

STATEMENT OF ACCOUNTS 2008/09**Report By: DIRECTOR OF RESOURCES****Wards Affected**

None.

Purpose

1. To report to the Audit and Corporate Governance Committee on the 2008/09 Statement of Accounts.

Financial Implications

2. These are outlined in the report.

RECOMMENDATION

THAT the Audit and Corporate Governance Committee approve the 2008/09 Statement of Accounts.

Reasons

3. The Accounts and Audit Regulations 2003 place a legal obligation on councils to approve their annual statement of accounts by 30 June.

Considerations

4. The purpose of the Statement of Accounts is to give electors, members, employees and other interested parties (including the Audit Commission) clear information about the council's finances.
5. The statement has been drawn up in accordance with the Accounts and Audit Regulations, the CIPFA Best Value Accounting Code of Practice and the CIPFA Code of Practice on Local Authority Accounting in Great Britain; A Statement of Recommended Practice 2008/09 (2008 SORP). The 2008 SORP consolidates the statutory requirements and accounting standards that the council is legally required to follow.
6. The Statement of Accounts comprises:
 - a. An Explanatory Foreword.
 - b. A Statement of Accounting Policies.
 - c. A Statement of Responsibilities for the Statement of Accounts.
 - d. The Accounting Statements.

Further information on the subject of this report is available from
Heather Foster, Acting Head of Financial Services on 01432 383173

- e. Notes to the Accounts.
7. The core statements have to be presented in a particular order and supported by a consolidated set of notes as specified in the 2008 SORP. The statements and their order of presentation are:
- a. Income and Expenditure Account.
 - b. Statement of Movement on the General Fund Balance.
 - c. Statement of Recognised Gains and Losses.
 - d. Balance Sheet.
 - e. Cash Flow Statement.
8. In addition there is a supplementary statement on the Collection Fund, that shows the transactions relating to council tax and non-domestic rates.
9. There were no significant amendments introduced by the 2008 SORP. Apart from a few technical updates the main change was in the disclosure requirements under FRS17 'Retirement Benefits' (note 10.29 in the Statements).

Income and Expenditure Account

10. The account brings together all income receivable and expenditure incurred in delivering services during 2008/09. The transactions are accounted for on an accruals basis meaning that they are represented in the period to which they relate. For example, this means that if income for a service supplied by the council in 2008/09 was received after the end of the financial year it was still included in the 2008/09 financial year. In some cases precise amounts are not known at the year-end and figures are included on an estimated basis using the best information available at the time.
11. The Income and Expenditure account includes all day-to-day expenses, related income and transactions covering the value of the council's fixed assets consumed. It also includes the value of retirement benefits earned by employees in 2008/09.
12. The Income and Expenditure account contains expenditure on Dedicated Schools Grant (DSG). School's related funding is now covered by the £83.6m DSG and included in the income analysis of Children and Young People's education services rather than through Revenue Support Grant.
13. The Income and Expenditure account shows a net deficit of £21.926m in 2008/09 as compared to a deficit of £12.975m in 2007/08. This figure does not take into account a number of items which are included or excluded from the final position on revenue (as explained in paragraph 14). The capital charges and FRS17 benefits adjustments in the Income and Expenditure account were £9.4m higher in 2008/09 but these are reversed out in the statement of movement on General Fund Balance. There was an overall net underspend against budget of £249,000 in 2008/09 on revenue spend, that was used to increase the Social Care contingency reserve.

Statement of Movement on General Fund Balance

14. This statement confirms the General Fund balance carried forward is £6.39m. The reduction in balance of £338,000 includes the Hereford City Grounds maintenance

contribution and funding for the impact of Job Evaluation on HALO.

15. The statement reconciles the differences between the council's deficit of £21.926m on the Income and Expenditure account and the transfer from General Fund balances of £338,000. In effect this statement shows how financial performance (Income and Expenditure Account) compares with all amounts required to be debited or credited to the General Fund. Paragraph 10.3 of the Statement of Accounts provides a detailed analysis.

