NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

28 JUNE 2012

STATEMENT OF FINAL ACCOUNTS 2011/12

Report of the Corporate Director – Finance and Central Services

1.0 PURPOSE OF REPORT

1.1 To consider a draft Statement of Final Accounts for 2011/12 for the County Council in advance of:

(a) these accounts being audited by Deloitte during July and August 2012, and

(b) being submitted to this Committee for formal approval on 27 September 2012 after the external audit has been completed.

2.0 BACKGROUND

2.1 The *Accounts and Audit Regulations* set out the requirements and timelines for Member approval of Local Authority Accounts and one of the Terms of Reference for this Committee is to approve the Annual Statement of Accounts (SOFA).

2.2 Updated *Accounts and Audit Regulations* came into force on 31 March 2011 with the main change being that from 2010/11 there is no longer a formal requirement for Member approval of the SOFA by 30 June, in advance of consideration and review by External Audit. This change was made because the previous requirement was out of step with the private sector and elsewhere in the public sector and carried the implication that the Audit Committee was not aware of the outcome of the external audit before their requirement to approve the SOFA.

2.3 The requirement that the SOFA is certified by the Section 151 (Chief Finance) Officer by 30 June and approved by Members (the Audit Committee) in advance of the, certification and publication of the Accounts by 30 September remains unchanged.

2.4 Given this change, both DCLG and CIPFA suggested that it would be good practice for the SOFA still to be presented to Members (at this meeting) for review and comment prior to audit and that this is an area where the Audit Committee can still add value. Following discussions with the Chairman of the Audit Committee last year it was agreed that the County Council's SOFA for 2010/11 would be submitted to the June 2011 Audit Committee in advance of external audit, but this was for information and review / comment only, not formal approval. This approach is being continued for the 2011/12 Accounts.

2.5 The final SOFA, after External Audit, will be re-submitted to this Committee on 27 September 2012 for formal approval.

3.0 STATEMENT OF FINAL ACCOUNTS 2011/12

3.1 Reports on the 2011/12 Revenue Budget and Capital Plan outturn were considered by the Executive on 19 June 2012 (**see paragraph 10**). However those outturn reports and the spending details reported form only part of the information reflected in the full SOFA documentation - the latter also includes a Balance Sheet, Cash Flow Statement, Statement of Accounting Policies, Notes to the Accounts, Group Accounts, Pension Fund Accounts etc. In addition, the format of the SOFA has to comply with statutory accounting requirements which differ in a number of areas from the County Council's organisational structure and day-to-day accounting and budgetary arrangements (see **paragraph 5.3**).

3.2 The County Council's draft SOFA for 2011/12 is attached as a separate booklet circulated with this agenda after being certified by the Corporate Director – Finance and Central Services on 15 June 2012 (page 25) to satisfy the statutory requirement referred to in **paragraph 2.3** above. It has also been co-signed by the Chief Executive (**paragraph 7.5**).

3.3 The format and content of the SOFA must comply with CIPFA's *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* and is; therefore, largely outside the County Council's control. This Code which is now based on International Financial Reporting Standards (IFRS) prescribes the accounting treatment and disclosures for all transactions and balance sheet items of a Local Authority's Accounts. The Code constitutes 'a proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

3.4 The SOFA also complies with CIPFA's *Service Reporting Code of Practice (SeRCOP)*. The aim of this Code is to achieve an accounting framework for Local Authorities so that financial data reported is comparable between authorities. The Code applies to a wide range of financial data that has to be published and provided in a variety of sources including the SOFA and various budget/outturn returns required by Central Government. The Code has the full backing of Central Government and is usually updated on an annual basis.

3.5 A summary sheet giving a brief explanation of the various statements included in the SOFA is attached as **Appendix A** and as indicated in **paragraphs 3.3 and 3.4**, the various accounts and notes included in the SOFA are to comply with the IFRS based *Code of Practice on Local Authority Accounting* and *Service Reporting Code of Practice*.

4.0 CHANGES REFLECTED IN THE 2011/12 SOFA

4.1 Arising from the updated 2011 *Code of Practice on Local Authority Accounting* (**paragraph 3.3**) a number of relatively minor changes are reflected in the 2011/12 SOFA. These changes fall into two categories -

(a) **Additional Accounting Policies for**

(i) **Heritage Assets**

Heritage assets are non current assets that are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities. They are held and maintained principally for their contribution to knowledge and culture.

Following the changes to the 2011 IFRS Code, Heritage Assets are now to be carried on the Balance Sheet. As a result, a full review was undertaken to identify any Heritage Assets held by the County Council. This review included:

- a review by Service Accountants in conjunction with Service Units

- discussions with Corporate Property Management to identify any historical buildings (not used in the provision of service), landmarks, archaeological sites, monuments or memorials owned by the County Council

- a review of the items insured separately to the County Council's existing insurance policies

- discussions with the County Records Office

- discussions with the Historic Environment Team in BES

A number of potential items were highlighted through the review of the County Council's insurance schedules, however, no specific item was found to meet the criteria for a Heritage Asset.

