

# **HEREFORDSHIRE COUNCIL**

## **SUMMARY ACCOUNTS**

**2013-2014**

## Summary of Accounts

This summary of the council's accounts show where the council spent its money and gives a brief overview of the financial position at 31<sup>st</sup> March 2014. The accounts were prepared in accordance with the Code of Practice on Local Authority accounting.

The main financial statements comprise the Comprehensive Income and Expenditure Account, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement.

The 2013/14 accounts have been subject to external audit by Grant Thornton UK LLP.

## Introduction

The Statement of Accounts for 2013/14 presents the council's overall revenue and capital position for the year.

It was evident from the outset that 2013/14 was going to be a very challenging year and as the year progressed this proved to be the case. In 2013/14 Herefordshire's funding from central government saw a cash reduction of £5.5 million (6.9%). At the same time, the council not only faced economic challenges but the demands of an ageing population causing pressures within Adult Care. Herefordshire's rural nature presents additional challenges and costs of providing services to a sparsely distributed population.

The impact of reduced funding and increasing cost pressures required £12.9 million of cuts in Herefordshire Councils 2013/14 budget, bringing total savings of £34 million in the three financial years ending in 2013/14.

As the year progressed the financial position improved with the final out-turn on the council's revenue account showing a £397,000 underspend, bringing general reserves to £5.1 million at 31<sup>st</sup> March 2014 compared to £4.7 million at 31<sup>st</sup> March 2013. This means we exceed the policy requirement to hold a general fund reserve equivalent to a minimum of 3% of net budget (approximately £4.5 million). Herefordshire's financial management strategy is to maintain specific reserves to deal with the key corporate financial risks, which stood at £23.9 million at 31<sup>st</sup> March 2014.

**Cllr Tony Johnson**  
Leader of the Council

## Comprehensive Income and Expenditure Account

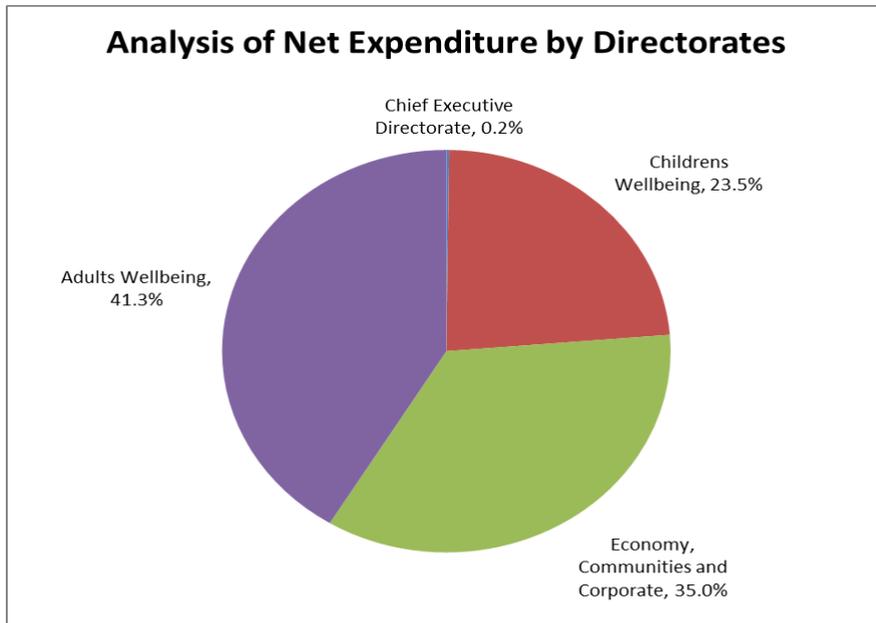
The comprehensive income and expenditure account shows the running costs of the council between 1<sup>st</sup> April 2013 and 31<sup>st</sup> March 2014. The figures show what has been spent on the council's services and the net position after financing from council tax and central government funding. It also shows gains and losses arising from property valuations and pension fund movements, which are reflected in the balance sheet.

The comprehensive income and expenditure account includes amounts that are not legally a charge against council tax or contributions to the council's revenue income, including capital charges, capital grants and movements in reserves. The adjustments to reconcile this statement to the amount to be funded from council tax are included in the Movement in Reserves Statement.

