

Section 1

Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2014/15 and this is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet. The Movement in Reserves and Cash Flow statements provide further analysis of specific figures. However, when setting its Budget and Council Tax, the Council is required to follow legislative requirements to arrive at the Funding Basis. As a consequence the Housing Revenue Account (HRA) is shown separately within the Supplementary Statements. The Collection Fund is also included here and this presents how the Council collects all Council Tax and distributes it to tax setting authorities in the area. A separate set of Group Accounts is also published which shows a consolidated position for the Council and organisations where it has significant control.

Together with Section 2 (Introductory Statements), this section constitutes the Explanatory Forward found in other authorities' Statement of Accounts.

1.1 CIES – Financial Reporting (IFRS) Basis

	2013/14 £m	2014/15 £m
Cost of Services	239.257	203.381
Total Comprehensive Income and Expenditure(Surplus)/Deficit	(74.106)	173.854

The CIES is produced using International Financial Reporting Standards (IFRS) and shows a deficit for the year of £173.854m. This figure includes:

- A charge of £113.949m for properties removed from the balance as a result of 10 schools gaining Academy Status.
- A credit of £42.537m resulting from net gains on property revaluations.
- A charge of £153.168m relating to the actuary's assessment of pension assets and liabilities.

The deficit is offset by a reduction of £186.374m in Unusable Reserves. Further reductions in Capital Financing Reserves of £5.420m and HRA Reserves of £0.547m allow Earmarked Reserves to increase by £11.342m, leaving an increase in the General Fund of £7.146m.

Further details appear in Section 3.1 and section 6.1.

1.2 Balance Sheet

	31 March 2014 £m	31 March 2015 £m
Long Term Assets	2,143.067	2,162.155
Current Assets	331.358	324.932
Current Liabilities	(226.700)	(246.670)
Long Term Liabilities	(1,353.371)	(1,519.917)
NET ASSETS	894.354	720.500

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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 increased by £0.235m. This movement is as a result of a number of factors:

- Expenditure on new PPE assets or improving existing assets has increased their value by £166.053m.
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £86.277m.
- 10 schools have switched to Academy status which together with the de-recognition of other assets resulted in £147.609m of assets being removed.
- The Council's rolling programme of revaluations on property has given rise to net revaluation gains of £73.652m.
- Other items have reduced the value of assets by £5.585m.

Further details appear in note 6.2.1.

The Balance Sheet also includes a liability of £720.588m 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. The Pension Fund is reviewed every 3 years and employer's contributions are adjusted with the intention of meeting the net liabilities over a period of time.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. At 31 March 2015, this totals £720.500m.

1.3 Movement in Reserves Statement

	31 March 2014 £m	Movement 2014/15 £m	31 March 2015 £m
General Fund	12.229	7.324	19.553
Earmarked General Fund Reserves	148.763	11.342	160.105
Other Usable Reserves	77.194	(5.968)	71.226
Unusable Reserves	656.168	(186.552)	469.616
TOTAL AUTHORITY RESERVES	894.354	(173.854)	720.500

Previous years' surpluses and deficits on the CIES are reflected in the reserves figures. The Movement in Reserves Statement (MIRS) in section 3.3 shows how the reserves have changed during the year.

The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget and are made up of the Un-earmarked General Fund Reserve (£19.553m), Earmarked Reserves (£160.105m) the HRA (£4.307m) and Capital Financing Reserves (£66.919m). The movement in the General Fund reflects the surplus after transfers to reserves on the Funding Basis (Paragraph 1.4). The balance on the General Fund is monitored closely to ensure it is kept at a prudent level to cover any unforeseen circumstances.

Unusable reserves are created as a consequence of the timing differences between the Funding Basis and IFRS basis of accounting as referred to in paragraph 1.4. This category also includes a revaluation reserve which holds changes in the valuation of assets. In 2014/15 a net increase in these valuations of £42.537m has been credited to this reserve, however, revaluation gains on schools that have become academies and

other items resulted in an overall reduction in this reserve of £11.770m. These reserves are, therefore, not available for distribution as they are required as and when the timing differences fall out.

