

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**MEMBERS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

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## **CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

### **REFERENCE AND ADMINISTRATIVE DETAILS OF THE SOCIETY, ITS MEMBERS, TRUSTEES AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2018**

#### **Board Members & Trustees**

Peter Gaw, CEO & Librarian  
John Knight, Nominated by Nottinghamshire County Council (resigned 1 June 2017)  
John Cottee, Chairman  
Steve Powell, Staff representative  
Sarah King, Co-opted  
Tim Eatherington, Co-opted  
Peter Ware, Co-opted  
Liz Howell, Co-opted  
John Hess, Community  
Richard Gaunt, Community  
Glynn Gilfoyle, Nominated by Nottinghamshire County Council  
Philip Jones, Community  
Claire Henson, Community (appointed 13 February 2018)

#### **Society registered number**

RS007139

#### **Principal office**

Inspire Head Quarters  
Glaisdale Park Way  
Nottingham  
NG8 4GP

#### **Chief executive officer**

Peter Gaw

#### **Senior management team**

Kirsty Blyth, Assistant CEO (Development)  
Nick London, Assistant CEO (Support)  
Andrew Kordecki, Senior Financial Officer  
Gary Porter, Library Services Manager  
Carol Newman, Team Manager Libraries and Arts Development  
Ruth Imeson, Team Manager Heritage

#### **Independent auditors**

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

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE SOCIETY, ITS TRUSTEES AND ADVISERS  
FOR THE YEAR ENDED 31 MARCH 2018**

**Advisers (continued)**

**Bankers**

Barclays Bank plc  
2 High Street  
Nottingham  
Nottinghamshire  
NG1 2EN

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

The chairman presents his statement for the year.

This annual report outlines a successful second full year of operations for Inspire consolidating itself as an effective organisation, delivering its contractual obligations to the full and being creative and innovative in its approach.

The move to mutual status focussed on continuity of service delivery and establishing a smooth approach to staff transfer and recruitment. In our planning we are now focussing on building future sustainability and ensuring the design of the organisation is fit for purpose and cost effective. I'm pleased to report that against the main contracts delivered by Inspire we have continued to fulfil the required level of performance and in some areas surpass it.

Inspire was awarded CSE (Customer Service Excellence) and MATRIX awards for the second time and our learning services, following an Ofsted inspection in October 2017 were judged to be Good. We also were awarded a 'Fantastic for Families' award by the Family Arts Campaign for the best family welcome.

Our compliance with a range of legal requirements of an independent organisation has been supported by the board and through specialist post holders and advisors. The re accreditation of the OHSAS occupation health and safety standard is to be welcomed to ensure we care for our staff and provide safe environments for our customers and learners.

The board is fully committed to the sustainable development of Inspire as a key provider of culture and learning, offering real benefit to individuals, families, communities and schools. The board has established 2 sector committees (learning and skills and music, culture and heritage) which during the last year have added significant value to the governance of the Society. During 2018 we aim to establish a business development committee to steer the future of the Society.

Our second annual 'Inspire Awards' scheme acknowledged and celebrated the great work of our staff and volunteers at a ceremony held on the 21st June 2018, at the recently refurbished Beeston Library. This highlighted the contribution Inspire services make to the wellbeing and achievement of individuals and groups across Nottinghamshire, and the hard work of staff, volunteers and partners.

Financially we have worked hard to manage our resources effectively, achieve a small surplus (prior to pension accounting adjustments) and gain additional grant funding to enable new and additional service development especially in arts, children's theatre, supporting young people to develop skills and the long term unemployed to gain work. We are particularly pleased to gain Arts Council England (ACE) National Portfolio Status (NPO) 2018 – 2022, which provides £1 million of new funding to deliver a range of new cultural programmes aimed at children and young people across Nottinghamshire.

Our website ([www.inspireculture.org.uk](http://www.inspireculture.org.uk)) provides a single online presence for customers, learners and staff and has seen its use grow over the last year, We have also invested in a 'Learning and Knowledge Pool' which provides all staff with access to an e-learning platform and intranet. This supports the continued development of our 680+ staff members and ensures access to up to date information.

In our published annual review, we have listed some of the highlights of a successful year. Our website provides a comprehensive news archive, outlining all service development, projects and programmes over the last 2 years.



Name John Cottee  
Chairman

Date 17<sup>th</sup> September 2018

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The Members present their annual report together with the audited financial statements of Culture, Learning and Libraries (Midlands) for the year ended 31 March 2018. The Members 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).

