

MINUTES of the meeting of Statutory Accounts Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday, 11th July, 2005 at 2.00 p.m.

Present: Councillors: Mrs. P.A. Andrews, R.J. Phillips and R.M. Wilson

1. CHAIRMAN

RESOLVED: That Councillor R.J. Phillips be elected Chairman of the Committee for the ensuing Council year.

2. APOLOGIES

Apologies were received from Councillors G.V. Hyde and T.M. James.

3. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes made.

4. DECLARATIONS OF INTEREST

There were no declarations of interest made.

5. STATEMENT OF ACCOUNTS

The County Treasurer presented the Council's Statement of Accounts for 2004/05 for examination, consideration and approval. He explained that it was a statutory requirement that the Statement of Accounts be formally approved by 31st July, 2005.

He drew the Committee's attention to a number of changes in the Statement of Accounts compared to last year, and stated that the Statement was taking an increasing amount of time and effort to produce each year to comply with the tighter timescale and high standard required.

He highlighted a number of points including the significant variations in the debtor and creditor accounts, with the level of the Council's long and short term debtors falling and the level of creditors rising over the previous year. He explained that the Council's fixed assets, such as road and bridges, showed an increase on last year's figures, but this figure was based on a technical valuation and did not necessarily reflect the open market value. The increase in reserves was highlighted, which, in part, was due to the delay in the Waste PFI contract and the increase in school balances in hand, including devolved budgets which can only be spent on capital projects.

In response to a linked question about budgets for the new Children's Service the Chief Executive advised that, a significant proportion of the budget continued to be ring-fenced to Education. The Treasurer confirmed that each school would be expected to keep a prudent reserve relative to the size of its budget. The Assistant County Treasurer (Accountancy and Exchequer Services) confirmed that Primary

Schools held a greater proportion of the reserves due to the large number of small schools in the County some of which held significant proportions of their budgets as reserves. Only one high school was in deficit.

The County Treasurer advised that a new provision of £108,000 was being 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 school pupils.

He advised that the Statement of Internal Control would be considered by Cabinet for formal approval at its meeting on 14th July, 2005. As part of this process, Heads of Service would be required to sign a Statement of Assurance. The Head of Internal Audit explained the role and nature of the Statement of Internal Control.

He advised the Committee that, although fraud was not a particular issue for the Council complacency must be avoided. Therefore Group Leaders had been asked to ensure that Members were aware of the criteria and reminded of their role in identifying and reporting any incidents of suspected fraud. Staff would be advised of their responsibility on a regular basis.

The Committee noted that the Statement of Accounts would be advertised in the local press as well as being displayed at Info Centres and libraries and on the intranet and internet. A summary of the findings would appear in Herefordshire Matters. All notices would contain contact details for those seeking further information.

The Committee also noted that the external audit of accounts would not be completed until October with results expected in November. The Chief Executive expressed concern that the Audit Commission appeared to be awaiting the results of the Comprehensive Performance Assessment (CPA) before giving an opinion on the accounts rather than allowing the result of the audit to inform the CPA results.

The report contained details of redundancies and early retirements which showed an increase in costs in 2004/05 following a retirement at senior level.

The Committee noted a slight reduction in the number of bank accounts due mainly to the transfer of the residential homes to Shaw Homes.

The Treasurer concluded his presentation of the report by confirming that the Council's external auditors had issued an unqualified certificate in respect of the accounts for 2003/04.

A number of queries on the Statement of Accounts were raised by Members as follows:

Transfer Payments – The County Treasurer explained that these related mainly to Housing Benefit and Social Care.

Capital Programme – When asked if it was expected that the level of external funding would fall the County Treasurer explained that when projecting the forward capital programme he tended to be pessimistic about the amount of grants when making his initial forecasts and the position would become clearer as grants were awarded.

