

**ANGUS COUNCIL**

**RESOURCES AND CENTRAL SERVICES COMMITTEE**

**28 JUNE 2004**

**SUBJECT: ANNUAL ACCOUNTS 2003/2004**

**REPORT BY THE DIRECTOR OF FINANCE**

**Abstract: The Annual Accounts Statements for 2003/2004 are submitted under cover of this report. Members are asked to approve them prior to their submission to Audit Scotland. The report draws attention to a number of items contained within the accounts.**

**1. RECOMMENDATIONS**

It is recommended that the Committee:

- (i) note, approve and accept the accounts for 2003/2004; and
- (ii) agree to their submission to Audit Scotland by 30 June 2004.

**2. INTRODUCTION**

The Council completes Annual Accounts for its financial years ending 31 March. It does so for many reasons including demonstration of stewardship, performance and control. It is also obliged legally to complete accounts and submit them by 30 June to Audit Scotland.

**3. COMMENTARY**

**3.1 Director's Report**

The Director's Report is an introductory Statement commenting on the various Statements and also on budgetary performance during the year.

**3.2 Principles Adopted in Compiling the Accounts – Statement 1**

This statement records the principles on which the accounts have been drawn up.

The Accounts have been drawn up in accordance with the Accounting Code of Practice (ACOP) issued by the Chartered Institute of Public Finance and Accountancy.

Particular attention is drawn to new accounting requirements under Financial Reporting Standard 17 (FRS17). The cost of services that the council delivers now includes actuarially assessed costs as opposed to actual contributions made to the Pension Fund as previously. Subsequent adjustments are made to ensure that the impact is neutral in Council Tax and Housing Rent terms. The new requirements result in a Pension liability and associated negative Pension Reserve being shown on the face of the consolidated Balance sheet.

### **3.3 Consolidated Revenue Account – Statement 2**

This statement shows income and expenditure for the main Committees, contributions to/from special funds, appropriations and how that was financed with the resulting impact on balances.

It can be seen that the balance at the end of the year is £10.344m of which £0.954m is attributable to DSM.

### **3.4 Housing Revenue Account – Statement 3**

The Housing Revenue Account statement covers the transactions arising from managing the Council's housing stock.

The surplus for the year was £1.763m compared with a budgeted surplus of £0.162m, and the closing balance of £2.101m.

### **3.5 Trading Account – Statement 4**

This statement shows the performance of the Trading Account. It is a requirement that Trading Accounts should show a break-even (or better) position on a 3 year rolling basis. This has been achieved.

### **3.6 Council Tax Income Account & Non Domestic Rate Income – Statements 5 and 6**

These statements set out the detail of the gross charges, certain deductions and provisions made for possible bad debts arising from the charges. Reference to Statement 2 will show that income against budget for Council Tax is over budget. This reflects ongoing collections of arrears and, in light of those collections, reduction of bad debt provision.

It should be noted that in respect of non-domestic rate income local authorities participate in a national pooling arrangement. The Council is a net beneficiary from the arrangement – in other words the Council receives an amount from the pool over and above what is collected locally.

### **3.7 Consolidated Balance Sheet – Statement 7**

#### Capital Assets

Relevant non-Council Housing assets require to be re-valued over a five year period in keeping with the terms of FRS 15 and capital accounting requirements. Messrs Lickley, Proctor were engaged to commence this revaluation in 1999/2000 and their involvement has continue through to 2003/2004 when the bulk of the final tranche of relevant assets were re-valued.

Council Houses were previously, revalued each year by reference to benchmark valuations available from ongoing Right to Buy (RTB) sales. For 2003/04 Messrs Lickley, Proctor revalued the stock on a benchmark basis using values determined by themselves. Account has been taken of estimated discount due to tenants under the RTB legislation. It should also be noted that it has been agreed that depreciation on Council houses should be calculated

and shown. However, the entries required do not impact on the HRA Revenue Account, but merely affect non-usable capital reserves.

#### Debtors and Provisions for Bad Debts

The provisions for possible bad debts for the main Revenues systems and general Sales Ledger debts have been reviewed and the amounts held as provisions at 31 March 2003 are £4.509m and £0.172m respectively - a total of £4.681m as shown on page 20 of the Statements.

#### Reserves

Page 22 of the Account Statements contains a summary of the Reserves and it will be noted that they are split between usable and non-usable.

The non-usable Reserves arise out of the operation of the Capital Accounting system and also now through the application of FRS17. They do not represent funds available to the Council for use.

### **3.8 Total Movements in Reserves – Statement 8**

This statement gives greater detail as regards the various Reserves.

### **3.9 Cash Flow Statement – Statement 9**

The inflow and outflow of cash to and from the Council are shown here.

### **3.10 Capital Expenditure – Statement 10**

Details of the capital transactions are given in this statement.

Reporting capital expenditure to the Resources and Central Services Committee and Housing Committees as appropriate is carried out throughout the financial year so that the Council is aware of progress.

As has been reported there was a degree of slippage on the Composite Programme and the Housing Revenue Accounts but with no loss of spending power as a result of the slippage.

It should be noted that payments due under various covenant agreements are not recorded in this statement as the capital expenditure on these schemes has been reflected in the accounts previously

### **3.11 Loans Pool Revenue Account – Statement 11**

The Loans Pool is a corporate arrangement which lends and borrows funds to and from appropriate external organisations. It also borrows and lends funds internally – principally for the purposes of financing capital expenditure. Net interest incurred is pooled and charged out to relevant accounts – mainly the General Fund, the Housing Revenue Account and other accounts such as the Police.

### **3.12 Charities – Statement 12**

Transactions arising on Charities for which the Council is Trustee are shown here. The statement includes a Balance Sheet providing a snapshot of assets and liabilities as at 31<sup>st</sup> March 2004.

### **3.13 Common Good – Statement 13**

This statement covers the Common Good Accounts. The balance sheet shows assets and liabilities as at 31 March 2004.

The Capital Accounting regime has been applied to the Common Goods in 2003/2004.

### **3.14 The Systems of Internal Financial Control – Statement 14**

This statement comments upon Internal Financial Control and concludes that the Council has a sound system of internal financial control in place.

### **3.15 The Council's Responsibilities – Statement 15**

This statement sets out the Council's responsibilities as regards the Annual Accounts.

## **4. NEXT STEPS**

The Accounts are being audited and will be advertised for public inspection affording opportunity for members of the public to examine the accounts and raise matters with the external auditors.

## **5. ACKNOWLEDGEMENT**

The accounts have again been completed by the due time and I would like to record my thanks and congratulations to my staff and to fellow Heads of Departments and their staff who have contributed to this achievement.

The results for the year are a testimony to the good work undertaken in setting and subsequently monitoring budgets throughout the year. Financial discipline is an extremely important element of overall control and it is encouraging to see general and widespread commitment to this. The general financial outlook is one of continuing restraint and the need for effective financial discipline continues.

## **6. FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

## **7. HUMAN RIGHTS**

There are no Human Rights implications arising from this report.

## **8. CONSULTATION**

The Chief Executive and the Director of Law and Administration have been consulted on this report.

## 9. CONCLUSION

The Accounts for 2003/2004 have been concluded on time and provide a snapshot of the Council's financial position at 31 March 2004. They will now be subjected to the public inspection/audit process.

DAVID S. SAWERS  
Director of Finance

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

JC/GW/AR