

Leicester
City Council

WARDS AFFECTED:

ALL WARDS (CORPORATE ISSUE)

RESOURCES & EQUAL OPPORTUNITIES

**SCRUTINY COMMITTEE
CABINET
COUNCIL**

**27th June 2005
27th June 2005
30th June 2005**

STATUTORY STATEMENT OF ACCOUNTS 2004/2005

REPORT OF THE CHIEF FINANCE OFFICER

1. INTRODUCTION

- 1.1 The Accounts and Audit regulations 2003 require the Council formally to approve the accounts prior to audit, and subsequently to approve any changes following the audit.
- 1.2 The regulations also specify a changing timescale for the approval of the accounts of local authorities. The deadline last year for the completion and approval of the accounts was 31st August, with the audit to be completed before the 30th November. These dates are brought forward by a month for the accounts for the year 2004/05 and will be brought forward a further month next year, so that the accounts for the year ending 31st March 2006 must be complete and approved by 30th June.
- 1.3 In order to comply with the new deadlines, changes to our procedures were made last year which resulted in the accounts being completed much earlier than previously. The process has been refined this year, in the light of experience, and the accounts completion date was once again set for the end of June.
- 1.4 The accounts for the year ended 31st March 2005 (the year 2004/2005) are now substantially complete and will be available for public inspection from 15^h July, 2005. A complete set of the accounts will be available for inspection in the members' area before the meeting.
- 1.5 A separate report on the agenda for this meeting addresses the Statement on Internal Control. Although this is published as part of the Council's Statement of Accounts, Members are required to approve it in its own right.

2. SUMMARY

- 2.1 The supporting information attached to this report details the various elements of the accounts. However, the main components are as follows:
- 2.2 Consolidated Balance Sheet. This shows what the Council owns, its debts and

investments.

2.3 Consolidated Revenue Account. This account summarises the expenditure and income for the whole Council. However, the format for the published accounts is different from that used for internal monitoring. Cabinet considered a report on the Revenue Outturn 2004/05 at its meeting on June 13th.

2.4 Cash flow statement. This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the Local Authority context.

3. **RECOMMENDATIONS**

3.1 Cabinet is asked to:

Note the Statement of Accounts for 2004/2005 and submit them to the Council for approval;

3.2 Resources and Equal Opportunities Scrutiny Committee is asked to

consider the issues affecting their portfolio and make any observations to the Cabinet as they see fit.

4. **FINANCIAL IMPLICATIONS**

4.1 This report is exclusively concerned with financial issues.

5. **LEGAL IMPLICATIONS**

5.1 The timetable and the arrangements for the reporting of the Council's statement of accounts is governed by statute. These statutory requirements have been complied with. Legal Service officer consulted: Head of Legal Services, Peter Nicholls

6. **OTHER IMPLICATIONS**

Other Implications	Yes/No	Paragraph referred
Equal Opportunities	No	-
Sustainable & Environmental	No	-
Crime & Disorder	No	-
Human Rights Act	No	-

7. **REPORT AUTHOR:**

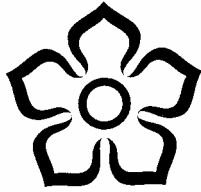
Andy Morley – Ext 7404
Chief Accountant

Date: May 24th, 2005

**MARK NOBLE
CHIEF FINANCE OFFICER**

DECISION STATUS

Key Decision	No
Reason	
Appeared in Forward Plan	No
Executive or Council Decision	Council



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SCRUTINY COMMITTEE
CABINET
COUNCIL**

**27th JUNE 2005
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STATUTORY STATEMENT OF ACCOUNTS 2004/2005

SUPPORTING INFORMATION

1. THE 2004/2005 ACCOUNTS

1.1 General Points

1.1.1 The Cabinet, at its meeting on June 13th, received a report on the 2004/2005 outturn for the General Fund and Housing Revenue Account. The statutory statement of accounts consolidates the outturn items, and presents them in a somewhat different format. The accounts of the Collection Fund are also shown, which records the collection of council tax and non-domestic rates.

1.1.2 The Consolidated Balance Sheet, the Consolidated Revenue Account and the Cash flow statement are attached to this report. (to follow)

1.2 Consolidated Balance Sheet

1.2.1 The consolidated balance sheet shows the net value of the organisation. This includes the following components:

a) **Net Fixed Assets**

Primarily the land and buildings owned by the Council, including Council Housing. The figure of £1.5billion is derived from a variety of valuations intended to reflect the worth of the assets to the Council - not necessarily the sum for which they could be sold.

b) **Long Term Debtors**

These are sums repayable to the Council, in respect of loans made.

c) Current Assets

These include cash and other items that may be converted into cash fairly promptly (normally within one year). For example, debtors are generally in respect of services provided, and sums owed should be received promptly. Short-term investments are made to maximise the interest earned by the Authority on temporary cash balances whilst retaining flexibility to meet day-to-day spending requirements.

d) Current Liabilities

These items represent sums due by the Council that are normally payable within one year.

e) Long Term Borrowing

The majority of loans taken out by the Council to meet capital spending are repayable over periods in excess of 10 years. It should be noted that the Council's borrowing is considerable less than the value of its assets.

f) Pension liability

Financial Reporting Standard FRS 17, underpinned by the Local Authority Accounting Code of Practice, requires local authorities to obtain from the actuaries to their pension fund an estimate of the deficit (or surplus) on their share of the pension fund and to show this on the balance sheet. The figure shown is balanced by an equivalent figure being the "Pension reserve" It should be noted that movements on these figures have no effect on the amount to be raised from taxation, and do not have any policy implications for the budget.

g) Fixed Asset Restatement Account, and Capital Financing Account.

