MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	21ST SEPTEMBER 2012
TITLE OF REPORT:	Statement of Accounts 2011/12
PORTFOLIO AREA:	CORPORATE SERVICES

Wards Affected

None affected.

Purpose

To seek Audit and Governance Committee's approval of the 2011/12 Statement of Accounts.

Key Decision

This is not a Key Decision.

Recommendation

THAT the Audit and Governance Committee approve the 2011/12 Statement of Accounts.

Key Points Summary

- The statement is a technical document setting out the council's financial accounting information. Management accounting information has been reported to Cabinet throughout the year and the out-turn position was reported to Cabinet on 14th June 2012.
- Herefordshire Council's Statement of Accounts 2011/12, which have been certified by the Chief Officer (Finance and Commercial) 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. The council is required to produce a statement of accounts in accordance with legal and accounting requirements. The process requires the accounts to be certified by the Chief Officer (Finance and Commercial) by 30th June and then approved by the Audit and Governance Committee by 30th September.

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 2011/12 accounts were prepared on the new Agresso system and within the new organisational structure of Hoople and retained finance. This is the first time these major system and organisational changes have affected the preparation of accounts process.

6. The revenue and capital out-turn position compared to budget was reported to Cabinet on 14th June 2012 and a summary of the position is included in the explanatory foreword to the Statements.

Key Considerations

7. This is the second year that the accounts have been prepared according to International Financial Reporting Standards, which introduced significant changes to the accounts.

8. For 2011/12 Heritage Assets had to be recognised as a separate class of assets for the first time and included in the balance sheet at current value. These assets were previously grouped under Community Assets, which only have to be recorded at historic cost.

9. The Code also required a new disclosure note on exit packages, analysed between compulsory redundancies and other departures.

Financial Position

10. The most significant matters in the accounts for 2011/12 and a summary of the council's financial position are set out in the Explanatory Foreword. Key points for 2011/12 include the following;

- The out-turn position on the council's revenue account was an overspend of £236k after appropriations to and from reserves.
- £49.4m was incurred on capital spending, funded by borrowing (£10.3m), capital receipts (£4.5m), and grants (£34.6m).
- The council's total borrowing at 31st March 2012 stood at £144.5m (£145.6m at 31st March 2011).
- At the end of 2011/12 the council held general reserves of £6.1m (£6.3m in 2010/11) and specific earmarked reserves of £13.5m (£17.6m in 2010/11).
- Provisions of £1.5m were held at 31st March 2012, including £1.1m insurance provision and £141k provision for redundancies.
- The liability on Herefordshire's pension fund increased from £131.8m at 31st March 2011 to £159.3m at 31st March 2102 due to actuarial losses on the schemes assets and liabilities. This liability represents commitments to pay pensions in the long-term but is not representative of the ability of the fund to pay pensions.
- As schools have moved to Academy status this has resulted in a significant write off of assets (£69m) in 2011/12. As at June 2012 there were 18 academies with further transfers programmed to occur in 2012/13.

2011/12 Statements

11. Under International Financial Reporting Standards (IFRS) the main financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Account, Balance Sheet and Cash Flow Statement.

Movement in Reserves Statement

12. 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.

13. Usable Reserves
Total usable reserves at 31st March 2012 were £38m compared with £43.8m at 31st March 2011. 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 2011	6,349	17,572	6,754	13,103	43,778
Balance as at 31st March 2012	6,113	13,458	2,769	15,679	38,019

14 The general fund balance reduced by £236k, which reflects the funding of the overspend on the revenue account in the year.

15 Details of the movement to and from earmarked reserves are shown in Note 8.8, the largest transfer being the reduction of £2.1m in the unused grants reserve. The capital receipts reserve reduced by £4m reflecting the use of the reserve to fund the capital programme. Further details are included in Note 8.23 of the Statements.

16 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 £143.6m at 31st March 2011 to £71.7m at 31st March 2012. The main movements are on the pensions reserve and the Capital Adjustment Account, which includes amounts written off for the transfer of Academy schools. Further details can be found in Note 8.24

Comprehensive Income and Expenditure Statement (CIES)

17. 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.

18. The net cost of services in 2011/12 was £155.6m compared to £148.9m in 2010/11. The 2010/11 comparative figure included an exceptional credit item of £22.5m, 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 have been up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). In 2011/12 there was also an exceptional item of £5.7m credit relating to the pensions impact of transferring Hoople and Academy staff. There was no impact on the General Fund for these items as these are not intended to impact on council tax and are reversed out in the movement in reserves statement.

19 ‘Other operating expenditure’ on the CIES was significantly higher in 2011/12 (£71.3m compared to £13.5m in 2010/11. This reason for this is the write-off of assets disposed of in the year of £68.6m (compared to £10.8m in 2010/11) reflecting the transfer of Academy schools.

Balance Sheet

20 The Balance Sheet summarises the council’s assets, liabilities and other balances at the end of the financial year.

21 At 31st March 2012 long-term assets totalled £440.9m, compared to £489.3m at 31st March 2011. The main element of this is property, plant and equipment which amounted to £403m at the year-end compared to £453.6m at 31st March 2011. Movements in the year include depreciation, revaluations, disposals and additions through the capital programme. Details of the movements are set out in Note 8.12.

22 Current assets amounted to £44.6m at 31st March 2012, including £12.8m in cash and investments and £27.3m short-term debtors. The reduction in current assets from £63.8m in 2010/11 is mainly due to year-end fluctuations in short-term deposits with banks and building societies.

23 Current liabilities amounted to £53.6m at 31st March 2012, including £17.6m related to short-term borrowing and £31.3m short-term creditors. The reduction in current liabilities from £74.1m in 2010/11 was mainly due to the repayment of £5.5m of temporary loans in May 2011 and fewer capital grants received in advance of spend.

24 Long-term liabilities were £322.3m at the 31st March 2012 compared to £291.7m at 31st March 2011. The 2 main figures are borrowing and pensions liabilities. The pensions liability as determined by the pension fund actuary increased by £27.5m.

Cash Flow Statement

25 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 2011/12 total cash outflows were £476.3m and inflows £463.5m, resulting in a net decrease in cash and cash equivalents of £12.8m.

The Collection Fund

26 This statement shows all income collected from council taxpayers and business ratepayers (NNDR), which amounted to £149m in 2011/12 (£146.5m in 2010/11). Expenditure includes precept payments to the West Mercia Police Authority (£12.8m) and Hereford & Worcester Fire Authority (£5.3m), representing income collected from council taxpayers on their behalf. The Herefordshire Council precept includes £2.6m for parishes, which are paid through the council’s general fund. NNDR contributions of £42.5m were payable to central government (which is the income collected less and allowance for the cost of collection).

Equality and Human Rights

27 The contents of the report has no direct impact on equality and human rights

Community Impact

28. Not applicable.

Financial Implications

29. As set out in the report

Legal Implications

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

Risk Management

31 Risk management activity is addressed by providing working papers and officer time to help external auditors form an appropriate judgement on the statement of accounts by 30 September 2012.

Consultees

32. None.

Appendices

33. Appendix A – Draft Statement of Accounts

Background Papers

34. Accounts and Audit Regulations 2011.