From discussions with the Records Office it was established that a large number of archive collections held within the archives and owned by the County Council would meet the definition of Heritage Assets and should be classified as such.

A valuation of the items held by the Records Office has never been established and any valuation exercise would be costly and resource intensive. As a result, it was concluded that the cost of obtaining a full valuation of these assets would involve a disproportionate cost in comparison to the benefits to the users of the financial statements. The assets held by the Records Office are not, therefore, recognised in the Balance Sheet, but included in the accounts as a disclosure.

A new accounting policy is required for Heritage Assets and is included on page 14 of the draft SOFA.

(ii) **Carbon Reduction Scheme**

The County Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Scheme requires the County Council to purchase and surrender allowances in July 2012 based on the carbon dioxide emitted as a result of energy used in 2011/12.

The liability for the purchase of allowances relating to estimated 2011/12 emissions (£540k of which £431k relates to schools) is therefore recognised in the costs of services within the Comprehensive Income and Expenditure account and is apportioned to services on the basis of energy consumption.

A new Carbon Reduction Commitment accounting policy is required from 2011/12 and is included on page 24 of the draft SOFA.

(b) **Other changes, mainly to disclosures arising from the 2011 Code of Practice and Service Reporting Code of Practice update**

(i) Exit packages – a new disclosure on the numbers and costs of agreed staff exit packages

(ii) changes to headings in the Income and Expenditure Account – the previous line entitled ‘Culture, Environmental and Regulatory and Planning Services’ has been split into three separate lines.

(iii) due to changes in circumstances, certain disclosure notes are no longer required in 2011/12 (Area Based Grant and Agency Arrangements).

(iv) various miscellaneous minor refinements

4.2 The key changes above were reported to the Audit Committee on 8 December 2011 as part of the *Accounting Policies* report.

5.0 REVENUE OUTTURN FOR 2011/12

5.1 The Comprehensive Income and Expenditure Statement, presented in a format required to comply with the IFRS based Accounting Code of Practice and the SeRCOP, is included at page 30 of the SOFA.

5.2 **The day-to-day accounting and budgeting arrangements of the County Council, designed to fit in with its own organisational structure, are different to both the statutory year end and SeRCOP requirements.** Therefore, the outturn management accounts as reported to the Executive on 19 June 2012 have had to be reworked to fit these formal requirements. However, although the presentation of the figures in the SOFA (Income and Expenditure Account) is very different, **the resulting changes do not affect the overall net expenditure to be funded from Central Government Grant and Council Tax or the levels of working balances**.

5.3 The main differences between the County Council's management accounts and the published statutory accounts are as follows:

(a) **Service Headings**

County Council	Required SeRCOP Service Headings
Children and Young People's Service	Central Services to the Public
Business and Environmental Services	Court Services
Health and Adult Services	Cultural and Related Services
Business and Community Services	Environmental and Regulatory Services
Chief Executive's Group	Planning Services
Financial and Central Services	Education and Children's Services
Corporate Miscellaneous	Highways, Roads & Transport Services
	Adult Social Care
	Housing Services
	Corporate & Democratic Core
	Non-Distributed Costs

(b) **Capital Charges**

In the SOFA, the County Council is required to adopt CIPFA's *Capital Accounting Regulations* which means that each service has to reflect a depreciation charge for the assets they use (land, buildings, plant and machinery etc). Adjustments are also made for the following other types of capital charge:

- impairment of non-current (fixed) assets
- revaluation losses following the revaluation of Property, Plant & Equipment
- changes in the market value of Investment Properties
- amortisation of Intangible Assets
- revenue expenditure funded from capital under statute (capital expenditure that does not result in a County Council asset)

These capital charges replace the minimum revenue provision (MRP) for debt repayment which is included in the management accounts, and charged against the County Council's budget requirement funded from Council Tax and General Government Grant. The MRP is therefore not charged to the Comprehensive Income and Expenditure Account. Similarly, capital expenditure which is funded directly by the General Fund (funded by Council Tax and General Revenue Grant) is not charged to the Comprehensive Income and Expenditure Account.

Capital charges are off-set by capital grants and contributions (which are used to fund expenditure on non-current (fixed assets). These contributions are credited in full to the Comprehensive Income & Expenditure Account in the year where the terms and conditions of these contributions have been satisfied but this treatment does not impact on the management accounts of the County Council. Where the conditions of these capital grants have not been met at year-end, the grant is held in the balance sheet as 'Capital Grant Unapplied'.

(c) **Transfers to and from Reserves**

Transfers into, and expenditure funded from, reserves are not considered part of the net cost of services and are therefore not reflected at all within the Income and Expenditure account.

