

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 SEPTEMBER 2011
TITLE OF REPORT:	STATEMENT OF ACCOUNTS 2010/11
PORTFOLIO AREA:	Corporate Services and Education

Wards Affected

None affected.

Purpose

To report to the Audit and Governance Committee on the 2010/11 Statement of Accounts.

Key Decision

This is a Key Decision which has been delegated by Full Council to the Audit and Governance Committee.

Recommendation

THAT the Audit and Governance Committee approve the 2010/11 Statement of Accounts.

Key Points Summary

The Council is required to produce a statement of accounts in accordance with legal and accounting requirements, which have to be certified by the Chief Finance and Commercial Officer by 30th June and approved by the Audit and Governance Committee by 30th September. The statement is a technical document setting out the council's financial accounting information. Management accounting information has been reported to Cabinet and Scrutiny Committees throughout the year and the out-turn position was reported to Cabinet on 30th June 2011.

There have been significant changes to the accounting requirements for the statement of accounts in 2010/11, requiring the accounts to be presented in accordance with International Financial Reporting Standards.

Herefordshire Council's Statement of Accounts 2010/11, which have been certified by the Chief Finance and Commercial Officer are attached at Appendix A.

Alternative Options

1. There are no Alternative Options as all councils are required to produce a statutory statement of accounts.

Reasons for Recommendations

2. Not applicable.

Further information on the subject of this report is available from
Heather Foster, Head of Corporate Finance on 01432 260284

Introduction and Background

3. 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.
4. The statement has been drawn up in accordance with the Accounts and Audit Regulations 2011, and the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code consolidates the statutory requirements and accounting standards that the Council is legally required to follow.
5. The revenue and capital out-turn position compared to budget was reported to Cabinet on 30th June 2011 and a summary of the position is included in the explanatory foreword to the Statements.

Key Considerations

International Financial Reporting Standards (IFRS)

6. For the first time in 2010/11 the Code is based on International Financial Reporting Standards (IFRS) and the council was required to produce IFRS compliant accounts from 2010/11, with restated comparative data for 2009/10. IFRS is a significant change to the way that accounts are prepared and regular progress reports on the implementation of IFRS have been presented to the Audit and Governance Committee meetings. The deadlines have been achieved and the 2010/11 statement of accounts, including restated 2009/10 comparative figures, meet the requirements of IFRS.

Financial Position

7. The most significant matters in the accounts for 2010/11 and a summary of the council's financial position are set out in the Explanatory Foreword. Key points for 2010/11 include the following;
 - The Council delivered a balanced budget for 2010/11 after reducing its planned net appropriations to reserves.
 - £70.3m was incurred on capital spending, funded by borrowing (£20.4m), capital receipts (£8.9m), revenue contribution (£0.5m) and grants (£40.5m).
 - The Council's total borrowing at 31st March 2011 stood at £145.6m.
 - At the end of 2010/11 the Council held general reserves of £6.3m and specific earmarked reserves of £17.6m.
 - Provisions of £2.7m were held at 31st March 2011, including £1.46m insurance provision and £774k provision for redundancies.
 - The liability on Herefordshire's pension fund reduced significantly due to the change in the inflation uplift on pensions and adjustments to actuarial assumptions.

2010/11 Statements

8. Under IFRS the main financial statements have changed, now comprising the Movement in Reserves Statement, Comprehensive Income and Expenditure Account, Balance Sheet and Cash Flow Statement.

Movement in Reserves Statement

9. This statement, which is section 4 of the Statements, shows the movement in the year on the different reserves held by the authority, analysed into usable and non-usable reserves. These are also shown in the bottom half of the Balance Sheet.

10. Usable Reserves

Total usable reserves at 31st March 2011 were £43.8m compared with £44.5m at 31st March 2010. This is summarised in the table below.

