

**STATEMENT OF ACCOUNTS 2004/05****Report By: County Treasurer****Wards Affected**

County-wide

**Purpose**

To examine, consider and approve the Council's accounts for 2004/05 as presented in the Statement of Accounts attached (Appendix 1).

**Reasons**

It is a statutory requirement that the Council's 2004/05 Statement of Accounts is formally approved by 31st July 2005. This statutory date will be brought forward next year so that the approval deadline for the 2005/06 and future years will be 30th June. This year's statement was available in late June, so meeting this deadline should be perfectly possible for future years.

**Considerations**

1. Reports on Final Revenue and Capital Outturn figures 2004/05 were presented to Cabinet on 23rd June as part of the Integrated Annual Outturn Report for 2005/06. Formal approval of the Council's accounts is now required, as specified in the Accounts and Audit Regulations 2003.
2. 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
3. This year's Statements of Accounts does show some changes compared with last year including:
  - (a) The annual review and updating of the Statement of Accounting Policies.
  - (b) The transfer of the Social Care residential homes to Shaw Healthcare (Herefordshire) Limited.
  - (c) As the Housing Revenue Account was formally closed on 31st March 2004 there is no longer a Housing Revenue Account page.
  - (d) 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 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 Use of Resources C.P.A assessment.

- (e) Whole of Government Accounts returns are being prepared for the first time this year. This is part of a Government initiative to prepare a set of accounts covering all of the public sector. For 2004/05 the return does not have to be completed until 4th November but in future years the information will be collated as part of the year-end procedures.

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

#### **Capital Outturn**

- (a) With regard to capital spending some £33.198million was incurred compared with the original forecast investment of £34.938million. No conditional funding resources have been lost and the Council has maximised the use of its resources available.
- (b) The actual 2004/05 Capital Programme was funded from Supported Capital Expenditure (£17,270,000), Prudential Borrowing (£2,603,000), Capital Grants (£8,751,000), Revenue Contributions (£244,000) and useable capital receipts (£4,327,000).

#### **Revenue Outturn**

- (c) The Council Programme Areas showed a net underspending of £4.468million in 2004/05. This amount was adjusted by amounts transferred to and from reserves to give a net carry forward of £3.915million into 2005/06. Cabinet on 23rd June noted that firm commitments represented a significant proportion of the carry forward.

#### **Balance Sheet**

- (d) Council Revenue balances in hand amount in total to some £14.491million as at 31st March 2005, which is an increase of £4.644million compared to the previous year. Within this sum is the Council's minimum prudent reserve of £3million. The Programme Area underspendings carried forward of £3.915million is also part of the balance as well as an £1.348million adjustment from capital to revenue reserves. A further £1.386million is retained to meet the costs associated with the Waste PFI contract. The balance remaining is available to help meet Council priorities.
- (e) The amount held in earmarked reserves has increased by £1.837million to £11.244million. The main variation is the increase to school balances in hand which increased by £2.074million to £8.919million. Included in this balance is £1.576million of devolved capital allocations which must be spent on capital projects. Schools have a statutory right to carry forward any unspent balances. No new earmarked reserves were set up in the Council's accounts during the year.
- (f) Provisions made in the accounts decreased during the year from £1.434million to £1.135million. By far the biggest element of this sum remaining is the insurance provision of £885,000, which is held to cover the cost of policy excesses in relation to expected property and liability claims. This provision has again been reviewed and the review has indicated that other than the normal payments into the fund, no additional topping up is

necessary. This is largely due to the fact that the level of the insurance claims received in 2004/05 was fairly modest. A new provision of £108,000 has been set up to provide for a likely repayment of European Social Fund grant to the Learning and Skills Council in respect of project work with disaffected secondary pupils. No other new provisions have been set up in the accounts.