Further details of the reserves and movements are set out in the MIRS and in notes 6.2.11 and 6.2.12.

1.4 Funding Basis

	2013/14 £m	2014/15 £m
(Under)/Over spending by Portfolios against budgets	(1.175)	(9.773)
Cost of services(portfolios)	284.227	266.550
Council Tax Income	(80.818)	(85.835)
(Surplus)/Deficit after transfers to reserves	1.573	(7.146)
Movement in capital financing requirement	14.757	43.798
Council Tax (Band D)	£1,404.42	£1,431.80

The Funding Basis is the basis on which the Council manages its expenditure. Using this basis, in 2014/15 spending by services (portfolios) was £9.773m less than planned.

The Funding Basis is based on legislative requirements and differs from the IFRS Basis due to the exclusion of the Housing Revenue Account (HRA – shown separately within the Supplementary Statements), the treatment of capital financing and timing differences in the recognition of income and expenditure.

In 2014/15 the Council Tax raised £85.835m and, together with funding from government grants and other income, this was used to meet the cost of services. Overall the Council generated a surplus of £7.146m after contributions of £11.342m had been made to earmarked reserves. This surplus increased the General Fund by £7.146m.

The IFRS basis of accounting reflects the net change in the actuarial valuation of the pension fund. For 2014/15 the resulting debit to the CIES was £153.168m. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. However, the Funding Basis approach maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund, which are set at a level which will meet liabilities over a longer period. Therefore, the difference in approach generates timing differences when recognising the net charge to the CIES.

The Council is required to calculate a Capital Financing Requirement (CFR) which measures the Council's need to borrow as a result of capital expenditure, less provisions for repayment of debt. The movement in the CFR of £43.798m shows the net increase in the need to borrow in 2014/15. The CFR is used to inform the ceiling of £1,041.6m that the Council set for its overall long term debt in 2014/15. The actual external debt at 31 March 2015 was £791.2m

Further explanation and analysis of these differences in section 5 and note 6.3.1.

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1.5 Group Accounts

	2013/14 £m	2014/15 £m
Total Comprehensive Income and Expenditure (Surplus)/Deficit	(62.496)	202.000
Net Assets	871.646	669.999
Council's Share of other Group Reserves/Minority Interests	(22.708)	(50.501)

Group Accounts consolidate the Council's financial statements with those organisations where the Council has material financial interests and a significant level of control. The 2014/15 Group Accounts consolidate the accounts for Bridge Estate, Nottingham City Homes, Nottingham City Transport, Nottingham Ice Centre, Enviroenergy, Nottingham Revenues and Benefits Ltd, Blueprint Limited Partnership, and Futures Advice, Skills and Employment Ltd.

On an IFRS basis the group's deficit is £28.146m higher than the Council's, primarily due to gains and losses on the pension scheme valuations for Nottingham City Transport and Nottingham City Homes. The value of the Group as represented by Net Assets is £669.999m. This is £50.501m less than the Council's Net Assets which is again due in part to the additional pension scheme liabilities. This reduction is also reflected in the Group's reserves as a result of the consequential accumulated net losses.

Further details appear in section 8 of the accounts.

1.6 Forward Plans

	2015/16 £m	2016/17 £m	2017/18 £m
Medium Term Financial Outlook - Indicative			
Cumulative Revenue Gap	-	22.048	34.089
Capital Programme - Planned Expenditure	381.738	224.852	127.552
Capital Programme - Funding:			
Borrowing	212.325	118.374	58.554
Grants and Contributions	61.534	48.530	23.462
HRA	30.069	30.069	30.069
Other	77.810	27.879	15.467

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

Although the council has set a balanced budget for 2015/16, it is clear that there will be further funding reductions in the future, within which inflationary and demographic pressures will have to be managed. As a result the current Medium Term Financial Outlook shows an estimated funding gap of £34.089m by 2017/18.

