to measure the value of the donation reliably with sufficient material certainty and therefore the value of the donation was recognised at £1 in the year ended 31 March 2017.

The significant accounting policies have been applied in the preparation of these financial statements are set out below.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.2 Income

All income is recognised once the Society has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Grants are included in the Statement of financial activities on a receivable basis. The balance of income received for specific purposes but not expended during the period is shown in the relevant funds on the Balance sheet. Where income is received in advance of entitlement of receipt, its recognition is deferred and included in creditors as deferred income. Where entitlement occurs before income is received, the income is accrued.

For legacies, entitlement is taken as the earlier of the date on which either: the Society is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Society has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Society, or the Society is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the Society where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

Where the donated good is a fixed asset, it is measured at fair value, unless it is impractical to measure this reliably, in which case the cost of the item to the donor should be used. The gain is recognised as income from donations and a corresponding amount is included in the appropriate fixed asset class and depreciated over the useful economic life in accordance with the Society's accounting policies.

Donated services or facilities are recognised when the Society has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the Society of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and facilities are recognised on the basis of the value of the gift to the Society which is the amount it would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.3 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity.

Expenditure on trading activities includes all expenditure incurred by the Society on non-charitable trading.

Expenditure on charitable activities is incurred on directly undertaking the activities which further the Society's objectives, as well as any associated support costs.

All expenditure is inclusive of irrecoverable VAT.

2.4 Taxation

The Society is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Society is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

2.5 Tangible fixed assets and depreciation

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

| | |
|-----------------------|-------------------------|
| Property improvements | - 5 years straight line |
| Specialist equipment | - 5 years straight line |
| Fixtures and fittings | - 5 years straight line |
| Office equipment | - 3 years straight line |
| Books | - 7 years straight line |

In preparing the financial statements the Trustees have concluded that it is more appropriate to depreciate the fixed assets over their expected useful economic life, for which in some cases this extends beyond the current core contract with NCC to supply certain services. At the termination of the contract the assets are required to be transferred to any new provider of the services or to NCC for £1. This decision has been made on the basis that this more appropriately reflects the value of the assets to the Society, otherwise they would be written down over an artificially shorter period of time, particularly if the core contract is extended beyond the current agreed term. If the contract were to be terminated, a gift of the fixed asset of £1 would then be made at that time and the financial statements adjusted accordingly. In order to ensure transparency in reporting, the fixed assets are reported through a separate fund.

2.6 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.7 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

2.8 Creditors and provisions

Liabilities and provisions are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably.

Liabilities are recognised at the amount that the Society anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions are measured at the best estimate of the amounts required to settle the obligation.

2.9 Financial instruments

The Society only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2.10 Pensions

Retirement benefits to employees of the society are provided by a defined contribution scheme and two defined benefit pensions schemes: the Teachers' Pension Scheme ("TPS") and the Local Government Pension Scheme ("LGPS"). These are defined benefit schemes and the assets are held separately from those of the society.

For the defined contribution pension scheme, the pension charge represents the amounts payable by the society to the fund in respect of the year.

The TPS is an unfunded scheme and contributions are calculated so as to spread the cost of the pensions over the employees' working lives with the society in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of quadrennial valuations using a prospective unit credit method. As stated in note 21, the TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution scheme for accounting purposes and the contributions recognised in the period to which they related.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

2.10 Pensions (continued)

The LGPS is a defined benefit funded scheme and the assets are held separately from those of the society in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs as incurred. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Financial Activities and comprises the interest costs on the defined benefit obligation and interest income on scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses. Actuarial gains and losses are recognised in other recognised gains and losses.

2.11 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Society and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Society for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

2.12 Critical accounting estimates and areas of judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions:

The society makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 20, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 March 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2016 has been used by the actuary in valuing the pensions liability at 31 March 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

An estimation of the level of disposals of books purchased has been made in order to determine a value to be accounted for within the financial statements. Due to the volume of books and the number of locations and the fact that books are taken out of the libraries, certain estimations have been made regarding the number of books no longer physically in existence.

2.13 Irrecoverable VAT

The society is registered for VAT, however due to the mixed nature of the supplies it makes, it has irrecoverable VAT arising due to partial exemption which is included in resources expended.

