

NORTH LANARKSHIRE COUNCIL

REPORT

To: POLICY & RESOURCES (FINANCE AND CUSTOMER SERVICES) SUB-COMMITTEE	Subject: ANNUAL ACCOUNTS 2011/2012 AND FINANCIAL OUTTURN POSITION	
From: EXECUTIVE DIRECTOR OF FINANCE & CUSTOMER SERVICES		
Date: 15 August 2012	Ref	LM/VS

1. Introduction

- 1.1 The purpose of this report is to inform Committee that the annual statutory accounts of the Council for the year ended 31 March 2012 have been submitted to the Controller of Audit by the due date of 30 June. The Audit and Governance Panel at its meeting of 27 June 2012 approved the submission of these unaudited Accounts by the Executive Director of Finance & Customer Services. The report also describes any major variations against the Council's annual budget for the year 2011/2012 within section 3 of the report.
- 1.2 Copies of these unaudited accounts are available in the Members' library for information.

2. General Fund Account

- 2.1 The General Fund surplus brought forward from 2010/2011 of £20.377m was increased by the net surplus for the year of £26.574m. This has resulted in an overall surplus of £46.951m being carried forward into 2012/2013.
- 2.2 The Cumulative General Fund Surplus of £46.951m is made up largely of the agreed contingency reserve of £12m, amounts earmarked to fund specific future commitments and an unallocated balance of £17.776m, which arose from effective budget management 2011/2012:

	£m	£m
Earmarked Funds		
Waste Management Fund	2.025	
Work Employability Programmes	3.771	
International Youth Games	0.239	
Dilapidations Fund	1.000	
Youth Employment	1.700	
Winter Maintenance	1.171	
Change Management Costs	3.475	
Other Approved carry forwards	3.794	
	<hr/>	17.175
Contingency Level		12.000
Unallocated Balance		17.776
Cumulative General Fund Surplus as at 31 March 2012		<hr/> 46.951

2.3 Through effective financial management the Councils financial position has been considerably strengthened resulting in an unallocated balance of £17.776m. This is available to assist the Council to meet one off costs required to achieve future budget savings.

2.4 Trading Activities

From an operational perspective, the Council's trading activities achieved financial surpluses totalling £2.080m. However, when the one-off costs of restructuring associated with the Council's financial savings programme are incorporated, the Trading Operations report a surplus of £0.581m.

The impact of restructure costs within Land Management was a deficit of £0.341m for the 3 years to 2011/2012. Apart from this exception all other Trading Operations continued to meet their statutory requirement to at least break even on a three year rolling programme, reporting a cumulative surplus of £2.590m for the three year rolling period.

3. Significant Movements against Budget for 2011/2012

3.1 As noted in 2.2 above, there was a favourable variation of £17.776m between the budget for 2011/2012 and the final position. This is made up as follows:

	£m	£m
One off Restructuring Costs	5.900	
Under Recovery of Planning and Building Control Fees	1.000	
Budget Support to Youth Employment & Voluntary Sector	2.000	8.900
Equal Pay Review	(4.379)	
Employee Cost Savings	(9.300)	
Savings on External Borrowing Costs	(3.000)	
Service Expenditure Review	(9.997)	(26.676)
Total Movement against Budget		(17.776)

3.2 2011/2012 Outturn Position

3.2.1 One off Restructuring Costs

The Council's approved savings for 2011/2012 to 2012/2013 aim to deliver £52.623m of financial savings over this period. The 2011/2012 financial statements recognises £5.900m one off costs in relation to restructuring agreed during the financial year.

3.2.2 Under Recovery of Planning and Building Control Fees

The Council's Environmental Services recognised a shortfall in Planning Fee income and Building Warrant fees during the year of £1.000m.

3.2.3 Budget Support to Youth Employment and Voluntary Sector

The Council made a one off budget decision to set aside monies to enable support for both Youth Employment and the Voluntary Sector in 2012/2013 of £2.000m.

3.2.4 Equal Pay

The provision for equal pay claims has been reduced in 2011/2012 by £4.379m. At 31 March 2012, the total provision for settling equal pay claims was £12.398m.

3.2.5 Employee Cost Savings

The Council saw savings in employee costs of £9.300m across all Services as a result of exceeding turnover savings targets throughout the year.

3.2.6 Savings on External Borrowing Costs

The Council achieved debt management savings of £3.000m for the year ended 31 March 2012 as a result of reductions in external interest payments arising from the Council's proactive borrowing activity.

3.2.7 Service Expenditure Review

In response to continuing pressures on the Council's budget, Services reviewed all areas of non-essential expenditure. This has contributed significant savings of £9.997m during 2011/2012.

4. Housing Revenue Account

4.1 The surplus within the Housing Revenue Account balance for 2011/2012 has been confirmed at £2.733m. When added to the balance brought forward from the previous year, this results in a cumulative surplus of £6.274m being available in future years.

5. Other Matters

5.1 The Council has a controlling interest in a number of bodies that have been incorporated into summarised Group Account Financial statements. After consolidation, the accounts show a decrease in reserves and net assets of £607.820m or 56.1%. This is almost exclusively as a result of the incorporation of the Council's share of the combined deficits on the Police and Fire pension schemes. Given that both Police and Firefighters pension schemes are unfunded, there are no attributable assets to offset future liabilities. However, the Scottish Government effectively underwrites these liabilities through the General Revenue Grant mechanism.

5.2 The accounting position in relation to the Council's pension arrangements highlights a headline deficit based on the standard FRS17/IAS19 calculation of £276,909m, an adverse movement of £111.466m from the previous year. This is a snapshot based upon the prevailing market conditions as at 31 March 2012 with the movement largely as a result of actuarial changes in the valuation of pension fund liabilities. This will be made good by a planned increase in contributions over the remaining working life of employees, as assessed by the scheme actuary.

6. Conclusion

6.1 It is pleasing to report that the unaudited accounts have been submitted by the statutory deadline of 30 June, an important measure of effective financial management. The accounts highlight a surplus in the overall General Fund position which will assist in managing the financial challenges currently facing the Council.

7. **Recommendation**

- 7.1 The Committee is requested to note this report and approve the increase in earmarked funds for Change Management costs by £17.776m.



Executive Director of Finance and Customer Services