

MEETING:	AUDIT & GOVERNANCE COMMITTEE
MEETING DATE:	25 SEPTEMBER 2013
TITLE OF REPORT:	STATEMENT OF ACCOUNTS
REPORT BY:	HEAD OF CORPORATE FINANCE

1. Classification

Open

2. Key Decision

This is not a key decision

3. Wards Affected

County-wide

4. Purpose

To seek the Audit and Governance Committee's approval of the 2012/13 Statement of Accounts.

5. Recommendation

THAT

- (a) the 2012/13 Statement of Accounts be approved; and**
- (b) the draft letter of representation be signed by the Chairman of the Audit and Governance Committee, and by the Chief Officer.**

6. Alternative Options

- 6.1 There are no Alternative Options, as all councils are required to produce a Statement of Accounts.

7. Reasons for Recommendations

- 7.1 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 30 June and then approved by the Audit and Governance Committee by 30 September.

8. Key Considerations

8.1 The Statement of Accounts (attached as Appendix A) 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.

8.2 The most significant matters in the accounts for 2012/13 and a summary of the council's financial position are set out in the Explanatory Foreword. Key points for 2012/13 include the following;

- The out-turn position on the council's revenue account was an overspend of £1.5m, the most significant overspend relating to the commissioning of adult social care.
- £38.6m was incurred on capital spending, funded by prudential borrowing (£13.8m), an interest free loan (£0.5m), capital receipts (£2.9m), and grants (£21.4m).
- The council's total borrowing at 31 March 2013 stood at £157m (£144.5m at 31 March 2012).
- At the end of 2012/13 the council held general reserves of £4.6m (£6.1m in 2011/12) and specific earmarked reserves of £13.9m (£13.5m in 2011/12).
- Provisions of £2.6m were held at 31 March 2013, including £1.1m insurance provision and £797k provision for redundancies.
- The liability on Herefordshire's pension fund increased from £159.3m at 31 March 2012 to £187.4m at 31 March 2013 mainly due to actuarial losses on the schemes 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.

2012/13 Statements

8.3 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

8.4 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.

Usable Reserves

8.5 Total usable reserves at 31 March 2013 were £34.8m compared with £38m at 31 March 2012. 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 2012	6,113	13,458	2,769	15,679	38,019
Balance as at 31st March 2013	4,656	13,968	2,693	13,515	34,832

- 8.6 The general fund balance reduced by £1.5m, which reflects the funding of the overspend on the revenue account in the year. Details of the movement to and from earmarked reserves are shown in Note 8.8. The capital receipts balance remained relatively static as the use of the reserve to fund the capital programme (£2.9m) was matched by additional receipts in year. Further details are included in Note 8.23 of the Statements.

Unusable Reserves

- 8.7 Unusable reserves are not available to be spent. They include unrealised gains and losses, such as the revaluation reserve and timing differences for funding of assets (Capital Adjustment Account). There is also a negative reserve for future pension obligations. These unusable reserves moved from £71.7m at 31 March 2012 to £44.8m at 31st March 2013, the main movement being the pensions' reserve. Further details can be found in Note 8.24

Comprehensive Income and Expenditure Statement (CIES)

- 8.7 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.
- 8.9 The net cost of services in 2012/13 was £152.8m compared to £155.6m in 2011/12. The largest movement in gross expenditure and income was in Educational and Children's services, reflecting the further transfer of schools to Academy status.
- 8.10 Other operating expenditure' on the CIES was significantly lower in 2012/13 (£22.8m compared to £71.3m in 2011/12). This reason for this is that the write-off of assets disposed of in the year was £19.9m in 2012/13 compared to £68.6m in 2011/12, reflecting the higher number of schools to transferring to Academies in 2011/12.

Balance Sheet

- 8.11 The Balance Sheet in Section 6 of the Statements summarises the council's assets, liabilities and other balances at the end of the financial year.
- 8.12 At 31 March 2013 long-term assets totalled £447.1m, compared to £440.9m at 31 March 2012. The main element of this is property, plant and equipment which

amounted to £404m at the year-end compared to £403m at 31 March 2012. 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.

- 8.13 Current assets amounted to £47.5m at 31 March 2013 (£44.6m at 31 March 2012), including £10.9m in cash and investments and £32.8m short-term debtors. Short-term debtors increased by £5.5m, mainly due to money owed to the council by central government for flood damage (£2.1m) and housing benefit subsidy (£2.7m).
- 8.14 Current liabilities were £70m at 31 March 2013, including £33.9m relating to short-term borrowing and £32.4m of short-term creditors. The increase in current liabilities from £53.6m in 2011/12 was mainly due to the increased level of short-term borrowing from other local authorities due to their low rates of interest.
- 8.15 Long-term liabilities were £344.8m at the 31 March 2013 compared to £322.3m at 31 March 2012. The 2 main figures are borrowing and pensions liabilities. The pensions' net liability as determined by the pension fund actuary increased by £28.1m.

Cash Flow Statement

- 8.16 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 2012/13 total cash outflows were £487.1m and inflows £488m, resulting in a net increase in cash and cash equivalents of £0.9m.

The Collection Fund

- 8.17 This statement shows all income collected from council taxpayers and business ratepayers (NNDR), which amounted to £151.8m in 2012/13 (£149m in 2011/12). Expenditure includes precept payments to the West Mercia Police Authority (£12.9m) and Hereford & Worcester Fire Authority (£5.3m), representing income collected from council taxpayers on their behalf. The Herefordshire Council precept includes £2.7m for parishes, which are paid through the council's general fund. NNDR contributions of £44.3m were payable to central government (which is the income collected less and allowance for the cost of collection).

9. Community Impact

- 9.1 Not applicable

10. Equality and Human Rights

- 10.1 The content of the report has no direct impact on equality and human rights

11. Financial Implications

- 11.1 As set out in the report

12. Legal Implications

- 12.1 There is a legal requirement for the council to approve the statement of accounts by the end of September 2013.

13. Risk Management

- 13.1 The risk is that the external auditors will not issue an unqualified opinion on the statement of accounts by the end of September. The risk is mitigated by providing working papers and officer time to help external auditors form an appropriate judgement on the statement of accounts by 30th September.

14. Consultees

- 14.1 None

15. Appendices

- 15.1 Appendix A – Statement of Accounts 2012/13
Appendix B – Draft Letter of Representation

16. Background Papers

- 16.1 None identified.