

**HAMPSHIRE COUNTY COUNCIL**

**Decision Report**

<b>Decision Maker:</b>	Audit Committee
<b>Date:</b>	27 September 2012
<b>Title:</b>	Statement of Accounts – 2011/12
<b>Reference:</b>	4266
<b>Report From:</b>	Director of Corporate Resources

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**1. Executive Summary**

- 1.1. The Accounts and Audit Regulations as amended in 2011 require the Authority's Statement of Accounts to be approved by the Chief Financial Officer by 30 June and by Members by 30 September following the year end. The Authority has delegated responsibility for the approval of the Statement of Accounts to the Audit Committee.
- 1.2. The Statements have been audited and the conclusions of the audit are contained within the Audit Commission's Annual Governance Report, which is also on this agenda.
- 1.3. The end of year financial report for 2011/12 was considered by Cabinet on 25 June 2012 and the Statement of Accounts is consistent with that report.
- 1.4. This report presents for the Committee's approval the Statement of Accounts 2011/12 and recommends that the Director of Corporate Resources be given delegated authority to make any amendments required prior to the issue of the audit opinion.

**2. Code of Practice on Local Authority Accounting**

- 2.1. The attached Statement of Accounts has been drawn up in the form prescribed by the 2011/12 Code of Practice on Local Authority Accounting in the United Kingdom, which constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Code is updated each year and for 2011/12, there were two main changes. These related to the requirement to provide details of heritage assets owned by the authority and to disclose details of exit packages paid to staff leaving the authority. These are included in the Statement of Accounts as notes 10f and 23c respectively.

### **3. Statement of Accounts**

- 3.1. The Statement of Accounts comprises a number of separate statements, the key features of which are summarised in the following paragraphs and in Appendix 1. The full Statement of Accounts is included in Appendix 2.

#### **Statement of Responsibilities for the Statement of Accounts**

- 3.2. This statement records the responsibility:
- of the local authority to appoint an officer with responsibility for the proper administration of its financial affairs, the Director of Corporate Resources, formerly the County Treasurer within this Authority
  - of the Director to prepare the accounts in accordance with proper practices as set out in the Code of Practice, and to certify that the accounts present a true and fair view of the Authority
  - of the Chairman of the Audit Committee to confirm that the accounts have been considered and approved by the Committee

#### **Movement in Reserves Statement**

- 3.3. This statement sets out the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (cash-backed reserves which can be applied to fund expenditure or reduce council tax) and unusable reserves. Further detail of the unusable reserves is included in note 17 of the Statement of Accounts.
- 3.4. The statement also shows the statutory General Fund Balance before and after the transfers to and from earmarked reserves.

#### **Comprehensive Income and Expenditure Statement**

- 3.5. This statement shows the accounting cost of providing services rather than the amount funded from taxation. The taxation position is shown in the Movement of Reserves Statement and the difference between them is itemised in note 6 of the Statement of Accounts.
- 3.6. For 2011/12, the cost of services is higher than 2010/11. The main reason for this change lies in the 2010/11 accounts which included the large negative expenditure in non-distributed costs arising from the change announced in that year to increase pensions on the basis of CPI rather than RPI.
- 3.7. The cost of services shown in the Comprehensive Income and Expenditure Statement is presented in accordance with proper practice. A different presentation is adopted for the Authority's management accounts. Note 19 of the Statement of Accounts reconciles the final outturn position that was reported to Cabinet in June 2012 to the cost of services in the Comprehensive Income and Expenditure Account.
- 3.8. The bottom line position for the Comprehensive Income and Expenditure Statement shows a deficit for 2011/12 compared to a surplus in 2010/11. The reason for this change is threefold:

- Partly as a result of the reduction in 2010/11 cost of services as outlined in paragraph 3.6
- It also reflects the value of assets transferred to academy schools for which the County Council received no income
- It also reflects the actuarial loss on pension fund assets and liabilities that arises partly because the actual return on assets was less than expected, but mainly because of changes in assumptions underlying the present value of pension liabilities.

