

NOTTINGHAM CITY HOMES

AUDIT COMMITTEE
14 JULY 2008

REPORT OF DIRECTOR OF FINANCE, ICT AND GOVERNANCE

DRAFT ANNUAL FINANCIAL STATEMENTS TO 31 MARCH 2008

1 SUMMARY

- 1.1 Attached to this report are the draft Annual Financial Statements and Key Issues Memorandum (KIM) issued by the external auditors – Grant Thornton.

2 RECOMMENDATIONS

It is recommended that Audit Committee propose approval of the financial statements by the Board.

3 REPORT

- 3.1 External Audit services for NCH were externally tendered during 2007 and the contract was won for three years by Grant Thornton. The previous auditors were Baker Tilly. The audit of the 2007/08 accounts is the first year of the contract.
- 3.2 The accounting treatment of pension liabilities – FRS17 has been changed for the 2007/08 accounts and the 2006/07 accounts have been restated. The accounting treatment of pension liabilities in NCH's accounts is now the same as within other ALMOs.
- 3.3 The company reported a loss of one million four hundred and forty two thousand pounds (£1,442k) in 2007/08 compared to a loss of one million four hundred and six thousand pounds (£1,406k) in 2006/07 after the accounts had been restated to be on a comparable basis.
- 3.4 The management accounts for 2007/08 showed a loss of two hundred and sixty nine thousand pounds (£269k) before FRS17 pension adjustments compared to a budgeted loss of four hundred and forty nine thousand pounds (£449k).
- 3.5 A reconciliation between the deficit in the management accounts and the financial statements is shown in the table below:

	£
Pre FRS17 Deficit as reported to the Board on 15 May	268,816.26
FRS 17 Adjustments	
Adjustment – no superannuation	1,361.96
FRS17 Year end actuarial adjustment	275,573.00
Expected return on defined pension scheme assets	(5,585,000.00)
Interest on defined benefit pension scheme liabilities	5,221,000.00
Past Service/Curtailment/Settlement (loss)	1,260,000.00
Total	1,172,934.96
Final Deficit	1,441,751.22

3.6 Significant costs in the region of £1.5m were charged to the 2007/08 accounts to cover the costs of the restructure. These are one off costs and will not be recurring in 2008/09.

4 OTHER ISSUES

4.1 Grant Thornton has reported on a few minor control issues in their Key Issues Memorandum. These will be reported to Audit Committee by Grant Thornton. Audit Committee will monitor until completion the recommendations as part of the regular work that Audit Committee performs in ensuring that all audit recommendations are implemented.

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

5.1 It is a requirement of the Companies Act 1985/1989 to produce annual audited financial statements.

6 VALUE FOR MONEY & EFFICIENCY ISSUES

6.1 None.

7 EQUALITY & DIVERSITY IMPLICATIONS

7.1 The full set of accounts and annual report will be available to residents on request. Translations will also be available on request.

8 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

8.1 NCH Report and Financial Statements for the year ended 31/03/08 Key Issues Memorandum produced by Grant Thornton.

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