The Society also trades under the name Inspire Culture.

#### Objectives, Activities & 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. Volunteers

Volunteers play an important role in the operations of the Society. The number of hours of time donated by general volunteers during the year is approximately 9,472 (2017: 10,154). This has an approximate value of £90,552 to the Society (2017: £85,091).

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

#### a. 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](http://www.inspireculture.ork.uk/whats-on/news).

#### a. Going concern

After making appropriate enquiries, and given the performance of the Society in 2017/18 and the level of reserves as at 31 March 2018, 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.

#### b. 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 [www.inspireculture.org.uk/about-us/governance/documentation](http://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.

A zero-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 a monthly update on the forecast annual outturn. 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 monthly contract meetings.

The CEO and Senior Financial Officer (SFO) meet on a regular basis to review the current position and emerging issues. The SFO 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 Limited.

The leadership team maintain 2 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.

Risk Register and Issues Log - 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.

#### c. 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. Government policy in relation to music hubs has been confirmed until 2020, but is still based on an annual funding allocation that can change. The post Brexit position in relation to ESFA funded learning is currently unclear as some elements currently rely on EU funding programmes.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

#### **Governance**

A Finance and Audit Committee 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 Senior 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 in 2017/2018 was reduced by £200K and will be reduced again in 2018/2019 by a further £143K, with a likely £100K reduction in the following year. Funding from ESFA and ACE is also standstill representing additional financial pressures. Income from the public and especially schools is under pressure as households and schools discretionary spend is squeezed.

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.

#### **Capital investment**

The County Council continues to invest in Inspire buildings and technical infrastructure. A capital programme of £1 million will be delivered during 2018 and 2019.

#### **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 to its future obligations (liabilities) must be included on the Society's Balance Sheet. Following a valuation of the scheme (under FRS 102) at the 31 March 2018 a pension scheme liability of £15,642,000 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.



## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

#### **d. 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 a month's operating costs as a cash reserve total. This amounts to £850K (to provide a 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 will take several years to achieve, we aim to achieve this by 2020. 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.

#### **e. Financial results**

The accounts continue to show the impact of the LGPS Pension Liability of £15,642k as at 31st March 2018 (£15,893k for 2017) and therefore mask the underlying performance of Inspire. Details of the Pension deficit are shown in the accounts and notes. It should be stressed that the pension liability is a non-cash liability and there is no immediate obligation to settle the liability.

Inspire's underlying performance is good and Inspire was able to match expenditure against Income and generate a small surplus.

The liquidity position still remains healthy, with cash and cash equivalents at £2.3m but has declined as education reserves transferred over from Nottinghamshire County Council have now been invested in Inspire's Learning division.

Expenditure is being well controlled with no major areas of concern.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

#### f. 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 provides 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 as at the time of transfer.

The Education and Skills Funding Agency (ESFA) and the Arts Council England (ACE) through various channels fund specific areas of service delivery, some through grants 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 aim to move firmly to full cost recovery models and surplus in the next year.

Income from non school services based fees, charges and sales is around £300K and will be a focus of future growth and development, as will grant seeking, sponsorships, donations and commercial developments.

As most of Inspire funding comes from public funding, the ongoing constraints and inflationary cost pressures present the organisation with an ongoing challenge. Since 2010 all the services delivered by Inspire have seen significant reductions in core budgets, on average 55%, and in some cases 90%. Therefore, responding to further core funding reductions and cost pressures is a major challenge for the organisation.

The development of additional income streams and continually ensuring value for money and efficiencies is a priority for the leadership team and the whole organisation.

Inspire has established robust budgeting monitoring and reporting systems to ensure close management of financial risk is enabled. The organisation achieved a small 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.

The Finance and Audit 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. The FAC has also this year approved the purchase and implementation of a new financial management system, that should significantly improve the management of finances.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

#### Structure, governance and management

##### a. Constitution

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

Culture, Learning and Libraries (Midlands) is a not for profit Community Benefit Society registered with the Financial Conduct Authority (FCA), with charitable status and was established in June 2015. 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 719 staff are members and currently there are over 56,000 public members. The Society is governed by an independent board of elected, nominated and co opted directors.