- (g) The value of the Council's fixed assets shown in the Balance Sheet is £278.762million, which has increased from 2003/04, largely due to an increase in the value of Infrastructure assets such as roads and bridges which reflects the 2004/05 Capital Programme. This valuation compares favourably with the Council's long term borrowing as at 31st March 2005 of £58.296million. The Council's long term borrowing rose by £16.576million during the year largely because of the need to fund the capital programme.
- (h) 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 recommended practice.
- (i) The Council's useable capital receipts were £18.291million at 31st March 2005 some £1.673million less than at 31st March 2004, reflecting applications of £4.3million in support of the capital programme and receipts of £2.6million.
- (j) The Council's temporary borrowing fell by £1.689million during the year to £10.351million at 31st March 2005. This is part of the Council's overall cashflow management.
- (k) The level of the Council's long term debtors fell from £732,000 to £538,000 during the year. This was due to the number of staff car and computer loans outstanding falling and the rapidly diminishing amount outstanding in respect of former Housing Revenue Account mortgages.
- (l) The value of the Council's short-term debtors fell slightly from £19.008million to £18.699million during the year with the significant items being government departments and agencies (£5.3million) and £2.9million due to the collection fund. The Council maintains its good track record regarding recovery and during 2004/05 only £70,000 was written off, mostly as a consequence of bankruptcy or debtors absconding.
- (m) The level of creditors rose with the total at 31st March 2005 being £6.027million (26.5%) higher than the previous year at £28.7million. Included in this sum is approximately £7.5million of invoices and £2.1million for Tax and National Insurance paid in April but charged back into 2004/05. The main reasons for the increase on the previous year were, monies received by Education, Social Care and Housing relating to 2005/06 and carried forward and the March payment to Jarvis, which was not processed in full until April this year.
- (n) The total of the short term investments held by the Council was at £33.133million on 31st March 2005, some £12.5million more than the previous year. This is owing to the overall management of the Council's cashflow rather than one specific reason.

#### **Pension Scheme (Financial Reporting Standard 17)**

- (o) The Local Government Pension scheme actuaries have assessed that at 31st March 2005, the difference between the underlying assets and liabilities for retirement benefit attributable to the authority was a deficit of £102.186million. This is an increase in the deficit of £43.8million during the year. A significant factor in this increase has been the changes to the actuarial assumptions used to calculate the deficit. The deficit will have to be made good by increased contributions over future years as assessed by the actuary subject to the regular three yearly reviews and OPDM guidance as appropriate. Following the March 2004 revaluation, stepped increases in contribution of approximately 0.6% of pensionable pay will now apply each year for the period 2005/06 to 2010/11.

## **5. Statement of Internal Control**

The Statement of Internal Control is an important part of the Statement of Accounts, attached at Appendix 4, which has to be formally approved by Cabinet this year. Approval will take place on July 14th and any changes made by Cabinet will be notified to members of this Committee in writing.

### **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 Chair 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 again be sent to Info centres and Libraries. A summarised version of the accounts will be featured in Herefordshire Matters in September. The statement will also be included in full on the Council's website together with the Auditors Management letter, once the external audit is complete.

### **External Audit**

- 8. The external audit of the accounts will commence during July, with the accounts being available for public inspection from Friday 5th August 2005 and the formal appointed day for the Audit is expected to be Monday 5th September 2005. 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 in relation to changes in the accounts 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. The provisional date for this meeting is Monday 12th September 2005. The more wider aspects of the audit will be dealt with during the consideration of the auditors annual management letter.

### **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 with regard to redundancies and early retirements during 2004/05. Members will note that the number of posts and therefore the cost involved was significantly higher during 2004/05 than in the previous year. (see Appendix 2).

### **Bank Accounts**

11. A report on the changes to the Council's Bank Accounts during 2004/05 is also being reported to this Committee. (See Appendix 3).

### **Audit of 2003/04**

12. Since this Committee last met in August 2004, the Council's external auditors have issued an unqualified certificate in respect of these Accounts.

### **Finally**

13. I should like to record my thanks to all staff involved, across Directorates, in the 2004/05 closedown process.

## **Recommendation**

- THAT (a) the Statement of Accounts including the final Revenue and Capital Outturn for 2004/05 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;**
- (d) the information in respect of Bank Accounts (Appendix 3) be noted; and**
- (e) the Statement of Internal Control (Appendix 4) be noted.**