



**REPORT OF SERVICE DIRECTOR - FINANCE AND PROCUREMENT**  
**STATEMENT OF ACCOUNTS 2011/12**

**Purpose of the Report**

1. To present the pre-Audit Statement of Accounts 2011/12 for review by the County Council.

**Information and Advice**

2. Last year saw a change to the approval process for the Statement of Accounts following the introduction of the Accounts and Audit Regulations (England) 2011. Previously the County Council was required to approve the accounts before the end of June when they were made available to members of the public, and prior to them being subject to external audit. The revised procedures require the Section 151 Officer to authorise the Statement of Accounts for issue by 30<sup>th</sup> June and the County Council to authorise them following completion of the external audit, prior to 30<sup>th</sup> September.
3. The pre-Audit Statement of Accounts 2011/12 have been authorised and published on the County Council's internet site. The main statements are therefore presented to the County Council to allow a pre-audit review.

**Explanation of the Main Accounting Statements**

4. The financial statements provides information about the County Council's financial position, performance and cash flows and consequently, shows the results of the stewardship and accountability of elected members and management for the resources entrusted to them, which is of paramount importance in the use of public funds.
5. The Statement of Movement in Reserves shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes which are adjusted for in the Statement. The main adjustments relate to
  - Capital investment and financing whereby charges are made when capital investment is financed rather than when capital assets are consumed

- Retirement benefits which are charged as amounts become payable to the pension funds and pensioners rather than when benefits are earned.

The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council

6. The Comprehensive Income and Expenditure Statement summarises the resources that have been generated and consumed in providing services and managing the County Council during 2011/12. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of property, plant and equipment consumed and the real projected value of retirement benefits earned by employees in the year. The Account shows how net expenditure was financed from the Council Tax, Revenue Support Grant, National Non Domestic Rates and other non-specific government grants.
7. The Comprehensive Income and Expenditure Statement shows a deficit on the provision of services of £134.9 million compared to a surplus of £87.8 million in 2010/11.
8. The net cost of services increased by £118.0 million primarily due to the fall-out of the large prior year exceptional items (for the one off pension credit adjustment and Single Status – Back Pay: net £140.5 million) and an increase in the levels of revaluation losses and impairments charged to the Comprehensive Income & Expenditure Statement for property, plant and equipment (principally land and property) of £26.1 million, which was partly off-set by a fall in service net expenditure of £48.1 million. The later reduction will reflect the transfer of some specific grants previously included in the net cost of services (e.g. Early Intervention Grant), a general reduction in grant funded expenditure and the overall reduction in the County Council's expenditure.

## **Explanation of the Main Accounting Statements**

9. The Balance Sheet shows that total assets exceed total liabilities by £58.8 million a significant reduction over last year when total liabilities exceeded total assets by £472.5 million. The figures are calculated after taking account of estimated pension liabilities calculated by the actuary using IAS 19 methodology and is a significant reason for the reduction between the years (£293.3 million). In addition, the reduction in Capital Adjustment Account of £133.7 million primarily mirrors the loss on the disposal of non-current assets through the Comprehensive Income and Expenditure Statement, reflecting the significance of the transfer of schools into academies.
10. The assessed IAS 19 Pensions liability at 31 March 2012 was £874.9 million a significant increase in the 31 March 2011 liability of £581.6 million. This increase is due in part to an increase in the value of the pension fund's liabilities as a consequence of a decrease in the real discount rate from 5.5% at 31 March 2011 to 4.6% 31 March 2012. This reflects the lower yield on AA rated corporate bonds.
11. The amount of long term borrowing together with long-term finance lease liabilities (related to PFI schemes) is £411.0 million, which compares favourably with the value of long-term assets of £1,405.0 million.

12. The withdrawal from the Net 1 agreement has been reflected in the Balance Sheet by a reduction in Property, Plant & Equipment of £27.0 million; with corresponding entries in the finance liability and the Capital Adjustment Account.
13. The Council has earmarked “usable reserves” of £135.7 million, i.e. items identified for specific purposes, and a County Fund balance i.e. free reserves, of £29.7 million. As shown in the Management Accounts report (also on today’s agenda), the General Fund balance increased by £1.6 million in 2011/12 which was £6.7 million above the £5.1 million reduction envisaged in the original budget. The total level of earmarked and free reserves is £165.4 million compared to £142.5 million last year, an increase of £22.9 million. This movement on the individual usable reserves and the purpose for which they are held is shown in Note 42 to the accounts.
14. The Schools Statutory Reserve has increased by £7.4 million to £39.1 million, a proportion of which relates to unspent Standards Fund grant which must be spent by the end of August 2012. In addition to a general increase in schools balances some of the reasons for the increase relates to an increase in unspent Standards Fund grant (£1.3 million) and schools with deficits transferring to academies (£3.5 million). The Schools Statutory Reserve is committed to be spent on schools and is not available to the Authority for general use.
15. The value of the Council’s cash and cash equivalents was £29.3 million at 31 March 2012.
16. The level of short-term debtors in the Balance Sheet has increased by £6.5 million to £68.2 million. An increase in general debtors of £25.6 million, due principally to the change in year-end processing following the change in finance systems, has been partly offset by a reduction in balances due from Central Government and NHS bodies of £19.1 million, arising from the overall reductions in grant funding. The value of creditors has decreased by £20.0 million to £134.3 million, due primarily to a reduction in the amount due from Central Government bodies of £24.7 million. There has been an increase in other general creditors of £4.7 million.

### **Other Options Considered**

17. This report is for the review of the Statement of Accounts 2011/12.

### **Statutory and Policy Implications**

18. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **RECOMMENDATION/S**

19. That Members note the pre-Audit draft Statement of Accounts 2011/12.

**Paul Simpson**

## **Service Director (Finance and Procurement)**

### **For any enquiries about this report please contact:**

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### **Constitutional Comments**

20. The proposal in this report is within the remit of Full Council. (KK – 27/06/12)

### **Financial Comments**

21. The financial implications are as stated in the report. (NS)

### **Background Papers**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

The pre-Audit draft Statement of Accounts 2011/12

### **Electoral Division(s) and Member(s) Affected**

Not applicable