The 12-member Board 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. Method of appointment or election of Members

The following board members have been appointed:

John Cottee (April 2016) - Nominated by Nottinghamshire County Council  
John Knight (April 2016 - June 2017) Nominated by Nottinghamshire County Council  
Glynn Gilfoyle (June 2017) - Nominated by Nottinghamshire County Council  
Peter Gaw (June 2015) – CEO  
Tim Eatherington (June 2016) Co-opted Director  
Richard Gaunt (Oct 2016) – Community Elected Director  
John Hess (Oct 2016) – Community Elected Director  
Claire Henson (Feb 2018) – Community Elected Director  
Liz Howell (Sept 2016) – Co-opted Director  
Philip Jones (Oct 2016) – Community Elected Director  
Sarah King (June 2016) – Co-opted Director  
Steve Powell (October 2016 & Oct 2017) - Staff Elected Director  
Peter Ware (June 2017) – Co-opted Director

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.

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 2 Assistant CEOs, a Senior Financial Officer and four Service Managers.

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.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

All those wishing to become a 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. The Directors must approve each application for membership.

A corporate body which is a Member shall appoint a representative who may during the continuance of her/his appointment be entitled to exercise all such rights and powers as the corporate body would exercise if it were an individual person. Each such corporate body Member shall supply notification in writing to the Society of its choice of representative.

#### **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 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**

##### **a. Future developments**

The future year will see increased pressures on Inspire with reduced income and increased costs, resulting in a lower cash and cash equivalents position by the end of March 2019, with cash balances expected to decrease to below £2m. The management team are committed to continue to match income and expenditure in future years.

Inspire have decided to invest in new accounting (Sage 200 Professional C) and business intelligence (Pan Intelligence) systems to develop comprehensive management information capabilities. Both are to be live in the autumn of 2018.

#### **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.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

#### Employee involvement 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 Members.

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

In accordance with the Society's Equal opportunities policy, the Society has established fair employment practices in the recruitment, selection, retention and training of disabled 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.

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.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### MEMBERS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

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.

#### **Members' responsibilities statement**

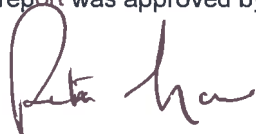
The Members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Members 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 the incoming resources and application of resources of the society for that period. In preparing these financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the society will continue in operation.

The Members are responsible for keeping proper 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 Society's governing document registered with the FCA. 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.

This report was approved by the Members, on 17.9.18 and signed on their behalf by:



Peter Gaw, CEO



Tim Eatherington, Trustee

## 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 2018 set out on pages 16 to 37. 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 charitable society's affairs as at 31 March 2018 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 charitable 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 Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable 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.

#### Other information

The Members 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



## **CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

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

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 Members' 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 Members**

As explained more fully in the Members' responsibilities statement, the Members are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the Members 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 Members are responsible for assessing the charitable 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 Members either intend to liquidate the charitable society or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.



**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

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

**Use of our report**

This report is made solely to the Society's members, 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 members 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 members for our audit work, for this report, or for the opinions we have formed.

*Smith Cooper Limited*

**Sarah Flear (Senior statutory auditor)**

For and on behalf of:

**Smith Cooper Limited**

Chartered Accountants and Statutory Auditors

2 Lace Market Square

Nottingham

NG1 1PB

Date: *17 September 2017*

Smith Cooper 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 2018**

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Restricted fixed asset funds 2018 £	Total funds 2018 £	Total funds 2017 £
<b>Income from:</b>						
Donations & legacies:						
Donations	2	-	2,987	-	2,987	14,467
Donations from local authority	2	-	-	-	-	(7,643,000)
Charitable activities	3	12,127,765	5,424,626	-	17,552,391	17,843,729
Trading activities	4	59,554	-	-	59,554	37,190
<b>Total income</b>		<b>12,187,319</b>	<b>5,427,613</b>	<b>-</b>	<b>17,614,932</b>	<b>10,252,386</b>
<b>Expenditure on:</b>						
Raising funds - trading expenses	4	23,323	-	-	23,323	-
Charitable activities	5	13,821,323	4,718,494	404,541	18,944,358	16,586,965
<b>Total expenditure</b>	7	<b>13,844,646</b>	<b>4,718,494</b>	<b>404,541</b>	<b>18,967,681</b>	<b>16,586,965</b>
<b>Net income / (expenditure) before transfers</b>		<b>(1,657,327)</b>	<b>709,119</b>	<b>(404,541)</b>	<b>(1,352,749)</b>	<b>(6,334,579)</b>
Transfers between funds	16	(1,072,645)	-	1,072,645	-	-
<b>Net income / (expenditure) before other recognised gains and losses</b>		<b>(2,729,972)</b>	<b>709,119</b>	<b>668,104</b>	<b>(1,352,749)</b>	<b>(6,334,579)</b>
Actuarial gains/(losses) on defined benefit pension schemes	20	1,998,000	-	-	1,998,000	(7,344,000)
<b>Net movement in funds</b>		<b>(731,972)</b>	<b>709,119</b>	<b>668,104</b>	<b>645,251</b>	<b>(13,678,579)</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward		(16,570,398)	2,085,717	805,802	(13,678,879)	(300)
<b>Total funds carried forward</b>		<b>(17,302,370)</b>	<b>2,794,836</b>	<b>1,473,906</b>	<b>(13,033,628)</b>	<b>(13,678,879)</b>

