

**Summary of the Statutory Financial Statements for the year ending
31st March 2008**

Key Issues reflected in the accounts:

Outturn compared to Budget –

General Fund

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The Council net expenditure for the year was £15.797m against the approved budget of £18.2/8m. This meant we saved or under-spent by £2.411

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 2007/8

General Fund Reserve	£000's	£000's	£000's	
Balance of reserve at 1st April 2006			4,159	(A)
ADD:				
Operational Surplus (<i>Note 1</i>)		1,638		
Additional Income from LABGI	680			
Additional Income from Planning Delivery Grant	129			
Support Service Surplus	20			
	829			
DEDUCT:				
Expenditure financed from Specific Reserves	-56	773		
Overall surplus (Note 2).			2,411	
Balance – Sub total			6,570	(B)
ADD:				
Transfer of Specific reserves to General Reserve:				
Support Service Reserve	114			
Use of Reserves (£1.5M)	305			
Insurance Fund	500			
Corporate Property Reserve	250			
Other	57	1,259		
DEDUCT:				
Transfer from General Reserve to Specific Reserves				
Housing Strategy Reserve	-235			
Regeneration Reserve	-831			
Staffing Reserve	-813			
East Durham Business Reserve	-400			
Other	-49	-2,328		
Net amount moved from the general reserve. (Note 3).			-1,069	
			5,501	
DEDUCT:				
Amount of reserves already included in 2007/8 budget			-1,537	
Balance of the reserve at the 31st March 2008			3,964	(C)
Overall Movement in Reserve			195	(A – C)

Notes to the Table above:

Note 1:

Refers to an operational surplus of £1.638m which is analysed below:

	£000k.
Out-turn position as per monthly monitor	849 (4.7% of budget)
Schemes re-profiled in Use of reserves programmes	488
Revenue Support for Capital re-profiled	<u>301</u>
	<u>£1,638</u>

In the last monitoring statement of the year (February) the general fund was forecasting a surplus of just over £1.43m for the year when compared to the net budget for 2007/8. Of that sum £706k was in respect of the base budget (day to day running expenses) with £728k applying to specific programmes, which are being funded over 3 years. In terms of the base budget the surplus increased by £143k. Variations to specific programmes are mainly due to re-profiling.

An analysis of the most significant variations is set out Appendix 2, the majority of which were reported through in year monitoring. Variances reported after the February monitor are shaded.

Note 2:

Moving on from the operational surplus members will note that the table includes other net income of £773k including LABGI grant of £680k. As explained above whilst not directly affecting the base budget the transaction will have an effect on the general fund reserve by increasing the overall surplus to £2.411m.

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 £2.328m from general to specific reserves after transferring £1.259m into the general fund for redistribution. After surpluses and transfers are taken into account the statement tells us that over the year the balance reduced from £4.159m to £3.964m a reduction of £195k.

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Housing Revenue Account

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During the year expenditure exceeded income by £88k against a planned break even budget

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

Table 2. Housing Revenue Account

<i>Housing Revenue Account</i>	<i>End of Year</i>	<i>Comments</i>
	<i>£000's</i>	
Management & Maintenance-Savings	210	
Additional Rent Income	838	
Housing Subsidy	21	
Interest	36	
Year End adjustments		
Capital Receipts less than £10k	90	
Additional Housing Subsidy	314	Rental Constraint Allowance
Reduction in Provision for Bad Debts	80	
HRA - Operational Surplus	1,589	Before use of reserves

The above table shows the overall surplus on the HRA and members will note there were a number of year end adjustments.

Table 3. Movement in the HRA Reserve

<i>Housing Revenue Reserve</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>Comments</i>
Balance of Reserve at 1st April 2007			2,747 (A)	

Add:				
Operational Surplus		1,589		
Transfers into the reserve				
Transfer from Insurance Fund	517			Agreed at Council – Dec: 2007 -
Reduction in Subsidy claw-back account	<u>100</u>	<u>617</u>	<u>2,206</u>	Review medium term financial; plan
			4,953	
Deduct:				
Support to East Durham Homes in 2007/8			2,119	Approvals: Council – September 07 Executive – February 08
Balance of Reserve at 31st March 2008 –			<u>2,834 (B)</u>	
Movement in the HRA Reserve			88	(B-A)

Taking all factors into account the HRA produced an operational surplus of £2,206k, the impact of this and the additional support agreed for East Durham Homes resulted in a net increase in the HRA reserve of £88k against a planned break even budget

Closure of Accounts

The timetable for the closure of accounts requires approval by members by the 30th June 2008.

Audit Status

The Statements are subject to approval by the Audit Commission.

General Fund Balances

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The uncommitted general fund balance was £3.964m at the end of March 2008

Earmarked Reserves have increased by £394k in year to £11.248m. (pÉÉ=^ééÉâÇñ=P=âÇ-é-ÖÉ=PV=çlHÜÉ-ér-íÉãÉâí-çl-ÁÁçì áíéF. During the year £1.934m of earmarked reserves were used to finance expenditure, with the net transfer of £2.328m made at the year end this resulted in the net increase of £394k

Housing Revenue Account (HRA) - Reserves

The HRA reserve was £2.834m at the end of March 2008.

Fixed Assets

Assets disposed of during the year were valued at £12.601m, 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 increased in value to £279m from £194m. Debt outstanding in relation to Housing Assets is £58m.

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Other Long Term Assets

At the end of the financial year there were no long-term investments.

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 Councils current assets (less stock) of £32.474m exceed its current liabilities of £14.419m by a ratio of 2.25: 1; an increase on last years which was 1.37 to 1. This is mainly due to a PWLB repayment on the 2nd April 2007, the use of NRF balances during the year and the accruals of grant and receipts.

Short Term Debtors

Debtors, which is money owed to the Council have increased over the period from £8.762m to £10.748m. (net of the provision).

This is mainly due to accruals of grant and cash receipts.

Provision for Bad debts

The overall provision currently stands at £4.490m slightly up on 2006/07 but that reflects the 2007/8 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 29.5% of debt outstanding slightly better than 2006/7 where it was 33.6%.

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 **on page 41 of the statement of accounts.**

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 increased by £1.302m, standing at £21.648m at 31st March 2008.

Creditors

Creditors, which is money owed by the council has decreased by £6.681m to £11.094m. This was mainly due to the payment to the PWLB for Debt outstanding and the use of NRF balances during the year. **Further details can be seen on page 41 of the statement of accounts.**

Long-Term Borrowing.

The Council's long term borrowing has increased by £2.235m to £65.777m. **Further details can be seen on page 36 of the statement of accounts.**

Pension Fund.

The Pension fund relating to Easington is valued at £66.8m, £2.45m down on last year but

is currently short of that required to meet the benefits due to employees. The value of the shortfall is £43.66m. 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. **Further details can be seen on page 43 of the statement of accounts.**

Usable Capital Receipts

At the 31st March 2008 the capital receipts available for use for future capital schemes is £1.986m up from £0.086m the year before.

Further details can be seen on page 37 of the statement of accounts

Other

The Revaluation Reserve reflects the store of gains on revaluation of Fixed Assets not yet realized through sale.

The Capital Adjustment Account reflects the store of capital resources set aside to meet past expenditure.

The Financial Instrument Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.

The Government Grants Deferred Account reflects the grants, which have been received over the years in connection with our fixed assets.

The above accounts are in essence corresponding entries to the fixed assets on the balance sheet but are not cash backed. Further details can be seen on page 37 of the Statement of Accounts.