

YEAR END ACCOUNTS 2006/7

Report of the Director & Company Secretary

SUMMARY OF REPORT

- 1.1 This report accompanies the draft annual report and financial statements for Derby Homes for the year ended 31 March 2007.
- 1.2 The report also explains the change made to the accounts since the period 11 forecast out-turn was distributed to Resources & Remuneration Committee members on 19 March 2007.

RECOMMENDATION

- 2.1 To consider the draft annual report and financial statements and recommend the Board accept them at the meeting on 26 July 2007 as a true and fair view of the Company's financial affairs as at 31 March 2007 as a going concern.
- 2.2 To note the explanation of the changes made to the accounts since the forecast out-turn was distributed to Resources & Remuneration Committee members on 19 March 2007.
- 2.3 To recommend the Board authorise the Chair and Company Secretary sign the accounts.
- 2.4 To recommend the Board authorise the Chair, Chief Executive and Director and Company Secretary to sign a letter of representation requested by PKF (UK) LLP.
- 2.5 To recommend the Board authorise the Chair to sign the Statement on Control Self Certification and Internal Reporting.

MATTER FOR CONSIDERATION

- 3.1 Attached to this report is a copy of the draft annual report and financial statements for Derby Homes, prepared as at 31 March 2007. Please note that in this report the term "Directors" relates to the Companies Act definition and means Board Members. Senior Officers are referred to as "Executive Officers".
- 3.2 Also attached to the report is a copy of the External Audit Management Letter prepared by PKF (UK) LLP.

- 3.3 The accounts show an operating deficit of £187,000 as at 31 March 2007. This follows processing of accounting entries associated with FRS17. The underlying operating surplus for the year is £342,000. The movement between the operating profit and the final accounts is made up as follows:

	£,000	£'000
Operating Profit 2006/7		342
Add back Employers pension contributions		718
Less FRS17 restated Pension Contributions:		
Current service costs	(1,030)	
Past service gain/(loss)	(131)	
Net interest/return on assets	<u>(86)</u>	
Net Pension Cost for year		<u>(1,247)</u>
Restated Deficit for 2006/7		(187)

- 3.4 Board Members will also find attached to this report copies of:
- a representation letter from Derby City Council to PKF (UK) LLP, signed by Don McLure, the acting Director of Resources, enabling PKF (UK) LLP to give an audit opinion that the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2007
 - a management representation letter from Derby Homes to PKF (UK) LLP to be signed following Board approval of the accounts by the Chair, the Chief Executive and the Director and Company Secretary.
- 3.5 Appendix 1 is a copy of the operating statement as at 31 March 2007.
- 3.6 Appendix 2 is a copy of the forecast out-turn as at end of February 2007 distributed to Resources & Remuneration Committee members on 19 March 2007.
- 3.7 Appendix 3 is an analysis and explanation of the changes to the turnover and expenditure as a consequence of the year-end close-down process.
- 3.8 No changes emerged during the Audit process. Certain items of income and expenditure have been re-classified following the audit process.
- 3.9 The draft accounts and an external audit management letter are to be discussed and formally accepted by Audit Committee at a meeting to be held on Monday 9 July 2007. A copy of the minutes of that meeting will be tabled as a late item for the Committee meeting on Thursday 12 July 2007 and included on the Board's agenda. The Chair of Audit Committee or an

Audit Committee member will be invited to comment to the Board on this discussion.

- 3.10 Appendix 4 is an analysis of Derby Homes reserves held either in ring-fenced holding accounts in the Housing Revenue Account on behalf of the Company or in the Companies retained profit and loss account.

The operating reserve has a balance on it of £838,000 as at 31 March 2007. Appendix 5 is a proposed utilisation of the funds in the reserve during 2007/8 and is repeated below:

	£'000
Implementation of Oracle Financials	35
Housing Management & Maintenance System	269
Incentive Scheme available to fund	
One-off developments – delegated to Chief Executive	127
Executive team proposed use of 2006/7 surplus:	
One – off customer services training	15
Further ICT modernisation	100
Electronic Document Management project	100
Contingency	<u>192</u>
TOTAL	838

The depreciation reserve balance of £371,000 is required to offset future depreciation charges on assets in the balance sheet as at 31 March 2007.

FINANCIAL AND BUSINESS PLAN IMPLICATIONS

4. The accounts will be filed at Companies House.

LEGAL AND CONFIDENTIALITY IMPLICATIONS

5. Derby Homes is required to prepare accounts that comply with Companies Act legislation. This obligation is met when the accounts are filed at Companies House.

The areas listed below have no implications directly arising from this report

- Consultation
- Personnel
- Environmental
- Equalities Impact Assessment
- Health & Safety

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Background Information: None

Supporting Information: None.