

Audit Committee

29 July 2016



Statement of Accounts for the year ended 31 March 2016

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Purpose of the Report

- 1 To present to Members the Statement of Accounts for the year ended 31 March 2016 and raise any significant issues arising from the accounts.

Background

- 2 The 'Accounts and Audit Regulations 2011' introduced a two stage approval process for the Statement of Accounts; the first stage is in June each year. The Regulations require that the responsible financial officer, by no later than 30 June 2016, signs and certifies that the Statement of Accounts presents a "true and fair view" of the financial position of the Council for the year to 31 March previous, subject to the views of the External Auditor. This stage was completed on 30 June 2016.
- 3 The second stage, as set out in the Regulations, requires that on or before the 30 September, approval needs to be given to the Statement of Accounts by resolution of a committee, which for Durham County Council is the Audit Committee. This approval will take into account the views of the External Auditor. This is done so that the Statement of Accounts can then be formally published.
- 4 The Statement of Accounts is currently subject to audit by Mazars LLP. The audit of the accounts is ongoing. On completion, the Auditor's report will be incorporated into the published version of the document.
- 5 The attached Statement of Accounts is available for inspection by the public from 1 July 2016 to 11 August 2016 in line with the Regulations and has been published on our website.

Statement of Accounts

- 6 The Statement of Accounts for the financial year 2015/16 is prepared in accordance with the 'Accounts and Audit Regulations 2003', as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the 'Accounts and Audit (England) Regulations 2015 and the 'Code of Practice on Local Authority Accounting 2015/16' (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 7 The Code is based on approved accounting standards. In England and Wales, the local authority Code constitutes 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003. The Council is therefore legally required to follow this Code of Practice. Explanatory notes are included in the document to assist in the interpretation of the accounts, which unfortunately are unavoidably technical and complex.
- 8 To help Members in reading and interpreting the contents, Appendix 2 to this report briefly explains the purpose of each section of the Statement.

Key information from the Statement of Accounts

- 9 Page numbers used in this report refer to the page numbers on the Statement of Accounts document and not those on the full pack of reports.
- 10 There are six core statements that provide fundamental information on the financial activities and position of the Council:
 - Movement in Reserves Statement (page 27)
 - Comprehensive Income and Expenditure Account (page 29)
 - Balance Sheet (page 30)
 - Cash Flow Statement (page 31)
 - Housing Revenue Account (page 137) and
 - Collection Fund (page 142).
- 11 The Statement of Accounts also includes the accounts for Durham County Council Pension Fund (page 149) for which the Council is the Administering Authority.

- 12 The Statement of Accounts shows that the Council's 'net worth' has increased in 2015/16 by £101.582 million to £568.129 million. This is due, in the main; to the entries actioned in 2015/16 to account for the transfer of the housing stock to County Durham Housing Group Limited on 13 April 2015. The Council received an Overhanging Debt Grant of £207.03 million from the government to repay its remaining housing attributable debt and premia associated with the premature repayment. The reduction in Long Term Liabilities as a result of the repayment of the housing loans in Long Term Borrowing was offset by a reduction in the value of Long Term Assets as a result of writing out the housing stock in Property, Plant and Equipment.
- 13 The Council has increased its usable reserves during 2015/16.
- a) The general reserve has increased by £0.204 million to £29.101 million. This reserve is held to cushion the impact of uneven cash flows, unexpected events or emergencies.
 - b) Earmarked reserves have increased by £27.086 million to £241.643 million. Earmarked reserves are held for specific future purposes. This increase is mainly due to the transfer of the Housing Revenue Account (HRA) Reserve closing balance (£23.156 million) to the earmarked reserves following the closure of the HRA in 2015/16.
- 14 The Pension Fund accounts show that its net assets as at 31 March 2015 have reduced by £13.758 million to £2.321 billion. Further information on the Pension Fund is contained within the Pension Fund's Annual Report, which will be published following the approval of the Accounts.

Audit of Accounts

- 15 The final audit of the Statement of Accounts is now underway. At the end of this process, the Auditor will provide an Audit Completion Report detailing their comments and recommendation for improvements, based on the position at 31 March 2016.

Recommendation

- 16 It is recommended that the Audit Committee:
- a. Consider the attached Statement of Accounts for the County Council for the financial year ended 31 March 2016.

Appendix 1: Implications

Finance

This report details the financial position of the Council as at 31 March 2016.

Staffing -

None

Risk -

None

Equality and Diversity -

None

Accommodation -

None

Crime and Disorder -

None

Human Rights -

None

Consultation -

None

Procurement -

None

Disability -

None

Legal Implications -

None

Appendix 2: Statement of Accounts - Summary and Explanation

Item	Pages	Explanation of Purpose and Content
Narrative Report	3 - 22	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Statement of Responsibilities for the Statement of Accounts	23	Sets out the responsibilities of the Council and the Corporate Director Resources for the Statement of Accounts.
Independent Auditor's Report to Durham County Council	24 - 26	Once the Audit is completed the Auditor's report will be included.
Durham County Council Core Financial Statements		
Movement in Reserves Statement	27 - 28	This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves and other reserves
Comprehensive Income and Expenditure Account (CIES)	29	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Balance Sheet	30	The Balance Sheet shows the value as at the Balance Sheet date (31 March 2016) 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.
Cash Flow Statement	31	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.
Notes to the Core Financial Statements	32 - 136	The notes are important in the presentation of a true and fair view. They aim to assist in understanding by presenting information about the basis of preparation of the core financial statements; by disclosing information required by the Code that is not presented elsewhere; and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts and shows the policies and procedures adopted in compiling the Accounts.
The Housing Revenue Account (HRA)	137 - 141	The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Item	Pages	Explanation of Purpose and Content
Collection Fund	142 - 148	The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities, such as the Council, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.
Durham County Council Pension Fund Accounts	149 – 192	Shows the operation and membership of the Pension Fund, the expenditure and income during the year and its financial position at 31 March 2016. Following the Accounts are notes providing further information.
Annual Governance Statement	193 - 212	Gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the Council.
Glossary of Terms used in the Accounts	213 - 229	To help the reader understand terminology used in the Statement of Accounts.