
DRAFT FINANCIAL STATEMENT 2005/2006

1 SUMMARY

- 1.1 This report presents the Financial Statement for 2005/2006, which is attached at 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 7 August 2006 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, which is one month earlier than last year.
- 1.3 The Council agrees a Budget Strategy each year in order to produce balanced budget which maintains a suitable level of balances. For 2005/06, the Council is able to make a contribution to General Fund balances of £28,000 which 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 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 7 June 2006 and signed by the Chief Executive and Leader of the Council following that meeting.

4 FINAL ACCOUNTS

A summary of the main headlines is provided below.

4.1 Consolidated Revenue Account – General Fund

4.2 As mentioned previously, the General Fund had a surplus of £28,000 and a summary of all items which 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 benefit subsidy against benefits paid out because we received benefit in respect of prior years.
- Additional subsidy received under the Fraud Incentive scheme due to the success of our fraud activity.
- Improved income from investments due to the timing of investments.
- Lower than anticipated Leisure Contract payment because of the timing for the opening of the Rayleigh Leisure Centre.

4.3 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 £41m, with income of £25m.

4.4 Consolidated Balance Sheet

4.5 The Balance Sheet for the Authority is showing a reduction in net worth of £2.5m. This is due to a change in the method of valuing Council housing stock introduced by the Office of the Deputy Prime Minister with effect from 1 April 2005. The adjustment factor to reflect use as social housing was increased from 46% to 54%. In 2005/06, 6 properties valued in the balance sheet at £460,000 were sold under the Right to Buy scheme.

4.6 Investments are reduced from £12.4m to £8.8m. This is mainly due to the following factors

- Payments made for the Rayleigh Leisure Centre during 2005/06
- Reduction in Right to Buy receipts where we also have to hand over 75% to Central Government, rather than setting them aside.

However, the Collection Fund balance has increased by £422,000 improving our cash balances.

4.7 Part of the Financial Statement includes the capital investment where during 2005/06 the Authority's expenditure on capital items was £5.96m, including £1.4m on major repairs and improvements to the housing stock. There is a separate report on this Agenda covering the Capital Programme for 2005/06 and 2006/07.

4.8 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.

4.9 Housing Revenue Account

4.10 The Council's strategy over the last 2 years has been to build up the revenue balances of the Housing Revenue Account in order to provide funds to cover the set up costs of the housing transfer. The Account has a surplus of £483,000 for 2005/06.

4.11 Collection Fund

4.12 The Authority collected around £35m in council tax for Rochford District Council and on behalf of Essex County Council, the Police, Fire, Parish and Town Councils and £11m in National Non-Domestic Rates. The surplus on the Collection Fund was £422,000 primarily due to improved collection rates and a reduction in the provision for bad debts.

4.13 Financial Statements

4.14 A Glossary has also been added to the Financial Statements to give some explanation of the technical terms used in the Statements. Members' views on the usefulness of this addition to the Statements would be welcome.

5 CLOSURE OF ACCOUNTS 2006/07

The financial statements for local authorities are prepared in accordance with the Statement of Recommended Practice published by the Chartered Institute of Public Finance Accountants (CIPFA). CIPFA are currently considering a number of changes to the presentation of the accounts to bring them more in line with private sector accounting standards. The two big changes are:

- Requirement to produce an Income and Expenditure account instead of the Consolidated Revenue Account (CRA), although there will still be reconciliation back to the CRA bottom line. This will require the 2005/06 accounts to be restated in the new format so that the accounts will be presented in a comparable format.
- Removal of the notional interest (also known as asset rentals) charged to services for capital assets employed in the delivery of services. This charge is currently reversed out in the CRA so that there is no effect on the net amount to be met from Council Tax. This charge was introduced as part of the Compulsory Competitive Tendering regime to enable better comparison of the cost of services. Again this will require the restating of the 2005/06 accounts to provide comparison to 2006/07.

6 MEMBER QUESTIONS

- 6.1 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 Head of Finance, Audit and Performance direct (details at the end of this report).
- 6.2 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.

7 RISK IMPLICATIONS

7.1 Regulatory Risk

- 7.2 It is a statutory requirement to have the Financial Statements approved and signed by Full Council before 30 June 2006. This deadline has been moving forward by one month for the last 3 years but this is now the set deadline. There is the risk that earlier deadlines will be introduced in future years to bring local authorities in line with the other public sector bodies, in particular to meet the requirements of Whole of Government accounts.

8 RECOMMENDATION

It is proposed that the 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

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Background Papers:

None

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