<b>Services</b>	<b>Net Expenditure £000</b>
Adult Social Care	56,479
Education and Children Services	34,845
Cultural and Related Services	6,555
Environmental and Regulatory	16,212
Planning Services	5,530
Highways and Transport Services	17,524
Housing Services	4,648
Corporate and Democratic Core	5,200
Non-distributed Costs	(168)
Central Services to the Public	1,430
Central Services to the Public	(106)
<b>Cost of Services</b>	<b>148,149</b>
Other operating expenditure (1)	9,022
Financing and investment income & expenditure	13,255
Taxation and non-specific grant income (2)	(174,232)
<b>Surplus on the provision of services</b>	<b>(3,806)</b>
Surplus on revaluation of Property, Plant and Equipment Assets	(9,314)
Re-measurement of net defined liability	(34,857)
<b>Other comprehensive income and expenditure</b>	<b>(44,171)</b>
<b>Total comprehensive income and expenditure</b>	<b>(47,977)</b>

## Analysis of Net Expenditure by Directorates

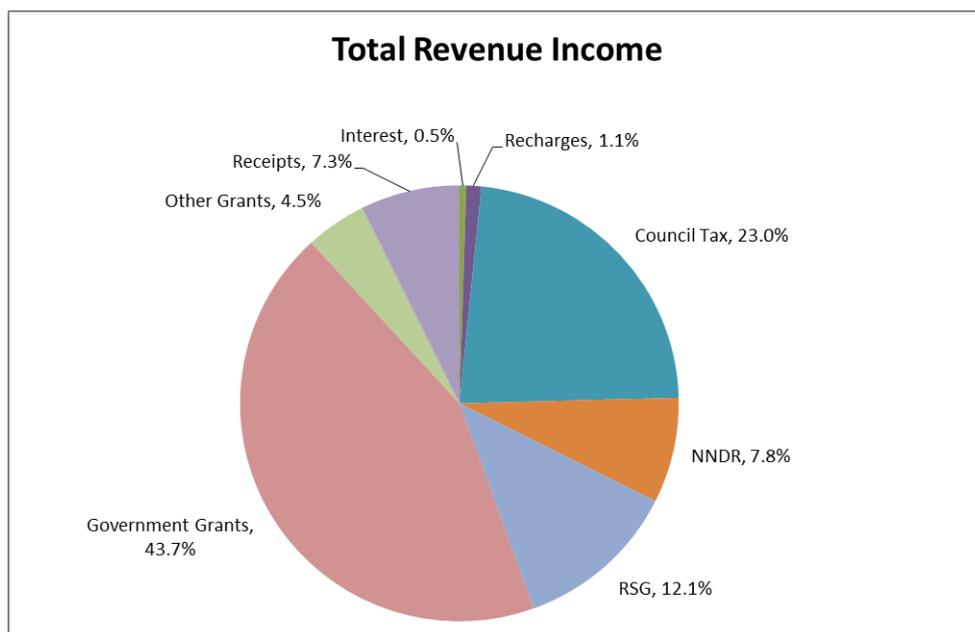
The net cost of services within the Income and Expenditure Account is £148.1 million, split between the following directorates:



## Analysis of Income

The total sources of income, including service income and income received centrally, are shown in the pie chart below.

This excludes capital grant and contributions of £17 million, which are shown in the Comprehensive Income and Expenditure account but are reversed out through the Movement in Reserves Statement to fund capital schemes.



## Movement in Reserves Statement

This table shows the movement in the year on reserves held by the authority, analysed into usable and non-useable reserves.