The Council is planning to invest £882.390m of capital expenditure over the next 5 years, enabling substantial regeneration in and around the City and allowing the Council to deliver the capital requirements that have arisen from business service needs.

Further details appear in Section 9 (Appendix A) – Forward Plans.

1.7 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the net cost in the year of providing services in accordance with IFRS, rather than the amount to be funded from taxation (funding basis). Costs covered on the funding basis are calculated differently, in accordance with legislative requirements. The funding basis position is shown in the Movement in Reserves Statement and section 5.

Notes	2013/14 Restated (Note 2.2.8)			2014/15		
	Gross	Gross	Net	Gross	Gross	Net
	Expenditure £m	Income £m	£m	Expenditure £m	Income £m	£m
Central services to the public	5.397	(3.492)	1.905	4.619	(3.484)	1.135
Cultural and related services	53.328	(23.929)	29.399	53.422	(27.591)	25.831
Environmental and Regulatory services	51.006	(16.005)	35.001	52.523	(19.316)	33.207
Planning Services	31.485	(23.912)	7.573	13.775	(32.485)	(18.710)
Education and children's services	265.230	(180.303)	84.927	286.089	(181.949)	104.140
Highways and transport services	74.300	(76.412)	(2.112)	86.607	(80.658)	5.949
Local authority housing (HRA)	65.586	(96.189)	(30.603)	50.566	(109.325)	(58.759)
Other housing services	166.861	(150.364)	16.497	172.334	(151.883)	20.451
Adult social care	119.767	(32.773)	86.994	133.238	(46.543)	86.695
Public Health	24.770	(25.765)	(0.995)	42.109	(43.577)	(1.468)
Corporate and democratic core	32.947	(20.906)	12.041	36.036	(23.679)	12.357
Non distributed costs	(1.370)	-	(1.370)	(7.447)	-	(7.447)
6.1.1 Cost of Services	889.307	(650.050)	239.257	923.871	(720.490)	203.381
6.1.2 Other operating expenditure			37.879			136.506
6.1.3 Financing and investment income and expenditure			52.390			55.186
6.1.4 Taxation and non-specific grant income			(350.035)			(327.037)
(Surplus)/Deficit on Provision of Services			(20.509)			68.036
6.1.5 Revaluation of PPE/Heritage assets			(28.587)			(42.537)
6.1.6 Re-measurement of pension assets/liabilities			(25.056)			153.168
Other gains/losses recognised required			0.046			(4.813)
Other Comprehensive Income and Expenditure			(53.597)			105.818
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(74.106)			173.854

Section 3 – Core Financial Statements

1.8 Balance Sheet

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

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

Notes	31 March	31 March
	2014	2015
	£m	£m
6.2.1 Property, Plant & Equipment	1,974.150	1,974.385
6.2.2 Heritage Assets	47.185	55.174
6.2.3 Investment Property	38.388	44.024
6.2.4 Intangible Assets	2.329	3.162
6.2.15(a) Long Term Investments	20.319	15.345
6.2.15(a) Long Term Debtors	60.696	62.437
6.2.5 Assets Held for Sale (non-current)	-	7.628
Long Term assets	2,143.067	2,162.155
6.2.5 Assets Held for Sale (current)	4.621	9.011
6.2.15(a) Short Term Investments	160.350	149.477
6.2.6 Inventories	2.537	3.834
6.2.7 Short Term Debtors	104.809	109.201
6.2.8 Cash and Cash Equivalents	59.041	53.409
Current Assets	331.358	324.932
6.2.15(b) Short Term Borrowing	(32.195)	(25.145)
6.2.9 Short Term Creditors	(189.708)	(195.608)
6.2.10(a) Provisions (current provisions)	(4.797)	(25.917)
Current Liabilities	(226.700)	(246.670)
6.2.15(b) Long Term Borrowing	(685.889)	(670.493)
6.2.15(b) Other Long Term Liabilities	(98.843)	(112.364)
6.2.10(b) Provisions (non-current)	(14.831)	(13.707)
6.2.13 Capital Grants Receipts in Advance	(3.310)	(2.765)
6.2.14 Defined Benefit Pension Scheme	(550.498)	(720.588)
Long Term Liabilities	(1,353.371)	(1,519.917)
NET ASSETS	894.354	720.500
6.2.11 Usable Reserves	238.186	250.884
6.2.12 Unusable Reserves	656.168	469.616
TOTAL RESERVES	894.354	720.500

