

HAMPSHIRE COUNTY COUNCIL**Report**

Decision Maker:	Audit Committee
Date:	24 September 2015
Title:	Statement of Accounts – 2014/15
Reference:	6907
Report From:	Director of Corporate Resources

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1. Executive Summary

- 1.1. The Accounts and Audit Regulations as amended in 2011 require the County Council's Statement of Accounts, including the Accounts of the Hampshire Pension Fund, to be approved by the Chief Financial Officer by 30 June and by Members by 30 September following the year end. The County Council has delegated responsibility for the approval of the Statement of Accounts to the Audit Committee.
- 1.2. The external audit of the Statements is nearing completion and the conclusions of the audit are contained within the external auditor's report, which is also on this agenda.
- 1.3. The end of year financial report for 2014/15 was considered by Cabinet on 22 June 2015 and the Statement of Accounts is consistent with that report.
- 1.4. This report presents for the Committee's approval the Statement of Accounts 2014/15 and recommends that the Director of Corporate Resources be given delegated authority to make any minor amendments if required by the external auditor 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 2014/15 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 reviewed each year and for 2014/15, the key changes are the requirements of the five new or amended accounting standards relating to consolidated financial statements and accounting for joint ventures, associates and other entities.
- 2.2. For the County Council, this has resulted in the inclusion on the balance sheet of assets relating to non trust foundation schools. These assets are owned and controlled by the Governing Body which is not a legal entity separate from the

school. Consequently assets valued at £109 million as at April 2013 relating to 12 foundation schools have been included in the County Council's balance sheet.

Statement of Accounts

- 2.3. The Statement of Accounts comprises a number of separate statements, the key features of which are summarised in the following paragraphs.

Statement of Responsibilities for the Statement of Accounts

- 2.4. This statement records the responsibility:
- of the local authority to appoint an officer with responsibility for the proper administration of its financial affairs. Within the County Council, this is the Director of Corporate Resources
 - 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

- 2.5. This statement sets out the movement in the year on the different reserves held by the County Council, analysed into 'usable reserves' (cash-backed reserves which can be applied to fund expenditure or reduce council tax) and unusable reserves (not cash-backed). Further detail of the unusable reserves is included in note 16 of the Statement of Accounts.
- 2.6. The statement also shows the statutory General Fund Balance before and after the transfers to and from earmarked reserves.

Comprehensive Income and Expenditure Statement

- 2.7. 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.
- 2.8. For 2014/15, the accounting net cost of services is slightly higher than 2013/14. The main reason for this is the additional budgeted spend for Adult Services as a result of increasing complexity and demography requirements within the service.
- 2.9. The cost of services shown in the Comprehensive Income and Expenditure Statement is presented in accordance with proper accounting practice. A different presentation is adopted for the County Council's management accounts. Note 18 of the Statement of Accounts reconciles the final outturn position that was reported to Cabinet in June 2015 to the cost of services in the Comprehensive Income and Expenditure Statement.
- 2.10. The bottom line position for the Comprehensive Income and Expenditure Statement shows an accounting deficit for 2014/15 compared to a surplus in 2013/14. This arises from the actuarial loss on pension fund assets and liabilities in 2014/15 compared to a gain in 2013/14. Whilst this is included in the Comprehensive Income and Expenditure Statement in accordance with proper

accounting practice, it is offset by movements in unusable reserves in the Balance Sheet and so does not impact on the general fund balance for council tax purposes.

- 2.11. In line with the Code of Practice, the presentation of the Comprehensive Income and Expenditure Statement has been modified to show the transfer of assets to academy and foundation trust schools under other operating expenditure. These transfers were previously shown as other comprehensive income and expenditure. Whilst there is no impact on the total income and expenditure, the modified presentation increases the accounting deficit on the provision of services and requires this to be restated for the 2013/14 Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Cash Flow Statement and the related disclosure notes.
- 2.12. The inclusion of other comprehensive income and expenditure such as net gains on the revaluation of assets and the actuarial gain or 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

- 2.13. This shows the value of the assets and liabilities recognised by the County Council. The net assets of the County Council are matched by reserves; either usable (£0.5bn) or unusable (£1.9bn).
- 2.14. 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.
- 2.15. 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 2014/15, from £986 million to £1,100 million. This arises because the increase in the value of pension fund assets is offset by a larger increase in the present value of pension liabilities mainly as a result of the change in actuarial assumptions, including a lower discount rate.

Cash Flow Statement

- 2.16. 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

- 2.17. 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

- 2.18. The accounts of the Hampshire Pension Fund show that there was a deficit of contributions over benefits payable in the year of £57 million, that net investment income was £96 million, and that the market value of investments increased by £585 million, increasing the net assets of the fund by £601 million from £4.5 billion to £5.1 billion.

Annual Governance Statement

- 2.19. The Annual Governance Statement has to accompany the Statement of Accounts. The County Council's Statement was approved by the Audit Committee in June 2015.

3. Next steps

- 3.1. The County Council is required to publish its Statement of Accounts by 30 September 2015. 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.

4. Recommendations

- 4.1. That the Statement of Accounts for 2014/15 be approved.
- 4.2. That delegated authority be given to the Director of Corporate Resources to approve any minor amendments to the Statement of Accounts prior to the issue of the final audit opinion and publication of the Statement of Accounts.

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>Reference</u>
2014/15 End of year financial report	6638

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