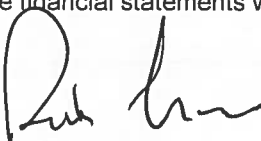
The notes on pages 19 to 37 form part of these financial statements.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

BALANCE SHEET  
AS AT 31 MARCH 2018

	Note	£	2018 £	£	2017 £
<b>Fixed assets</b>					
Tangible assets	13		1,473,905		805,802
<b>Current assets</b>					
Debtors	14	937,655		931,703	
Cash at bank and in hand		2,263,368		2,764,481	
		<u>3,201,023</u>		<u>3,696,184</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(2,066,556)</u>		<u>(2,287,865)</u>	
<b>Net current assets</b>			<u>1,134,467</u>		<u>1,408,319</u>
<b>Total assets less current liabilities</b>			<u>2,608,372</u>		<u>2,214,121</u>
Defined benefit pension scheme liability	20		<u>(15,642,000)</u>		<u>(15,893,000)</u>
<b>Net liabilities including pension scheme liabilities</b>			<u><u>(13,033,628)</u></u>		<u><u>(13,678,879)</u></u>
<b>Society funds</b>					
Restricted funds:					
Restricted funds	16	2,794,836		2,085,717	
Restricted fixed asset funds	16	1,473,906		805,802	
		<u>4,268,742</u>		<u>2,891,519</u>	
Unrestricted funds:					
Unrestricted funds excluding pension liability	16		(1,660,370)		(677,398)
Pension reserve			<u>(15,642,000)</u>		<u>(15,893,000)</u>
Total unrestricted funds			<u>(17,302,370)</u>		<u>(16,570,398)</u>
<b>Total funds</b>			<u><u>(13,033,628)</u></u>		<u><u>(13,678,879)</u></u>

The financial statements were approved by the Members on 17.9.18 and signed on their behalf, by:

  
Peter Gaw, CEO

  
Tim Eatherington, Trustee

The notes on pages 19 to 37 form part of these financial statements.

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018**

	<b>Note</b>	<b>2018 £</b>	<b>2017 £</b>
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	18	<u>571,532</u>	<u>3,565,619</u>
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets		<u>(1,072,645)</u>	<u>(929,716)</u>
<b>Net cash used in investing activities</b>		<u>(1,072,645)</u>	<u>(929,716)</u>
<b>Change in cash and cash equivalents in the year</b>			
Cash and cash equivalents brought forward		<u>2,764,481</u>	<u>128,578</u>
<b>Cash and cash equivalents carried forward</b>	19	<u><u>2,263,368</u></u>	<u><u>2,764,481</u></u>

The notes on pages 19 to 37 form part of these financial statements.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 1. Accounting policies (continued)

##### 1.2 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 category 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 donated facilities are recognised on the basis of the value of the gift to the Society which is the amount the Society 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 2018

#### 1. Accounting policies

##### 1.1 Basis of preparation of financial statements

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.

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.

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 company and are rounded to the nearest £1.

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 2018

#### 1. Accounting policies (continued)

##### 1.3 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. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities and Governance costs are costs incurred on the society's educational operations, including support costs and costs relating to the governance of the society apportioned to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

##### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short term leasehold 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.

##### 1.5 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.

##### 1.6 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.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 1. Accounting policies (continued)

##### 1.7 Creditors and provisions

Liabilities 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.

##### 1.8 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.

##### 1.9 Taxation

The society is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore meets the definition of a charitable entity 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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

1. Accounting policies (continued)

1.10 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 19, 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.

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.

