

AUDIT COMMITTEE – 27 JULY 2012

Title of paper:	STATEMENT OF ACCOUNTS 2011-12	
Director(s)/ Corporate Director(s):	Tony Kirkham Acting Chief Finance Officer	Wards affected: All
Report author(s) and contact details:	Barry Dryden, Senior Finance Manager, Financial Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	None	
Relevant Council Plan Strategic Priority:		
World Class Nottingham		
Work in Nottingham		
Safer Nottingham		
Neighbourhood Nottingham		
Family Nottingham		
Healthy Nottingham		
Leading Nottingham		✓
Summary of issues (including benefits to citizens/service users):		
This report updates the Audit Committee on the progress of the 2011/12 Statement of Accounts (the Statement) for Nottingham City Council, and outlines the process for approving the Statement in accordance with the Accounts and Audit Regulations 2011.		
Recommendation(s):		
1	Note that the contents of the Statement of Accounts will be placed on deposit for public inspection for 20 working days from 1 August 2012.	
2	Note that the Statement of Accounts was submitted to the Audit Commission for audit review on 29 June 2012.	
3	Review the Council's position and confirm that it is appropriate for the Statement of Accounts to be constructed on a going concern basis.	
4	Approve the changes to the Accounting Policies previously presented to Audit Committee.	

1. BACKGROUND

The Accounts and Audit Regulations 2011 (the Regulations) require the City Council to produce an annual Statement of Accounts and outlines the process for their approval and publication. As part of this process the Regulations require the Council to make the unaudited Statement available for public inspection.

The Review of Accounting Policies report to Audit Committee on 2 March 2012 stated that any major changes in Accounting Policies would be brought to this meeting.

2. REASONS FOR RECOMMENDATIONS

Under s8 of the Accounts and Audit Regulations 2011 (the Regulations) there is a requirement for the responsible financial officer to certify that the Council's pre-audit Statement of Accounts (the Statement) presents a true and fair view of the income, expenditure and financial position of the Council. In accordance with the regulations the Acting Chief Finance Officer certified the 2011/12 Statement on 29 June 2012 and the Statement was passed to the Audit Commission to begin their audit on the same date.

The certification will allow the Statement to be placed on deposit for public inspection for a period of 20 working days from 23 July to 17 August. A public notice to this effect was placed in the local press on 5 July 2012 and on the Council's internet site. Following this period, the District Auditor will be available on or after 20 August, for any local government elector or their representative to question her about the accounts or make any objections.

Once the Audit is complete Nottingham City Council also produce a simplified summary statement of accounts for readers. A draft copy based on the unaudited Statement is attached as Appendix A. In addition, this year, the Council has provided an executive summary of the Statement. This summary is, therefore also attached, as Appendix B

The Regulations require that the audited Statement is submitted for consideration and approval by the Council or a committee of the Council prior to the end of September in the following financial year. To meet this requirement a further report, supported by the audited Statement, will be brought to the Audit Committee on 21 September. The terms of reference of the Audit Committee include dealing with matters relating to the Statement.

International Accounting Standard 1 requires the Council to undertake an annual review to assure itself that it is appropriate for the Statement to be produced on a going concern basis. In line with best practice it is recommended that Audit Committee confirm that the Council is a going concern. The nature of local authorities in itself should satisfy this requirement, however, it is also considered that this requirement is met through the work that is undertaken by the Chief Finance Officer in assessing the Medium Term Financial Plan for the robustness of the budget and adequacy of reserves.

The accounting policies presented to Audit Committee on 2 March have been passed to the Audit Commission for review. The Audit Commission have not identified any major changes that are required, however, an internal review of the policies identified an additional policy that should be included, as follows:

“Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The

cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption."

3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

None.

4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY)

None.

5. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS, CRIME AND DISORDER ACT IMPLICATIONS AND EQUALITY AND DIVERSITY IMPLICATIONS)

None.

6. EQUALITY IMPACT ASSESSMENTS (EIAs)

An EIA is not required as this report does not include proposals for new or changing policies, services or functions.

7. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

Closedown working papers

8. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Code of Practice on Local Authority Accounting
CIPFA Supplementary Guidance
LAAP bulletins
Accounts and Audit Regulations 2011.

Nottingham City Council



Draft Summary Statement of Accounts 2011-12



Nottingham City Council Summary Statement of Accounts 2011-12

Nottingham City Council's accounts provide everyone with assurance of good financial governance. They show the resources available and how this money has been used by the City Council in delivering everyday services to Nottingham City's community. This Summary of Accounts summarises the Council's spending in 2011/12 and illustrates its financial position as at 31 March 2012 in a simplified format.



Safer, cleaner, ambitious
Nottingham
A city we're all proud of

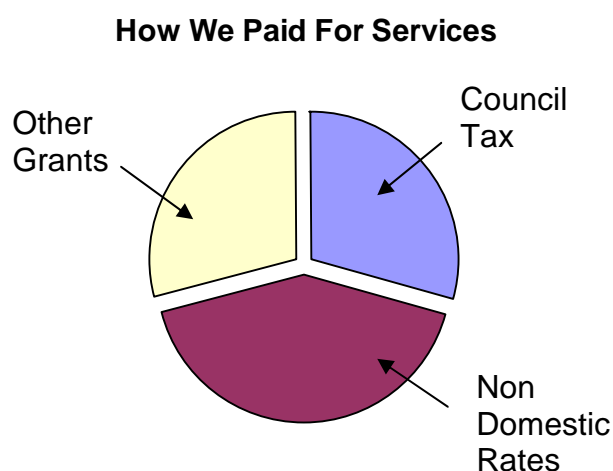
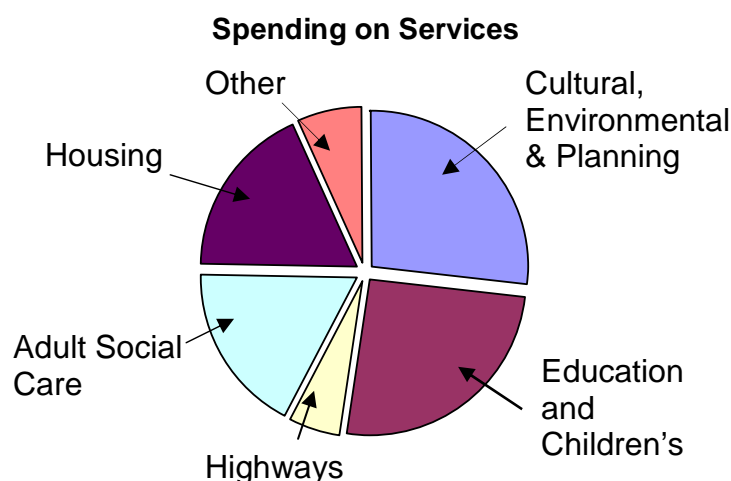


What did we spend our money on?

Nottingham City Council's Statement of Accounts is produced using International Financial Reporting Standards; and under this method shows a deficit after funding of £327.116m. However, when setting its budget and Council Tax, the Council is required to follow legislative requirements to fund its expenditure (Funding Basis). The tables below show a simplified representation of the Council's income and expenditure for 2011/12 which has been adjusted to show the cost of services on a funding basis.

What We Spent	£Million
Adult Social Care	78.856
Cultural, Environment & Planning	116.675
Education and Children's Services	110.546
Highways and Transport Services	23.599
Housing	76.726
Other Services	28.807
Net Cost of Services	435.209
Technical Adjustments	(99.744)
Cost of Services to be Met by Local and National Taxes	335.465

How We Paid For Services	£Million
Non Domestic Rates (set nationally by the Government and redistributed based on population.)	141.167
Other Grants and Contributions (mainly from Central Government.)	98.86
Council Tax (set by the Council.)	100.315
Total Funding	340.342



What We Had Left Over

After accounting for technical adjustments we received slightly more than we spent during the year. £1.795m of this surplus was transferred to Earmarked reserves – money set aside for specific projects in the future; such as Capital Spending and project work. The remaining £3.082m was transferred to the General Fund – money set aside to cover unexpected occurrences and future funding pressures – in order to maintain a secure financial position. The surplus for the year was added to amounts accumulated over previous years giving a new balance on our General Fund of £11.686m.