(d) **Central Support Services**

Under SeRCOP, the costs of Corporate Support Services (Finance & Central Services and Chief Executives) and an allocation of certain central expenses (Corporate Miscellaneous) have to be reflected as additional service costs rather than central 'corporate' costs. Such services include Financial, Legal, HR, IT etc.

(e) **Employer's Pension Fund contributions and adjustments involving the Pension Fund Reserve**

Accounting for retirement benefits (IAS 19) requires that employer's contributions to pension schemes, reflected in service accounts should only consist of 'current service' costs. As the actual contributions made to the North Yorkshire Pension Fund by the County Council include an element of back-funding to recover the Pension Fund deficit, the service expenditure figures reported in the SOFA have to be adjusted to reflect the current service cost as calculated by the Fund actuary.

In addition, the Comprehensive Income and Expenditure Statement now includes, as part of operating expenditure, the net impact of the notional return on (County Council share) of the Pension Fund assets and the increase in accrued future pension liabilities.

The required changes also reflect the inclusion of the attributable share of Pension Fund assets and liabilities in the County Council's Balance Sheet. This reflects the County Council's commitment to the Pension Fund but does not mean however that legal title or obligation has passed from the trustees of the Pension Fund to the employer.

(f) **Council Tax (Collection Fund) Accounting**

The County Council's Income and Expenditure Statement now includes the County Council's share of the carried forward Council Tax Collection Fund surplus/deficit of each of the seven District Councils at the year end. This is in place of the estimated sums at the previous year end that have been paid over to the County Council during the year and used for Budget/Council Tax setting purposes in future years.

(g) **Holiday and Flexi Pay Accrual**

The County Council has to charge the Income and Expenditure Account with an estimate of accrued and untaken Annual Leave and Flexi Leave as at 31 March 2012. This figure includes a substantial figure for untaken Teacher's (and other-Schools-based staff) holiday pay, in relation to the days worked and taken as holiday in the Spring Term at each school. This adjustment is purely notional and does not impact on the County Council's budget requirement or level of working balances (GWB).

(h) **Gains and losses on the disposal of Non-current (Fixed) Assets**

A topical example of this would be where a School acquires Academy status and there is an automatic transfer of the ownership of the Land and Building of the school premises to the School's Board of Governors for nil value. Such a notional loss does not, however, impact on the day to day management accounts or level of general working balances.

(i) **Other Differences**

Certain other transactions such as interest earned and paid, precept payments to other bodies, dividends receivable, and corporate internal trading units are not considered as part of the net cost of services and are required to be shown as separate items below service expenditure totals in the Income and Expenditure account. Similarly some Government Grants and Funding sources are required to be shown as overall general funding, rather than being included in the Income and Expenditure Account as Service Income.

5.4 **All the above presentational changes have no effect on the actual net spending of the County Council to be funded from Council Tax and General Government Revenue Grant funding, and therefore do not impact on the level of Revenue Working Balances at 31 March 2012 as reported to the Executive on 19 June 2012.**

6.0 KEY FEATURES

6.1 As the attached SOFA is a very lengthy and technical document which is necessary to comply with the IFRS based accounting Code of Practice, key features in the Accounts are highlighted below. The figures quoted relate only to the County Council's activities and do not include those relating to the Yorwaste, NYnet or Veritau companies that are reflected in the group accounts section of the SOFA.

Revenue Spending

6.2 The net cost of the provision of services reported in the Comprehensive Income and Expenditure Statement is £393.5m consisting of gross spending of £938.5m less income of £545.0m.

(a) service income of £545m includes specific grants totalling £439.3m, the biggest of which is the Dedicated Schools Grant (DSG) of £353.5m. The remaining £105.7m is from sales, fees and other charges/reimbursements

(b) after net service spend comes other operating expenditure totalling £50.3m (mainly relating to fixed asset transactions impacting on the Income and Expenditure Account) and financing and investment income and expenditure of £30.5m (relating mainly to capital charges, investment income and pensions contributions)

(c) total reported funding (taxation and non specific grant income) is £436.9m consisting of the demand on District Council Collection Funds for Council Tax of £246.2m (includes statutory Council Tax accounting requirements), Revenue Support Grant/Business Rate income from the Government of £122.3m, Capital Grants of £59.9m and other Government Funding of £8.5m (mainly Council Tax freeze grant)

(d) the resulting reported deficit on the provision of services is £37.4m and is considered in further detail in **paragraph 6.3 et seq**

(e) the reported key figures mentioned above are from the SOFA's Income and Expenditure Statement and can be reconciled to the County Council's Out-Turn Management Accounts as follows -