1.11 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Members 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.

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 1. Accounting policies (continued)

##### 1.12 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 2018. 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 2018. 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.

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.

##### 1.13 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.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

2. Income from donations and legacies

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	-	2,987	2,987	14,467
	-	2,987	2,987	14,467
Transfer from local authority (Note 12)	-	-	-	(7,643,000)
Total donations and legacies	-	2,987	2,987	(7,628,533)
Total 2017	(7,643,000)	14,467	(7,628,533)	

3. Income from charitable activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Provision of services	12,127,765	5,424,626	17,552,391	17,843,729
Total 2017	11,410,078	6,433,651	17,843,729	

4. Trading activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
<b>Charity trading income</b>				
Trading income	59,554	-	59,554	37,190
<b>Charity trading expenses</b>				
Trading expenses	23,323	-	23,323	-
Net income from trading activities	36,231	-	36,231	37,190

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

5. Analysis of expenditure on charitable activities

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Provision of services	13,821,323	5,123,035	18,944,358	16,586,965
<i>Total 2017</i>	12,224,564	4,362,401	16,586,965	

6. Direct costs

	Provision of services £	Total 2018 £	Total 2017 £
Net interest on pension obligation	431,000	431,000	277,000
Premises costs	1,440,236	1,440,236	1,171,612
Vehicle and travel costs	227,431	227,431	189,513
Books and equipment	232,517	232,517	197,384
Office and administration costs	284,366	284,366	222,942
Computer and systems costs	678,166	678,166	669,450
Loss on disposal of fixed assets	111,439	111,439	-
Other costs	788,230	788,230	839,142
Legal and professional	236,375	236,375	171,667
Adult education	1,564,693	1,564,693	1,623,576
Bank charges and interest	4,690	4,690	12,760
Other staff costs	310,244	310,244	421,590
Wages and salaries	9,062,493	9,062,493	8,112,664
National insurance	650,423	650,423	596,593
Pension cost	2,628,953	2,628,953	1,957,158
Depreciation	293,102	293,102	123,914
	18,944,358	18,944,358	16,586,965
<i>Total 2017</i>	16,586,965	16,586,965	

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

7. Analysis of Expenditure by expenditure type

	Staff costs 2018 £	Depreciation 2018 £	Other costs 2018 £	Total 2018 £	Total 2017 £
<b>Costs of raising funds:</b>					
Trading expenses	-	-	23,323	23,323	-
<b>Charitable activities:</b>					
Provision of services	12,341,869	293,102	6,309,387	18,944,358	16,586,965
Total 2018	12,341,869	293,102	6,332,710	18,967,681	16,586,965
Total 2017	10,666,415	123,914	5,796,636	16,586,965	

8. Net income/(expenditure)

This is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets:		
- owned by the society	293,102	123,914
Board Members remuneration	117,019	78,849

9. Auditors' remuneration

	2018 £	2017 £
Fees payable to the society's auditor and its associates for the audit of the society's annual accounts	20,215	16,650
Fees payable to the society's auditor and its associates in respect of:		
Taxation compliance services	7,500	-

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**10. Staff costs**

Staff costs were as follows:

	<b>2018</b>	<b>2017</b>
	£	£
Wages and salaries	<b>9,062,493</b>	8,112,664
Social security costs	<b>650,423</b>	596,593
Other pension costs (Note 20)	<b>2,628,953</b>	1,957,158
	<u><b>12,341,869</b></u>	<u>10,666,415</u>

The number of hours of time donated by general volunteers during the year is approximately 9,472 (2017: 10,154). This has an approximate value of £90,552 to the Society (2017: £85,091).

During the year contractual redundancy payments of £66,851 (2017: £NIL) were made to employees.

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

	<b>2018</b>	<i>As restated 2017</i>
	No.	No.
Staff	<b>709</b>	618
Senior management	<b>7</b>	7
	<u><b>716</b></u>	<u>625</u>

Average headcount expressed as a full time equivalent:

	<b>2018</b>	<b>2017</b>
	No.	No.
Staff	<b>338</b>	309
Senior management	<b>7</b>	7
	<u><b>345</b></u>	<u>316</u>

The number of higher paid employees was:

	<b>2018</b>	<b>2017</b>
	No.	No.
In the band £60,001 - £70,000	<b>1</b>	1

The remuneration of key management personnel during the year totalled £321,035 (2017: £280,526) for short term employment benefits and £49,108 (2017: £43,790) for post-employment benefits. During the year retirement benefits were accruing to 7 (2017: 7) key management personnel.