3. Income from donations and legacies

| | Unrestricted funds 2020 £ | Total funds 2020 £ | <i>Total funds 2019 £</i> |
|-------------------|------------------------------------|-----------------------------|---------------------------------------|
| Donations | 8,555 | 8,555 | 9,843 |
| <i>Total 2019</i> | 9,843 | 9,843 | |

4. Income from charitable activities

| | Unrestricted funds 2020 £ | Restricted funds 2020 £ | Total funds 2020 £ | <i>Total funds 2019 £</i> |
|-----------------------|------------------------------------|----------------------------------|-----------------------------|---------------------------------------|
| Provision of services | 11,888,035 | 5,994,717 | 17,882,752 | 18,555,363 |
| <i>Total 2019</i> | 12,534,289 | 6,021,074 | 18,555,363 | |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5. Trading activities

| | Unrestricted funds 2020 £ | Total funds 2020 £ | <i>Total funds 2019 £</i> |
|---|------------------------------------|-----------------------------|---------------------------------------|
| Society trading income | | | |
| Trading income | 40,698 | 40,698 | 21,985 |
| Society trading expenses | | | |
| Trading expenses | (28,775) | (28,775) | (14,705) |
| Net income from trading activities | <u>11,923</u> | <u>11,923</u> | <u>7,280</u> |

6. Analysis of expenditure by activities

| | Activities undertaken directly 2020 £ | Total funds 2020 £ | <i>Total funds 2019 £</i> |
|-----------------------|---|-----------------------------|---------------------------------------|
| Provision of services | 19,675,021 | 19,675,021 | 20,091,543 |
| <i>Total 2019</i> | <u>20,091,543</u> | <u>20,091,543</u> | |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

6. Analysis of expenditure by activities (continued)

Charitable activity expenditure

| | Provision of services 2020 £ | Total funds 2020 £ | Total funds 2019 £ |
|------------------------------------|---------------------------------------|-----------------------------|-----------------------------|
| Staff costs | 13,023,582 | 13,023,582 | 13,329,997 |
| Depreciation | 574,445 | 574,445 | 440,639 |
| Bank charges and interest | 11,163 | 11,163 | 4,465 |
| Premises costs | 1,290,722 | 1,290,722 | 1,166,566 |
| Vehicle and travel costs | 280,776 | 280,776 | 298,371 |
| Books and equipment | 319,931 | 319,931 | 165,711 |
| Office and administration costs | 194,888 | 194,888 | 195,961 |
| Computer and systems costs | 688,928 | 688,928 | 818,545 |
| Loss on disposal of fixed assets | 159,446 | 159,446 | 134,886 |
| Other costs | 163,402 | 163,402 | 339,557 |
| Legal and professional | 197,555 | 197,555 | 179,601 |
| Adult education | 1,291,656 | 1,291,656 | 1,469,879 |
| Events costs | 451,270 | 451,270 | 461,308 |
| Irrecoverable VAT | 198,913 | 198,913 | 156,219 |
| Design and print | 162,683 | 162,683 | 128,001 |
| Consultants | 99,552 | 99,552 | 85,654 |
| Agency and other staff costs | 168,109 | 168,109 | 324,183 |
| Net interest on pension obligation | 398,000 | 398,000 | 392,000 |
| | <u>19,675,021</u> | <u>19,675,021</u> | <u>20,091,543</u> |
| <i>Total 2019</i> | <u>20,091,543</u> | <u>20,091,543</u> | |

7. Auditors' remuneration

| | 2020 £ | 2019 £ |
|--|----------------------|---------------|
| Fees payable to the Society's auditor for the audit of the Society's annual accounts | 26,250 | 26,750 |
| Fees payable to the Society's auditor in respect of: | | |
| Audit-related assurance services | 1,020 | 1,015 |
| Taxation compliance services | - | 500 |
| | <u>27,270</u> | <u>28,265</u> |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

8. Staff costs

| | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Wages and salaries | 9,204,049 | 9,631,701 |
| Social security costs | 650,805 | 671,449 |
| Contribution to defined contribution pension schemes | 320,728 | 275,847 |
| Operating costs of defined benefit pension schemes | 2,848,000 | 2,751,000 |
| | <u>13,023,582</u> | <u>13,329,997</u> |

The number of hours of time donated by general volunteers during the year is approximately 16,051 (2019: 16,306). This has an approximate value of £156,337 to the Society (2019: £151,899).