Whilst these items are included in the Comprehensive Income and Expenditure Statement in accordance with proper accounting practice, they are offset by movements in unusable reserves in the Balance Sheet and so do not impact on the general fund balance for council tax purposes.

- 3.9. The inclusion of other comprehensive income and expenditure such as net gains on the revaluation of assets and the actuarial loss on pension fund assets and liabilities, creates a bottom line figure on the Comprehensive Income and Expenditure Statement equal to the change in net worth on the Balance Sheet.

#### **Balance Sheet**

- 3.10. This shows the value of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by reserves; either usable (£0.3bn) or unusable (£2.1bn).
- 3.11. The majority of the County Council's net worth is tied up in the value of its fixed assets, primarily the replacement value of land and buildings, which to the extent that it exceeds outstanding borrowing is reflected in the value of the Revaluation Reserve and the Capital Adjustment account. This value would only become usable if the County Council was to dispose of all its fixed assets at their balance sheet value.
- 3.12. Unusable reserves are reduced by the pension reserve. This reserve was introduced a few years ago as a mechanism for recognising in the balance sheet the County Council's actuarially assessed pension liability as measured under IAS19 (previously FRS17) without requiring the liability to be recognised in setting council tax. The County Council's pension net liability has increased during 2011/12, from £754 million to £978 million mainly as a result of the change in actuarial assumptions.

#### **Cash Flow Statement**

- 3.13. The Cash Flow Statement is designed to demonstrate the changes that have taken place in the Authority's cash position over the year and to highlight the causes of that change.

#### **Notes to the accounts**

- 3.14. These comprehensive notes incorporate information to give the reader information to support the accounts. The accounting policies are incorporated within the notes.

#### **Hampshire Pension Fund**

- 3.15. The accounts of the Hampshire Pension Fund show that there was a surplus of contributions over benefits payable in the year of £46 million, that net investment

income totalled £78 million, and that the market value of investments increased by £94 million, increasing the net assets of the fund by £219 million from £3.6bn to £3.8bn.

#### **Annual Governance Statement**

- 3.16. The Annual Governance Statement has to accompany the Statement of Accounts. The County Council's Statement has been submitted for approval elsewhere on the agenda for this meeting.

#### **4. Next steps**

- 4.1. The County Council is required to publish its Statement of Accounts by 30 September 2012. Should any minor amendments to the Statements be required prior to the issue of the audit opinion and to the publication of the Statement of Accounts, it is recommended that the Director of Corporate Resources be authorised to make any such amendment. The published Statement of Accounts, together with a short summary, will be made available to all members of the County Council, either in electronic form or by circulation of a printed document if preferred.

#### **5. Recommendations**

- 5.1. That the Statement of Accounts for 2011/12 as set out in Appendix 2, be approved.
- 5.2. That the Director of Corporate Resources be given delegated authority to approve any minor amendments to the Statement of Accounts.

Appendix 1

**CORPORATE OR LEGAL INFORMATION:**

**Links to the Corporate Strategy**

**This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:**  
It relates to the effective Governance of the County Council.

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

1.1. This report does not have any impact on equality objectives.

### **2. Impact on Crime and Disorder:**

2.1 The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime. This report has no impact on the prevention of crime.

### **3. Climate Change:**

a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific proposals

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaptation to climate change

## Summary Statement of Accounts 2011/12

### 1 The cost of Hampshire County Council services

The Comprehensive Income and Expenditure Statement sets out the cost of running Hampshire County Council's services in 2011/12 and where the money came from to pay for them.