Pensions – When asked whether the Council was facing a deficit in its pension fund the County Treasurer confirmed that despite the net cash incoming continuing to exceed cash outgoing, thereby avoiding disinvestment during periods of market instability that he would anticipate increases in pension contributions for at least 10

years and possibly as long as 25 years as confirmed in advice from the Office of the Deputy Prime Minister (ODPM). The Chief Executive advised that the ODPM had withdrawn proposals to change the structure of pension funds but wondered for how long that position would be publicly sustainable.. He anticipated that there might be pressure to raise employee contributions if the benefits of the current scheme were to be maintained.

Fixed Assets – The Principal Accountancy Manager explained that Intangible Fixed Assets were those assets arising from money spent on capital projects which were not permanent e.g. IT equipment. Operational assets included those held by the Council in perpetuity for the benefit of the community e.g. parks and open spaces. Non-operational assess included shops, small holdings and industrial estates.

Right to Buy Receipts – The County Treasurer advised that the receipts from Right to Buy were reducing and that £1.1 million had been realised in 2004/05 which equated to approximately 40 properties (£25,000 per property). The Principal Accountancy Manager stated that Herefordshire Housing retain £20,000 per property.

Consolidated Revenue Account

Non-distributed costs – When asked why the non-distributed costs for 2004/05 did not show a credit, unlike the position in 2003/04 – it was explained that this was caused by a pension settlement in 2003/04 following staff transferring out of the Council scheme.

Gains and losses on repurchase of borrowing – The County Treasurer explained that this related to debt restructuring whereby the Council would pay back money borrowed at a higher rate of interest and borrow money at a lower rate. In order to do this, it was necessary to pay a premium on the initial loan.

The Collection Fund

The County Treasurer confirmed that the additional income from reducing the grant on empty properties and second homes exceeded the Council estimate of £300,000, and that any over payments would be offset against future Council Tax levies.

Empty Assessments – In response to a query the County Treasurer advised that, when there was a change of owner there was an entry in the accounts for the person leaving the property which was added back in as "redebts" when the new owner took possession. He agreed to investigate if this also happened if there was a change of tenant.

Consolidated Balance Sheet

The County Treasurer explained that the Government was keen to join up financial reporting across all sectors as illustrated by the consolidated balance sheet.

Short term borrowing – In response to a query the County Treasurer explained that short term borrowing was used to support the Capital Programme and also for cashflow. He stated that the limits were determined by Council, taking account of the Prudential Indicators.

Analysis of Fixed Assets – In response to query about who owned church-run school buildings and who would benefit from their sale, the Chief Executive advised that voluntary-aided schools would get a share of the proceeds and that where a reverter clause existed, any proceeds may revert to the original provider.

In response to a query about former Hereford and Worcester County Council Liabilities the County Treasurer advised that these would be written off from 2007.

Industrial Estates – Maintenance – The County Treasurer explained that a percentage of rental income from certain units was put aside for future maintenance costs.

School Balances – The Committee noted the total sum held under the Local Management of Schools arrangements amounted to £8,918,657 split between Primary Schools (6,012,074), Secondary schools (£2,495,605) and Special schools (£410,978).

Analysis of Government Grants – The Assistant Treasurer (Accountancy and Exchequer) agreed to get more information on the purpose of the grants from the Welsh Assembly and Countryside Council for Wales.

Trust Funds

The Chairman of the Committee was pleased to note that the number of trust funds had been reduced to a manageable level and the Committee noted that the Sylvia Short Trust was benefiting a number of schools in the County.

The Committee thanked the staff, both within the County Treasurer's Department and across the Council, for their work in compiling the Statement of Accounts.

Finally, the County Treasurer requested that the Committee consider a recommendation to Council to encompass its role within a newly established Audit Committee and for its membership to include senior Members of the Council.

RESOLVED:

- 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 be noted;**
 - (d) **the information in respect of Bank Accounts be noted;**
 - (e) **the Statement of Internal Control be noted; and**
 - (f) **it be recommended to Council that the Statutory Accounts Committee's remit be subsumed with a new Audit Committee and that its membership be established from senior Members of the Council and that the Constitution be amended as necessary.**

Note: The Statement of Accounts, including the Statement of Internal Control, were duly signed.

The meeting ended at 2.55 p.m.

CHAIRMAN