

# STATEMENT OF ACCOUNTS 2005/06

## REPORT BY DIRECTOR OF RESOURCES

**AUDIT COMMITTEE**

**30TH JUNE 2006**

### Wards Affected

County-wide

### Purpose

To examine, consider and approve the Council's accounts for 2005/06 as presented in the Statement of Accounts attached (Appendix 1).

### Key Decision

This is not a Key Decision.

### Recommendation

**THAT the Committee:**

- (a) **approve the Statement of Accounts including the final revenue and capital outturn for 2005/06;**
- (b) **approve the formal signing of the Statement of Accounts by the Chairman of the Committee on behalf of the Council;**
- (c) **note the information in respect of redundancies and early retirements (Appendix 2); and**
- (d) **note the information in respect of bank accounts (Appendix 3).**

### Reasons

It is a statutory requirement that the Council's 2005/06 Statement of Accounts is formally approved by 30th June 2006.

### Considerations

1. Reports on the final revenue and capital outturn figures 2005/06 were presented to Cabinet on 15th June 2006. Formal approval of the Council's accounts is now required, as specified in the Accounts and Audit Regulations.
2. The Statement of Accounts is a technical document prepared with 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).

3. This year's Statement of Accounts shows some changes compared with last year including:
- (a) The annual review and updating of the Statement of Accounting Policies;
  - (b) various other changes to the Accounting Codes of Practice have again required a number of additional notes and comments;
  - (c) an introduction from Mike Wilson our Cabinet Member for Resources has been added together with a glossary of terms; and
  - (d) a summary version of the Statement will be produced and published shortly.
4. Some brief comments on the main points reflected in the Statement are as follows:

#### **Capital Outturn**

- (a) With regard to capital spending some £31.845million was spent compared with the original forecast investment of £37.131million. The main reasons for the slippage were the transfer into 2006/07 of the major schemes in respect of Hereford City Centre Enhancements and Extra Care Housing. No conditional funding resources have been lost and the Council has maximised the use of its resources available.
- (b) The actual 2005/06 Capital Programme was funded from Supported Capital Expenditure (£13.916million), Prudential Borrowing (£5.131million), Capital Grants (£10.169 million), Revenue Contributions (£802,000) and useable Capital Receipts (£1.827million).

#### **Revenue Outturn**

- (c) The Council Directorates showed a net underspending of £3.720million in 2005/06. The Cabinet approved on 15th June 2006 budget carry forwards into 2006/07 of an equivalent sum based on a set of principles recommended by Corporate Management Board and designed to ensure that budget carry forwards support key corporate priorities.

#### **Balance Sheet**

- (d) Council Revenue balances in hand amount in total to some £14.525million as at 31st March 2006, which is an increase of £34,000 compared to the previous year. Within this sum is the Council's minimum prudent reserve of £3million. The Directorate underspendings carried forward of £3.720million is also part of the balance.
- (e) The amount held in earmarked reserves has increased by £2.698million to £13.942million. The main variations are the transfer into a specific reserve of the amount retained in respect of Waste Disposal (£1.386million) and the creation of the new reserve to help fund the Herefordshire Connects project (£1.928million).
- (f) Provisions made in the accounts increased during the year from £1.135million to £2.555million. A large element of this sum is the insurance provision of £1.020million, 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 2005/06 was fairly modest. A new provision of £1.067million has been set up in respect the new Landfill Allowances Liability arrangements.

- (g) The value of the Council's fixed assets shown in the Balance Sheet is £317.082million, which has increased by £38.736 million (13.9%) compared with 2004/05, largely due to an increase in the value of land and building. This valuation compares favourably with the Council's long term borrowing as at 31st March 2006 of £81.853million. The Council's long term borrowing rose by £23.557million 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 £20.07million at 31st March 2006 some £1.779million more than at 31st March 2005, reflecting applications of £2.1million in support of the capital programme and receipts during the year of £3.9million.
- (j) The Council's temporary borrowing fell substantially by £8.965million during the year to £1.386million at 31st March 2006. This is part of the Council's overall cashflow management.
- (k) The level of the Council's long-term debtors again fell during the year to £409,000. The decrease of £129,000 was due to the number of staff car and computer loans outstanding falling and the rapidly diminishing amount to be repaid in respect of former Housing Revenue Account mortgages.
- (l) The value of the Council's short-term debtors increased significantly from £17.899million to £26.580million during the year with the significant increases being the value of the sundry debtors outstanding (£4.7million) and £2.8million due to the collection fund. A large debtor outstanding at 31st March 2006 from the PCT was largely paid off in early April.
- (m) The level of creditors rose slightly during the year with the total at 31st March 2005 being £563,000 higher than the previous year at £28.5million. Included in this sum is approximately £9.4million of invoices paid in April but charged back into 2005/06.
- (n) The total of the short term investments held by the Council was at £37.899million on 31st March 2006, some £4.7million 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 2006, the difference between the underlying assets and liabilities for retirement benefit attributable to the authority was a deficit of £100.614 million. This is a slight reduction in the deficit of £1.6million during

the year. 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.

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

5. Once approved by the Audit Committee, Accounts and Audit Regulations require the Chairman of the Committee to sign the Statement on behalf of the Council.

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

6. In order to make the published Statement of Accounts widely available, copies of the audited statement will again be sent to Info centres and Libraries. 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. A summary leaflet will also be produced this year in line with Use of Resources best practice guidance.

### **External Audit**

7. The external audit of the accounts will commence during July, with the accounts being available for public inspection from 8th August 2006 and the formal appointed day for the Audit is expected to be 12th September 2006. The accounts will formally be on display for 25 working days.
8. A further report giving information on the outcome of the audit and recommendations made by the auditors in relation to changes in the accounts will be presented to this Committee at the end of the audit in September. The more wider aspects of the audit will be dealt with during the consideration of the auditors annual audit and inspection letter.

### **Redundancies and Early Retirements**

9. 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 2005/06. Members will note that the number of posts and therefore the costs involved were similar to 2004/05 although the actuarial strain figures were higher than in the previous year (see Appendix 2).

### **Bank Accounts**

10. A report on the changes to the Council's Bank Accounts during 2005/06 is also being reported to this Committee (see Appendix 3).

### **Finally**

11. I should like to record my thanks to all staff involved, across Directorates, in the 2005/06 closedown process.

## **Alternative Options**

There are no alternative options.

## **Risk Management**

The Council has a statutory duty to approve the Statement of Accounts by no later than 30th June 2006. Failure to do so would have consequences for the Council's reputation and the Use of Resources assessment.

## **Consultees**

The relevant internal officers have been consulted. No external consultation was considered.

## **Background Papers**

None identified.