	2011/12 £'000 Expenditure	2011/12 £'000 Income	2011/12 £'000 Net Exp
<b>Operating income and expenditure</b>			
Cultural, environmental and planning services	120,826	-23,322	97,504
Education and children's services	1,182,553	-898,651	283,902
Highways and transport services	110,109	-20,770	89,339
Adult social care	440,936	-129,114	311,822
Other services, corporate and non-distributed costs	163,917	-112,444	51,473
<b>Total operating income and expenditure</b>	<b>2,018,341</b>	<b>-1,184,301</b>	<b>834,040</b>
<b>Taxation and non-specific grant income</b>			
Non-ringfenced government grants			-56,997
Non domestic rates			-141,816
Council tax income			-531,284
Capital grants and contributions			-118,695
<b>Taxation and non-specific grant income</b>			<b>-848,792</b>
<b>Surplus on the provision of services</b>			<b>-14,752</b>

### 2 Impact on the General Fund Balance

The Comprehensive Income and Expenditure Statement is drawn up in accordance with international accounting standards. However, the Government has stipulated that certain costs that form part of the Comprehensive Income and Expenditure Statement need not be included in the General Fund for the purpose of setting council tax. These costs are mainly associated with the depreciation of assets and the accrual of retirement benefits, which do not necessarily lead to cash flows in the short and medium term. Consequently, these costs are transferred to the Balance Sheet and replaced with the annual repayment of loans for capital expenditure and the employer's pension contribution. This net adjustment is -£57.3 million. The impact on the General Fund Balance is shown in the Movement in Reserves Statement which is summarised below.

	£000
<b>General Fund Balance at 31 March 2011</b>	<b>-21,031</b>
Surplus on the provision of services	-14,752
Net adjustment between accounting basis and funding basis	-57,261
Balance before transfers to earmarked reserves	-93,044
Transfers to earmarked reserves	75,147
<b>General Fund Balance at 31 March 2012</b>	<b>-17,897</b>

### 3 Financial position of the Council

The Balance Sheet presents the Council's financial position at 31 March 2012 and the value of its assets and liabilities. It shows what the Council owns, owes and is owed.

	2011/12 £'000	2011/12 £'000
Land, buildings, vehicles, equipment and infrastructure		3,724,116
Money owed to the Council:		
Within 12 months	363,868	
After 12 months	102,800	
Money owed by the Council		
Within 12 months	-291,619	
After 12 months	-545,527	
Net borrowing		-370,478
Pension fund net liability		-978,250
<b>Total net assets</b>		<b>2,375,388</b>
<b>Financed by:</b>		
Cash-backed reserves		-307,373
Non-cash-backed reserves *		-2,068,015
<b>Total net worth</b>		<b>-2,375,388</b>

\* Includes the Asset Revaluation Reserve that can only be realised when assets are sold and the adjustment accounts required to replace the accounting costs (principally for depreciation and retirement benefits) included in the Income and Expenditure Statement with the costs to be funded by the General Fund (principally loan repayments and employer's pension contributions).

### 4 Capital expenditure

Capital expenditure is money the Council spent on purchasing and improving assets such as buildings, roads and equipment. The Council receives the benefit from such capital expenditure over many years. A summary is provided below.

	2011/12 £'000
Adult Services	5,534
Children's Services	61,302
Environment	71,792
Policy and Resources	23,248
<b>Total</b>	<b>161,696</b>
<b>Financed by:</b>	
Capital receipts	-6,699
Grants and other income	-102,609
Loans	-23,944
Revenue (main contribution)	-24,901
Revenue (reserves)	-3,543
	<b>-161,696</b>

## 5 Pension Fund

The County Council administers the Pension Fund that is open to all non-teaching employees of Hampshire County Council, Portsmouth and Southampton City Councils and the 11 district councils in Hampshire and a range of other scheduled and admission bodies. A summary of the pension fund accounts is given below.

