

Summary of the Statutory Financial Statements for the year ending 31st March 2007

Preparation

The statement of accounts has been prepared in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain.

Key Issues reflected in the accounts:

Outturn compared to Budget –

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The Council net expenditure for the year was £13.936m against the approved budget of £17.048m. This meant we saved or under-spent by £3.112m, in addition there were further savings to the Council resulting from additional Finance, this further increases the saving/under spend to £3.302m.

However in saying that we need to understand the position and the following table should clarify the position and explain how decisions taken in year influenced the final position.

The table reconciles the overall statement and illustrates the impact on the reserve position.

Table 1 – Movement of General Fund Reserve 2006/7

General Fund Reserve	£000's	£000's	£000's
Balance of reserve at 1st April 2006			6186 (A)
ADD:			
Operational Surplus (<i>See Note 1</i>)		1675	
Additional Income from LABGI	1475		
Additional Income from Performance Grant 2001/2	79		
Expenditure financed from specific reserves	<u>197</u>		
	1751		
DEDUCT:			
Revenue Contribution to Capital Expenditure	<u>-124</u>	<u>1627</u>	
<i>Increased surplus (See Note 2).</i>			<u>3302</u>
Balance – Sub total			9488 (B)
ADD:			
Transfer of Specific reserves to General Reserve:			
Support Service Reserve	100		
Benefits Reserve	<u>200</u>	300	
DEDUCT:			
Transfer from General Reserve to Specific Reserves			
Regeneration Reserve	1883		
Management of Change Reserve	1500		
Use of Reserves (£1.5m) - Balance	1178		
Regeneration Reserve - Capital	309		
Other Reserves	<u>27</u>	(4897)	
Net amount moved from the general reserve. (Note 3).			<u>(4597)</u>
			4891
DEDUCT:			
Amount already included in 2006/7 budget			<u>-732</u>
Balance of the reserve at the 31st March 2007			4159 (C)
Overall Movement in Reserve			2027 (A – C)

Notes to the Table above:

Note 1: Refers to an operational surplus of £1.675m which is analysed below:

	£000k.
Out-turn position as per monthly monitor	615 (3.6% of budget)
Schemes re-profiled in Use of reserves programme	<u>337</u>
	952 (Equivalent to February Monitor)
Contingency not utilised in the year.	<u>723</u>
	<u>£1675</u>

In the last monitoring statement of the year (February) the general fund was forecasting a surplus of just over £822k for the year when compared to the net budget for 2006/7. Of that sum £446k was in respect of the base budget (day to day running expenses) with £376k applying to specific programmes, which are being funded over 3 years. The surplus has increased by £130k from £822k to £952k over the last month. It should also be noted that of that £615k related to the base budget. The unutilised contingency was saved and returned to the general fund reserve.

An analysis of the most significant variations is set out Appendix 1 for information, the majority of this was reported through in year monitoring. Further analysis of under-spends will be undertaken and used in conjunction with 2007/8 budget preparations and for the review of the medium term financial plan in September. Service plans are currently being reviewed in readiness for those processes.

Note 2:

Moving on from the operational surplus members will note that the table includes other income of £1.627m including LABGI grant. As explained above whilst not directly affecting the base budget the transaction will have an effect on the general fund reserve. This increases the apparent surplus to £3.302m.

Note 3:

Having looked at the effects of the transactions it is appropriate to consider the impact on the general fund reserve and the second part of the table does that and reconciles back to the Statement of Accounts. The review of reserves and balances moved £4.897m from general to specific reserves. After surpluses and transfers are taken into account the statement tells us The bottom line in the table tells us that £2.027m has moved from the general fund reserve during the year but this reflects a significant level of one off income received and reserved.

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During the year expenditure exceeded income by £1.407m against a planned budget of £900k.

In terms of the main variances from the original budget, these are as follows: -

Table 2. Housing Revenue Account

	£000's	Comments
Revenue Account		
Additional Rent Income	342	
Reduction in Bad Debts Provision	<u>54</u>	
<i>Revenue Surplus before use of reserves</i>	396	
Planned Use of Reserves		
Revenue Contributions to Capital	(986)	See Note 1.
Use of Reserves and other headings (net)	(817)	See Note 2
Movement in the HRA reserve	(1407)	

Note 1.

Refers to the Doors and Windows Capital Scheme approved by Council on 8th March 2007.

Note 2

Refers to the Use of Reserves (approved revenue element was £975k) approved by Council in November 2005.

Taking all factors into account the HRA produced an operational surplus of £396k, the impact of this and planned use of reserves resulted in a net reduction in the HRA reserve of £1.407m against a budgeted movement of £900k.

Members may recall that when the HRA budget was agreed for 2006/7 we estimated that just over £800k would be used from reserves (note 2 above) and following a late subsidy adjustment we had to balance the budget by utilising further reserves of £100k, £900k in total.