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**11. Members' remuneration**

	2018 £	2017 £
Remuneration	99,253	66,878
Company pension contributions	17,766	11,971

During the year, no Board Members received any benefits in kind (2017 - £NIL).

During the year, Board Members received reimbursement of expenses of £39 (2017 - £NIL).

During the year retirement benefits were accruing to 2 Board Members (2017 - 1) in respect of defined benefit pension schemes.

**12. Interest payable**

	2018 £	2017 £
Bank interest payable	72	3,430
Net interest on defined benefit liability	431,000	277,000
	<u>431,072</u>	<u>280,430</u>

**13. Tangible fixed assets**

	Short-term leasehold property £	Specialist equipment £	Fixtures and fittings £	Office equipment £	Books £	Total £
<b>Cost</b>						
At 1 April 2017	15,253	29,221	19,788	48,094	817,360	929,716
Additions	-	7,500	19,860	90,770	954,515	1,072,645
Disposals	-	-	-	-	(130,012)	(130,012)
At 31 March 2018	<u>15,253</u>	<u>36,721</u>	<u>39,648</u>	<u>138,864</u>	<u>1,641,863</u>	<u>1,872,349</u>
<b>Depreciation</b>						
At 1 April 2017	365	1,716	538	4,529	116,766	123,914
Charge for the year	3,051	8,896	6,719	27,150	247,287	293,103
On disposals	-	-	-	-	(18,573)	(18,573)
At 31 March 2018	<u>3,416</u>	<u>10,612</u>	<u>7,257</u>	<u>31,679</u>	<u>345,480</u>	<u>398,444</u>
<b>Net book value</b>						
At 31 March 2018	<u>11,837</u>	<u>26,109</u>	<u>32,391</u>	<u>107,185</u>	<u>1,296,383</u>	<u>1,473,905</u>
At 31 March 2017	<u>14,888</u>	<u>27,505</u>	<u>19,250</u>	<u>43,565</u>	<u>700,594</u>	<u>805,802</u>

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**14. Debtors**

	2018	2017
	£	£
Trade debtors	825,418	678,042
Other debtors	-	4,763
Prepayments and accrued income	112,237	248,898
	<u>937,655</u>	<u>931,703</u>

**15. Creditors: Amounts falling due within one year**

	2018	2017
	£	£
Trade creditors	275,483	485,632
Other taxation and social security	561,306	560,670
Other creditors	175,607	132,799
Accruals and deferred income	1,054,160	1,108,764
	<u>2,066,556</u>	<u>2,287,865</u>

**Deferred income**

	£
Deferred income at 1 April 2017	190,523
Resources deferred during the year	720,849
Amounts released from previous years	<u>(190,523)</u>
Deferred income at 31 March 2018	<u>720,849</u>

At the balance sheet date the society was holding funds received in advance for adult education, apprenticeships, traineeships and other programmes.



CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

16. Statement of funds

Statement of funds - current year

	Balance at 1 April 2017 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2018 £
<b>Unrestricted funds</b>						
Charitable activities	(714,588)	12,127,765	(12,074,323)	(1,072,645)	-	(1,733,791)
Trading	37,190	59,554	(23,323)	-	-	73,421
Pension reserve	(15,893,000)	-	(1,747,000)	-	1,998,000	(15,642,000)
	<u>(16,570,398)</u>	<u>12,187,319</u>	<u>(13,844,646)</u>	<u>(1,072,645)</u>	<u>1,998,000</u>	<u>(17,302,370)</u>
<b>Restricted funds</b>						
Charitable activities	2,071,250	5,424,626	(4,718,494)	-	-	2,777,382
Trading	14,467	2,987	-	-	-	17,454
	<u>2,085,717</u>	<u>5,427,613</u>	<u>(4,718,494)</u>	<u>-</u>	<u>-</u>	<u>2,794,836</u>
<b>Restricted fixed asset funds</b>						
Acquisition of fixed assets	805,802	-	(404,541)	1,072,645	-	1,473,906
Total restricted funds	<u>2,891,519</u>	<u>5,427,613</u>	<u>(5,123,035)</u>	<u>1,072,645</u>	<u>-</u>	<u>4,268,742</u>
Total of funds	<u>(13,678,879)</u>	<u>17,614,932</u>	<u>(18,967,681)</u>	<u>-</u>	<u>1,998,000</u>	<u>(13,033,628)</u>

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.