During the year contractual redundancy payments of £43,578 (2019: £304,606) were made to employees. These costs are reimbursed by Nottinghamshire County Council.

The average number of persons employed by the Society during the year was as follows:

| | 2020 No. | 2019 No. |
|-------------------|-------------|-------------|
| Staff | 698 | 711 |
| Senior management | 5 | 7 |
| | <u>703</u> | <u>718</u> |

The average headcount expressed as full-time equivalents was:

| | 2020 No. | 2019 No. |
|-------------------|-------------|-------------|
| Staff | 326 | 346 |
| Senior management | 5 | 7 |
| | <u>331</u> | <u>353</u> |

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

| | 2020 No. | 2019 No. |
|-------------------------------|-------------|-------------|
| In the band £70,001 - £80,000 | <u>1</u> | <u>1</u> |

The remuneration of key management personnel during the year totalled £243,755 (2019: £376,461) for short term employment benefits and £35,005 (2019: £42,927) for post-employment benefits. During the year retirement benefits were accruing to 5 (2019: 7) key management personnel, of which 1 (2019: 1) is a higher paid employee.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

9. Trustees' remuneration and expenses

Trustees remuneration was received in their capacity as employees of the society and not in respect of services as Trustees.

| | | 2020 £ | 2019 £ |
|--------------|----------------------------|-----------|-----------|
| Peter Gaw | Remuneration | 75,131 | 72,663 |
| | Pension contributions paid | 13,448 | 13,007 |
| | Employers NI | 9,177 | 8,784 |
| Liz Edwards | Remuneration | 35,934 | 17,615 |
| | Pension contributions paid | 6,432 | 3,153 |
| | Employers NI | 3,764 | 3,699 |
| Steve Powell | Remuneration | - | 15,378 |
| | Pension contributions paid | - | 2,753 |
| | Employers NI | - | 3,082 |

Remuneration for Liz Edwards and Steve Powell for 2019 within the table above covers the period for which they acted as trustees. For Liz Edwards, this was from 20 September 2018 to 31 March 2019 and for Steve Powell, this was from 1 April 2018 to 20 September 2018.

During the year ended 31 March 2020, expenses totalling £157 were reimbursed or paid directly to 1 Trustee (2019 - £93).

During the year retirement benefits were accruing to 2 Trustees (2019 - 2) in respect of defined benefit pension schemes.

During the year benefits were received by 5 trustees (2019 - Nil) with a total value of £79 (2019 - £Nil).

10. Interest payable

| | 2020 £ | 2019 £ |
|---|----------------|----------------|
| Net interest on defined benefit liability | <u>398,000</u> | <u>392,000</u> |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Tangible fixed assets

| | Property improvements £ | Specialist equipment £ | Fixtures and fittings £ | Office equipment £ | Books £ | Total £ |
|--------------------------|-------------------------------|------------------------------|-------------------------------|--------------------------|------------------|------------------|
| Cost or valuation | | | | | | |
| At 1 April 2019 | 15,253 | 80,316 | 44,287 | 189,991 | 2,263,836 | 2,593,683 |
| Additions | 5,853 | 642 | 17,151 | 47,626 | 925,379 | 996,651 |
| Disposals | - | - | - | - | (243,081) | (243,081) |
| At 31 March 2020 | <u>21,106</u> | <u>80,958</u> | <u>61,438</u> | <u>237,617</u> | <u>2,946,134</u> | <u>3,347,253</u> |
| Depreciation | | | | | | |
| At 1 April 2019 | 6,467 | 28,510 | 15,486 | 85,682 | 650,064 | 786,209 |
| Charge for the year | 3,255 | 23,837 | 10,697 | 73,643 | 463,013 | 574,445 |
| On disposals | - | - | - | - | (83,634) | (83,634) |
| At 31 March 2020 | <u>9,722</u> | <u>52,347</u> | <u>26,183</u> | <u>159,325</u> | <u>1,029,443</u> | <u>1,277,020</u> |
| Net book value | | | | | | |
| At 31 March 2020 | <u>11,384</u> | <u>28,611</u> | <u>35,255</u> | <u>78,292</u> | <u>1,916,691</u> | <u>2,070,233</u> |
| At 31 March 2019 | <u>8,786</u> | <u>51,806</u> | <u>28,801</u> | <u>104,309</u> | <u>1,613,772</u> | <u>1,807,474</u> |

