

Subject: Statement of Accounts
2005/06

Status: For Publication

Report to: Accounts Committee

Date: 28th June 2006

Report of: Head of Financial Services

Portfolio

Holder: Finance & Risk Management

Key Decision:

NO (Matter for approval by Accounts Committee)

Forward Plan

General Exception

Special Urgency

"X" In Relevant Box

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek Member approval of The Statement of Accounts for the year ended 31st March 2006. The Council has a statutory duty to approve the accounts by 30th June 2006 and to present to the external auditor for audit.

2. CORPORATE PRIORITIES

- 2.1 The matters discussed in this report are linked to and support the following corporate priorities:

- *Financial Management: The Statement of Accounts show an improving financial position as demonstrated by: increase reserves and cash balances*

3. RISK ASSESSMENT IMPLICATIONS

- 3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- *Level of General Fund Reserves: The Council must now set a level of General Fund reserves based on an assessment of potential risk which the council is exposed to. The council through its Medium Term Financial Strategy has made the assessment that the level of General Fund balances should be in the region of £500k to £750k.*

- *External Audit:* The Councils accounts are still subject to final audit by the District Auditor. Final audited accounts will be approved by this same committee 28th September 2006.

4. BACKGROUND AND OPTIONS

- 4.1 The draft Statement of Accounts for 2005/06 will be attached as Appendix 1 once they are nearer to completion.
- 4.2 The timetable for Member approval has been brought forward one calendar month compared to 2004/05, Council officers are therefore working to a more demanding timetable.
- 4.3 There has been one material change since the earlier report to the Cabinet, with regard to the Minimum Revenue Provision (MRP) in relation to outstanding debt. It was the opinion of officers that as all external debt had been paid off there was no need to make such a provision (for repayment of further principal) though this is not the opinion of the external auditors. The impact on the general fund has been an adverse £214k. This has been mitigated by use of the provision of £126k held against a no vote in Stock Transfer and the Change Management Reserve.
- 4.4 Despite the above, as in previous years the accounts show a continuing improvement of the Councils financial position during 2005/06 i.e. within the General Fund (GF) and the Housing Revenue Account (HRA) the latter being subject to Housing Stock Transfer (HST) on 27th March 2006. The results of which have dramatically impacted on the consolidated balance sheet in both the reduction of fixed assets due to the transfer of the housing stock and the elimination of long term debt being the repayment made by The Office of the Deputy Prime Minister of the attributable housing debt at the housing transfer date. This is illustrated in 4.7 below
- 4.5 The above main revenue accounts, subject to 4.2 above, show the following balances as at 31st March 2006:

	£000s
• GF	£647
• HRA	£1,098

- 4.6 The Housing Revenue account, following the HST, must remain open for a further 12 months; thereafter any remaining balance can be transferred into General Fund on 1st April 2007. Feasibly there may still be further legitimate costs to HRA during 2006/07 though these are not expected to be material.
- 4.7 Members will note that the Cabinet "Outturn Report" presented to Members on 7th June 2006 indicated balances of £640k and £1,013k on GF and HRA respectively. The same report (see para' 4.8) did however indicate that there may be further adjustments as part of the finalisation process.
- 4.8 The other key areas of note, other than GF and HRA balances are:

- Fixed Assets - £16,260k (£123,728k 04/05)
- Cash Balances – £2,747k (£2,423k 04/05)
- Long term borrowings – £nil (£22,856k 04/05)
- Pension Deficit – £18,328k (£19,551k 04/05)

4.9 It is also worthy of note that the effect for the pensions deficit, which is a notional rather than a cash amount, is to produce a negative figure for the Council's net equity. This results from the fact that the Stock Transfer process removed over £100m from the Council's balance sheet. This phenomenon is becoming more common in local authorities as fewer remain providers of housing and the full impact of the implementation of FRS 17 in relation to pensions is felt.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

- 5.1 The financial considerations are reported in the main body of the report.
- 5.2 The statement of accounts indicates a successful recovery from the position the Council was in 3 years previously. General reserve have more than achieved the minimum target levels set at that time and has been achieved alongside an increase in service performance.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

- 6.1 The Accounts and Audit Regulations (2003) states that the Council is required to approve the accounts, prior to external audit, by 30th June 2006.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

- 7.1 There are no direct Human Resources implications.

8. CONCLUSION

- 8.1 That the draft accounts as presented are fit for Member approval and final audit by the independent external auditor

9. RECOMMENDATION(S)

- 9.1 That the draft Statement of Accounts as presented are approved for submission to the District Auditor
- 9.2 That the statement of Accounts goes on deposit for public inspection on 3rd July until 28th July 2006 to allow for the regulatory 20 working days before the date appointed for the Public to question the Auditor (31st July 2006) or to make objections to the accounts.

10. CONSULTATION CARRIED OUT

- 10.1 Executive Director of Resources

- 10.2 Members
- 10.3 Audit Commission
- 10.4 Sector Treasury Management Services

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Background Papers	
Document	Place of Inspection
Year end accounts working papers	Finance Department