

County Council

23rd September 2008



**Statement of Accounts for the year ended
31st March 2008**

**Report of Stuart Crowe, County Treasurer
[Cabinet Portfolio Member for Corporate Resources, Councillor
Michele Hodgson]**

Purpose of the Report

- 1 To seek approval of the attached Statement of Accounts for the County Council for the financial year ended 31st March 2008.

Background

- 2 The County Council approved the Statement of Accounts at its meeting on 26th June 2008. At that time the accounts were subject to audit by our external auditor, the Audit Commission.
- 3 The Auditor has now substantially completed the audit of the Statement of Accounts and the Annual Governance Report is to be presented to this meeting.
- 4 During the audit, working in collaboration with the Auditor, a number of improvements and amendments have been identified and I have included these in the Statement of Accounts presented today.

Statement of Accounts

- 5 A number of changes to the Notes to the Core Financial Statements to assist the reader's understanding of the document, to correct minor errors and ensure full compliance with the requirements of the 2007 '*Code of Practice on Local Authority Accounting in Great Britain*' as updated and published by the Chartered Institute of Public Finance and Accountancy (CIPFA) have been made.
- 6 During the Auditor's consideration of the Statement of Accounts three non-trivial errors were identified and have been amended in the attached Statement of Accounts. The impact of the changes on the Balance Sheet and Income and Expenditure Account are detailed in Appendix 2. They relate to the following areas:
 - i. Group Accounts – The County Council is required to reflect any controlling interest it has in other organisations in its financial statements. The financial statements submitted for audit did not include the Group Financial Statements to reflect the net assets of

Durham County Waste Management Company Limited and
County Durham Development Company Limited.

- ii. Financial Reporting Standard (FRS) 17 – The County Council is required to reflect future pension fund liabilities in the financial statements. An Actuary is used to calculate these figures. The FRS 17 figures included in the accounts submitted for audit were calculated based on estimates of the assets of the Pension Fund at 28th February 2008. The actual asset figures as at 31st March 2008 were significantly higher than those estimated. Revised pensions liability figures were provided by the Actuary, reducing the Pension Liability and Pension Reserve by £27.190m.
 - iii. Asset valuation – The County Council is required to carry out a review for impairment (or reduction in value) of fixed assets. The Financial Statements originally submitted for audit included an impairment of fixed assets of £6.260m. Audit testing revealed that the impairment should have been an increase in value of £0.111m.
- 7 To help in reading and interpreting the contents, Appendix 3 to this report briefly explains the purpose of each section of the Statement.

Recommendation

- 8 It is recommended that the Council approve the attached Statement of Accounts for the County Council for the financial year ended 31st March 2008.

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Appendix 1: Implications

Finance

Local Government Reorganisation

(Does the decision impact upon a future Unitary Council?)

Details the financial position of the County Council as at 31st March 2008.

Finance

Details the financial position of the County Council at 31st March 2008.

Staffing

None

Equality and Diversity

None

Accommodation

None

Crime and disorder

None

Sustainability

None

Human rights

None

Localities and Rurality

None

Young people

None

Consultation

None

Health

None

Appendix 2: Amendments to the Statement of Accounts

1 The following amendments to the Balance Sheet have been made:

Item of account	Nature of adjustment	Dr £000	Cr £000
Liability related to defined benefit pension schemes	The Actuary's estimate of the Council's share of pension fund assets at 31 st March 2008 was underestimated resulting in an understatement of the pension liability at the balance sheet date.	27,190	
FRS17 Pension reserve			27,190
Fixed assets - impairments	A £6.260m impairment to one asset was found to be incorrect and should have been an increase to the value of £0.111m.	6,260	
Fixed assets - revaluations		111	
Capital Adjustment Account			6,260
Revaluation Reserve			111
Net effect on Balance Sheet net worth		33,561	
Reclassification of Items on Balance Sheet			
Fixed assets - additions	Expenditure on fixed assets that does not add value treated correctly as impairment, however fixed assets balance not adjusted.	2,894	
Fixed assets - impairments			2,894
Short-term borrowing	Accrued interest on loans should now be added to the carrying value rather than shown as previously within creditors.		2,528
Creditors		2,528	
Short-term investments	Accrued interest on investments should now be added to the carrying value rather than shown as previously within debtors.	1,652	
Debtors			1,652
Affect of Reclassifications on net worth		0	

- 2 The following amendments to the Income and Expenditure Account have been made:

Item of account	Nature of adjustment	Dr £'000	Cr £'000
Net cost of services - Children's and Education Services	A £6.260m impairment to one asset was found to be incorrect.		6,260
Net cost of services - Children's and Education Services	Schools' revenue contribution to capital expenditure financed from Dedicated Schools Grant had been charged to Income and Expenditure Account rather than via the Statement of Movement on the General Fund Balance.		4,714
Net impact on Income and Expenditure deficit for the year			10,974

Appendix 3: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Explanatory Foreword	3	Summary of the most significant matters reported in the accounts, and the overall financial position of the County Council.
Auditor's Report	13 - 15	Gives the Auditor's opinion on the Financial Statements. The opinion is that the Financial Statements present fairly and in accordance with legal and regulatory requirements the Council's, Group's and Pension Fund's financial position as at 31 st March 2008.
Statement of Accounting Policies	16 - 22	Explains the policies adopted in preparing the accounts and indicates compliance with the Accounting Code of Practice.
Income and Expenditure Account	23	Summarises the resources generated and consumed by the authority in the year.
Statement of Movement on the General Fund Balance	24	Reconciles how the balance of resources generated/consumed in the year links with statutory requirements for raising council tax.
Statement of Total Recognised Gains and Losses	25	Demonstrates how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
Balance Sheet	26	Shows the financial position of the County Council at 31st March 2007.
Cash Flow Statement	27 - 29	Summary of the inflows and outflows of cash during the year arising from revenue and capital cash transactions.
Notes to the Core Financial Statements	30 - 63	Gives further explanation to the core financial statements.
Group Financial Statements	64 - 74	Gives an overall understanding of the County Council's economic activities and financial position by including in Group Financial Statements other entities over which the County Council has the ability to exercise control.
Pension Fund Account and Notes	75 - 86	Full accounts and notes relating to Durham County Council Pension Fund.
Statement of Responsibilities for the Statement of Accounts	87	Sets out the responsibilities of the Council and the County Treasurer for the Statement of Accounts.
Annual Governance Statement	88 - 96	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the County Council.
Glossary of Terms	97 - 105	To help the reader understand terminology used in the Statement of Accounts.