
FINANCIAL STATEMENTS 2006/07

1 SUMMARY

- 1.1 This report presents the Financial Statement for 2006/2007, which is attached as Appendix A. Members are requested to approve the Statement prior to its submission to the Council's external auditors.
- 1.2 The external auditors have identified the 4 weeks beginning 13 August 2007 as their main audit visit. Following the conclusion of the audit the Financial Statement will be published and copies distributed to Members. The deadline for publication of the Statement is 30 September.
- 1.3 The Council agrees a Medium Term Financial Strategy each year in order to produce balanced budget, which maintains a suitable level of balances. For 2006/2007, the Council is able to make a contribution to General Fund balances of £204,000 that will help ensure that the Council is well prepared to meet a number of major issues, which will impact on the General Fund. These include the Large Scale Voluntary Transfer of Housing Stock and the major contract renewals in 2008. Both of these issues are difficult to quantify exactly and the Council has built up a level of balances to minimise the impact on future council tax requirements.
- 1.4 The Council's non-financial performance against its objectives is covered in the Performance Plan for 2006, which is being reported separately to this meeting.

2 SIGNING AND APPROVAL

- 2.1 The Accounts and Audit Regulations 2003, which came into force with effect from 1 April 2003, require that following approval by Council the Financial Statements should be signed and dated by the Chairman and this will be arranged before final publication.

3 STATEMENT ON INTERNAL CONTROL

- 3.1 The Statement on Internal Control was considered in detail by the Audit Committee on 6 June 2007 and will be signed by the Chief Executive and Leader of the Council prior to final publication.

4 FINAL ACCOUNTS

- 4.1 For 2006/07, the rules governing the production of accounts was changed in order to bring Local Authority financial statements in line with the Private Sector. This has caused a number of changes in the way the accounts are presented. In the presentation of this report to Council, the Head of Finance, Audit and Performance Management will cover the changes in more detail.

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- 4.2 The main change is to the Consolidated Revenue Account, which has been replaced by the Income and Expenditure Account. This shows the Council's actual financial performance for the year, measured in terms of the resources spent and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, therefore a new statement has been introduced to reconcile between the balance on the Income and Expenditure and what should be shown as the General Fund balance.
- 4.3 Due to this change in accounting, the Income and Expenditure Account shows a large deficit. However, the figure that is important is the balance on the Statement on Movement in General Fund balances. This is the figure that will have been considered in previous years.
- 4.4 As part of the implementation of these new reporting requirements, the figures for 2005/06 have also had to be restated in the new format.
- 4.5 A summary of the main headlines is provided below.
- 4.6 Consolidated Revenue Account – General Fund
- 4.7 As mentioned previously, the General Fund had a surplus of £204,000 and a summary of all items that were over or under budget by in excess of £5,000 will be submitted to the September meeting of the Audit Committee, together with those for the Housing Revenue Account. The major improvements against budget were:-
- A surplus of Council Tax and Housing benefit subsidy against benefits paid out because we received benefit in respect of prior years.
 - Additional salary savings from staffing vacancies
- 4.8 Members will be aware that although classified as a small District Council we still have gross expenditure on the General Fund and Housing Revenue Account of around £37m, with income of £26m.
- 4.9 Consolidated Balance Sheet
- 4.10 The Balance Sheet for the Authority is showing an increase in net worth of £11.6m. This is due to revaluation increases on both Council Dwellings and Operational Assets.
- 4.11 Investments have remained constant from £8.8m in 2005/06 to £8.4m in 2006/07.
- 4.12 The Collection Fund balance is also remaining constant. There was a distribution of some of the surplus balance during 2006/07 to the precepting bodies and this Council.

- 4.13 Part of the Financial Statement includes the capital investment where during 2006/07 the Authority's expenditure on capital items was £4.7m, including £1.1m on major repairs and improvements to the housing stock. There is a separate report on this Agenda covering the Capital Programme for 2006/07 and 2007/08.

4.14 Earmarked Reserves

The Council maintains a separate list of Earmarked Reserves to identify funds from surplus income or unused budget in order to provide sums for specific projects and service development. A list of the current reserves showing the movement in the year is attached at Appendix B. A brief description of each reserve is also included. These reserves have reduced in number following an audit recommendation, however these are being managed in order to maintain previously agreed usage of these funds.

4.15 Housing Revenue Account

- 4.16 The Council's strategy over the last 3 years has been to build up the revenue balances of the Housing Revenue Account in order to provide funds to prepare for the housing transfer. The Account has a surplus of £320,000 for 2006/07.

4.17 Collection Fund

- 4.18 The Authority collected around £41m in council tax for Rochford District Council and on behalf of Essex County Council, the Police, Fire, Parish and Town Councils and £12m in National Non-Domestic Rates. The surplus on the Collection Fund was £86,000 for 2006/07.

4.19 Financial Statements

- 4.20 A Glossary is included in the Financial Statements to give some explanation of the technical terms used in the Statements.

5 MEMBER QUESTIONS

- 5.1 The statement is lengthy and complicated and therefore although Members can ask questions at Council it may be more appropriate if Members wish to raise specific questions that they contact the Financial Services Manager direct (details at the end of this report).
- 5.2 A summary of the points raised will be reported to the September meeting of the Audit Committee when the budget variations will be reported in detail.

6 RISK IMPLICATIONS**6.1 Regulatory Risk**

- 6.2 It is a statutory requirement to have the Financial Statements approved and signed by Full Council before 30 June 2007. There is the risk that the Council has not complied fully with the new accounting requirements but Officers started planning the changes early last year and have consulted with External Auditors on any areas where the guidance was not clear. Officers have also worked in partnership with finance officers from other authorities.

7 RECOMMENDATION**7.1 It is proposed that Council RESOLVES**

- (1) That the Financial Statements be approved and signed by the Chairman.
- (2) That the accounts be agreed for submission to the external auditors.

Yvonne Woodward

Head of Finance, Audit and Performance Management

Background Papers:-

Accounts and Audit Regulations 2003

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If you would like this report in large print, braille or another language please contact 01702 546366.