

AGENDA MANAGEMENT SHEET

Name of Committee Council

Date of Committee 27th June 2006

Report Title **Statement of Accounts and Statement on Internal Control 2005/2006**

Summary This report presents the Statement of Accounts and Statement on Internal Control for 2005/2006 and provides an explanatory note of the key issues.

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Would the recommended decision be contrary to the Budget and Policy Framework?

Background papers Statement of Accounts corporate and departmental records

Audit and Standards Committee 5 June 2006

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members
- Cabinet Member Councillor Farnell, Councillor Cockburn, Councillor Tandy, and Councillor Roodhouse sent for comments
- Chief Executive
- Legal David Carter
- Finance David Clarke, reporting officer
- Other Chief Officers
- District Councils

Health Authority

Police

Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Council – 27th June 2006.

**Statement of Accounts and Statement on Internal Control
2005/2006**

Report of the Strategic Director, Resources

Recommendations (being considered by Cabinet at its meeting on 27 June):

- (1) That Council approve the unaudited Statement of Accounts for 2005/2006.
- (2) That Council approve the Statement on Internal Control for 2005/2006.

1. Introduction

- 1.1 This report presents the Statement of Accounts and Statement on Internal Control for 2005/2006. (The Statements have been circulated separately to all Members of the Council and are available on the Committee Administration System and the Warwickshire Web).
- 1.2 The Statement of Accounts for Warwickshire County Council comprises
 - An explanatory introduction by the Strategic Director
 - The Statement of Accounting Policies
 - The Consolidated Revenue Account
 - A summary of our main Trading Accounts
 - The Consolidated Balance Sheet
 - A Statement of the Total Movement in Reserves
 - A Cash-flow Statement
 - A summary of our Capital spending
 - A Statement of Responsibilities for the Accounts
- 1.3 The Statement of Accounts also includes the accounts for the Pension Fund.
- 1.4 The final document is a Statement on Internal Control. This is the second year we have been required to publish such a statement alongside our accounts.
- 1.5 As in previous years the introduction by the Strategic Director, Resources (pages 3 to 8 of the statement) highlights the key issues for the benefit of readers of the statements.
- 1.6 This report presents a brief overview of the two documents and seeks approval to recommend them on to Council.

2. Accounting Policies

- 2.1 The accounting policies used to prepare the accounts are set out on pages 9 to 15 of the Statement of Accounts. There have been no significant changes to the accounting policies this year.
- 2.2 Under FRS17 we are required to show in our balance sheet the excess of our actuarially calculated liability for future pension payments over assets we hold to pay for them. As no fund is held to pay for the firefighters pensions or teachers' discretionary benefits, the amount shown in the balance sheet represents the full, expected liability. For the local government pension scheme the amount shown in the balance sheets represents the excess of the liability over the assets (investments etc) that we hold.
- 2.3 Under FRS17 we are also required to show the cost of the additional liability for future pension payments that the authority has incurred due to the additional service of its employees during the year in the total cost of services within the Consolidated Revenue Account. However an accounting adjustment is then made to the Consolidated Revenue Account so that the bottom line of the Consolidated Revenue Account represents the surplus for the year taking into account the actual pensions and employer pension contributions paid during the year.

3. Consolidated Revenue Account

- 3.1 The Consolidated Revenue Account summarises our spending on services during the year. We originally budgeted to spend £493.4 million. During the year, we increased our budgeted service spending by a further £4.6 million funded from reserves. The final outturn position was an overall transfer of £0.8 million to general reserves after a net transfer of £1.7 million to earmarked revenue reserves.
- 3.2 Full details of the outturn position for each service can be found in the revenue outturn reports which are presented elsewhere on this agenda.
- 3.3 The forward to the accounts (pages 3 to 8) shows the breakdown of revenue expenditure into the different types of expenditure. The biggest proportion of our expenditure (55%) went on staff-related expenditure.

