

# **The Statement of Accounts 2015/2016 AUDIT COMMITTEE TRAINING**

**Audit Committee Training June 2016  
Technical Team**



# The main messages from the 2015/16 Statement of Accounts

The key performance information can be shown by:

- General Fund and HRA performance
- Reserves position
- Cash flows
- Comparisons with budget

# General Fund Performance 2015/16

<b>Comprehensive Income and Expenditure Statement</b>			2015/16	
	Gross Expenditure	Gross Income	Net	
	£m	£m	£m	
Central services to the public	3.547	(2.182)	1.365	
Cultural and related services	51.112	(29.365)	21.747	
Environmental and Regulatory services	57.742	(23.311)	34.431	
Planning Services	43.615	(25.992)	17.623	
Education and children's services	271.126	(173.773)	97.353	
Highways and transport services	153.494	(94.371)	59.123	
Local authority housing (HRA)	81.961	(109.958)	(27.997)	
Other housing services	172.229	(153.492)	18.737	
Adult social care	143.013	(55.390)	87.623	
Public Health	16.658	(16.184)	0.474	
Corporate and democratic core	27.068	(19.727)	7.341	
Non distributed costs	(4.154)		(4.154)	
<b>Cost of Services</b>	<b>1,017.411</b>	<b>(703.745)</b>	<b>313.666</b>	<b>Expenditure on continuing operations, analysed by service</b>
Other operating expenditure			49.184	
Financing and investment income and expenditure			59.982	
Taxation and non-specific grant income			(291.528)	
<b>(Surplus)/Deficit on Provision of Services</b>			<b>131.304</b>	<b>Operational costs of providing services</b>
Revaluation of PPE/Heritage assets			(50.630)	
Re-measurement of pension assets/liabilities			(123.604)	
Other gains/losses recognised required			0.013	
<b>Other Comprehensive Income and Expenditure</b>			<b>(174.221)</b>	
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>			<b>(42.917)</b>	<b>Total income and expenditure for the year</b>



# General Fund Performance 2015/16

**The Comprehensive Income and Expenditure Statement (CIES) is split into two parts.**

- The first part reflects the full cost of providing services and is shown as a surplus or deficit on the Provision of Services line. It represents the operating costs of providing the services of the Council in the year. In the private sector this would be equivalent to the profit or loss of a company.
- The second part called 'Other Comprehensive Income and Expenditure' shows the gains and losses in the measurement of the Councils assets and liabilities. These gains and losses arise from changes in market valuation, changes in interest rates or changes to the measurement assumptions for pension assets and liabilities.

# The Balance Sheet 2015/16

The Balance Sheet shows the Council's financial position at the year end and is made up of two parts, net assets balanced by total reserves.

	31 March 2015	31 March 2016
	£m	£m
Long Term Assets	2,162.155	2,352.221
Net Current Assets	78.262	(36.088)
Long Term Liabilities	(1,519.917)	(1,552.716)
<b>NET ASSETS</b>	<b>720.500</b>	<b>763.417</b>
Useable Reserves	250.884	252.490
Unusable Reserves	469.616	510.927
<b>TOTAL RESERVES</b>	<b>720.500</b>	<b>763.417</b>



# Reserves 2015/16

The level of reserves indicate the resources available to the Council to deliver services in the future. The table below gives a high level break down of reserves balances from the draft Statement of Accounts. The next four slides give more detailed information on reserves.

	31 March 2015 £m	Movement 2015/16 £m	31 March 2016 £m
<b>Useable Reserves</b>			
General Fund	19.553	(8.322)	11.231
Earmarked General Fund Reserves	160.105	14.826	174.931
Other Usable Reserves	71.226	(4.898)	66.328
<b>Unusable Reserves</b>	469.616	41.311	510.927
<b>TOTAL AUTHORITY RESERVES</b>	<b>720.500</b>	<b>42.917</b>	<b>763.417</b>



# Understanding Reserves

## Types of Reserves



### Usable - General Fund (Unallocated)

- To deal with day to day variations and emerging trends.
- Emergencies and unforeseen events
- Determined by a detailed risk assessment
- Minimum level to balance prudent provision with releasing funds for services 2%-4%
- £11.231m = 4.6% of 2016/17 net budget requirement (£243.878m), but plans to allocate some of this during 2016/17
- Higher reserves prudent in current financial climate for Local Authorities.

# Understanding Reserves

## Types of Reserves



### Usable - Earmarked

- At the discretion of the Council
- For specific items of anticipated future expenditure (sometimes capital)
- Smooths out expenditure that occurs in “lumps” over years e.g. equal pay
- Timing differences in funding and spend e.g. PFI schemes
- Some are ring-fenced, particularly Schools