Item	**Net Expenditure £m**	**- Funding £m**	**= Deficit in Year £m**
SOFA Comprehensive Income and Expenditure Statement deficit on the provision of services	474.3	-436.9	37.4
Different treatment of some Government funding (mainly Council Tax freeze grant)	-8.5	8.5	0
Other 'non cash backed' transactions reflected in the Income and Expenditure Account (-£49.6m)			
Capital Accounting	-116.4	59.9	-56.5
Pensions Accounting	-2.8		-2.8
Movement in earmarked reserves	9.6		9.6
Council Tax Collection Fund Accounting		-0.2	-0.2
Holiday Pay Accounting	0.3		0.3
= County Council's Management Accounts deficit	356.5	-368.7	-12.2
2010/11 underspends rolled forward to 2011/12 and funded from revenue balances		-15.1	-15.1
= Budget outturn in Management Accounts £	**356.5**	**-383.8**	**-27.3**

(- = saving)

(f) therefore net revenue spending of £356.5m was £27.3m below the revised estimate of £383.8m with a breakdown by Directorate being as follows:

Directorate	Revised Estimate	2011/12 Outturn	Variation
	£m	**£m**	**£m**
Children and Young People's Service	81.6	75.9	-5.7
Business and Environmental Services	79.7	75.1	-4.6
Health and Adult Services	145.5	142.6	-2.9
Chief Executive's Group	22.1	20.0	-2.1
Finance and Central Services	23.0	18.3	-4.7
Corporate Miscellaneous	31.9	24.6	-7.3
Total £	**383.8**	**356.5**	**-27.3**

(g) the bottom line underspend of £27.3m consists of the following components:

Item	£m
Increase in the General Working Balance from sums not carried forward (BES, Chief Executive's Group, CYPS and Corporate Miscellaneous)	-4.3
Sums to be carried forward to 2012/13	-23.0
= Total savings £	**-27.3**

Most of the variations were identified well before the end of the year and reported to Executive via the Quarterly Performance Monitoring reports.

The underspends being carried forward to 2012/13 totalling £27.3m consist mainly of managed savings to assist the Budget in 2012/13 and subsequent years, planned/earmarked savings to support initiatives in 2012/13 and spending planned for 2011/12 being deferred or slipping into 2012/13 for a variety of reasons.

(h) the net spend of £356.5m was funded by

Item	£m
Revenue Support Grant from the Government	28.8
Share of National Business Rates Proceeds	93.4
Council Tax payers for 2011/12	246.0
Council Tax from previous years	0.5
Increase in working balances (from £23.9m to £36.1m)	-12.2
= total net spending in 2011/12 £	**356.5**

(i) income from Council tax payers totalling £246m was based on a charge of £1,057.48 for an average Band D property.

Comprehensive Income and Expenditure Statement Deficit on Provision of Services

6.3 As mentioned in **paragraph 6.2(d) above** the bottom line reported in the Comprehensive Income and Expenditure Statement is a deficit of £37.4m (£78.2m in 2010/11).

6.4 This IFRS based account Statement introduced in 2010/11 reflects a number of notional transactions that have to be included but do not impact on the real spend, funding or working balances position of the County Council.

6.5 The notional transactions which cause the reported deficit are referred to in more detail in **paragraph 5.3** and basically fall into the following headings – capital accounting (mainly depreciation charges), Pension Accounting adjustment – transfers to and from reserves, Council Tax accounting and Holiday Pay accrual adjustment. Their impact has been as follows:-

Item	£m
Net budget underspend in year	-27.3
Spend of previous year's carry forward funded from revenue balances	15.1
Total increase in balances (surplus)	-12.2
Notional (not cash backed) entries reflected in I and E Statement (£49.6m)	
Capital Accounting adjustments	56.5
Pensions Accounting adjustment	2.8
Movement in Earmarked Reserves adjustment	-9.6
Council Tax Accounting	0.2
Holiday Pay accrual adjustment	-0.3
= reported deficit in the I and E statement £	**37.4**

6.6 Some comments on these significant national (non cash backed) entries reflected in the Comprehensive I and E Statement are as follows:

(a) Capital Accounting Adjustments (+ £56.5m)

The significant £56.5m "notional" increase in revenue spending resulting from capital accounting adjustments consists of the following elements

	£m
• property revaluation losses of £24.9m – this predominantly relates to the reduction in value of some primary schools identified through the five year rolling valuation programme undertaken by the County Council's valuers, Bruton Knowles.	+24.9
• depreciation charges, based on asset valuations and associated estimated remaining useful life of £59.7m are also included in the Income and Expenditure account to replace the Minimum Revenue Provision (MRP) of £16.1 (£15.9m of which is included in the management accounts and funded from Council Tax/Grant Income etc). This has a net impact of increasing the cost of services by £43.6m.	+43.6
• capital expenditure of £99.2m was incurred in 2011/12. £19m of this expenditure was identified as not enhancing the value of the County Council's assets (eg capitalised maintenance) and has to be included against service costs in the Income and Expenditure account.	+19.0
• several schools gained academy status during 2011/12 and their land and buildings transferred to their respective Academy Trusts during the year for no consideration, resulting in a £49.2m loss being recorded in the Income and Expenditure account. This loss was reduced slightly to £48.8m by the profit realised on the disposal of other assets.	+48.8
• further capital accounting adjustments, including the write down in value of intangible fixed assets and capital expenditure which does not result in the creation/enhancement of a fixed asset belonging to the County Council, totalling £5.6m also have to be included in the Income and Expenditure account.	+5.6
• where the terms and conditions of capital grants received by the County Council have been met, the Income and Expenditure account has been adjusted to reflect the use of the grant in year, resulting in a £62.3m credit.	-62.3
• a credit of £23.1m in relation to revenue financing of capital expenditure is also removed from service costs and replaced by an appropriate depreciation charge.	-23.1
= Total impact of Capital accounting adjustments	+56.5