4. Trading Accounts

- 4.1 A summary of the main trading activities of the Authority is shown on page 27. As for the cost of services shown in the Consolidated Revenue Account the surpluses or deficits shown represent the position after applying FRS17 rather than the cash position shown in the revenue outturn reports.

- 4.2 The main change in the Trading Accounts since 2004/2005 is the reduction in turnover caused by the transfer of the work previously undertaken by Warwickshire Contracting (Warco) to Carillion.

5. Consolidated Balance Sheet

- 5.1 The Consolidated Balance Sheet on page 29 shows the assets and liabilities of the authority as at 31st March 2006.
- 5.2 As at the balance sheet date the value of total fixed assets was £1.17 billion.
- 5.3 During the year £64.1 million was spent on a variety of capital schemes. Of this total £12.0 million related to assets not shown on our balance sheet (for example Foundation Schools). The other significant changes were revaluations downward and other reductions in value of £22.9 million and reductions in value for depreciation of £38.6 million. The net effect of all these changes was a fixed asset value £10.6 million lower at 31st March 2006 than as at 31st March 2005.
- 5.4 Net long-term borrowing has increased by £29.6 million. Borrowing financed approximately 40% of the capital programme.
- 5.5 The pension liability assessed by our actuaries under FRS17 at 31st March 2006 was £375.2 million.
- 5.6 The notes to the balance sheet also explain the long-term guarantees, other liabilities and insurance risk of the Authority.

6. Statement of Total Movements in Reserves

- 6.1 The Statement of Total Movements in Reserves on page 43 explains how our reserves have moved between the 31st March 2005 and 31st March 2006.
- 6.2 The key table is the statement of total movement in revenue reserves. This shows the increase in general reserves of £0.8 million. There has also been an increase in earmarked reserves bringing total earmarked reserves to £28.2 million of which £10.7 million relates to reserves held by schools and £8.9 million to the Insurance Fund.

7. Cash-flow Statement

The cash-flow statement on page 46 shows the actual cash movements during the year. There was a net increase of £0.2 million in the year.

8. Capital summary

The Capital Summary on page 49 lists the larger items of capital expenditure for the year.

9. The Local Government Pension Fund

The Authority administers the Local Government Pension Fund on behalf of the county council, the five district and borough councils and 56 other organisations. The Accounts for the Fund show the assets of the Fund valued at £945.2 million, an increase of £201.0 million during the year. The investment performance of the Fund is shown on page 61.

10. The Statement on Internal Control

- 10.1 Under the Accounts and Audit Regulations 2003 the Authority is required to conduct a review at least once a year of the effectiveness of its system of internal control and to publish a statement on internal control with the Authority's financial statements. This is the second year of this requirement.
- 10.2 A review has been carried out in accordance with this requirement and a draft statement was reviewed by SDMT (Strategic Directors Management Team) on 26 April 2006 and then considered by the Audit and Standards Committee on 5th June 2006.
- 10.3 The Statement covers the key controls in operation in the authority to ensure that the organisation's key objectives and statutory obligations are met.

11. Audit status

- 11.1 In the years leading up to 2002/2003 the Authority was required to seek Council's approval to its accounts by the end of September. This date gave the Authority the opportunity not only to produce accounts but also to have them audited by the external auditors prior to submission to Council.
- 11.2 Under the Accounts and Audit Regulations we are obliged to bring the 2005/2006 accounts and each subsequent years accounts to Council before the end of June. The attached statement of accounts are unaudited and there is the possibility that some of the figures may change as a result of the audit process. Should any significant changes be identified through the audit an appropriate report will be brought back to Council.
- 11.3 Once the external auditors, District Audit, have completed their audit work they will formally issue their audit opinion. The Statement of Accounts will then be published in accordance with Regulations by the end of September.

12. Recommendations

- (1) That Council approves the unaudited Statement of Accounts for 2005/2006.
- (2) That Council approves the Statement on Internal Control for 2005/2006.

DAVID CLARKE
Strategic Director, Resources

Shire Hall
Warwick
14 June 2006