1.9 Movement in Reserves Statement

This statement shows the in-year movement of reserves, analysed into 'usable reserves' and 'unusable reserves' (see Section 3.2 above). The Surplus/(deficit) on the Provision of Services from the CIES is added to the opening balance for the year. However, adjustments are first made to reflect the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and dwellings rent setting purposes, to arrive at the Movement before Discretionary Transfers. The Council then has discretion to earmark General Fund Reserves for specific purposes as shown by the Discretionary Transfers line.

2014/15	General Fund £m	Earmarked General Fund £m	Housing Revenue Account £m	Capital Receipts £m	Major Repairs £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance at 31/3/14	12.229	148.763	4.854	14.416	38.658	19.266	238.186	656.168	894.354
Movement in 2014/15:									
Surplus/(deficit) on the provision of services	(103.015)	-	34.979	-	-	-	(68.036)	-	(68.036)
Other CIE*	-	-	-	-	-	-	-	(105.818)	(105.818)
Total CIE (Table 3.1)	(103.015)	-	34.979	-	-	-	(68.036)	(105.818)	(173.854)
Funding basis adjustments (Note 6.3.1)	121.681	-	(35.526)	8.134	(10.188)	(3.367)	80.734	(80.734)	-
Movement before discretionary transfers	18.666	-	(0.547)	8.134	(10.188)	(3.367)	12.698	(186.552)	(173.854)
Discretionary transfers	(11.342)	11.342	-	-	-	-	-	-	-
Movement in Year	7.324	11.342	(0.547)	8.134	(10.188)	(3.367)	12.698	(186.552)	(173.854)
Balance at 31/3/15	19.553	160.105	4.307	22.550	28.470	15.899	250.884	469.616	720.500

* CIE - Comprehensive Income and Expenditure

2013/14	General Fund £m	Earmarked General Fund £m	Housing Revenue Account £m	Capital Receipts £m	Major Repairs £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Reserves £m
Balance at 31/3/13	13.802	118.656	5.030	9.303	28.007	19.225	194.023	626.225	820.248
Movement in 2013/14:									
Surplus/(deficit) on the provision of services	9.332	-	11.177	-	-	-	20.509	-	20.509
Other CIE*	-	-	-	-	-	-	-	53.597	53.597
Total CIE (Table 3.1)	9.332	-	11.177	-	-	-	20.509	53.597	74.106
Funding basis adjustments (Note 6.3.1)	19.202	-	(11.353)	5.113	10.651	0.041	23.654	(23.654)	-
Movement before discretionary transfers	28.534	-	(0.176)	5.113	10.651	0.041	44.163	29.943	74.106
Discretionary transfers	(30.107)	30.107	-	-	-	-	-	-	-
Movement in Year	(1.573)	30.107	(0.176)	5.113	10.651	0.041	44.163	29.943	74.106
Balance at 31/3/14	12.229	148.763	4.854	14.416	38.658	19.266	238.186	656.168	894.354

* CIE - Comprehensive Income and Expenditure

1.10 Cash Flow Statement

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

Notes	2013/14 £m	2014/15 £m
Net Surplus/(Deficit) on the provision of Services	20.509	(68.036)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	192.556	223.820
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(74.643)	(84.822)
6.4.1 Net Cash Flows from Operating Activities	138.422	70.962
6.4.2 Investing activities	(81.194)	(57.025)
6.4.3 Financing activities	(75.103)	(19.569)
Net Increase or Decrease in Cash and Cash Equivalents	(17.875)	(5.632)
Cash and cash equivalents at the beginning of the reporting period	76.916	59.041
CASH AND CASH EQUIVALENTS AT 31 MARCH 2015	59.041	53.409