

Commentary on the Accounts

Balance Sheet (BS)

The Balance Sheet is particularly technical, which is unavoidable given the requirement to observe the Code of Practice and the complex capital accounting, financial instrument and pension reporting standards. There are explanatory notes to the Balance Sheet in the Statement of Accounts.

Non Current Assets

Total non current assets (including current assets held for sale) have increased from £1,878.062 million as at 31 March 2016 to £1,968.285 million as at 31 March 2017. The in-year movement in non-current assets is detailed in note 8 to the core financial statements. The movement of £90.223 million includes the following:

- An increase of £80.359 million in respect of capital expenditure incurred on Property, Plant & Equipment (PPE), heritage assets and intangible assets which reflects the significant capital investments made;
- PPE and heritage assets upward revaluation transactions of £163.434 million;
- Depreciation, impairment and revaluation losses transactions of £141.296 million;
- Upward movement in the fair value of investment properties of £0.733 million;
- Disposal of non-current assets of £13.007 million.

Borrowing

In accordance with the CIPFA Code on Treasury Management, the management of the council's borrowing portfolio is based on a consolidated approach and not by individual services. At 31 March 2017, the council's level of borrowing (including the bank overdraft) was £264.981 million, an increase in the year of £17.911 million. The council has raised new loans of £20.127 million and repaid £3.905 million during 2016/17. Note 10 to the accounts provides further information on borrowings.

Investments

At 31 March 2017, the council held investments of £89.439 million. Investments are made by the in-house treasury team and the council's external cash manager. The council uses an external cash manager to take advantage of investment opportunities in specialist markets not covered by the in-house team, such as government stock.

The level of investment has increased in-year by £9.602 million. The council has placed short term investments of £553.886 million during 2016/17 (including cash equivalents of £497.686 million) and has realised cash from the maturity of short term investments of £544.727 million (including cash equivalents of £493.927 million). Note 10 to the financial statements provides further information on investments.

Pension Liability

The estimated pension liability (net of pension assets) for future pension payments decreased in 2016/17 by £15.382 million from £270.279 million at 31 March 2016 to £254.897 million at 31 March 2017.

There are a number of contributory factors to the significant decrease in the pension liability; these are detailed in the Pensions Liability section of the Narrative Report.

The council also recognises a reserve for the estimated net pension liability. Therefore, amounts included in the council's accounts in relation to post employment benefits have no effect on the council tax requirement as the liability is offset by a Pensions Reserve.

Details of the Pension Liability can be found in note 23 to the financial statements.

Provisions

Provisions have been made in the accounts for liabilities existing at the 31 March 2017 that are reasonably certain and can be estimated with reasonable accuracy. Significant provisions are included for the following:-

- Accumulated Absences – The council is required to make provision for accumulated compensated absences (e.g. annual leave and 'flexi' leave entitlements) that are carried forward for use in future periods if the current period's entitlements are not used in full. The provision as at 31 March 2017 is £3.878 million.
- Voluntary Severance Scheme Provision – The council has made provision in the 2016/17 accounts to meet the costs of expected severance packages resulting from a review of the staffing impacts of approved savings. The provision as at 31 March 2017 is £1.679 million.
- Business Rates Appeals Provision - The council has made provision for its share of the amount that it anticipates to repay ratepayers in the future following successful appeals against the rating lists. The provision as at 31 March 2017 is £2.518 million.

Reserves

The council holds two categories of reserves:

- Unusable Reserves – these reserves derive from accounting adjustments and are not available to the council to use to provide services. They include reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences between what is required from a statutory accounting perspective to be charged to the General Fund and HRA balance and what is required to be funded from council tax, locally retained non domestic rates and general grants. These reserves include the revaluation reserve, pension reserve and the capital adjustment account. The level of unusable reserves as at 31 March 2017 was £1,394.017 million. Note 6 to the accounts provides further information on unusable reserves
- Usable Reserves – these reserves can be used by the council to provide services and/or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. These reserves include the General Fund and HRA working balance, general reserves, capital reserves relating to capital receipts and capital grants received which have not yet been utilised and specific reserves which have been set aside by the council for specific purposes.

The level of General Fund working balance and general reserves held at 31 March 2017 was £11.267 million. The level of working balance and general reserves deemed appropriate by the council's Chief Finance Officer is £9 million, approximately 4% of net budget or 4 weeks council tax income; the balance of funds held at 31 March 2017 has already been committed by the council. In addition, there are also General Fund earmarked reserves of £35.594 million as at 31 March 2017.

The level of HRA working balance stands at £8.060 million as at 31 March 2017, which is in excess of the recommended minimum level of balances of £3 million. In addition, there are also HRA earmarked reserves of £1.327 million as at 31 March 2017. The HRA reserves are primarily ring-fenced for council dwelling provision.

Notes 5 and 7 to the accounts provide further information on usable reserves.

Usable reserves and provisions are reviewed during budget setting and the accounts closure to ensure that there is both the ongoing requirement for funds to be set aside and that the levels are adequate and appropriate.

Collection Fund

The Collection Fund is a separate fund recording the expenditure and income relating to council tax and non-domestic rates.

As at 31 March 2017, there was a surplus of £1.794 million on the Collection Fund in respect of council tax and a deficit of £3.543 million in respect of non-domestic business rates.

