

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

28th July 2005

PRESENT:-

Labour Group

Councillor Pabla (Vice-Chair in the Chair) and Councillors Bell, Carroll, Dunn (substitute for Councillor Whyman M.B.E.), Richards (substitute for Councillor Southern) and Taylor.

Conservative Group

Councillors Nalty and Mrs. Renwick.

APOLOGIES

Apologies for absence from the Meeting were received from Councillor Wilkins (Chair), Councillors Southerd, Southern and Whyman M.B.E. (Labour Group) and Councillors Harrison, Lemmon and Mrs. Wheeler (Conservative Group).

MATTER DELEGATED TO COMMITTEE

FM/34. **STATEMENT OF ACCOUNTS 2004/05**

The Council's annual accounts and financial statements were submitted for the Committee's consideration. This was in accordance with the Account and Audit Regulations 2003, which stipulated that the accounts must be considered and approved by an appropriate committee. Such consideration had to be undertaken by 31st July 2005 and in future years the date would be brought forward to 30th June.

This year was the earliest again that the Council had closed its accounts and prepared the appropriate statements. It was another good step forward in preparing for the more challenging future deadlines. However, closing the accounts earlier required Officers to estimate certain figures such as the final housing subsidy settlement. The Regulations required that the accounts include a statement of internal control, to show how it provided adequate systems, policies and procedures. This was a new requirement for 2004/05 and the statement had to be signed by the Leader and Chief Executive of the Council. The report provided further detail on the requirements for the Statement of Internal Control.

Councils were constantly developing procedures and the Action Plan in Section 5 of the Statement expanded on this. It reflected issues that had been highlighted in the C.P.A. and the last audit letter.

A copy of the Council's Statement of Accounts for the year ended 31st March 2005 was attached to the report. Generally, the various statements were technical in nature and followed regulations and best professional practice. The accounts were subject to external audit. The Audit Commission was scheduled to commence its audit of the accounts in August 2005. The Council's Chief Finance Officer was required to provide a letter of

representation to the external auditors, to confirm that there were no significant events that had occurred after the end of the accounting period. The external auditors had requested that this letter be provided at the end of the audit and it would be the subject of a further report to the Committee.

The Head of Finance and Property Services took Members through the detailed documents and the first section considered was the overview. Councillor Bell referred to the net revenue expenditure, which was reported as £900,000 below the approved budget. He noted that the figure reported to the Committee the previous week was different to this. The Head of Finance and Property Services explained that the overview gave a comparison to the original budget, rather than the revised budget considered by Members last week. The reported causes of reduced expenditure included staffing vacancies and additional fee income from Planning Services. Again, a comparison was made to the reported figures at the previous Committee Meeting. The Head of Finance and Property Services confirmed that these comparisons were against the original budget rather than the revised budget. Councillor Bell commented that it was difficult to accept that Officers were still surprised by the extra income generated from Planning fees. He accepted that a safe and prudent approach was taken in accounting, but he felt it would be useful to have more challenging targets.

Councillor Bell then referred to the General Fund balances, which stood at just under £3 million at 31st March 2005. From previous budget documents, he noted that the projected position some three years earlier was to have balances of £776,000 by 31st March 2005. He questioned whether the Council was setting challenging budgetary targets. The Head of Finance and Property Services explained that there were three main areas responsible for the improved position. These related to the position on staff vacancies, higher than anticipated income and the difficulty in estimating Benefit subsidy. He accepted that a cautious approach had been taken and Officers were now trying to be more realistic when setting budgets. To provide an example, he explained that the total benefit subsidy equated to £14 million per annum and a small percentage error in estimates could result in significant financial variances. Councillor Bell also noted that there was a further £2 million in earmarked reserves.

Councillor Bell felt that the report conflicted with a statement given at the previous meeting on the projected number of Council house sales. The Officer again felt that this was the difference between the original and revised budget positions, but he agreed to research this and to report back to Councillor Bell.

Councillor Mrs. Renwick requested an amendment to the section of the overview that concerned future issues. It included a statement that the Council was now effectively 'debt free' and she felt this did not accurately represent the position. Several Members expressed a contrary view, that the Council was free of Government debt. Following a debate and vote, it was agreed that this section of the document remain unchanged. In response to a further question from Councillor Mrs. Renwick, the Head of Finance and Property Services gave an explanation about the 'pooling' arrangements.

The Committee then discussed the Consolidated Revenue Account. Councillor Bell sought further information regarding certain non-chargeable income within the Building Control Trading Account. The Head of Finance

and Property Services replied and gave further information, following a question from Councillor Bell about Officers' emoluments. The Consolidated Balance Sheet was considered and the Head of Finance and Property Services referred particularly to the pensions deficit and contingent liabilities. On the Housing Revenue Account, the Officer confirmed the position on pension costs, following a question from Councillor Bell. It was also confirmed that these pension liabilities were reducing over time. The Collection Fund was discussed and clarification provided that the actual collection rate was approximately 98.9%. Members then discussed the Statement on Internal Control and the Head of Finance and Property Services explained the main elements of this Statement. Councillor Mrs. Renwick referred to the section of the Statement on the Internal Control Environment. She felt this contradicted the earlier decision and the statement on the Council's debt free status. The Chair and Councillor Carroll clarified that most local authorities reported in this way. The Chair considered this to be an excellent report and Members discussed the deadline for this document to be signed off.

RESOLVED:

- (1) That the Council's Statement of Accounts for the year ended 31st March 2005 (subject to audit) be approved.***
- (2) That the Committee authorises the Chair of the Committee to sign the accounts in accordance with the Accounts and Audit Regulations 2003.***
- (3) That the Committee authorises the Leader of the Council and Chief Executive to sign the Statement on Internal Control.***

Note: Councillor Mrs. Renwick wished it to be recorded that she was not in favour of the decision taken not to amend the wording of the report's overview section, as outlined above.

L. PABLA

CHAIR

The Meeting terminated 6.45 p.m.