	General fund balance	Earmarked reserves	Capital receipts reserve	Capital grants unapplied	Unusable reserves	Total
	£000	£000	£000	£000	£000	£000
<b>Balance as at 31st March 2013</b>	<b>(4,656)</b>	<b>(13,968)</b>	<b>(2,693)</b>	<b>(13,515)</b>	<b>(44,842)</b>	<b>(79,674)</b>
Movement in reserves during 2012/13						
(Surplus) or deficit on the provision of services	(3,806)					(3,806)
Other comprehensive income and expenditure					(44,171)	(44,171)
<b>Total comprehensive income and expenditure</b>	<b>(3,806)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(44,171)</b>	<b>(47,977)</b>
Adjustments between accounting basis and funding basis under regulations	(6,566)		(3,302)	7,165	2,703	0
<b>Net increase or decrease before transfers to earmarked reserves</b>	<b>(10,372)</b>	<b>0</b>	<b>(3,302)</b>	<b>7,165</b>	<b>(41,468)</b>	<b>(47,977)</b>
Reserves Transfers	9,975	(9,975)				0
<b>(Increase) or decrease in 2013/14</b>	<b>(397)</b>	<b>(9,975)</b>	<b>(3,302)</b>	<b>7,165</b>	<b>(41,468)</b>	<b>(47,977)</b>
<b>Balance as at 31st March 2014</b>	<b>(5,053)</b>	<b>(23,943)</b>	<b>(5,995)</b>	<b>(6,350)</b>	<b>(86,310)</b>	<b>(127,651)</b>

### Notes

- 1) The capital receipts reserve holds receipts from the disposal of fixed assets, such as land and buildings. This reserve can only be used to fund capital expenditure
- 2) The capital grants reserve holds grants received but not yet spent and is mainly grants from central government
- 3) 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.
- 4) Adjustments between accounting basis and funding basis take account of the legal requirement for items to be charged against council tax.

## Capital Spend

In addition to spending on the running cost of services, the council also spent money investing in its assets, such as buildings and roads. During 2013/14 the council spent £43.4 million on capital projects, which was funded by the utilisation of the capital receipts reserve, grants and prudential borrowing.

<b>Capital Spend</b>	<b>2013/14 £000</b>
Property, plant and equipment	38,952
Investment properties	93
Intangible assets	389
Capital grants	3,970
	<b>43,404</b>
<b>Financed by</b>	
Borrowing	15,013
Grants and Contributions	26,129
Capital Receipts	1,979
Salix interest free loan	84
Direct Revenue Contributions	199
	<b>43,404</b>

The following are some examples of some of the schemes the council invested in during 2013/14:

- Leominster Primary School
- Heritage and Archive Records Centre
- Connect 2 bridge crossing
- Hereford Enterprise Zone
- Blackmarston Special School

## Cash Flow

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.

During the year the following amounts cash flowed in and out of the council's bank accounts:

	<b>£000</b>
<b>Cash and cash equivalents at 1st April 2013</b>	<b>(768)</b>
Cash in	(501,596)
Cash out	497,126
<b>Cash and cash equivalents at 31st March 2014</b>	<b>(5,238)</b>

As with all our financial statements, the cash flow position is a snapshot in time, with the position changing daily.

This statement includes cash in the council's bank account and 'on-call' investments, which can be recalled immediately.

## The Balance Sheet

	31st March 2014
<b>Assets</b>	
Long-term Assets (1)	465,053
Cash and Investments	25,976
Assets held for sale	2,732
Amounts owed to the Council	28,496
Other	177
	<b>522,434</b>
<b>Liabilities</b>	
Borrowing (including cash overdrawn)	173,162
Amounts owed by the Council	26,417
Pensions Liability (2)	160,431
Other long-term liabilities including finance leases	30,534
Other short-term liabilities	4,239
	<b>394,783</b>
<b>Net Assets</b>	<b>127,651</b>
Usable reserves (3)	41,341
Non-cash reserves	86,310
<b>Total reserves</b>	<b>127,651</b>

### Notes

- 1) Fixed assets include land, infrastructure, buildings and other property
- 2) The pensions liability represents the council's commitment to pay future pensions for current and former employees. The pensions reserve is set up to offset the liability against future years, rather than being a cost to the council in the year.
- 3) Usable reserves include general reserves of £5.0 million, £23.9 million earmarked for specific items of spend and reserves for capital spending of £12.3 million.

## Have your say

Let us know what you think about the Summary Accounts and how you feel they could be improved.

Please send your comments to:

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A full version of the Statement of Accounts can be found on the council's website:  
[www.herefordshire.gov.uk](http://www.herefordshire.gov.uk)