What We Had Left	£Million
Total Income	340.342
Total Expenditure on services	(335.465)
Surplus for the Year	4.877
Transfer to Earmarked Reserves	1.795
Transfer to General Fund	3.082

What are we worth?

At the end of each financial year we draw up a balance sheet. This represents how much Nottingham City Council's fixed assets are worth; such as land, buildings, vehicles, plant, and equipment. It also shows how much is owed to the Council (assets) and how much the Council owes to others (liabilities). Nottingham City Council's net worth as an organisation is £818.129 million. This is represented by usable funds and balances of £153.058m and unusable capital/pension reserves of £665.071m.

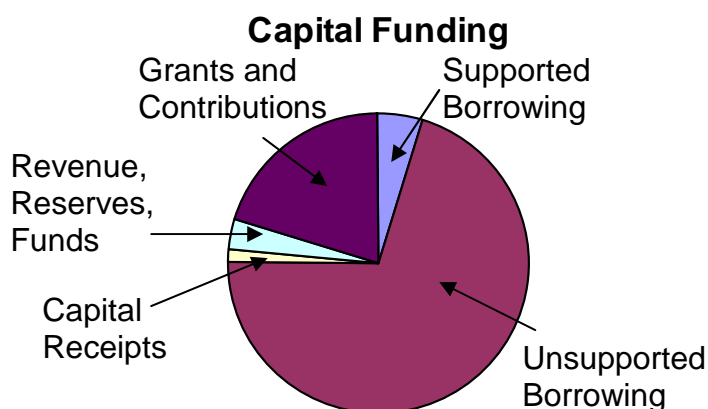
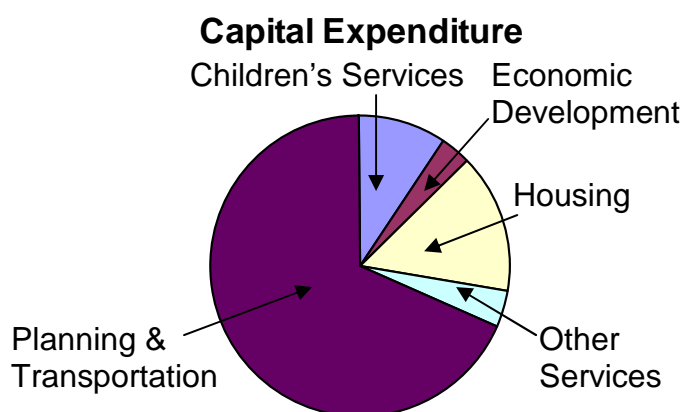
Balance Sheet	£Million
Fixed Assets - (See Capital Spending figures for 2011/12 below)	2087.687
Assets - What is owed to us	280.164
Liabilities - What we owe	(1549.72)
Total Assets Less Total Liabilities	818.129

Capital Spending

Fixed Assets include Capital Expenditure on the acquisition of new assets and the development of existing assets which will benefit the City Council for longer than one year. The tables and charts below show the Council's Capital Spending and Funding in 2011/12.

Capital Expenditure	£Million
Children's Services	38.142
Economic Development, Resources & Customer Care	13.548
Housing, Regeneration & Communities	61.507
All Other Services	14.81
Planning and Transportation	277.528
Total Capital Expenditure	405.535

Capital Funding	£Million
Supported Borrowing	20.558
Unsupported Borrowing	283.954
Capital Receipts	5.37
Revenue/Reserves/Internal Funds	13.937
Grants & Contributions	81.716
Total Capital Funding	405.535



Cash flow

The cash flow statement focuses on the movement of money in to and out of the Council over the course of the financial year.