These are technical account headings the Council is required to maintain. In effect, when added together, they represent the value of council assets which are free of debt, and are similar to the shareholders' funds shown on the balance sheet of a company. They are not sums of money which can be spent.

h) Earmarked Reserves

These are reserves held for specific purposes which have been approved by Cabinet, in accordance with Finance Procedure Rules

i) Balances

These represent reserves held in accordance with statutory definitions, including the General Fund Reserve.

1.2.2 The most significant changes from the 2003/04 figures are explained below:-

a) Short Term investments The Council had invested funds of £39.7m as at 31 March 2004. The Council's long-term borrowing was restructured during the year, in order to maximise the benefit from interest rates now available and the Investment fund was wholly repaid to facilitate this.

b) Current Assets and liabilities. This represents a snapshot of the position as at March 31st each year and is not necessarily indicative of any particular trend.

c) Pensions liability. The Pension Fund actuary calculates the liability each year, in accordance with certain actuarial assumptions in accordance with the requirements of the Financial Reporting standard FRS 17. This has been done for 3 years now, and the figures have fluctuated wildly for those years. The figure is an attempt to assess the shortfall in the pension provision now being made by the Authority, in its employer's contribution to the Pension Fund. The liability is calculated looking many years ahead, by comparing the actual contributions made and the payments that would be due if employees drew their entitlement at the normal retirement age. However, the level of employer contributions planned made are estimated to ensure that the Pension Fund is restored to being fully funded over that period. The liability on the balance sheet is offset by an equivalent Pensions "reserve".

1.3 Consolidated Revenue Account

1.3.1 The consolidated revenue accounts brings together all expenditure and income for the year for the General Fund, and the Housing Revenue Account. The Council also operates a number of services as "trading" operations that sell their services internally.

1.3.2 The presentation is complex, as accounting practice requires us to present figures in a way broadly comparable with generally accepted accounting practice, although this does not sit comfortably with local government finance legislation. Those items ultimately met from outside the General Fund are cancelled out, so that the "bottom line" figure shows the General Fund net deficit for the year and the balance carried forward. This is also known as the General Fund Reserve.

1.3.3 The first section of the Consolidated Revenue Account (CRA) shows the "net cost of services". This equates to, but does not replicate the Council's Revenue Outturn position. The key difference is that the figures on the CRA are prepared in accordance with the Best Value Accounting Code of Practice (BVACOP) and this prescribes to which line on the CRA each of our services should be allocated. In addition, the CRA does not recognise the concept of "controllable" budget lines (a key element in our budgetary control framework), so the cost of each service is shown inclusive of all overheads. This is in accordance with the BVACOP concept of "total cost".

1.3.4 The most significant variances from the figures in 2003/04 are explained briefly below:

a) Net Cost of Services: Non-distributed cost. This line was affected in 2003/04 by the full introduction of accounting for Pension costs, and the prescription on the treatment of opening balances. These figures were largely offset

by an entry further down the CRA "Transfer to pension reserve".

b) Levies. The figure for 2003/04 included payments to the Fire Authority and the Environment agency. In 2004/05 the Fire Authority became a full precepting body and the levy from the environment agency reduced to cover only local needs, as the majority of the agency's functions are now funded nationally.

c) Contribution to Housing Pooled receipts. The accounting treatment of this item has been clarified since last year. There is an equal and opposite entry shown as "transfers from Useable Capital receipts", hence there is no net effect on the General Reserve or Taxation from these items

d) Pension scheme costs and credits. These figures are derived from the report of the Pension Fund Actuary and, although considerably different from 2003/04, have no net effect on the General Reserve or Taxation, being offset within the Transfer to Pension Reserve line in the CRA

e) Net Transfers to reserves / Transfers to Capital Fund. Prior to 2004/05, transfers to the Capital Fund have been included within the heading "net transfers to reserves". Guidance on best practice has changed, recommending that transfers to a Capital Fund should be identified separately.

f) Provision for Debt Repayment. Increased credit for depreciation (largely due to the increased value of assets held) is the main factor for this variance. This is offset within the Asset Management Revenue Account, so there is no net effect of the General Reserve or Taxation.

2. **SUBSEQUENT CHANGES**

2.1 Any changes arising from the audit of the accounts will be reported back to the Cabinet at the conclusion of the audit.

3. **FINANCIAL IMPLICATIONS**

3.1 The report is exclusively concerned with financial issues.

4. **OTHER IMPLICATIONS**

<u>OTHER IMPLICATIONS</u>	<u>YES/NO</u>	<u>PARAGRAPH REFERRED</u>
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights / Elderly people on low incomes	No	

5. **BACKGROUND PAPERS**

Revenue Outturn reports.

6. **CONSULTATIONS**

All departments are consulted during the Authority's close down period.

7. **AUTHOR**

Andy Morley – Ext 7404
Chief Accountant

MARK NOBLE
CHIEF FINANCE OFFICER