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The timetable for the closure of accounts requires approval by members by the 30th June 2007.

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The Statements are subject to approval by the Audit Commission.

General Fund Balances

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b-ēā-ēāēÇ-ŌÉēÉīÉē have increased by £4.20m in year to £10.854m. (*pĒĒ-^ééĒāÇāī-P-~āÇ-é-ŌĒ-PT-çl-HŪĒ-ēr-īĒāĒāī-çl-~AAçl àrēF.*) During the year £0.397m of earmarked reserves were used to finance expenditure, with the net transfer of £4.597m made at the year end this resulted in the net increase of £4.20m

Housing Revenue Account (HRA) - Reserves

qÜĒ-ēo^ēĒēĒīÉ was £2.747m at the end of March 2007.

Fixed Assets

Assets disposed of during the year were valued at £9.191m, this was mainly due to the sale of council houses, either under the RTB scheme or through the marketing strategy.

As a result of Council House sales, demolitions and revaluations the Councils Housing Stock reduced in value to £194m from £201m. Debt outstanding in relation to Housing Assets is £57m.

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Other Long Term Assets

At the end of the financial year there were long-term investments totaling £6.2m. Of this sum £4.092m is due to mature on the 10th November 2008 with a further £2.2m due to mature on the 15th January 2009. Both of these investments are with HBOS.

Liquidity

Liquid assets are cash and other items, which can be turned into cash quickly. Liquidity is measured by the ratio of current assets less stock, to current liabilities. The Council's current assets (less stock) of £29.176m exceed its current liabilities of £21.261m by a ratio of 1.37: 1; a reduction on last years which was 1.97 to 1. This is mainly due to the additional long- term investment of £2.20m mentioned above and a PWLB repayment due on the 31st March 2007 but which was paid on the 2nd April 2007.

Short Term Debtors

Debtors, which is money owed to the Council have increased over the period from £7.642m to £8.762m. (net of the provision).

This is mainly due to increased amounts owed to the Council from Government Departments such as HM Revenues and Customs.

Provision for Bad debts

The overall provision currently stands at £4.426m slightly up on 2005/06 but that reflects the 2006/7 levies. The provision is necessary to cater for potential non-payment of Council Tax, Rents and General Sundry Debtors and the provision is based on assumptions derived from analysis and age of the debt. The overall provision is approximately 33.6% of debt outstanding slightly better than 2005/6 where it was 34.6%.

If we did not make provision our debtors would be theoretically overstated in the balance sheet because they are not all recoverable.

The provisions are reviewed annually and further details can be seen *çà-é-ÛÉ-PU-çHÛÉ-êí-ÍÉãÉáí-çH-ÄÇì áíë.*

Investments

The Council invests surplus cash with various banks and building societies in accordance with the approved Treasury Strategy. Investments of less than one year have decreased by £2.791m, standing at £20.346m at 31st March 2007.

Creditors

Creditors, which is money owed by the council has increased by £2.939 to £17.627m. This was mainly due to the payments due to the PWLB for Debt outstanding, *çì éíÛÉ-çÉí-äë-ä-ÄÉ-éÉÉä-çà-é-ÛÉ-PO-çHÛÉ-êí-ÍÉãÉáí-çH-ÄÇì áíë.*

Long-Term Borrowing.

The Council's long term borrowing has decreased by £2.673m to £63.542m. *çì éíÛÉ-çÉí-äë-ä-ÄÉ-éÉÉä-çà-é-ÛÉ-OM-çHÛÉ-êí-ÍÉãÉáí-çH-ÄÇì áíë.*

Pension Fund.

The Pension fund relating to Easington is valued at £69.25m, £4.5m up on last year but is currently short of that required to meet the benefits due to employees. The value of the shortfall is £50.11m. However as arrangements are in place to recover that sum over a period agreed by the County Treasurer and the Fund Actuary the position is being effectively managed. *çì éíÛÉ-çÉí-äë-ä-ÄÉ-éÉÉä-çà-é-ÛÉ-OM-çHÛÉ-êí-ÍÉãÉáí-çH-ÄÇì áíë.*

Usable Capital Receipts

At the 31st March 2007 the capital receipts available for use for future capital schemes is £0.086m down from £2.617m the year before.

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Other

~~qÜE-cánÉÇ-^eeÉI-oÉer-íE-ãÉáI-^AAçI áI~~ in the main caters for the revaluations that takes place on the council's fixed assets and for the reduction in assets when disposed of,

~~qÜE-`-éI-á-cIá-áAááÜ-^AAçI áI~~ reflects the resources used to finance the capital expenditure incurred, those resources could be capital receipts, revenue and borrowed monies.

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