Restricted fixed asset funds are resources which are to be applied to a specific capital purpose.

Restricted general funds comprise of 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 2018**

**16. Statement of funds (continued)**

**Statement of funds - prior year**

	<i>Balance at 1 April 2016</i>	<i>Income</i>	<i>Expenditure</i>	<i>Transfers in/out</i>	<i>Gains/ (Losses)</i>	<i>Balance at 31 March 2017</i>
	£	£	£	£	£	£
<b>General funds</b>						
Charitable activities	(300)	11,410,078	(11,194,650)	(929,716)	-	(714,588)
Trading	-	37,190	-	-	-	37,190
Pension reserve	-	(7,643,000)	(906,000)	-	(7,344,000)	(15,893,000)
	<u>(300)</u>	<u>3,804,268</u>	<u>(12,100,650)</u>	<u>(929,716)</u>	<u>(7,344,000)</u>	<u>(16,570,398)</u>
<b>Restricted funds</b>						
Charitable activities	-	6,433,651	(4,362,401)	-	-	2,071,250
Trading	-	14,467	-	-	-	14,467
<b>Restricted fixed asset funds</b>						
Capital expenditure	-	-	(123,914)	929,716	-	805,802
Total of funds	<u>(300)</u>	<u>10,252,386</u>	<u>(16,586,965)</u>	<u>-</u>	<u>(7,344,000)</u>	<u>(13,678,879)</u>

**17. Analysis of net assets between funds**

**Analysis of net assets between funds - current year**

	<b>Unrestricted funds 2018</b>	<b>Restricted funds 2018</b>	<b>Restricted fixed asset funds 2018</b>	<b>Total funds 2018</b>
	£	£	£	£
Tangible fixed assets	-	-	1,473,906	1,473,906
Current assets	-	3,201,022	-	3,201,022
Creditors due within one year	(1,660,370)	(406,186)	-	(2,066,556)
Provisions for liabilities and charges	(15,642,000)	-	-	(15,642,000)
	<u>(17,302,370)</u>	<u>2,794,836</u>	<u>1,473,906</u>	<u>(13,033,628)</u>

**Analysis of net assets between funds - prior year**

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Restricted fixed asset funds</i>	<i>Total funds</i>
	<i>2017</i>	<i>2017</i>	<i>2017</i>	<i>2017</i>
	£	£	£	£
Tangible fixed assets	-	-	805,802	805,802
Current assets	1,456,511	2,239,673	-	3,696,184
Creditors due within one year	(2,133,909)	(153,956)	-	(2,287,865)
Provisions for liabilities and charges	(15,893,000)	-	-	(15,893,000)
	<u>(16,570,398)</u>	<u>2,085,717</u>	<u>805,802</u>	<u>(13,678,879)</u>

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

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

	2018 £	2017 £
Net expenditure for the year (as per Statement of Financial Activities)	(1,352,749)	(6,334,579)
<b>Adjustment for:</b>		
Depreciation charges	293,103	123,914
FRS 102 pension adjustment	1,747,000	906,000
Defined benefit pension liability transferred in	-	7,643,000
Loss on the sale of fixed assets	111,439	-
Increase in debtors	(5,953)	(931,703)
(Decrease)/increase in creditors	(221,308)	2,158,987
<b>Net cash provided by operating activities</b>	<b>571,532</b>	<b>3,565,619</b>

19. Analysis of cash and cash equivalents

	2018 £	2017 £
Cash in hand	2,263,368	2,764,481
Total	2,263,368	2,764,481

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 £141,078 were payable to the Society's pension schemes at 31 March 2018 (2017: £146,660) 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.

**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

## CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 20. Pension commitments (continued)

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 (currently 14.1%);
- 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%.

During the previous year the employer contribution rate was 14.1%. 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 2019.

The employer's pension costs paid to TPS in the period amounted to £227,350 (2017: £259,158).

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](http://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 trust has accounted for its contributions to the scheme as if it were a defined contribution scheme. The trust 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.

The LGPS is a defined benefit funded scheme and the assets are held separately from those of the Company 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.