(b) **Pensions Accounting adjustment (- £2.8m)**

The nature of this notional Pensions charge of £2.8m is described in **paragraph 5.3 (e)** with the figure consisting of two elements.

Firstly, is a credit of £13.1m representing the difference between the County Council's actual contributions to pension schemes (principally the North Yorkshire Pension Fund), which includes an element of back funding to recover the Pension Scheme deficit, and current service costs which have to be reflected in the Income and Expenditure Statement. This past service gain is recognised in the Comprehensive Income and Expenditure statement as a credit against the provision of services (non distributed cost).

Secondly is a charge of £15.9m relating to increased future liabilities of moving one year nearer retirement for all Fund Members, offset by increased investment return of assets in the scheme.

These figures are determined by the Pension Fund actuary.

(c) **Movement in Earmarked Reserves adjustment (- £9.6m)**

Contributions to and from reserves that are reflected in the County Council's management accounts and actual underspend position must be removed from Service expenditure within the Income and Expenditure account and replaced with actual expenditure being incurred. This adjustment consists of the year on year increase in earmarked reserves of £9.6m (from £81.7m to £91.3m – **see paragraph 6.9 (b))**. These figures reflect adjustments to comply with IFRS.

(d) **Council Tax accounting (+ £0.2m)**

This adjustment introduced in 2009/10 is described in **paragraph 5.3 (f)**.

(e) **Holiday Pay accrual (- £0.3m)**

This new IFRS adjustment introduced in 2010/11 is described in **paragraph 5.3 (g)**.

6.7 **It is not helpful to the understanding of the SOFA and therefore the real financial position of the County Council that the above technical and notional accounting adjustments that are required to be reflected in the Comprehensive Income and Expenditure Statement have such a significant impact to convert a £27.3m budget saving into a £37.4m deficit on the Provision of Services. However this situation is not unique to the County Council**.

Capital Spending

6.8 The key features relating to capital are:

(a) capital spending was £98.6m which was £2.5m below the Capital Plan update approved in February 2012 (£101.1m) and £22.2m below the original Capital Plan approved in February 2011 (£120.8m)

(b) this £2.5m gross underspend resulted from capital expenditure slippage into 2012/13 in the latter part of the financial year

(c) gross spending at Directorate level against the Capital Plan was as follows:-

Directorate	Capital Plan update Feb 2012	2011/12 Outturn	Variation
	£m	£m	£m
Children and Young People's Service	41.7	41.7	0
Business and Environmental Services	51.5	48.7	-2.8
Health and Adult Services	2.4	2.1	-0.3
Other County Services	5.5	6.1	+0.6
Total £	**101.1**	**98.6**	**-2.5**

(d) after accounting for grant and contributions income from Directorates, there was a net capital underspend of £3.1m

(e) most of the year end capital underspend is carried forward to 2012/13

(f) the £98.6m capital spend was funded by

Item	£m
Borrowing	
External sources (PWLB)	0
Internal sources	6.5
Capital Grants and Contributions	65.7
Schemes financed from revenue	22.5
Capital Receipts (i + j) below	3.9
= total capital expenditure to be financed £	**98.6**

(g) in addition £0.6m was spent on fixed assets from within Directorate revenue budgets

(h) total capital investment in 2011/12 was therefore £99.2m

(i) capital receipts from the sale of assets in 2011/12 were £3.3m which is well below earlier forecasts

(j) a reduction in the NYnet cash flow loan balance of £0.6m is classed as a loan repayment and treated as a capital receipt

Balance Sheet

6.9 Significant features are:

(a) the General Working Balance (GWB) at 31 March 2012 was £36.1m of which £22.9m relates to planned savings and managed savings which are approved for carry forward to 2012/13. The free working balance is therefore £13.2m which is £2.7m above the forecast target of £10.5m at 31 March 2012. Of this £2.7m improvement, £2.4m will be used to fund additional approved expenditure in 2012/13 on repairing potholes (£2m) and the provision of apprenticeships (£0.4m)

(b) other earmarked reserves total £91.3m compared with £81.7m at 31 March 2011, and consist of:

Earmarked Reserves	**31 March 2011**	**31 March 2012**
	£m	**£m**
Earmarked for Schools		
School Balances (LMS reserve)	27.1	25.4
Schools Block / DSG	10.8	12.5
Sub total	**37.9**	**37.9**
Other Earmarked Reserves		
Winter Service	2.0	2.0
Area Based Grant (ABG)	1.8	0
Insurance Reserve	5.9	6.3
Corporate Redundancy Reserve	0.9	2.3
Redundancy costs in schools	2.0	3.9
CYPS Special Education Needs	1.9	1.3
CYPS Service transformation	1.6	1.7
BES Initiatives and Transformation	0.8	0.6
BES Advance payments	1.6	0.7
ICT Future developments	1.4	2.0
ICT – Microsoft/Broadband	0.9	0.7
BES Local Development framework / minerals	0.6	0.5
BES Selby Swing Bridge	0.6	0.8
Trading Unit accumulated surpluses	3.8	5.5
Contractors Reserve	0.8	0.7
HAS Supporting People	0	1.2
Other smaller Reserves	2.0	2.0
Sub total	**28.6**	**32.2**
Revenue Income Reserve (mainly grants and contributions		
CYPS Schools Capital Projects	4.7	0.5
CYPS – other Grants	3.5	0.8
HAS Grants	0.1	1.7
HAS Health Funding	0	9.3
BES Grants	1.2	4.3
CEG Grants	0.1	0.1
LAA Performance Reward Grant	5.6	4.5
Sub total	**15.2**	**21.2**
= Total Earmarked Reserves £	**81.7**	**91.3**

(c) in addition to earmarked reserves, sums set aside as provisions are as follows:

Provisions	31 March 2011	31 March 2012
	£m	**£m**
Highways Advance Payments	1.0	1.4
Insurance Claims	4.5	4.5
Corporate Redundancy	1.5	0.4
Landfill Allowances	1.6	0.4
HAS Residence fees	0	0.8
Other smaller provisions	0.7	0.9
Sub total	9.3	8.4
IFRS Holiday Pay provision	10.0	9.7
= Total provisions £	**19.3**	**18.1**

(d) there are unusable 'technical accounting' reserves of £735.2m at 31 March 2012 (£771.4m at 31 March 2011). These reserves are required to neutralise required accounting treatment elsewhere and ensure that there is no cash impact on the County Council's Tax requirement or General Working Balance. These reserves relate to capital, pensions, IFRS and Council Tax accounting requirements.

(e) property, plant and equipment assets (land, buildings and infrastructure etc) are valued at £1,570.9m at 31 March 2012 compared with £1,546.3m at 31 March 2011. The £24.6m increase in 2011/12 reflects the following factors:

	£m
• new capital spending in 2011/12 adding	72.6
• depreciation in 2011/12 reducing the value by	-59.7
• disposal of properties (mainly transfer of academy schools)	-49.5
• property revaluations (mainly primary schools)	63.5
• other adjustments	-2.3
Total movement in year	+24.6

(f) external debt in relation to capital spending is £376.8m at 31 March 2012 compared with £390.1m at 31 March 2011. The £13.3m reduction reflects the 2011/12 borrowing requirement being funded internally from cash balances, with no new external loans being taken.

(g) a net £472.5m liability in relation to Pension Fund deficits (mainly the Local Government Pension Scheme) is reflected in the Balance Sheet (£402.3m at 31 March 2011). This liability is being addressed as part of the 30 year recovery strategy established as part of the 2010 Triennial Valuation of the Fund and agreed by the Pension Fund Committee in February 2011.

(h) surplus cash balances invested (wholly in house) at 31 March 2012 were £169.5m compared with £167.9m at 31 March 2011. A total of £17.4m of the sums invested belong to other organisations for whom the County Council undertakes treasury management on a Service Level Agreement basis

(i) cash and cash equivalents (new IFRS balance sheet heading) of £65.4m at 31 March 2012 (£92.3m at 31 March 2012) consists mainly of short term (call accounts) investments (£32.5m which is part of £167.9m reported in (h) above) and funds in school bank accounts (£40.6m) which belong to individual schools rather than the County Council

(j) short term creditors at 31 March 2012 were £72.8m (£94.3m at 31 March 2011) and consist of general creditors of £46.3m, creditors with government entities of £17.6m and income in advance of £8.9m

(k) short term debtors at 31 March 2012 were £33.6m (£37m at 31 March 2011) and consist of general debtors of £21.3m, debtors owed by government entities of £10.7m, payments in advance of £5.7m, less a bad debt provision of £4.1m

(l) loans to Limited Companies totalling £10.8m at 31 March 2012 (£3.7m Yorwaste and £7.1m NYnet) are included within Long Term debtors

Other Issues

6.10 Items of note are:

(a) detailed group accounts reflecting the County Council's interest in Yorwaste (78%), NYnet (100%) and Veritau (50%) have been prepared to comply with the SORP. The consolidation has resulted in the deficit on the provision of services in the Comprehensive Income and Expenditure account increasing by £0.4m (from £37.4m to £37.8m) and the net assets of the County Council increasing by £5.1m (from £872.9m to £878m)

