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STATEMENT OF ACCOUNTS 2004/05

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Responsible Cabinet Member(s) – Councillor Don Bristow,  
Resource Management Portfolio

Responsible Director(s) – Paul Wildsmith, Director of Corporate Services

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**Purpose of Report**

1. The report is presented to seek approval of the Council's Statement of Accounts for 2004/05 and the establishment of a specific reserve.

**Background**

2. The Accounts and Audit Regulations 2003 require local authorities to approve their 2004/05 Statement of Accounts (SOA) by 31st July 2005. Under the Regulations, the deadline for approval is to be brought forward to 30th June by 2006. The Council's Constitution requires that approval be given by full Council. Following Council approval, the accounts will be subject to examination by the Council's Auditors, commencing in August 2005.
3. Timely financial reporting is an indicator of the quality of financial management in any organisation and increasing attention is being given nationally to the timeliness of local authorities' financial reporting. It is, therefore, very pleasing to be able to present the attached draft Statement of Accounts for 2004/05 ahead of the current statutory deadline.

**Information**

4. The SOA is attached at **Appendix 1**. It is presented in the format prescribed by regulation, which differs in a number of respects from the format used for internal financial management purposes. The Council's financial results for 2004-05 were reported to Cabinet on 12<sup>th</sup> July 2005 in the format used for internal financial management purposes.
5. The principal statements within the accounts are: -
6. *The Consolidated Revenue Account (CRA)* (page 12) brings together all of the Council's revenue expenditure and income on all services. Net operating expenditure is £106.6M, which broadly equates with the net revenue budget set by Council in March 2004. The balance on General Fund including departmental reserves carried forward to 2005-06 is £12.0M, which is £0.5M better than the Medium Term Financial Plan (MTFP) approved in March 2005. This is consistent with Council policy on balances. The current MTFP includes

planned use of £5.6M of balances over the next four years.

7. ***The Housing Revenue Account (HRA)*** (page 19) is statutorily ring-fenced to include all expenditure and income relating to the Council's housing stock. Turnover on the account in 2004-05 was £16.4M. The balance on the HRA at 31st March 2005 is £0.5M, which is virtually unchanged from the balance at the start of the year and is a reasonable level. The position of the HRA will be further strengthened by an improved subsidy settlement for 2005-06.
8. ***The Collection Fund Account*** (page 24) summarises Council Tax and non-domestic rates transactions. On a turnover of £60.3M, the account shows a surplus of £0.156M in 2004-05. The carried forward deficit balance on the account at 31st March 2005 is £0.006M, compared with a projected £0.100M deficit.
9. ***The Consolidated Balance Sheet*** (page 28) brings together all of the Council's assets and liabilities at 31st March 2005, valued in accordance with statutory requirements and proper accounting practice. Fixed assets (principally Housing stock and other land and buildings) are valued at £240.6M. Net current assets (receivable or payable within twelve months) are £19.3M. In addition to the General Fund balance of £12.0M, the Council has other revenue reserves totalling £7.4M. These are principally schools balances £2.6M, investments £2.0M and a proposed Private Finance Initiative £1.0M
10. As required by accounting regulations, formal approval is requested to establish a specific reserve. Members will recall that Cabinet approved a change to the Government grant funding mechanism for the Education Village on 15<sup>th</sup> March 2005. This meant that over the 25 years of the concession the Council saved over £12m. However, Members were alerted to the fact that there was a negative cash flow of £2.1m to be managed up to 31<sup>st</sup> March 2013 (this will be more than replenished after that date by the increased Government grant). As Council balances are better than planned, this would be an opportune time to earmark some funds for this purpose. It is recommended that a PFI Reserve of £1.0m be created to offset the negative cashflow up until 31<sup>st</sup> March 2013.

### **Consultation**

11. The content of this report was not subject to consultation. The Local Strategic Partnership has been consulted on the provision of summarised financial results information. The results of that consultation will be taken into account in deciding whether further financial information should be published.

### **Legal Implications**

12. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

## **Section 17 of the Crime and Disorder Act 1998**

13. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

## **Council Policy Framework**

14. The issues contained within this report are required to be considered by Council.

## **Recommendation**

15. Council is requested to approve: -
- (a) The establishment of a PFI Reserve of £1.0m.
  - (b) The draft Statement of Accounts for 2004-05.

## **Reasons**

16. The recommendations are supported by the following reasons:
- (a) To meet statutory requirements for formal approval by Council of the draft Statement of Accounts.
  - (b) To establish reserves in the interests of sound financial management and in compliance with legal requirements.

**Paul Wildsmith**  
**Director of Corporate Services**

## **Background Papers**

- (i) Council's accounts 2004-05
- (ii) Budget 2004-05

David Hall: Extension 2303