

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 Foreword 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

Appendix A – Executive Summary

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	267.955
Council Tax Income	(80.818)	(87.192)
(Surplus)/Deficit after transfers to reserves	1.573	(7.324)
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 £7.324m 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.

Appendix A – Executive Summary

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.