Statement of Total Recognised Gains and Losses

16. The statement brings together in one place all the gains and losses of the council for 2008/09 so that the aggregate position is shown. In 2008/09 there was an overall decrease (loss) of £3.632m including three key areas:
 - a. A £21.926m deficit on the income and expenditure account.
 - b. A £9.602m surplus arising from the revaluation of fixed assets.
 - c. A £9.022m gain on pension fund assets and liabilities.
17. The 2008/09 position compares with a £41.643m decrease in net worth for 2007/08 when the total was largely the result of actuarial losses on pension fund assets.

Balance Sheet

18. The Balance Sheet summarises the council's assets, liabilities and other balances at the end of the financial year.
19. The council's long-term assets increased from £378.765m to £403.576m during the year. This was mainly due to increases in fixed assets such as land buildings and infrastructure. During 2008/09 there were additions of £40.532m through the capital programme and charges for depreciation and authorisation of intangible assets of £12.478m. The council has a 5 year rolling programme of revaluation of properties which resulted in £9.602 increase in property values. However, £8.058m was written off the value of some more recently valued assets due to the fall in property values over the last year.
20. Current assets reduced from £68.183m to £63.665. There was a significant increase in current debtors, from £22.5m to £32.413m of which £3.2m related to contributions due towards capital schemes and £4.4m in respect of the PCT. Short term investments reduced from £41.7m to £26.595m
21. The current liability position increased from £58.45m to £61.222m mainly as a result of an increase in short term borrowing of £2.723m.
22. The balance sheet also confirms the long-term borrowing of the council has increased to fund its capital programme. The council had £105.9m loan debt at 31 March 2008 compared with £118.4m at 31 March 2009.
23. A longer-term liability of £130.114m reflects the underlying commitments the council has over the longer term to pay employee retirement benefits. This arises because employees are eligible to join the Local Government Pension Scheme administered by Worcestershire County Council. The deficit on the scheme will be made good by increased contributions over future years as assessed by the pension scheme's actuary.

Cash Flow Statement

24. The cash flow statement summarises all cash flowing in and out of the council arising from transactions with third parties. It excludes all internal transactions between the various parts of the council.
25. In 2008/09 cash outflows totalled £410.497m compared with cash inflows of £404.509m on revenue activities. The cash outflow includes the payments for operational activities whilst the cash inflow includes central government grants to fund council services (in addition to Revenue Support Grant and grant for housing benefits). Our revenue (day to day activity) cash flow saw £5.988m less cash received than we spent. However, the total cash flow including our servicing of finance covering interest payments, interest received, and purchase of assets as well as sales of assets saw an overall increase in the net cash position of £1.909m.

Collection Fund

26. Herefordshire is a billing authority and as such is statutorily required to establish and maintain a separate fund covering the collection of distribution of amounts due in respect of council tax and national non-domestic rates (NNDR).
27. In 2008/09 the total income on the Collection Fund was £137.475m representing an increase of £7.111m on the previous year. The income was collected on behalf of Herefordshire Council, West Mercia Police Authority, Hereford and Worcester Fire Authority, Parish Councils and the national pool for non-domestic rates. The figure for Herefordshire Council's precept includes town and parish council precepts as required by the CIPFA Code of Practice.
28. The net position on the Collection Fund was a surplus of £47,000 compared to the previous year's deficit of £136,000.

Risk Management

29. The requirement to approve the Statement of Accounts by end of June is not only a legal requirement but also a Use of Resources assessment issue directly feeding into the Comprehensive Area Assessment process. Further risk management activity is addressed by providing high quality working papers and officer time to help external auditors form an appropriate judgment on the Statement of Accounts by 30 September 2009.

Appendix

Appendix 1 – Statement of Accounts 2008/09.

BACKGROUND PAPERS

None.