CULTURE, LEARNING AND LIBRARIES (MIDLANDS)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

20. Pension commitments (continued)

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

	2018	2017
Discount rate at 31 March	2.60 %	2.80 %
Future salary increases	3.80 %	4.20 %
Future pension increases	2.30 %	2.70 %
Inflation assumptions (RPI)	2.30 %	2.70 %
Inflation assumptions (CPI)	3.30 %	3.60 %

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 2018 £	At 31 March 2017 £
Discount rate +0.1%	40,522	38,850
Discount rate -0.1%	42,493	40,736
Long term salary increases +0.1%	41,674	40,033
Long term salary increases -0.1%	41,317	39,531
Future pension increases +0.1%	42,316	40,484
Future pension increases -0.1%	40,696	39,098

The assets in the scheme and the expected rates of return were:

	Fair value at 31 March 2018 £	Fair value at 31 March 2017 £
Equities	16,999,000	16,708,000
Gilts	592,000	730,000
Other bonds	3,020,000	1,441,000
Property	3,248,000	2,656,000
Cash	511,000	1,202,000
Other	1,483,000	1,151,000
Total market value of assets	<u>25,853,000</u>	<u>23,888,000</u>

The actual return on scheme assets was £657,000 (2017 - £3,922,000).

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

	2018 £	2017 £
Current service cost	(2,347,000)	(1,698,000)
Interest on obligation	(431,000)	(277,000)
Administration expenses	(9,000)	(7,000)
Total	<u>(2,787,000)</u>	<u>(1,982,000)</u>
Actual return on scheme assets	<u>657,000</u>	<u>3,922,000</u>

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**20. Pension commitments (continued)**

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

	2018	2017
	£	£
Opening defined benefit obligation	39,781,000	-
Current service cost	2,347,000	1,698,000
Contributions by scheme participants	355,000	366,000
Actuarial (gains)/losses	(2,028,000)	10,515,000
Interest cost	1,118,000	1,028,000
Defined benefit obligation transferred in	-	26,190,000
Estimated benefits paid net of transfers in	(78,000)	(16,000)
	<hr/>	<hr/>
Closing defined benefit obligation	<b>41,495,000</b>	<b>39,781,000</b>
	<hr/> <hr/>	<hr/> <hr/>

Changes in the fair value of scheme assets were as follows:

	2018	2017
	£	£
Opening fair value of scheme assets	23,888,000	-
Interest income	687,000	751,000
Actuarial gains and (losses)	(30,000)	3,171,000
Contributions by employer	1,040,000	1,076,000
Contributions by scheme participants	355,000	366,000
Fair value of assets transferred in	-	18,547,000
Administration expenses	(9,000)	(7,000)
Estimated benefits paid net of transfers in	(78,000)	(16,000)
	<hr/>	<hr/>
	<b>25,853,000</b>	<b>23,888,000</b>
	<hr/> <hr/>	<hr/> <hr/>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2018	2017
Equities	66.00 %	70.00 %
Gilts	2.00 %	3.00 %
Other bonds	12.00 %	6.00 %
Property	13.00 %	11.00 %
Cash	2.00 %	5.00 %
Other	5.00 %	4.00 %

**CULTURE, LEARNING AND LIBRARIES (MIDLANDS)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**20. Pension commitments (continued)**

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Defined benefit obligation	<b>(41,495,000)</b>	<b>(39,781,000)</b>
Scheme assets	<b>25,853,000</b>	<b>23,888,000</b>
	<hr/>	<hr/>
Deficit	<b>(15,642,000)</b>	<b>(15,893,000)</b>
	<hr/>	<hr/>
Experience adjustments on scheme assets	<b>(30,000)</b>	<b>3,171,000</b>
	<hr/>	<hr/>

**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 £9,313,762 (2017: £10,521,666) were received by the Society from Nottinghamshire County Council in relation to the provision of services. At the balance sheet date an amount of £812,708 (2017: £758,167) was due from this party and is included within trade debtors. At the balance sheet date an amount of £NIL (2017: £79,024) is included within accruals and deferred income in respect of income received in advance.

Nottinghamshire County Council also recharged expenses during the year totalling £1,628,152 (2017: £1,270,120). At the balance sheet date an amount of £255,666 was owing to this party and is included within trade creditors. At the balance sheet date an amount of £169,227 (2017: £152,402) is included within accruals in respect of expenses incurred but not invoiced.

The remuneration of key management personnel during the year totalled £321,035 (2017: £280,526) for short term employment benefits and £49,108 (2017: £43,790) for post-employment benefits. During the year retirement benefits were accruing to 7 (2017: 7) key management personnel.

