

HAMPSHIRE COUNTY COUNCIL

Report

Committee/Panel:	Audit Committee
Date:	28 September 2017
Title:	Statement of Accounts 2016/17
Report From:	<i>Director of Corporate Resources</i>

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1. Summary

- 1.1. The Accounts and Audit Regulations 2015 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 has been completed 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 2016/17 was considered by Cabinet on 19 June 2017 and the Statement of Accounts is consistent with that report.
- 1.4. This report presents for the Committee's approval the Statement of Accounts 2016/17 together with letters to the auditor containing representations by the Chief Financial Officer and members of the Committee regarding information and systems of internal control to confirm that the accounts present a true and fair view. The report also 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 2016/17 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. In addition, the Accounts and Audit Regulations 2015 contain certain requirements for disclosure in the Statement of Accounts.

- 2.2. For 2016/17, the main change is the introduction of a new disclosure note: the Expenditure and Funding Analysis (EFA). This new note has been introduced as a result of consultation undertaken by CIPFA on a theme of 'Telling the Story', the overriding objective of which was to increase the accessibility of the accounting statements and thereby make them more useful to more stakeholders and other interested parties.
- 2.3. The EFA shows how annual expenditure is used and funded from resources (government grants, rents, council tax precept and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the authority's services. As such, the EFA provides a link between the budget (i.e. management accounts) and the statutory accounts (i.e. the financial accounts).
- 2.4. The introduction of the EFA builds upon the changes required in 2015/16 when the explanatory foreword was replaced with a narrative statement. Together, these are structured so that readers can understand the Council, its operating environment, and to assist in the understanding and interpretation of the Statement of Accounts. The narrative statement provides information about Hampshire, including the key issues affecting the Council and its accounts and provides a summary of financial and non-financial performance.

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.

Movement in Reserves Statement

- 3.2. 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 15 of the Statement of Accounts.
- 3.3. The statement also shows the statutory General Fund Balance before and after the transfers to and from earmarked reserves as approved by Cabinet in June 2017.

Comprehensive Income and Expenditure Statement

- 3.4. 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.
- 3.5. 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

- 3.6. 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 (£524 million) or unusable (£2.04 billion).
- 3.7. The majority of the County Council's net worth is tied up in the value of its property, plant and equipment, 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.
- 3.8. 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 without requiring the liability to be recognised in setting council tax. The County Council's pension net liability has increased as at March 2017, from £1,040 million to £1,207 million. Whilst the value of pension fund assets increased by over £400 million in the period, this was offset by a larger increase in the present value of pension liabilities mainly as a result of the change in actuarial assumptions, including a discount rate shift from 3.4% to 2.6%.

Cash Flow Statement

- 3.9. 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

- 3.10. 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

- 3.11. The accounts of the Hampshire Pension Fund show that there was a surplus of contributions over benefits payable in the year of just over £21 million, that net investment income was £113 million, and that the market value of investments increased by £1.025 billion. Overall there was a net increase in the net assets of the fund of £1.1 billion from £5.2 billion to £6.3 billion.

Statement of Responsibilities for the Statement of Accounts

- 3.12. 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.

Annual Governance Statement

- 3.13. The Annual Governance Statement has to accompany the Statement of Accounts. The County Council's Statement was approved by the Audit Committee in June 2017.

4. Next steps

- 4.1. In order to conclude the audit opinion, the external auditor requires written representations by the Chief Financial Officer and members of the Audit Committee confirming their confidence in and reliance on information and systems of internal control thus enabling them to confirm that the accounts for the County Council and the Hampshire Pension Fund present a true and fair view. Copies of the letters to be signed at the meeting of the Audit Committee are attached at Appendix 1.
- 4.2. The County Council is required to publish its Statement of Accounts by 30 September 2017. 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 Statement of Accounts including the audit opinion will be published on Hantsweb.
- 4.3. The Accounts and Audit Regulations 2015 set out that from the 2017/18 financial year the timetable for the preparation and approval of accounts will be brought forward. The County Council will be required to publish draft financial statements by the 31 May 2018 and publish the final financial statements with the audit opinion by 31 July 2018. This will mean that the Audit Committee will need to meet to approve the 2017/18 Statement of Accounts by the 31 July 2018.

5. Recommendations

- 5.1. That the Statement of Accounts for 2016/17 be approved.
- 5.2. That the letters of representation for Hampshire County Council and the Hampshire Pension Fund attached at Appendix 1 be signed.
- 5.3. 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.
- 5.4. That the Audit Committee note the change in the statutory accounts timetable from the 2017/18 financial year and the requirement to approve the Statement of Accounts by the earlier date of 31 July each year.

CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan 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.)

Document

Location

2016/17 end of year financial report

[Cabinet meeting 19 June 2017](#)

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

This report does not have any impact on equality objectives.

2. Impact on Crime and Disorder:

2.1. 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 are contained in this report.

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

Not applicable – no proposals made.