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied	Total usable reserves
	£000	£000	£000	£000	£000
Balance as at 31st March 2010	5,349	19,242	13,565	6,321	44,477
Balance as at 31st March 2011	6,349	17,572	6,754	13,103	43,778

11. The general fund balance increased by £1m, which was a budgeted repayment of reserves utilised in 2009/10. Details of the movement to and from earmarked reserves are shown in Note 8.8. The capital receipts reserve reduced by £6.8m the largest movement being the application of £8.9m to fund the capital programme (see Note 8.22.2). The capital grants unapplied reserve, which contains unspent capital grants carried forward, has increased by £6.8m due to receiving addition grants from the Department of Children, Schools and Families (DCSF).

12. Unusable Reserves

Unusable reserves are not available to be spent. They include unrealised gains and losses, such as the revaluation reserve and reserves that hold timing differences such as the Capital Adjustment Account. These moved from £133.7m at 31st March 2010 to £143.6m at 31st March 2011. Further details can be found in Note 8.23

Comprehensive Income and Expenditure Statement

13. This statement, which is Section 5 of the Statements, shows the accounting cost in the year of providing services, rather than the amount to be funded from council tax. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The adjustments to reconcile this statement to the amount to be funded from council tax are included in the Movement in Reserves Statement and detailed in Note 8.7.

14. The net cost of services in 2010/11 was £148.9m compared to £163.7m in 2009/10. The reason this reduced was an exceptional item, shown separately on the face of the Income and Expenditure Statement, relating to a reduction in pensions liabilities. From 1st April 2011 public service pensions will be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Herefordshire Council's liabilities in the pension scheme by £22.5 million and has been recognised as a past service gain in accordance with accounting guidance. There was no impact on the General Fund as this is not intended to impact on council tax and is reversed out in the movement in reserves statement.

Balance Sheet

- 15 The Balance Sheet summarises the council's assets, liabilities and other balances at the end of the financial year.
- 16 At 31st March 2011 long-term assets totalled £489.3m, compared to £499.7m at 31st March 2010. The main element of this is property, plant and equipment which amounted to £455m at the year-end compared to £466m at 31st March 2010. Details of the movements are set out in Note 8.12.
- 17 Current assets amounted to £63.8m at 31st March 2011, of which £30.5m relates to cash and investments and £32.2m short-term debtors. The increase in current assets from £53.3m in 2009/10 is due to year-end fluctuations in short-term deposits with banks and building societies.
- 18 Current liabilities amounted to £74.1m at 31st March 2011, of which £24.8m related to short-term borrowing and £34.8m short-term creditors. The increase in current liabilities from £59.9m in 2009/10 was mainly the increase in loans repayable within 12 months, including £5.5m of temporary loans, which were repaid in May 2011.
- 19 Long-term liabilities were £291.7m at the 31st March 2011 compared to £314.9m at 31st March 2010. The 2 main figures are borrowing and pensions liabilities. Long-term borrowing to support the capital programme increased overall by £20m, with the net increase in long-term borrowing being £10.4m. The pensions liability as determined by the pension fund actuary reduced by £31.6m.

Cash Flow Statement

- 20 This statement represents a summary of all cash flowing in and out of the council arising from transactions with third parties. All internal transactions between the various accounts maintained by the council are excluded. The statement shows that during 2010/11 total cash outflows were £582.8m and inflows £588.7m, resulting in a net increase in cash and cash equivalents of £5.9m.

The Collection Fund

- 21 This statement shows all income collected from council taxpayers and business ratepayers (NNDR), which amounted to £146.5m in 2010/11 (£143.9m in 2009/10). Expenditure includes precept payments to the West Mercia Police Authority (£12.6m) and Hereford & Worcester Fire Authority (£5.2m), representing income collected from council taxpayers on their behalf, and NNDR contributions payable to central government of £40.6m (which is the income collected less and allowance for the cost of collection).

Community Impact

22. Not applicable.

Financial Implications

23. As set out in the report

Legal Implications

24. The requirement for the council to approve the statement of accounts by end of September is a legal requirement

Risk Management

- 25 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 2011.

Consultees

26. None.

Appendices

27. Appendix A – Draft Statement of Accounts

Background Papers

28. Accounts and Audit Regulations.