	2011/12 £'000
Pension contributions	228,540
Transfers in from other pension funds	31,388
Benefits paid	-201,410
Payments to and on account of leavers	-9,963
Administrative expenses	-2,632
<b>Net additions from dealings with members and employers</b>	<b>45,923</b>
Returns on investments	182,739
Investment management expenses and taxes on income	-9,841
<b>Increase in the net assets available for benefits during the year</b>	<b>218,821</b>
Add opening net assets of the Fund	3,558,420
<b>Closing net assets of the Fund</b>	<b>3,777,241</b>

## **Hampshire County Council**

### **Statement of Accounts 2011/12**

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## **Explanatory Foreword**

### **1. Introduction**

1.1. This document contains Hampshire County Council's Statement of Accounts for the year ended 31 March 2012. The pattern of presentation of the statement is laid down by a code of practice, which the County Council is legally required to follow.

1.2. This foreword gives:

- a summary of the various statements that make up the County Council's 2011/12 accounts
- a broad picture of where the money comes from and what it is spent on
- a summary of revenue expenditure on services and capital expenditure on new assets over the course of the year.

### **2. Summary of Statement of Accounts**

2.1. The accounts for 2011/12 are set out on pages 7 to 149

2.2. They consist of:

- Statement of responsibilities for the Statement of Accounts
- Movement in reserves statement – analyses the change in net worth between the general fund, other useable reserves and unusable reserves
- Comprehensive Income and Expenditure Statement – shows the accounting cost in the year of providing services measured in accordance with international accounting standards rather than on the basis of the costs that are required to be financed from taxation
- Balance sheet – this sets out assets and liabilities at 31 March 2012 compared with 31 March 2011
- Cash flow statement – this summarises the movement in cash and cash equivalents during the course of the year
- Notes to the accounts – which explain some of the key items and disclosures in the accounts
- Pension Fund accounts - these are the accounts of the Pension Fund, which is operated for employees of the County Council, Hampshire unitary and district councils and other bodies.

### **3. Where the money comes from**

3.1. Since the introduction of the new schools funding arrangements in 2006/07, most of the County Council's income comes from the Dedicated Schools Grant, general Government Grants and the council tax. Fees and charges contribute to the cost of some services and interest is earned on day-to-day balances. Government capital grants and external contributions applied to finance capital expenditure have been excluded from the table below.

3.2. The proportion of the Council's income obtained from these sources is as follows:

	2010/11	2011/12
	%	%
Council tax	27	28
National business rates	6	7
General Government grant	1	3
Area based grant	3	0
Fees, charges and interest	19	16
Specific Government grants	44	46
	<u>100</u>	<u>100</u>

In 2011/12 there was a slight change in grant funding as the area based grant ceased and the funding was merged with general Government Grant.

#### 4. What the money is spent on

##### 4.1. Type of expenditure

	2010/11	2011/12
	%	%
Staff costs	52	50
Running expenses	44	44
Capital financing	4	6
	<u>100</u>	<u>100</u>

##### 4.2 Service shares of gross revenue expenditure

	2010/11	2011/12
	%	%
Children's services and education	66	63
Adult social care	21	23
Highways, roads and transport	5	6
Cultural, environmental and planning services	7	7
Other services	1	1
	<u>100</u>	<u>100</u>

The service shares of gross expenditure in 2011/12 changed slightly from 2010/11, reflecting the reduction in education expenditure as a result of schools becoming academies.

## 5. Employees

- 5.1. At 31 March 2012, the County Council employed 37,969 people, making the Council one of the largest employers in the county. Many of these employees work part-time. In full-time equivalent (fte) terms, the total number of employees was 24,747 at 31 March 2012, 3,581 lower than at 31 March 2011. School-based staff were 2,524 lower than at 31 March 2011 as a number of schools became academies. There were reductions of 1,057 FTEs across all other departments as a result of the recruitment controls and savings programme introduced during 2010/11 to facilitate the achievement of substantial budget reductions in 2011/12.

