

NOTTINGHAM CITY HOMES

**FINANCE & AUDIT
COMMITTEE
9 AUGUST 2010**

REPORT OF THE INTERIM DIRECTOR OF FINANCE, ICT AND GOVERNANCE

DRAFT FINANCIAL STATEMENTS TO 31 MARCH 2010

1 SUMMARY

- 1.1 Attached to this report are the draft Nottingham City Homes Limited Report and Financial Statements for the year ended 31st March 2010 and Key Issues Memorandum (KIM) issued by the Company's external auditors – Grant Thornton UK LLP.

2 RECOMMENDATIONS

It is recommended that the Finance and Audit Committee:

- 2.1 Note the contents of the KIM (attached as appendix 2) and agree the adequacy and appropriateness of the management comments and actions agreed in response to the issues raised by the Company's external auditors;
- 2.2 Note the contents of the audited financial statements (attached as appendix 1) notably the amendments made to the version reported to Members in May; and
- 2.3 Recommend the audited financial statements (pending any final amendments required by the external auditors) for approval by the Board.

3 REPORT

- 3.1 The table below shows the reconciliation between the breakeven position as per the Company's final 2009/10 management accounts and the profit shown in the 2009/10 financial statements:

	£000s
OUTTURN POSITION INCLUDED IN THE MGT A/CS	0
<u>FRS 17 Adjustments</u>	
FRS17 Year end actuarial adjustment	1,824
Expected return on defined pension scheme assets	4,329
Less:	
- Interest on defined benefit pension scheme liabilities	(5,906)
- Loss on curtailments and settlements	(121)
PROFIT REPORTED IN THE FINANCIAL STATEMENTS	166

3.2 Profit and Loss Account

As a result of Grant Thornton's audit of the financial statements the Profit and Loss Account on page 9 remains unchanged and continues to show a surplus of £0.166 million. One audit adjustment was identified by Grant Thornton which would result in a reduction in the profit shown in the Profit and Loss Account, as well as a respective increase in provisions on the balance sheet, of £0.062 million. This is highlighted in the KIM on page 8 and has not been processed on the basis that it is not material to the financial statements.

3.3 Balance Sheet

Although the Net Liabilities reported on the Balance Sheet on page 12 of the accounts remain unchanged, a minor misstatement of £0.092 million identified during the audit resulted in both the assets and liabilities of the Company being increased as follows:

Balance Sheet Item	Debit £000s	Credit £000s
Debtors (& Net Current Assets)	92	
Provisions		92

These adjustments also resulted in respective amendments to Notes 8, 11 and 16 and the misstatement is highlighted on page 8 of the KIM.

3.4 Notes to the Accounts

The work of the external auditors also identified a small number of disclosures in the notes to the accounts which required amending. These amendments are highlighted for Members attention in the table below:

Note to the Accounts (Page no)	Previous Accounts Disclosure £000s	Amended Accounts Disclosure £000s
3. Operating Profit (Page 15) Operating lease rentals - land and buildings	-	52
15. Financial Commitments (Page 18) Operating lease commitments - land buildings, leases expiring in 1 to 5 yrs	-	76

Note 21: Retirement Benefits has also been amended on page 12, upon the request of the auditors, to include a more detailed analysis of the changes in the value of pension scheme assets and liabilities as per the information provided by the Pension Fund Actuaries Barnet Waddingham.

3.5 Members will also note that the Directors' Report on pages 3 through 7 has been updated to more accurately reflect the activities and

achievements of the Company during the financial year.

- 3.6 Pending finalisation of audit procedures noted on page 6 of the KIM, the external auditors have provided an unqualified opinion on the Company's financial statements, which is expressed in more detail in the Independent Auditors' Report on page 8.

4 OTHER ISSUES

- 4.1 Grant Thornton have also identified 2 issues in their Key Issues Memorandum in relation to the internal controls surrounding the financial reporting process. The recommendations made, as well as the actions proposed by management to address the weaknesses noted, will be added to the Audit Register so members can monitor progress with implementation.

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

- 5.1 It is a requirement of the Companies Act 2006 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 Draft NCH 2009/10 Audited Financial Statements – Appendix 1
- 8.2 Grant Thornton LLP Key Issues Memorandum – Appendix 2

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