

**STATEMENT OF ACCOUNTS 2003/04****Report By: County Treasurer****Wards Affected**

County-wide

**Purpose**

1. To approve the Council's accounts for 2003/04 as presented in the Statement of Accounts attached (Appendix 1).

**Considerations**

1. It is a statutory requirement that the Council's 2003/04 Statement of Accounts is formally approved by 31st August 2004. This date will be brought forward each year during the next two years so that the approval deadline for the 2005/06 Statement will be 30th June.
2. Reports on Final Revenue and Capital Outturn figures 2003/04 were presented to Cabinet on 1st and 15th July. Formal approval of the Council's accounts is now required, as specified in the Accounts and Audit Regulations 2003.
3. The Statement of Accounts is a technical document prepared with the compliance with Accounting Codes of Practice as a prime requirement. The Codes of Practice are heavily influenced by external standards (e.g. Financial Reporting Standards) primarily directed at the private sector. Consistency across all sectors is important but undoubtedly certain elements have less relevance to local authorities.
4. This year's Statements of Accounts does show some significant changes compared with last year including:
  - (a) The addition of a formal Statement of Internal Control to be signed by the Chief Executive and Leader of the Council. In the 2002/03 Accounts, a more limited Statement of Internal Financial Control was included under the requirements of the relevant code of practice.
  - (b) An annual review and updating of the Statement of Accounting Policies.
  - (c) The new partnership arrangements with Jarvis and Owen Williams are reflected in the accounts.
  - (d) The formal closure of the Housing Revenue Account on 31st March 2004.
  - (e) FRS17 (Financial Reporting Standard 17 – pension costs) is reflected in the actual accounts. Previously we only had to show notes to the accounts.
  - (f) Various other changes to the Accounting Codes of Practice have again required a number of additional notes and comments. The Statement is each year taking an increasing amount of time and effort to produce to the high

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standard required. Failure to produce the statement to the required standard could result in the Council's accounts being qualified by the auditors. In addition the quality of the Council's Statement of Accounts is assessed as part of the Audit Commissions Auditors Comprehensive Performance Assessment (CPA).

5 Some brief comments on the main points reflected in the statement are as follows:

- (a) Council Revenue balances amount in total to some £9,847,000, which is an increase of £3,797,000 compared to the previous year. Within this sum is the Council's minimum prudent reserve of £3,000,000. The programme area underspendings carried forward of £3,532,000 is also part of the balance. A large part of the remaining balance reflects sums approved for capital projects not spent as at 31st March 2004. Any unallocated funds remaining will be retained for potential commitments including Job Evaluation.
- (b) The amount held in earmarked reserves has increased by £2,424,000 to £9,407,000. The main variation is the increase to school balances in hand which increased by £2,141,000 to £6,845,000. Included in this balance is £1,141,000 of devolved capital allocations. Schools have a statutory right to carry forward any unspent balances
- (c) Provisions made in the accounts decreased during the year from £1,858,000 to £1,434,000. During 2003/04, the provisions held in the accounts were reviewed in full. The number of the provisions being held in the accounts has been significantly reduced. By far the biggest element of this sum remaining is the insurance provision of £1,088,000, which is held to cover the cost of policy excesses in relation to expected property and liability claims.
- (d) With regard to capital spending some £32,000,000 was incurred compared with the original forecast investment of £35,000,000. The main variation was the adjustment to the timing of costs relation to the Housing Large Scale Voluntary Transfer, some of which were budgeted for in 2003/04 but actually charged in 2002/03. No conditional funding resources have been lost and the Council has maximised the use of its resources available.
- (e) Credit approvals including BCAs and SCAs totalling £17,900,000 have been used in financing the Council's Capital expenditure in 2003/04. Usable Capital Receipts of £4,200,000 and grants and contributions of £10,900,000 have been utilised in a similar way.
- (f) The value of the Council's fixed assets shown in the Balance Sheet is £257,000,000 which compares favourably with the Council's long term borrowing as at 31st March 2004 of £41,700,000.
- (g) The valuation of the Council's fixed assets is reviewed on a five year rolling programme by the Council's Property Valuers in accordance with proper practice.
- (h) The value of the Council's short-term debtors fell slightly from £19,544,000 to £19,503,000 during the year. The largest amount included is £4,500,000 in the right to buy receipts due from Herefordshire Housing which has since been paid.