<b>Full-time equivalent employees</b>	<b>March 2011</b>	<b>March 2012</b>
School - based	17,627	15,103
Other children's services	2,893	2,606
Adult Services	3,198	2,774
Economy, Environment and Transport	773	672
Culture, Communities and Business Services	2,838	2,641
Central services	999	951
	<b>28,328</b>	<b>24,747</b>

## 6. Summary of the year – Revenue account

- 6.1. The financial year 2011/12 was the first year of the significantly reduced grant settlement announced in October 2010. The emergency budget in June 2010 had indicated that significant reductions in Government grant were likely to be required to eliminate the structural deficit within the public finances and the County Council's medium term financial strategy took this into account. The scale of reduction was confirmed in October 2010 as a reduction of 28.8% in formula grant in real terms over the period 2011/12 to 2014/15 and was 'frontloaded' with a reduction of 20% to take place in the first two years. As a floor authority, the County Council expected a maximum reduction in Government grant. The reduction for 2011/12 was 14.3% followed by a reduction of 10.4% in 2012/13.
- 6.2. The budget requirement for 2011/12 was set at £715.6million, which was £26.3m (3.5%) below the adjusted 2010/11 budget. This reflected the reduction in Government grant and enabled the council tax to be frozen at its 2010/11 level allowing the County Council to claim a Government council tax freeze grant of £13.2 million. It also planned to use £3.1m of general reserves and working balances. A budget at this level included unavoidable increases in expenditure from inflation and social care demographic pressures and allowed for other risk contingencies and also included an ambitious cost reduction and efficiency programme to realise savings of £55 million representing a reduction of 8% in service budgets.

- 6.3. The Council has continued to demonstrate strong financial stewardship over this extremely challenging period achieving additional savings than planned for the year. This reflects the continuing financial strategy of achieving savings in the early part of the four year grant settlement period, which can then be used to meet the cost of change and invest to save or transformational projects in future years.
- 6.4. At the end of 2011/12, service net expenditure was £13.7m lower than budgeted and in accordance with the financial management policy has been transferred to the designated under spending earmarked reserve. Further savings of £8.7m were achieved largely as a result of improved treasury management activity and unused contingencies relating to waste management, concessionary fares, adult social care and other risks. This has been transferred to the capital payments reserve. Other variations are offset by transfers to and from reserves.
- 6.5. General Balances at 31 March 2012 are £17.9m as set out in the February 2012 budget after allowing for the budgeted 2011/12 contribution from balances of £3.1m. This represents 2.5% of the County Council's Budget Requirement in line with the current policy.
- 6.6. This movement in the General Fund balance is shown in the table below. The presentation follows the format of the statement of accounts, which is different to that used for setting the budget. For example, the cost of services includes items that are not managed as part of service budgets; a reconciliation of actual income and expenditure for these is included in note 19 to the accounts.

<b>Budget</b>	Original budget	Revised budget	Actual	Variation from revised
	£million	£million	£million	£million
<b>Cost of services</b>	<b>853.9</b>	<b>820.9</b>	<b>798.3</b>	<b>-22.6</b>
(Surpluses)/ deficits on trading units	1.7	0.7	-0.4	-1.1
Net interest payable and investment property income	0.0	23.4	20.8	-2.6
Investment property gains/ losses	0.0	-0.8	-0.8	0.0
Loss/(gain) on disposal of assets	0.0	-3.7	-3.7	0.0
Pension interest cost and expected return on pensions assets	19.8	19.8	19.8	0.0
<b>Net operating and financing expenditure</b>	<b>875.4</b>	<b>860.3</b>	<b>834.0</b>	<b>-26.3</b>