12. Debtors

| | 2020 £ | 2019 £ |
|--------------------------------|----------------|------------------|
| Due within one year | | |
| Trade debtors | 633,245 | 556,201 |
| Other debtors | 57,516 | 402,328 |
| Prepayments and accrued income | 149,261 | 255,796 |
| | <u>840,022</u> | <u>1,214,325</u> |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Creditors: Amounts falling due within one year

| | 2020 £ | 2019 £ |
|---|------------------|------------------|
| Trade creditors | 572,942 | 562,136 |
| Other taxation and social security | 554,449 | 567,703 |
| Other creditors | 192,560 | 319,004 |
| Accruals and deferred income | 428,252 | 712,756 |
| | <u>1,748,203</u> | <u>2,161,599</u> |
| | 2020 £ | 2019 £ |
| Deferred income | | |
| Deferred income at 1 April 2019 | 85,262 | 49,990 |
| Resources deferred during the year | 121,706 | 85,262 |
| Amounts released from previous years | (85,262) | (49,990) |
| Deferred income at 31 March 2020 | <u>121,706</u> | <u>85,262</u> |

At the balance sheet date the society was holding funds received in advance for ELS services and Governments Grants in relation to the Covid-19 pandemic.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Statement of funds

Statement of funds - current year

| | Balance at 1 April 2019 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 March 2020 £ |
|-------------------------------------|---------------------------------|--------------------------|----------------------------|--------------------------|-------------------------|-------------------------------------|
| Unrestricted funds | | | | | | |
| Charitable activities | (872,122) | 11,896,590 | (10,317,441) | (996,651) | - | (289,624) |
| Trading | 80,701 | 40,698 | (28,775) | - | - | 92,624 |
| Pension reserve | (17,428,000) | - | (2,237,000) | - | 4,771,000 | (14,894,000) |
| | <u>(18,219,421)</u> | <u>11,937,288</u> | <u>(12,583,216)</u> | <u>(996,651)</u> | <u>4,771,000</u> | <u>(15,091,000)</u> |
| Restricted funds | | | | | | |
| Charitable activities | 1,930,809 | 5,994,717 | (6,386,689) | - | - | 1,538,837 |
| Donations and legacies | 17,454 | - | - | - | - | 17,454 |
| | <u>1,948,263</u> | <u>5,994,717</u> | <u>(6,386,689)</u> | <u>-</u> | <u>-</u> | <u>1,556,291</u> |
| Restricted fixed asset funds | | | | | | |
| Acquisition of fixed assets | 1,807,473 | - | (733,891) | 996,651 | - | 2,070,233 |
| Total Restricted funds | <u>3,755,736</u> | <u>5,994,717</u> | <u>(7,120,580)</u> | <u>996,651</u> | <u>-</u> | <u>3,626,524</u> |
| Total of funds | <u><u>(14,463,685)</u></u> | <u><u>17,932,005</u></u> | <u><u>(19,703,796)</u></u> | <u><u>-</u></u> | <u><u>4,771,000</u></u> | <u><u>(11,464,476)</u></u> |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. Statement of funds (continued)

Statement of funds - current year (continued)

The specific purposes for which the funds are to be applied are as follows:

Unrestricted income funds represent those resources which may be used towards meeting any of the charitable objectives of the society at the discretion of the trustees.

Included within restricted funds is £2 of share capital. This represents the shares that were issued on the foundation of the Society. There are currently 2 member shares in issue, which are unpaid. No significant rights are attached to these shares. The members' liability is limited to the value of their shareholding.

Restricted fixed asset funds are resources which have been spent on specific fixed assets and are not able to be used for any other purpose.