Cash Flow	£Million
Cash Balance at 1st April 2011	86.938
Net Increase in Cash	36.412
Cash Balance at 31st March 2012	123.35

Housing Revenue Account

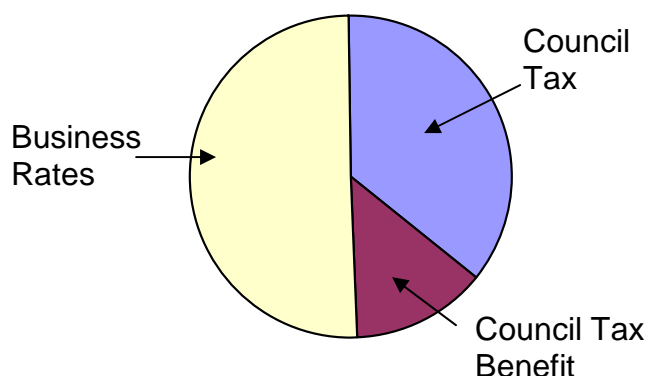
The Housing Revenue Account (HRA) is a separately maintained and ring-fenced account showing income and expenditure associated with the provision, management and maintenance of Council Housing. The Housing Revenue Account expenditure is financed by rents payable from tenants with the remainder being largely financed by subsidy grants from the government. Since April 2005 Nottingham City Homes Ltd has managed the Council's housing stock of 28,073 dwellings.

Housing Revenue Account	£Million
Income	
Rental Income	93.076
Expenditure	
Total Expenditure	143.193
Net Cost for HRA Services	50.117
Technical Adjustments	49.540
Increase/(Decrease) in the Year	(0.577)
Balance 1st April 2011	5.171
Balance 31st March 2012	4.594

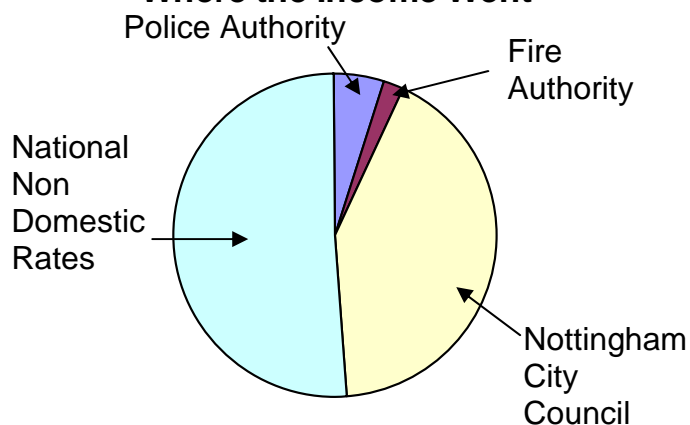
The Collection Fund

The collection fund provides information on income and expenditure in relation to Council Tax and Business Rates. It charts how monies raised have been used to pay for the services of the Council and its precepting authorities – including Council Tax collected on behalf of Nottingham Police Authority and Nottingham Fire Authority. During the year the fund showed a deficit of £0.389m, after taking into account the surplus of £0.521m bought forward from 2010-11, the balance to be carried into 2012-13 is now a surplus of £0.132m.

Where the Income Came From



Where the Income Went



Examples of ongoing Capital Projects:

- **Net Phase 2 (Lines 2 and 3)** – Work has begun on two new tramlines running to Clifton and Chilwell. The Council will incur capital expenditure of around £135m together with annual availability payments to Tramlink.
- **Nottingham Station Improvements (The Hub)** – An agreement with Network Rail to fund improvements of £60m to Nottingham Station. The Council has approved a contribution of up to £18.130m
- **Building Schools for the Future (BSF) and Academies Programmes** – A Government initiative to rebuild and/or renew school buildings. The council obtained funding for rebuilding and remodeling 13 schools and Academies together with provision of ICT managed services.
- **East Midlands Shared Services (EMSS)** – A partnership with Leicestershire County Council to establish a shared service arrangement for financial and human resources services. Capital costs of £3.314m were incurred in relation to the NCC share of the EMSS programme in 11/12.



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Other Formats

If you require this document in an alternative language, large font or Braille, please contact:

Resources Department,
Strategic and Corporate Finance

Chief Finance Officer's Statement

The Council's Statements of Accounts have been prepared in accordance with the Accounting Code of practice. For the purpose of this summary some simplifications have been made to provide more meaningful information. The Council's 2011/12 accounts have been audited by an auditor appointed by the Audit Commission. The auditor issued an unqualified opinion of the Council's full accounts for 2011/12.