<b>Amount to be met from non-specific Government grant and local taxpayers</b>				
Council tax precept income	-529.9	-531.3	-531.3	0.0
General Government grant (including Area based grant)	-57.0	-57.0	-57.0	0.0
Non domestic rates	-141.8	-141.8	-141.8	0.0
Capital grants and contributions	-74.1	-83.7	-118.7	-35.0
	<b>-802.8</b>	<b>-813.8</b>	<b>-848.8</b>	<b>-35.0</b>
<b>(Surplus)/ Deficit on the provision of services</b>	<b>72.6</b>	<b>46.5</b>	<b>-14.8</b>	<b>-61.3</b>
<b>Adjustments between accounting and funding basis under regulations</b>				
Contribution to capital	63.2	51.2	46.1	-5.1
Excess of depreciation, impairment net of grant over statutory provision for debt repayment	-88.0	-112.9	-112.9	0.0
Actuarial loss on pension fund assets and liabilities	0.0	226.0	226.0	0.0
Contribution to pensions reserve	-51.4	-224.3	-224.3	0.0
Net cost of soft loans, reversal of disposal gain, collection fund and compensated absences adjustment	0.0	7.9	7.9	0.0
Contribution to/(from) earmarked reserves	6.7	8.7	75.1	66.4
<b>Movement in General Fund Balance</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>0.0</b>
<b>General Fund Balance</b>				
Brought forward 1 April 2011	21.0	21.0	21.0	0.0
Carried forward 31 March 2012	17.9	17.9	17.9	0.0

## 7. Summary of the year – capital expenditure

7.1. In 2011/12 the County Council spent £161.7 million on capital projects, £4.9 million less than the revised budget. Capital receipts of £7.8 million were received. This was lower than the estimate of £37.2 million primarily because the disposal of land in Basingstoke is now expected to be completed in 2012/13.

7.2. Capital expenditure has been funded by Government capital grant together with contributions from developers and outside agencies and available capital receipts. Funding from these sources totalled £124.4 million. In accordance with the agreed criteria for the use of borrowing,

new loans totalling £18.7 million were taken out. Adding planned revenue contributions to capital of £59.8 million gave a total of £202.9 million. This has allowed £9.9 million of prudential borrowing to be repaid and a transfer of £31.3 million to reserves to fund future capital expenditure.

- 7.3. Potential outstanding borrowing for capital purposes to be serviced by the County Council now amounts to £683.7 million at 31 March 2012, together with extra debt of £36.3 million for services transferred to the unitary and other authorities. The Council may borrow on a day-to-day basis from internal resources, such as the revenue account and earmarked reserve balances. Internal resources were higher in 2011/12 than in the previous year, so that net of temporary investments, £212.2 million (a reduction of £72.1 million on the previous year) was owed to external lenders at 31 March 2012.

## **8. Pension fund liability**

- 8.1 The County Council's net pension liability has increased from £754 million at 31 March 2011 to £978.2 million at 31 March 2012. This overall actuarial loss arises partly because the actual return on assets was less than expected, but mainly because of changes in assumptions underlying the present value of pension liabilities, for example a lower discount rate. The loss is shown in the Comprehensive Income and Expenditure Statement and then transferred to the Pension Reserve and does not impact on the General Fund balance.

## **9. Changes**

- 9.1 There were no significant changes to the County Council's range of functions in 2011/12, however during the year 23 schools became academies. This has resulted in a transfer of cash balances of £7.8 million. In addition building and furniture and equipment assets valued at £130 million and net pension liabilities of £6 million have been transferred. These transfers are not cash backed and increase the total deficit on the Comprehensive Income and Expenditure Statement by £124 million. This represents a movement in unusable reserves and there is no impact on the General Fund balance.
- 9.2 The 2011/12 Code of Practice on Local Authority Accounting introduced two main changes. These related to the requirement to identify heritage assets in the statement of accounts and to disclose details of exit packages paid to staff leaving the Authority. These are included as notes 10f and 23c respectively.

## **10. Further information**

You can get more information about the accounts from  
The Director of Corporate Resources, Hampshire County Council, The  
Castle, Winchester, SO23 8UB,  
telephone (01962) 847533, e-mail: [budget@hants.gov.uk](mailto:budget@hants.gov.uk).