- (i) The level of our creditors also fell during 2003/04 with the total at 31st March, 2004 being £1,712,000 lower at £22,262,000. Included in this sum is approximately £9,000,000 of invoices and salaries and wages paid in April 2004 but charged back into the old years accounts.
- (j) The Council's long-term debtors fell from £1,769,000 at 31st March 2003 to £732,000 at the year-end; a decrease of £1,037,000. The main reason is that the £854,000 LSVT right to buy share of capital receipts was transferred to short term debtors and has since been paid over to the Council. In future, amounts due for right to buy capital receipts will feature in the Council's short term debtors. The amounts due in respect of traditional long-term debtors, such as staff car loans and housing mortgages, have also reduced.
- (k) The Local Government Pension scheme actuaries have assessed that at 31st March, 2004, the difference between the underlying assets and liabilities for retirement benefit attributable to the authority was a deficit of £58,300,000. This is a reduction in the deficit of £21,370,000 during the year. The deficit will have to be made good by increased contributions over future years as assessed by the actuary.
- (l) The total of the short term investments held by the Council was at £20,633,000 on 31st March 2004, some £19,548,000 less than the previous year. This is owing to the overall management of the Council's cashflow rather than one specific reason.

#### **Formal Signing of the Statement of Accounts**

- 6. Once again as required under the Accounts and Audit Regulation 2003, the Statement will, once approved by the Committee, be signed and dated by the Chairman of this Committee.

#### **Publication of the Statement of Accounts**

- 7. In order to make the published Statement of Accounts more widely available, copies of the audited statement will be sent to INFO centres and Libraries. The statement will also be included in full on the Council's website, once the external audit is complete.

#### **External Audit**

- 8. The external audit of the accounts will commence in earnest during September, with the accounts on public inspection from 27th August, 2004 and the formal appointed day for the Audit is expected to be Monday 27th September, 2004. The accounts will formally be on display for 20 working days.
- 9. A further report giving information on the outcome of the audit and recommendations made by the auditors may be presented to this Committee at the end of the audit. Such a report will only be required if significant errors are found in the Statement of Accounts during the audit. A provisional meeting date has been set for 10th November, 2004 at 2.00 p.m.

#### **Redundancies and Early Retirements**

- 10. Whilst reporting on the final accounts, the opportunity has been taken, in accordance with good practice recommended by the Audit Commission, to report on the position

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with regard to redundancies and early retirements during 2002/03. Members will note that the number of posts and therefore the cost involved was significantly lower during 2003/04 than in the previous year. (see Appendix 2).

### **Bank Accounts**

11. A report on the changes to the Council's Bank Accounts during 2003/04 is also being reported to this Committee. (See Appendix 3).

### **Audit of 2002/03**

12. Since this Committee last met in September 2003, the Council's external auditors have issued an unqualified opinion in respect of these Accounts.

### **Finally**

13. I should like to record my thanks to all staff involved, across Directorates, in the 2003/04 closedown process.

## **RECOMMENDATION**

- THAT (a) the Statement of Accounts including the final Revenue and Capital Outturn for 2003/04 be approved;**
- (b) the formal signing of the Statement of Accounts by the Chairman of the Committee on behalf of the Council be approved;**
- (c) the information in respect of redundancies and early retirements (Appendix 2) be noted; and**
- (d) the information in respect of Bank Accounts (Appendix 3) be noted.**

### **BACKGROUND PAPERS**

- None identified.