

FINANCIAL STATEMENT 2007/2008

1 SUMMARY

- 1.1 This report presents the Financial Statement for 2007/2008 which will follow under separate cover. 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 11th August as their main audit visit. Following the conclusion of the audit, the Financial Statement will be published and a Summary of Accounts will be 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 a balanced budget, which maintains a suitable level of balances. For 2007/2008, the Council is able to make a contribution to General Fund balances of £170,000 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 major contract renewals in 2008.
- 1.4 The Council's non-financial performance against its objectives is covered in the Performance Plan for 2007/08, 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 ANNUAL GOVERNANCE STATEMENT

- 3.1 The Annual Governance Statement, which forms part of the Financial Statements, was considered in detail by the Audit Committee on 5 June 2008 and will be signed by the Chief Executive and Leader of the Council prior to final publication.

4 FINAL ACCOUNTS

- 4.1 For 2007/08 the main change to the accounts has been the requirement for the introduction of a Revaluation Reserve. Although the accounts have previously included a Fixed Asset Restatement Account, this did not give details on an asset by asset basis, so the old reserve has been closed and the Revaluation Reserve created with a zero opening balance. This has not meant that the accounts have changed significantly.

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- 4.2 Members will see that the Housing Revenue Account (HRA) and therefore the Income and Expenditure (I&E) Account, show a very large deficit of £94m this year. This does not affect General Fund balances or the Council Tax requirement though, as the second HRA statement, the Statement on Movement in HRA Balances, reverses the impact of this on Council Tax payers and the HRA.
- 4.3 The main reason for the notional deficit is the Large Scale Voluntary Transfer. As part of the transfer, the Housing Stock needed to be removed from the balance sheet. In previous years, part of this amount would have been met from revaluation gains in the Fixed Asset Restatement Account, however, due to the new reserve mentioned above, there are no gains to meet the loss in this year, so the whole value has had to be charged to the HRA.
- 4.4 The true figures for both the HRA and General Fund balances are found in the Statement on Movement in HRA Balances and Statement on Movement in General Fund Balances respectively.
- 4.5 Another major change has been increased disclosure around Financial Instruments. These are items such as Investments and Loans in the Balance Sheet.
- 4.6 As part of LSVT, our loans were paid off by Communities and Local Government, therefore, as of 1 October 2007 Rochford District was a debt free authority. Additionally, the investments we place are fixed rate for short periods, therefore this change in requirement has had minimal impact on this authority.
- 4.7 A summary of the main headlines is provided below.
- 4.8 Income and Expenditure Account – General Fund
- 4.9 As mentioned previously, the General Fund had a surplus of £170,000 and a summary of all items that were over or under budget by in excess of £5,000 was submitted to the June meeting of the Audit Committee, together with those for the Housing Revenue Account. This contribution to balances is in line with what was budgeted for in the Medium Term Financial Strategy.
- 4.10 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 £31m, with income of £22m.
- 4.11 Balance Sheet
- 4.12 The Balance Sheet for the Authority is showing a decrease in net worth of £98m. This is due to the disposal of the Housing Stock.
- 4.13 Investments have increased from £8.4m in 2006/07 to £12.3m in 2007/08.

- 4.14 The Collection Fund balance is also remaining constant. There was a distribution of some of the surplus balance during 2007/08 to the precepting bodies and this Council.
- 4.15 Part of the Financial Statement includes the capital investment where during 2007/08 the Authority's expenditure on capital items was £966k. The main reason for the large decrease from previous years to this expenditure is due to a smaller programme for housing works. There is a separate report on this agenda covering the Capital Programme for 2007/08 and 2008/09.

4.16 Earmarked Reserves

In line with the Council's policy on reserves, the Council maintains a number 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 to follow. 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 availability of these funds.

4.17 Housing Revenue Account

- 4.18 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 £191,000 for 2007/08. The Account will be closed in 2008/09, and at that point, the remaining balances will be transferred to the General Fund.

4.19 Collection Fund

- 4.20 The Authority collected around £42m in Council Tax for Rochford District Council and on behalf of Essex County Council, the Police, Fire, Parish and Town Councils and £13m in National Non-Domestic Rates. The surplus on the Collection Fund was £33,000 for 2007/08.

4.21 Financial Statements

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

5 ANNUAL STATEMENT OF MINIMUM REVENUE PROVISION

- 5.1 As part of the accounts process, it is a requirement to calculate a provision for the repayment of debt, known as the Minimum Revenue Provision. This figure acknowledges that Capital Finance has revenue implications and puts a charge to the Income & Expenditure accordingly.
- 5.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, requires an Annual Statement of Minimum

Revenue Provision to be agreed by Members. For 2007/08 and 2008/09, this is to be done retrospectively. For 2009/10 onwards, this will form part of the Annual Treasury Management Strategy.

- 5.3 Historically, the method was standardised and required the Capital Financing Requirement for the Authority to be multiplied by 4%.
- 5.4 The new regulations now give authorities more freedom in determining how to calculate this provision. There are 4 real options:-
- The regulatory method
 - Based on 4% of outstanding debt
 - Based on asset life
 - Based on depreciation
- 5.5 For 2007/08, the regulatory method is suggested for Rochford, this is the method that has been used previously.
- 5.6 However, for 2008/09, as we have no debt, the option suggested for Rochford is based on asset life as this is straightforward and can be tied to individual assets. For 2008/09, the main element of Capital Expenditure on the Capital Programme is wheelie bins, and a voluntary provision had already been included in the 2008/09 budget book based on this method.

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 Financial Services Manager 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 external auditors report will be scrutinised by Members.

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 2008. There is the risk that the Council has not complied fully with the accounting requirements. 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.

8 RECOMMENDATION

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.
- (3) That the movement on Earmarked Reserves be agreed.
- (4) That authority for approving changes to the Accounts be delegated to the Audit Committee.
- (5) That the recommendation to calculate MRP for 2007/08 on the regulatory method be approved.
- (6) That the recommendation to calculate MRP for 2008/09 on asset life be approved.

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Background Papers:-

Accounts and Audit Regulations 2003

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