# Understanding Reserves

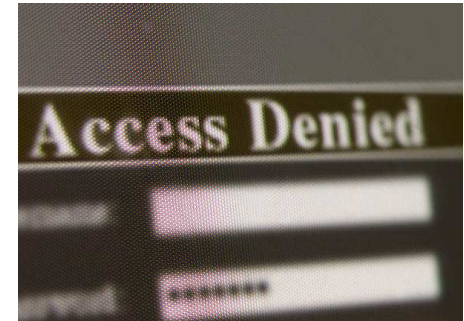
## Usable Earmarked Reserves



	Balance at 31 March 2015 £m	Balance at 31 March 2016 £m
<b>Restricted Reserves:</b>		
Schools	24.122	21.864
Capital	12.140	10.498
<b>Other Reserves:</b>		
Private Finance Initiatives	35.552	46.288
Investment	21.880	17.253
Contingency	17.238	30.631
Services	10.733	12.811
Workforce Issues	8.097	9.082
Business Transformation	7.687	5.313
Local Economy	7.484	6.376
Information Technology	7.015	6.485
Insurance & Risk		
Management	4.779	4.863
Asset Maintenance	3.378	3.467
	<b>160.105</b>	<b>174.931</b>



# Unusable Reserves



Reflect technical adjustments to the accounts and cannot be used to support Council Tax/General Fund:

- Revaluation of assets
- Timing differences between funding basis and IFRS accounting basis
- Financing and depreciation of capital expenditure

# Cash Flow Statement 2015/16

The Cash Flow Statement shows net cash flows and the cash available at the end of the year.

	2014/15	2015/16	
	£m	£m	
<b>Net Surplus/(Deficit) on the provision of Services</b>	<b>(68.036)</b>	<b>(131.304)</b>	→ Surplus taken from CIES
Adjustments to net surplus or deficit on the provision of services for non-cash movements	223.820	224.396	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(84.822)	(71.341)	3 groups of transactions
<b>Net Cash Flows from Operating Activities</b>	<b>70.962</b>	<b>21.751</b>	→ Operating
Investing activities	(57.025)	59.702	Investing
Financing activities	(19.569)	(102.902)	Financing
<b>Net Increase or Decrease in Cash and Cash Equivalents</b>	<b>(5.632)</b>	<b>(21.449)</b>	
Cash and cash equivalents at the beginning of the reporting period	59.041	53.409	
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH 2016</b>	<b>53.409</b>	<b>31.960</b>	→ Cash and cash equivalents figure in the Balance Sheet



# Comparison with Budgets - IFRS vs Funding Basis Principles

- Legislation requires councils to set budget and council tax according to certain treatments, including:
  - Long term assessment of pension position
  - Use of capital receipts/grants for capital
  - Repayment of debt to replace depreciation
- International Financial Accounting Standards (IFRS) use a different approach:
  - Pension Fund and other assets (PPE) valued annually and movement is recognised in CIES
  - Capital receipts/grants recognised as revenue income
  - Use of depreciation

# IFRS vs Funding Basis

## Impact

- Timing differences in recognition of income and expenditure
- Creation of Unusable Reserves to hold the differences created by IFRS
- Total CIES moves from £9.986m surplus to a surplus of £42.917m
- Unusable reserves of £510.927m
- Pension Scheme liability of £623.310m



# IFRS vs Funding Basis The Adjustments

	2015/16 £m
<b>Funding Basis</b>	
Net Portfolio Spend	254.125
(Use)/Contributions to Reserves included above	(14.555)
<b>Expenditure financed from Council Tax and Non-specific Grants</b>	<b>239.570</b>
Council Tax and NNDR	(148.456)
Non-Specific Grants	(101.100)
<b>(SURPLUS)/DEFICIT ON FUNDING BASIS BEFORE TRANSFERS TO RESERVES</b>	<b>(9.986)</b>
<b>ADJUSTMENTS TO MOVE TO ACCOUNTING BASIS</b>	
<b>Other Comprehensive Items</b>	
Revaluation of Property, Plant and Equipment / Heritage assets	(50.630)
Re-measurement of pension assets/liabilities	(123.604)
Other gains/losses recognised	0.013
<b>Movements In Non Current Assets</b>	<b>190.844</b>
<b>Capital Financing</b>	
Revenue Expenditure Funded From Capital Under Statute	3.125
Provision for Debt Redemption	(34.733)
Cap Exp charged to GFB - DRF	(1.207)
Cap Exp charged to GFB - Reserves	
Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.147
<b>Pension Fund - IAS 19 Adjustments</b>	<b>26.326</b>
<b>Other Movements</b>	
Capital Grants & Contributions	(37.242)
Financial Instrument Adjustment Account	0.333
Transfer to/(from) Collection Fund Adjustment Account	-
Employee Benefits	0.191
<b>Additional items required by Accounting Basis:</b>	
Housing Revenue Account	(9.766)
<b>Other Smaller Adjustments</b>	<b>1.272</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(42.917)</b>



# Group Accounts Consolidation

- Subsidiaries/Trusts:  
Line by line for CIES and Balance Sheet
- Associates/Joint Ventures:  
Show Council's share of surplus in CIES and  
as an investment in Balance Sheet
- All intragroup transactions and balances  
removed

# Group Accounts

## Principles

- Combines the results of subsidiaries, associates and joint ventures
- Subsidiaries/Trusts – Council obtains a return and has power to affect that return:  
Enviroenergy, Nottingham City Homes, Nottingham City Transport, Ice Centre, NRB, Bridge Estate, Robin Hood Energy
- Associates/Joint Ventures – Council has significant influence/joint control:  
Blueprint, Futures (both Joint Ventures)



# Group Accounts

## Result

- Each line of CIES and B/S changes for impact of Subsidiaries/Trusts
- Total Surplus increases by £24.582m (group pension movements)

# Statement of Accounts 2015/16

## Questions