Restricted general funds comprise all other restricted funds received and include grants from the Education and Skills Funding Authority and will only be used for the purpose that the grants were intended.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Statement of funds (continued)

Statement of funds - prior year

| | Balance at 1 April 2018 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 March 2019 £ |
|-------------------------------------|---------------------------------|--------------------------|----------------------------|--------------------------|-------------------------|-------------------------------------|
| Unrestricted funds | | | | | | |
| Charitable activities | (1,733,791) | 12,544,132 | (10,773,371) | (909,092) | - | (872,122) |
| Trading | 73,421 | 21,985 | (14,705) | - | - | 80,701 |
| Pension reserve | (15,642,000) | - | (1,875,000) | - | 89,000 | (17,428,000) |
| | <u>(17,302,370)</u> | <u>12,566,117</u> | <u>(12,663,076)</u> | <u>(909,092)</u> | <u>89,000</u> | <u>(18,219,421)</u> |
| Restricted funds | | | | | | |
| Charitable activities | 2,777,382 | 6,021,074 | (6,867,647) | - | - | 1,930,809 |
| Donations and legacies | 17,454 | - | - | - | - | 17,454 |
| | <u>2,794,836</u> | <u>6,021,074</u> | <u>(6,867,647)</u> | <u>-</u> | <u>-</u> | <u>1,948,263</u> |
| Restricted fixed asset funds | | | | | | |
| Acquisition of fixed assets | 1,473,906 | - | (575,525) | 909,092 | - | 1,807,473 |
| Total Restricted funds | <u>4,268,742</u> | <u>6,021,074</u> | <u>(7,443,172)</u> | <u>909,092</u> | <u>-</u> | <u>3,755,736</u> |
| Total of funds | <u><u>(13,033,628)</u></u> | <u><u>18,587,191</u></u> | <u><u>(20,106,248)</u></u> | <u><u>-</u></u> | <u><u>89,000</u></u> | <u><u>(14,463,685)</u></u> |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Summary of funds

Summary of funds - current year

| | Balance at 1 April 2019 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 March 2020 £ |
|--------------------------------|---------------------------------|-------------------|---------------------|--------------------------|-------------------------|-------------------------------------|
| General funds | (18,219,421) | 11,937,288 | (12,583,216) | (996,651) | 4,771,000 | (15,091,000) |
| Restricted funds | 1,948,263 | 5,994,717 | (6,386,689) | - | - | 1,556,291 |
| Restricted fixed asset fund | 1,807,473 | - | (733,891) | 996,651 | - | 2,070,233 |
| | <u>(14,463,685)</u> | <u>17,932,005</u> | <u>(19,703,796)</u> | <u>-</u> | <u>4,771,000</u> | <u>(11,464,476)</u> |

Summary of funds - prior year

| | Balance at 1 April 2018 £ | Income £ | Expenditure £ | Transfers in/out £ | Gains/ (Losses) £ | Balance at 31 March 2019 £ |
|--------------------------------|---------------------------------|-------------------|---------------------|--------------------------|-------------------------|-------------------------------------|
| General funds | (17,302,370) | 12,566,117 | (12,663,076) | (909,092) | 89,000 | (18,219,421) |
| Restricted funds | 2,794,836 | 6,021,074 | (6,867,647) | - | - | 1,948,263 |
| Restricted fixed asset fund | 1,473,906 | - | (575,525) | - | - | 1,807,473 |
| | <u>(13,033,628)</u> | <u>18,587,191</u> | <u>(20,106,248)</u> | <u>(909,092)</u> | <u>89,000</u> | <u>(14,463,685)</u> |

16. Analysis of net assets between funds

Analysis of net assets between funds - current period

| | Unrestricted funds 2020 £ | Restricted funds 2020 £ | Restricted fixed asset funds 2020 £ | Total funds 2020 £ |
|--|------------------------------------|----------------------------------|---|-----------------------------|
| Tangible fixed assets | - | - | 2,070,233 | 2,070,233 |
| Current assets | 1,551,203 | 1,556,291 | - | 3,107,494 |
| Creditors due within one year | (1,748,203) | - | - | (1,748,203) |
| Provisions for liabilities and charges | (14,894,000) | - | - | (14,894,000) |
| Total | <u>(15,091,000)</u> | <u>1,556,291</u> | <u>2,070,233</u> | <u>(11,464,476)</u> |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

16. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior period

| | <i>Unrestricted funds 2019 £</i> | <i>Restricted funds 2019 £</i> | <i>Restricted fixed asset funds 2019 £</i> | <i>Total funds 2019 £</i> |
|--|--|--|--|---------------------------------------|
| Tangible fixed assets | - | - | 1,807,474 | 1,807,474 |
| Current assets | (190,921) | 3,509,361 | - | 3,318,440 |
| Creditors due within one year | (600,501) | (1,561,098) | - | (2,161,599) |
| Provisions for liabilities and charges | (17,428,000) | - | - | (17,428,000) |
| Total | <u>(18,219,422)</u> | <u>1,948,263</u> | <u>1,807,474</u> | <u>(14,463,685)</u> |

17. Reconciliation of net movement in funds to net cash flow from operating activities

| | 2020 £ | 2019 £ |
|---|--------------------|--------------------|
| Net expenditure for the period (as per Statement of Financial Activities) | <u>(1,771,791)</u> | <u>(1,519,057)</u> |
| Adjustments for: | | |
| Depreciation charges | 574,445 | 440,639 |
| FRS 102 pension adjustment | 2,237,000 | 1,875,000 |
| Loss on disposal of fixed assets | 159,217 | 134,883 |
| Decrease/(increase) in debtors | 374,533 | (276,672) |
| (Decrease)/increase in creditors | (413,396) | 95,046 |
| Net cash provided by operating activities | <u>1,160,008</u> | <u>749,839</u> |

18. Analysis of cash and cash equivalents

| | 2020 £ | 2019 £ |
|--------------|------------------|------------------|
| Cash in hand | <u>2,267,472</u> | <u>2,104,115</u> |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

19. Analysis of changes in net debt

| | At 1 April 2019 | Cash flows | At 31 March 2020 |
|--------------------------|--------------------|----------------|---------------------|
| | £ | £ | £ |
| Cash at bank and in hand | <u>2,104,115</u> | <u>163,367</u> | <u>2,267,482</u> |

20. Pension commitments

The Society's employees belong to three pension schemes: the People's Pension, a defined contribution scheme, and two defined benefit pension schemes: the Teacher's Pension Scheme for England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Nottinghamshire County Council. Both are Multi-Employer Defined Benefit Pension Schemes.

The latest full actuarial valuation of the TPS related to the period ended 31 March 2012 and of the LGPS related to the period ended 31 March 2016.

Contributions amounting to £192,560 were payable to the Society's pension schemes at 31 March 2020 (2019: £151,998) and are included within other creditors.

Teachers' Pension Scheme

Introduction

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers and, from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis — these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

20. Pension commitments (continued)

Valuation of the Teachers' Pension Scheme

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014. The valuation report was published by the Department for Education on 9 June 2014. The key elements of the valuation and subsequent consultation are:

- employer contribution rates set at 16.48% of pensionable pay, including a 0.08% employer administration charge;
- total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £191,500 million, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £176,600 million giving a notional past service deficit of £14,900 million;
- an employer cost cap of 10.9% of pensionable pay will be applied to future valuations;
- the assumed real rate of return is 3.0% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 2.75%. The assumed nominal rate of return is 5.06%.

The TPS valuation for 2012 determined an employer rate of 16.48%, which was payable from September 2015. The next valuation of the TPS is currently underway based on April 2016 data, whereupon the employer contribution rate is expected to be reassessed and will be payable from 1 April 2020.

The employer's pension costs paid to TPS in the period amounted to £205,180 (2019: £189,801).

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website (www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx).

Under the definitions set out in FRS 102, the TPS is a multi-employer pension scheme. The Society has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Society has set out above the information available on the scheme.

Local Government Pension Scheme

Retirement benefits to some employees of the Trust are provided by the Local Government Pension Scheme (LGPS). The company is an admitted body of the LGPS, admitted by Nottinghamshire County Council.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

20. Pension commitments (continued)

The LGPS is a defined benefit funded scheme and the assets are held separately from those of the Society in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and gains and losses on the settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period vesting occurs. The expected return on assets and the interest cost are shown as a net finance amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other gains and losses.