(b) the County Council employed 13,978 full-time equivalent staff at the end of the financial year, 8,051 of which were in schools

(c) the value of the North Yorkshire Pension Fund was £1,566.2m compared with £1,498m at 31 March 2011 (increase of £68.2m)

(d) the £68.2m increase in the Pension Fund value consisted of:

Item	£m
Contributions and benefits income	115.7
- Benefits payable etc	-88.2
	27.5
Investment income	19.0
Increase in Market Value of investments	26.7
- Investment Management and administration expenses	-5.0
= Total increase in value of Pension Fund £	**68.2**

(e) the County Council's various trading units had a total turnover of £43.5m, expenditure of £42.1m, resulting in an overall net surplus of £1.4m.

7.0 CERTIFICATION OF ACCOUNTS

7.1 As mentioned in **paragraph 2.2**, the latest *Accounts and Audit Regulations* do not require formal Member approval of the SOFA by 30 June but Member consideration, approval and certification by 30 September is still required.

7.2 Thus on completion of the external audit of the 2011/12 accounts, a report from the Auditor will be submitted to the meeting of this Committee scheduled for 27 September 2012. Following consideration of the Auditor's report, the Committee will be asked to consider and approve the SOFA with the Chairman being asked to sign and date the Accounts.

7.3 Any significant changes reflected in the final SOFA compared with the draft version attached, as a result of the audit, will be reported to Members on 27 September 2012.

7.4 The *Accounts and Audit Regulations* continue to require the responsible financial officer to sign and date the SOFA by 30 June and certify that it presents 'a true and fair view of the financial position of the Authority at the end of the year and its income and expenditure for that year'.

7.5 In practice, however:

- the accounts are a document of corporate importance to the County Council
- the Chief Executive is in a unique position to have an overview of the County Council's business and assert, whether a common sense reading of the accounts fairly reflects those activities
- the Chief Executive is responsible for the performance of senior officers (including the responsible Financial Officer) and his co-signature would serve as an endorsement in this respect.

Thus the Chief Executive has also co-signed the SOFA in recent years and this has been continued in 2011/12 (see page 15).

7.6 The responsible Financial Officer (Corporate Director – Finance and Central Services) must also re-certify the SOFA before it is approved by the Audit Committee on 27 September 2012.

8.0 AUDIT OF ACCOUNTS

8.1 The *Accounts and Audit Regulations* require that the External Auditor formally signs off the County Council's accounts by 30 September 2012. To this end the audit of accounts by Deloitte's has recently started with completion expected during August 2012.

8.2 Following completion of his audit the External Auditor is then required to issue a report to those charged with governance, summarising the conclusions from the audit work. As indicated in **paragraph 7.3**, this detailed report will be submitted to this Committee on 27 September 2012 and will reflect the Auditors' responsibilities as covered by the Audit Commission Act 1998, the Audit Commission's Statutory Code of Audit Practice for Local Government and the International Standards of Auditing (ISA).

8.3 Following consideration of this report from the External Auditor on 27 September 2012, Members will then be asked to approve a final SOFA prior to it being formally signed off by the External Auditor.

8.4 The Auditors' conclusion from their audit will also be included as part of the overall audit of the County Council for 2011/12 which will be reported in the usual way through the Annual Audit Letter. This Letter will be submitted to a future meeting of this Committee and the Executive, although the Auditor will be requested to sign off the Final Accounts at the meeting of this Committee on 27 September 2012 in order to achieve the 30 September statutory deadline.

8.5 Sections 15 and 16 of the Audit Commission Act 1998 and Regulations 9, 10, 21, 22 and 23 of the Accounts and Audit Regulations 2011 require the County Council to notify the public that the Final Accounts are open for inspection for a four week period by way of advertisement and on its website. This Notice was placed in relevant newspapers during the week commencing 4 June 2012 with an inspection period between 25 June and 23 July 2012. Until the completion of the external audit, any local elector is able to question the External Auditor about the content of the Accounts.

8.6 As soon as reasonably possible after the conclusion of the audit on 27 September 2012, the County Council is also required, by advertisement and on its website, to give notice that the audit has been concluded and that the SOFA is available for inspection.

9.0 OTHER STATUTORY FINAL ACCOUNTS REQUIREMENTS

9.1 As indicated earlier in this report the key statutory requirements (Accounts and Audit Regulations 2011) in relation to Final Accounts are the approval of the accounts by an appropriate Committee and the External Auditor signing off the accounts by 27 September 2012.