# Statement of Responsibilities for the Statement of Accounts

## 1 The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to make one of its officers responsible for the administration of those affairs. In this Council, that officer is the Chief Financial Officer
- manage its affairs so as to use resources economically, efficiently and effectively and safeguard its assets
- approve the Statement of Accounts.

## 2 The Chief Financial Officer's responsibilities

1. The Chief Financial Officer is responsible for preparing the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.
2. In preparing this Statement of Accounts, the Chief Financial Officer has:
  - selected suitable accounting policies and applied them consistently
  - made judgements and estimates that were reasonable and prudent
  - complied with the Code of Practice.
3. The Chief Financial Officer has also:
  - kept proper accounting records which are up to date
  - taken reasonable steps to prevent fraud and other irregularities.

## 3 The Chief Financial Officer's statement

I certify that the Statement of Accounts presents a true and fair view of the financial position of the County Council as at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.



Carolyn Williamson  
Chief Financial Officer and Section 151 Officer  
27 September 2012

## 4 The Chairman's statement

I certify that the Statement of Accounts for 2011/12 was considered and approved by the Audit Committee on 27 September 2012.

Councillor Keith Evans  
Chairman of Audit Committee  
27 September 2012

## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie 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. 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.

	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>	<b>-36,930</b>	<b>-155,670</b>	<b>-10,797</b>	<b>-203,397</b>	<b>-1,985,798</b>	<b>-2,189,195</b>
Surplus (-) or deficit on provision of services (accounting basis)	-235,928	-	-	-235,928	-	-235,928
Other comprehensive expenditure and income	-	-	-	-	-153,258	-153,258
<b>Total comprehensive expenditure and income</b>	<b>-235,928</b>	<b>-</b>	<b>-</b>	<b>-235,928</b>	<b>-153,258</b>	<b>-389,186</b>
Adjustments between accounting basis & funding basis under regulations (note 6)	200,644	-	-	200,644	-200,644	-
<b>Net increase / decrease before transfers to earmarked reserves</b>	<b>-35,284</b>	<b>-</b>	<b>-</b>	<b>-35,284</b>	<b>-353,902</b>	<b>-389,186</b>
Transfers to / from earmarked reserves (note 8)	51,183	-48,607	745	3,321	-3,321	-
<b>Increase (-) / decrease in Year</b>	<b>15,899</b>	<b>-48,607</b>	<b>745</b>	<b>-31,963</b>	<b>-357,223</b>	<b>-389,186</b>
<b>Balance at 31 March 2011</b>	<b>-21,031</b>	<b>-204,277</b>	<b>-10,052</b>	<b>-235,360</b>	<b>-2,343,021</b>	<b>-2,578,381</b>
	General Fund Balance £000	Earmarked Reserves £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2011</b>	<b>-21,031</b>	<b>-204,277</b>	<b>-10,052</b>	<b>-235,360</b>	<b>-2,343,021</b>	<b>-2,578,381</b>
Surplus (-) or deficit on provision of services (accounting basis)	-14,752	-	-	-14,752	-	-14,752
Other comprehensive expenditure and income	-	-	-	-	217,745	217,745
<b>Total comprehensive expenditure and income</b>	<b>-14,752</b>	<b>-</b>	<b>-</b>	<b>-14,752</b>	<b>217,745</b>	<b>202,993</b>
Adjustments between accounting basis & funding basis under regulations (note 6)	-57,261	-	-	-57,261	57,261	-
<b>Net increase before transfers to earmarked reserves</b>	<b>-72,013</b>	<b>-</b>	<b>-</b>	<b>-72,013</b>	<b>275,006</b>	<b>202,993</b>
Transfers to / from earmarked reserves (note 8)	75,147	-40,165	-34,982	-	-	-
<b>Increase (-) / decrease in year</b>	<b>3,134</b>	<b>-40,165</b>	<b>-34,982</b>	<b>-72,013</b>	<b>275,006</b>	<b>202,993</b>
<b>Balance at 31 March 2012</b>	<b>-17,897</b>	<b>-244,442</b>	<b>-45,034</b>	<b>-307,373</b>	<b>-2,068,015</b>	<b>-2,375,388</b>



## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, 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). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to 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"

31 March 2011 £000	See note		31 March 2012 £000
3,757,601	10a	<b>Property, plant &amp; equipment (PPE)</b>	3,677,916
46,168	11	Investment property	46,200
<b>3,803,769</b>		<b>Total non-current assets</b>	<b>3,724,116</b>
10,000	12c	Long-term investments	65,000
37,753	12a	Long-term debtors	37,800
<b>3,851,522</b>		<b>Total long-term assets</b>	<b>3,826,916</b>
		<b>Current assets</b>	
13,766	15	Current assets held for sale	10,611
171,171	12c	Short-term investments	194,736
2,956	14	Inventories	3,534
86,809	12b	Short-term debtors	89,308
38,746	13	Cash and cash equivalents	65,679
<b>313,448</b>		<b>Total current assets</b>	<b>363,868</b>
		<b>Current liabilities</b>	
-7,561	13	Bank overdraft	-10,245
-270,628	12g	Short-term Creditors	-227,111
-36,313	12e	Short-term borrowing	-48,052
-5,935		Deferred liability repayable within one year	-6,211
<b>-320,437</b>		<b>Total current liabilities</b>	<b>-291,619</b>
<b>-6,989</b>		<b>Net current liabilities</b>	<b>72,249</b>
<b>3,844,533</b>		<b>Total assets less current liabilities</b>	<b>3,899,165</b>
-12,816	16	Provisions	-26,197
-365,895	12d	Long-term borrowing	-376,155
-88,544	30	Deferred liabilities	-96,991
-44,937	12f	Developers' contributions	-46,184
<b>-512,192</b>		<b>Total long term liabilities</b>	<b>-545,527</b>
<b>-753,960</b>	32	Net liability related to defined benefit pension schemes	<b>-978,250</b>
<b>2,578,381</b>		<b>Total net assets</b>	<b>2,375,388</b>
		<b>Financed by:</b>	
		<b>Usable reserves</b>	
-21,031	7	General Fund	-17,897
-204,277	8	Earmarked reserves	-244,442
-10,052	8	Capital grants unapplied reserve	-45,034
<b>-235,360</b>		<b>Total usable reserves</b>	<b>-307,373</b>
<b>-2,343,021</b>	17	<b>Unusable reserves</b>	<b>-2,068,015</b>
<b>-2,578,381</b>		<b>Total net worth</b>	<b>-2,375,388</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents 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 the operations of the Council 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 made for resources which are intended to contribute to the Council's 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) to the Council.

2010/11 £000 original	2010/11 £000 restated *	See note	2011/12 £000
-235,928	-235,928		-14,752
		Net surplus (-) or deficit (+) on the provision of services	
126,785	13,948	18a	-218,262
		Adjustments to net surplus or deficit on the provision of services for non-cash movements	
-21,673	114,793	18a	126,372
		Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
<u>-130,816</u>	<u>-107,187</u>		<u>-106,642</u>
		Net cash inflow from Operating Activities	
56,169	90,832	18b	99,757
		Investing Activities	
71,771	13,479	18c	-17,364
		Financing Activities	
<u>-2,876</u>	<u>-2,876</u>		<u>-24,249</u>
		Net increase (-) or decrease (+) in cash and cash equivalents	
-28,309	-28,309		-31,185
		Cash and cash equivalents at the beginning of the reporting period	
<u>-31,185</u>	<u>-31,185</u>		<u>-55,434</u>
		Cash and cash equivalents at the end of the reporting period (note 13)	

\* The 2010/11 analysis of cash movements has been simplified.  
Details are shown in note 18.

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