

Corporate Affairs Committee 26th October 2005

Statement of Accounts – 2004/05

EXECUTIVE MEMBER RESOURCES : Cllr N Walker
DIRECTOR OF RESOURCES: Paul Slocombe

PURPOSE OF THE REPORT

1. To seek members approval of the audited 2004/2005 Statement of Accounts.

BACKGROUND AND EXTERNAL CONSULTATION

2. Attached to this report are extracts from the audited Statement of Accounts providing details of the main accounting financial statements. A copy of the Statement of Accounts is available for members of the Committee in the Members Library. An electronic copy of the Statement has also been made available to members of this Committee. In addition a copy of the accounts will be made available on the Council's Intranet, once the document has been signed by the District Auditor.
3. The Statement of Accounts has had the following alterations made from the draft presented to members in July 2005, which while indicating significant movements, are mainly presentational matters which ensure complete compliance with revised SORP requirements, and also build on the major improvements already included in the draft accounts in respect of asset classification and the decision to adopt the full, modified requirements for Group Accounts:

	Alteration	Reason
a)	Presentational Errors above the materiality threshold	
	Contribution to Housing Pooled Capital Receipts requires adjustment in the CRA to ensure compliance with SORP.	The new SORP and BVACOP 2004 requires revised compensating entries
	Material Balances are contained within Miscellaneous Costs that per BVACOP should be shown in the appropriate section of the CRA.	Ensures compliance with BVACOP.

	Eg. Deferred Grants(£6,558k) and Charges(£3,525k) , Equal Pay and Single Status(£495k), Lane Rental Reserve(£554k), School Balances movement(£95k).	
	The analysis of Fixed Assets at Note 1 to the CBS is incorrect. Enhancements to existing assets not increasing asset values have been classified as assets under construction, and actually relate to operational assets.	Ensures compliance with SORP.
	Following the change in accounting policy for deferred charges in the 2004 SORP, prior year comparatives were not restated. Consequently the Consolidated Balance Sheet still contains a heading for Deferred Charges rather than the new heading of Intangible Assets.	Ensures compliance with SORP.
	The Consolidated Balance Sheet contains a provision for £3.4m in respect of the pension deficit attributable to those staff transferred to ERIMUS.	Retain in provisions as the liability, whilst not probable is prudent to have provision made for it.
	The Cash Flow Statement requires significant amendment: - Cash received for Goods and Services is shown as nil, external income from trading activities should be credited here. - Rent rebates had been included in other operating costs and should have been netted off against rents.	Requires amendment to correctly record cash received for goods and services and rent rebates and avoid double counting.
b)	Errors affecting the net financial position	.
	The Minimum Revenue Provision is overstated by £11k as a result of the movement in long term debtors aaaaaaand long term investments not being reflected in the Capital Financing Requirement and the Factor A calculation misstated,	No adjustment is required to the accounts as the amount is not material. The Factor A figure carried forward will be reduced to ensure the correct treatment in 2005/6.

	leading to the MRP being overstated.	
c)	'Non Trifling' Misstatements	
	<p>Non Distributed costs are overstated on the Consolidated Revenue Account.</p> <ul style="list-style-type: none"> - Unfunded Pensions costs, requires an Accounting Policy Disclosure note.(£1.5m) - Court costs(£0.5m) - Curtailments(£0.5m) 	CRA requires amendment to correctly identify costs within the definition of BVACOP.
	Administration costs(£0.8m) in respect of Housing Benefits have been included in Central services instead of Housing.	Ensures compliance with BVACOP
	The Equal Pay(£614k) and Job Evaluation(£200k and £131k) provisions are more appropriately classified as earmarked reserves in the Consolidated Balance Sheet.	Appropriate classification.
	The Designated Authority line of the Consolidated Revenue Account shows the correct net figure but both income and expenditure have been overstated by £279k.	Avoids overstatement.
	A review of un-presented cheques indicates £105k worth of cheques older than six months which require write back.	The write back is required to correctly state the bank overdraft and provisions in the CBS.
d)	Issues with the adequacy of disclosure.	
	<p>The accounts do not include an accounting policy on three changes in the 2004 SORP:</p> <ul style="list-style-type: none"> - the introduction of modified Group Accounts. - The replacement of deferred charges with intangible assets - The change in the discount rate used to calculate pension liabilities. 	Ensures full disclosure.
	The draft accounts did not include a cash flow statement for Group Accounts. Information on related parties was omitted	Ensures compliance with the requirements for modified arrangements for Group Accounts.

	The notes to the Housing Revenue Account do not describe the treatment of pension costs in the HRA.	Ensures compliance with SORP.
	Note 12 to the HRA requires correct description to reflect the amortisation of deferred charges following the LSVT.	Correct disclosure ensured
	The note to the Consolidated Balance Sheet setting out the FRS17 disclosures contains one incorrect heading.	Amendment required to ensure correct disclosure.
	Note 1 to the Consolidated Balance Sheet mis-states the de – minimus level, and is at variance with the declared Accounting Policy note.	Ensures consistency of disclosure.
e)	Other Issues arising	
	A number of small items are left in Miscellaneous expenditure in the Consolidated Revenue Account after the recommended adjustments	In order to comply fully with SORP, this will be cleared to nil in the 2005/6 accounts.
	Some small contributions to and from reserves have been accounted for within services and does not agree with the note to the balance sheet.	This will be fully reflected in the 2005/6 accounts.
	Two old provisions for Rating Appeals and Asylum Seekers are under investigation for probable liability.	Review required with probable write off in 2005/6.

4. **Appendix A - Consolidated Revenue Account.** The statement provides a summary of revenue costs incurred, and overall funding received by the Council, split between the major Council services in accordance with the prescribed format.
5. **Appendix B - Consolidated Balance Sheet.** The statement details the overall position, in respect of, the value of assets owned by the council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and balances maintained by the Council.
6. **Appendix C - Housing Revenue Account.** The Statement provides details of the major elements of Council Housing revenue expenditure including maintenance, administration, rent rebates and capital financing.

The Statement also shows how these costs are met from rents, subsidies and other income.

7. **Appendix D – Statement of Internal Control.** The Statement of Internal Control reports on the key financial controls in operation within the Council.

OPTION APPRAISAL/RISK ASSESSMENT

8. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

9. There are no recommendations contained within the Audit report which require the amendment to the draft accounts of the Council.

RECOMMENDATIONS

10. It is recommended that:

Members approve the revised 2004/2005 Statement of Accounts.

REASONS

11. The recommendation is supported by the requirement to comply with the 2004 Accounts and Audit Regulations, which require the audited Statement of Accounts to be approved by the 31st October 2005.

BACKGROUND PAPERS

The following papers were used in the preparation of the report: -

- Draft Statement of Accounts 2004/2005
- Report to Corporate Affairs Committee 27 July 2005

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