9.2 There are however other statutory 'final accounts' requirements as follows:

(a) the public are given a 4 week window to inspect the accounts and make representations to the External Auditor (**paragraph 8.5**)

(b) a notice of audit conclusion must be made in the press and on the County Council's website stating that the SOFA is available for public inspection (**paragraph 8.6**)

(c) the SOFA must be published (which must be included on the County Council's website), together with the Auditor's certificate and opinion by 30 September

(d) detailed out-turn spending figures for both Capital and Revenue have to be submitted to the DCLG in July. This is provided in the form of detailed statistical returns that are completed by every local authority

(e) detailed information for the Government's Whole of Government Accounts (WGA) initiative are required to be submitted by October 2012 with draft unaudited figures provided by 31 July 2012. In addition to the basic set of accounts, the Government also require additional information in order to produce a set of consolidated accounts that covers the whole of the public sector. Submissions to the Government are subsequently audited by the External Auditor.

9.3 These additional requirements do not require any specific consideration or approval by this Committee.

10.0 OUTTURN REPORTS SUBMITTED TO EXECUTIVE ON 19 JUNE 2012

10.1 As mentioned in **paragraphs 3.1 to 3.5** the content and format of the SOFA must comply with statutory requirements which result in these accounts being different to the County Council's day to day management accounting arrangements.

10.2 For information purposes therefore, copies of the relevant outturn reports based on the County Council's management accounts as submitted to Executive on 19 June 2012, have been distributed to Members of this Committee. These reports are as follows:

(a) Revenue outturn 2011/12

(b) Capital expenditure outturn and financing 2011/12

(c) Budget savings outturn 2011/12

The annual Treasury Management and Prudential Indicators report 2011/12 was sent separately to Members on 12 June 2012.

11.0 RECOMMENDATION

11.1 That Members consider the draft Statement of Final Accounts for 2011/12 in advance of the accounts being audited and resubmitted to the Audit Committee on 27 September 2012 for formal approval.

JOHN MOORE
Corporate Director – Finance and Central Services

Background Documents
Closedown Working Papers (P Yates, extension 2119)

Finance and Central Services
County Hall
Northallerton

20 June 2012

STATEMENT OF FINAL ACCOUNTS

Brief Explanation of Contents

(a) **the Explanatory Foreword – pages 2 to 11**

the purpose of this Foreword is to act as a guide to the most significant matters impacting on the County Council's finances. It gives an indication of where the County Council's money comes from, what it is spent on and what services it provides as well as its financial position and assisting in the interpretation of the accounting statements.

(b) **the Statement of Accounting Policies – pages 12 to 24**

which explains the principles, bases, conventions and rules applied by the County Council in preparing the Statement of Accounts.

(c) **the Statement of Responsibilities for the Statement of Accounts – page 25**

this outlines the County Council's responsibilities for the Accounts under local government legislation and any other requirements. It also details the legal and professional responsibility for the Accounts of the Corporate Director – Finance and Central Services (ie Section 151 officer).

(d) **the Independent Auditor's Report – pages 26 to 29**

this explains the auditors' responsibilities in relation to the Statement of Accounts. It also expresses an opinion on the Accounts and shows how this opinion was reached. The report also gives a value for money opinion in terms of the arrangements for securing economy, efficiency and effectiveness.

(e) **the Comprehensive Income and Expenditure Statement – pages 30 to 31**

this shows the Net Cost of the Services provided by the County Council and how this has been financed from general government grants and local tax payers. This Statement shows the accounting cost in the year of providing services in accordance with specified accounting principles, rather than the amount to be funded from taxation.

(f) **the Movement in Reserves Statement – pages 32 to 33**

this Statement shows the movement in the different reserves held by the County Council over the year. The Statement is analysed into usable reserves, those that can be applied to fund expenditure or reduce local taxation, and other unusable reserves.

(g) **the Balance Sheet – pages 34 to 35**

this is a statement of the overall financial position of the County Council at the end of the year and shows the Balances and Reserves at the County Council's disposal, its long term indebtedness and the fixed and net current assets employed in its operations.

(h) **the Cash Flow Statement – pages 36 to 37**

this Statement shows the changes in cash and cash equivalents of the County Council during the financial year. The Statement shows how the County Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

(i) **notes to the Core Financial Statements – pages 38 to 92**

these provide further details and explanation of the figures included in the Core Financial Statements.

(j) **Group Accounts – pages 93 to 106**

the County Council conducts some of its activities through partnerships and separate undertakings. Some of these are not directly reflected in the statements (e) – (h) above due to legal and regulatory reasons. These Group Accounts are required to present a full picture of the County Council's economic activities and financial position in order to aid the primary financial statements.

(k) **the North Yorkshire Pension Fund Accounts – pages 107 to 121**

which show the income and expenditure of the North Yorkshire Pension Fund together with the financial position of the Fund on 31 March 2012.

(l) **the Annual Governance Statement – page 122**

see separate report – to be incorporated into SOFA later

this sets out the framework within which financial control and corporate governance is managed and reviewed by the County Council and the main components of the system. It also reports on significant identified weaknesses and the actions undertaken to rectify these.