

## SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

**REPORT TO:** Council

26<sup>th</sup> August 2004

**AUTHOR/S:** Finance and Resources Director

### STATEMENT OF ACCOUNTS 2003-2004

#### Purpose

1. To approve the Statement of Accounts (distributed as a separate document with this agenda).

#### Effect on Corporate Objectives

2..	Quality, Accessible Services Village Life Sustainability Partnership	This report has no direct implications for any of the Corporate Objectives but any variation in the expenditure on individual services might have affected the achievement of the Objectives and the pensions liability will pre-empt resources available for services.
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#### Background

3. The Accounts and Audit Regulations 2003 require the draft Statement of Accounts for 2003/04 to be approved by the 31st August 2004.
4. A bulletin issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in February 1996 stated that "it must be stressed that approval in this context has to some extent a different meaning than on other resolutions required to be approved by Members. The responsible financial officer (RFO) retains responsibility for the preparation of the statement of accounts and indeed is required under (1996) Regulation 8(3) to certify their fair presentation. The Member's role in approval is to demonstrate their ownership of the accounting statements and their confidence in the RFO and in the process by which he or she maintains the accounting records and prepares the statement".
5. In October 2000, a statutory instrument was issued setting out functions which were not to be the responsibility of an authority's executive. One of these functions was the duty to approve the authority's statement of accounts and, therefore, Council is requested to give approval.

#### Considerations

6. I am pleased to report that the draft Statement of Accounts for 2003-2004 has been produced. The Statement is in draft because it is still subject to audit and awaiting the Auditor's Report.
7. The contents of the Statement of Accounts are largely determined by the Code of Practice on Local Authority Accounting issued by CIPFA. The Code is updated annually. The additions required by the Code in the 2003-04 Statement are:
  - the much wider Statement of Control including corporate objectives and performance management which replaces the Statement on the System of Internal Financial Control;
  - the accounting policy relating to pensions has been changed to reflect the full adoption of Financial Reporting Standard 17 (FRS17) Retirement Benefits whereby pension liabilities incurred during the year are charged to the cost of services. The cost of these liabilities is reversed out in the appropriations section of the Consolidated Revenue Account so that there is no impact on the Council Tax. The Consolidated Balance Sheet shows the future

liability in respect of benefits due to members of the fund, which is matched by a negative pensions reserve figure.

South Cambridgeshire's pension deficit is estimated at £8.3 million as at 31<sup>st</sup> March 2004 consisting of funded scheme liabilities and unfunded liabilities of £7.1 million and £1.2 million respectively. With over 70% of the pension fund attributable to South Cambridgeshire invested in equities, the deficit can vary greatly from one year to the next.

The employer's contribution rate for 2003/04 was 7.9%. The rate will increase to 9.7% in 2004/05. The next formal valuation of assets and liabilities for the purposes of determining contribution rates will be as at 31<sup>st</sup> March 2004 to be effective from 1<sup>st</sup> April 2005. The rate is likely to increase by 1.5% per annum over the triennial period to 14.2% in 2007/08 and this has been incorporated in the Council's financial projections; and

- an additional disclosure relating to external audit costs.

8. On the more familiar basis of reporting by Portfolios, a comparison of provisional actual expenditure with the original estimate was reported to the Cabinet meeting on 20<sup>th</sup> July. The final figures for the Housing Revenue Account working balance and the capital receipts year end balance are the same as the reported provisional actuals. The final figure for the General Fund working balance shows an increase of around £11,000, mainly due to an adjustment to the capital charges in the General Fund summary.
9. In view of the detailed, technical processes involved in the preparation of the draft Statement of Accounts and accompanying explanatory information, it will be helpful if Members provide me with advance notice of any questions, thereby allowing time for any associated research to be completed.

### **Options**

10. None.

### **Financial Implications**

11. Provisional actual figures and future employer's contribution rates were incorporated in the Policy and Financial Review 2005/06 report presented to Cabinet on 20<sup>th</sup> July and Council on 22<sup>nd</sup> July 2004.

### **Legal Implications**

12. The Code of Practice on Local Authority Accounting constitutes a proper accounting practice under the Local Government Act 2003 and local authorities are legally required to comply with the Code. The Accounts and Audit Regulations require earlier closure of the accounts in future years with the 2004/05 accounts to be approved by 31<sup>st</sup> July 2005 and the 2005/06 accounts to be approved by 30<sup>th</sup> June 2006.

### **Staffing Implications**

13. None so far.

### **Risk Management Implications**

14. There is a risk that the accounts may not be closed in accordance with the statutory deadlines in future years. I will be reviewing the staffing levels of the Accountancy Division with the Chief Accountant to manage the peak workload associated with the earlier closure of the accounts.

**Consultations**

15. None.

**Sustainability Implications**

16. None.

**Conclusions/Summary**

17. None.

**Recommendations**

18. Council is recommended to approve the draft Statement of Accounts.

**Background Papers:** the following background papers were used in the preparation of this report:

Statement of Accounts as enclosed with this report

Accounts and Audit Regulations 2003

Accounting bulletin: Members' Approval of Statement of Accounts

Statutory Instrument 2000 Number 2853

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