A full copy of the Council's 2011/2012 audited accounts and a copy of this leaflet are available on the Council's website: www.nottinghamcity.gov.uk. The accounts are also available at your local library, alternatively please contact us on 0115 8764217 if you wish to purchase a copy.

Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2011/12. The Council's performance is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet, while the Movement in Reserves and Cash Flow statements provide further analysis of specific movements on the Balance Sheet.

Income and Expenditure

When setting its Budget and Council Tax for 2011/12 the Council is required to follow legislative requirements to fund its expenditure (Funding Basis). On the Funding Basis the Council generated a surplus of income over expenditure amounting to £3.082m after contributions to earmarked reserves of £1.795m. This surplus increases the General Fund by £3.082, and was generated by a budgeted surplus of £3.913m, an under spending by services of £2.295m, offset by additional uses of the General Fund totalling £3.126m. Further analysis can be found within section 2.2 of the Explanatory Foreword.

The CIES, however, is produced using International Financial Reporting Standards (IFRS) and shows a deficit of £327.116m. The difference from the Funding Basis is due to the inclusion of the Housing Revenue Account, the treatment of capital financing and timing differences in the recognition of income and expenditure. The additional deficit is therefore used to reduce Housing Revenue Reserves (£0.577m) Capital Financing Reserves (£4.543m) and unusable reserves (£326.920m). Further explanation of these differences can be found in section 5 of the accounts and also in note 6.3.1.

Balance Sheet

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of Property Plant and Equipment (PPE). The value of these assets has fallen by £99.014m. This movement is as a result of a number factors:

- Expenditure on new PPE assets or improving existing assets has increased their value by £209.927m
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £75.551m
- Each year the Council's PPE assets are reviewed to assess whether their depreciated value reflects an objective assessment of their current value. This assessment has resulted in a reduction to the value of these assets by £131.534m.
- A number of schools have switched to Academy status resulting in £94.778m of assets being removed.
- The disposal, sale or removal of other PPE assets has reduced their value by £49.892m

Further details can be found in note 6.2.1

Within long term liabilities, expenditure on assets that have been financed by borrowing has helped to produce a net increase in the long term borrowing figure of £140.575m. This increase has however, been offset due to the repayments on existing loans. The Council is required to monitor it's need to borrow arising from capital expenditure (Capital Financing Requirement) which currently stands at £895.564m, an increase of £102.476m. Note 6.5.9 provides further details of capital expenditure and it's financing.

The Balance Sheet also includes a liability of £536.819m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. For 2011/12 the charge to the CIES was £188.110m. The Funding Basis approach, however, maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund. The Pension Fund is then periodically reviewed and employer's contributions are adjusted to meet liabilities over the longer term. The difference in approaches therefore relates to timing differences in recognising the net charge to the CIES.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. For Nottingham City Council this figure stands at £818.129m.

Previous years' surpluses and deficits on the CIES are reflected in the reserves figures. The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget, otherwise known as the General Fund (£11.686m), Earmarked Reserves (£104.821m) the Housing Revenue Account (£4.594m) and Capital Financing (£31.957m). Unusable reserves are created to account for the timing differences between the Funding Basis and IFRS basis of accounting. These reserves are therefore not available for distribution as they are required as and when the timing differences fall out. Further details of the reserves and movements can be found in the Movement in Reserves Statement and in notes 6.2.11 and 6.2.12.

Group Accounts

Group Accounts consolidate statements for the Council together with organisations where the Council has material financial interests and a significant level of control. The 2011/12 Group Accounts consolidate the accounts for Nottingham Ice Centre, Nottingham City Transport, Enviroenergy, Nottingham City Homes, Connexions, Arrow Light Rail Ltd and Bridge Estate.

On an IFRS basis the group shows a deficit of £350.311m. The value of the Group as represented by Net Assets is £808.534m and Usable Reserves amount to £158.117m.