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

| | At 31 March 2020 | <i>At 31 March 2019</i> |
|----------------------------|-----------------------------|-----------------------------|
| | % | % |
| Discount rate | 2.35 | 2.35 |
| Future salary increases | 2.85 | 3.95 |
| Future pension increases | 1.85 | 2.45 |
| Inflation assumption (CPI) | 1.85 | 2.45 |
| Inflation assumption (RPI) | 2.65 | 3.45 |

A sensitivity analysis showing how the measurement of scheme liabilities would have been affected by changes in the relevant assumptions that were reasonably possible at the balance sheet date are as follows:

Sensitivity analysis

| | At 31 March 2020 | <i>At 31 March 2019</i> |
|----------------------------------|-----------------------------|-----------------------------|
| | £ | £ |
| Discount rate +0.1% | 41,596,000 | 45,846,000 |
| Discount rate -0.1% | 43,551,000 | 48,082,000 |
| Long term salary increases +0.1% | 42,733,000 | 47,148,000 |
| Long term salary increases -0.1% | 42,392,000 | 46,753,000 |
| Future pension increases +0.1% | 43,384,000 | 47,881,000 |
| Future pension increases -0.1% | 41,760,000 | 46,043,000 |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

20. Pension commitments (continued)

The Society's share of the assets in the scheme was:

| | At 31 March 2020 £ | At 31 March 2019 £ |
|-----------------------------------|--------------------------|--------------------------|
| Equities | 17,693,000 | 17,736,000 |
| Gilts | 910,000 | 848,000 |
| Other bonds | 2,400,000 | 2,937,000 |
| Property | 3,513,000 | 4,590,000 |
| Cash | 677,000 | 889,000 |
| Other | 2,475,000 | 2,522,000 |
| Total fair value of assets | 27,668,000 | 29,522,000 |

The actual return on scheme assets was £2,449,000 (2019 - £2,400,000).

The amounts recognised in the Statement of financial activities are as follows:

| | 2020 £ | 2019 £ |
|---|--------------------|--------------------|
| Current and past service cost | (2,848,000) | (2,751,000) |
| Interest cost | (398,000) | (392,000) |
| Administrative expenses | (12,000) | (11,000) |
| Total amount recognised in the Statement of financial activities | (3,258,000) | (3,154,000) |

Movements in the present value of the defined benefit obligation were as follows:

| | 2020 £ |
|---|-------------------|
| Opening defined benefit obligation | 46,950,000 |
| Current service cost | 2,177,000 |
| Contributions by scheme participants | 337,000 |
| Actuarial (gains)/losses | (7,946,000) |
| Benefits paid | (726,000) |
| Past service costs | 671,000 |
| Interest cost | 1,099,000 |
| Closing defined benefit obligation | 42,562,000 |

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

20. Pension commitments (continued)

Movements in the fair value of the Society's share of scheme assets were as follows:

| | 2020 £ |
|--|-------------------|
| Opening fair value of scheme assets | 29,522,000 |
| Interest income | 701,000 |
| Actuarial (losses)/gains | (3,175,000) |
| Contributions by employer | 1,021,000 |
| Contributions by scheme participants | 337,000 |
| Benefits paid | (726,000) |
| Admin expenses | (12,000) |
| Closing fair value of scheme assets | 27,668,000 |

21. Related party transactions

Nottinghamshire County Council is a related party to the Society as two of its Councillors are also directors of the Society. During the year, amounts totalling £13,895,247 (2019: £9,277,151) were received by the Society from Nottinghamshire County Council in relation to the provision of services. At the balance sheet date an amount of £668,093 (2019: £855,459) was due from this party and is included within trade debtors.

Nottinghamshire County Council also recharged expenses during the year totalling £1,107,909 (2019: £855,459). At the balance sheet date an amount of £128,668 (2019: £116,044) was owing to this party and is included within trade creditors. At the balance sheet date an amount of £Nil (2019: £120,396) is included within accruals in respect of expenses incurred but not invoiced.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

22. Surplus before pension adjustments

The movement from the statutory deficit of £1,771,791 to a surplus before pension adjustments of £465,209 has been calculated as follows:

| | 2020 £ |
|--|----------------------------|
| Per Statement of Financial Activities for the year | |
| Net Expenditure | (1,771,791) |
| Add back pension adjustments for current year (see note 20) | |
| LGPS Service Costs | 2,848,000 |
| LGPS Net Interest Cost | 398,000 |
| Administrative expenses | 12,000 |
| Contributions by employer | (1,021,000) |
| | <hr/> 2,237,000 |
| Surplus before pension adjustments | <hr/> 465,209 <hr/> |