

To: POLICY & RESOURCES ( FINANCE) SUB -COMMITTEE		Subject: ANNUAL ACCOUNTS 2004/2005 AND FINANCIAL OUTTURN POSITION
From: DIRECTOR OF FINANCE		
Date: 15th July 2005	Ref AC/JV/PH	

**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 2005 have been submitted to the Controller of Audit by the due date of 30 June. The Audit and Governance Panel at its meeting of 7 June 2005 approved the procedures and policies being applied by the Director of Finance to ensure that this statutory deadline was met. The report also describes any major variations against the Council's annual budget for the year 2004/2005 and this is contained within section 3 of the report.
- 1.2 Copies of these unaudited accounts are available in the Members library for information.
- 1.3 The overall out-turn position is a cumulative General Fund balance of £12.638m and a cumulative surplus on the Housing Revenue Account of £1.753m, both of which are subject to audit.
- 1.4 In respect of the General Fund balance, members will note that this includes the contingency provision as set out within the Council's overall budget strategy and resources already allocated as part of the 2005/2006 budget exercise. A balance of £1.848m has therefore been carried forward as an uncommitted surplus. Details of the above are set out in paragraph 2.3.
- 1.5 The under-noted paragraphs summarise the significant features of the 2004/2005 accounts and highlight areas of movement from the initial budgeted positions.

**2. General Fund Summary**

- 2.1 The Council's budget for 2004/2005 was constructed to utilise £6.789m of brought forward balances. Net expenditure for the year was £1.920m giving a favourable variation of £4.869m. The major elements of the overall surplus position highlighted within the annual accounts can be summarised as follows:

Surplus b/f from 2003/2004	£000 14,558
Departmental under-spends 2004/2005	887
Savings on External Borrowing Costs	726
Lower than anticipated Prudential Code Requirement	950
Specific Project Areas c/f to 2005/2006 (see paragraph 2.3)	2,137
Increased Local Tax Collection/RSG	169
Budgeted use of balances 2004/2005	(6,789)
Total Cumulative Surplus as at 31 <sup>st</sup> March 2005	<u>12,638</u>

- 2.2 The level of General Fund balance must be viewed in light of the decisions taken by Council during the construction of the current year's Revenue Estimates. This included the policy of maintaining a reserve of £6m (reduced from £8m in 2003/2004 - to be reinstated to authorised level of £8m in 2005/2006) to safeguard the Council against unforeseen expenditure requirements.
- 2.3 As at 31 March 2005 the available resources to be carried forward into the 2005/2006 year amounted to £2.742m. This is in line with the projected year end surplus of £2.746m highlighted in my previous Provisional Outturn report to Committee of 31 May 2005. Members will note, however, that a number of matters had to be addressed within the Social Work budget the value of which amounted to £0.894m. Approval was granted to utilise an element of the cumulative surplus balances for this purpose, thereby reducing the level of uncommitted balances for future consideration to £1.848m. A summary of the position is as follows:

	£000	£000
<b>Cumulative surplus as at 31<sup>st</sup> March 2005</b>		<b>12,638</b>
<b>Less:</b> Non Recurring Growth set-aside in the 2005/2006 budget	1,770	
<b>Less:</b> Earmarked use of surpluses		
Winter Maintenance Reserve	600	
Debt Awareness	50	
Roads Maintenance Reserve	100	
Risks and Uncertainties	1,000	
External Match Funding	<u>387</u>	2,137
<b>Less:</b> Contingency Reserve (Increasing to authorised level of £8m in 2005/2006)		5,989
<b>Total Available for Future Consideration as at 31 March 2005</b>		<b>2,742</b>
<b>Less:</b> Approved increase to Social Work (to rectify budget pressures)	814	
Earmarked Social Work C/F (Equipment and Adaptations)	80	894
<b>Amount of Available Resources for Future Budgets</b>		<b><u>1,848</u></b>

### 3. Explanation of Major General Fund Variances

- 3.1 Paragraph 2.1 makes reference to departmental expenditure being less than budget by £0.887m. This primarily consists of the following:

£000

Finance – operational efficiencies, additional external income	126
Improved PPP/Trading contributions	487
Administration – staff vacancies, additional external income	52
Community Services – operational efficiencies	213
Planning and Environment	165
Other Services (net)	<u>(156)</u>
	<u>0,887</u>

3.2 In overall terms, the most significant factors contributing to the underspend were as follows:

- There was an under-spend within the Finance Department of £0.126m. As highlighted in earlier reports this was due to a number of operational efficiencies achieved during the year; most significantly being the generation of external income from Scottish Water and other external bodies.
- The income generation to the Council from the announcement of ordinary and preferential dividends from the PPP companies, together with an improvement in trading 11 activity performance resulted in additional income to the Council of some £0.487m.
- Within Administration, there was an under-spend of £0.052m as a result of employee cost under-spends and the generation of external income.
- Operational efficiencies within Community Services, coupled with staff vacancies in the Cultural and Recreational Division and increased income generation in Hall lets and Cleaning Services have resulted in a year-end underspend of £0.213m.
- The Department of Planning and Environment confirmed an under-spend of £0.165m, largely due to the upturn in planning and other associated external fee income. There have also been efficiencies within the Winter and Roads Maintenance Programs. These underspends will be carried forward to 2005/06 in line with the Council's approved Winter and Roads Maintenance Contingency Strategy.

#### 4. **Savings on External Borrowing Costs**

- As previously reported, the Council was able to defer the impact of much of the associated costs of the capital investment from the implementation of the Prudential Code until the forthcoming 2005/06 financial year. This resulted in debt management savings of £0.950m. In addition, further external interest savings were achieved towards the close of the 2004/2005 financial year that has ultimately resulted in further savings of £0.725m. The Council will of course continue to act upon further debt management opportunities as they arise.

#### 5. **Other Areas of Income and Expenditure**

- The slightly greater than anticipated increase in Council Tax properties resulted in an increased Council Tax yield during 2004/05 of some £0.085m.
- The Council has recently been notified by the Scottish Executive of the re-determinations of government grant support for the 2004/2005 year. Along with a total funding increase of £10.232m, to support the implementation of areas such as Better

Neighbourhood Services Fund, Anti-Social Behaviour and Residential Allowances, there is a small residual increase of £0.074m from that previously anticipated.

- Previous reports indicated that the Council had received its initial funding of some £0.604m from the Scottish Executive Public Sector Energy Efficiency Initiative. Project submissions were to be co-ordinated through a working group chaired by the Head of Property Services. It is now confirmed that there was no spend in the 2004/2005 financial year. This allocation will be transferred to 2005/2006.
- In respect of the Strategic Waste Fund the Council has been able to utilise the full resources of £4.749m available from both capital and revenue sources.
- Expenditure on the "Working for Families Fund" reached the level of £0.664m within the 2004/2005 year with an approved carry forward of unutilised resources of £0.836m being made into the 2005/2006 financial year.

## 6. **Housing Revenue Account**

- 7.1 Committee will note that £0.490m of the 2003/2004 year end balance was used to augment the 2004/2005 budget. In finalising the 2004/2005 accounts a surplus of £0.553m was reported. This therefore brought the overall cumulative balance to £1.753m (including the contingency reserve of £1.2m).
- 7.2 On the basis that the Council maintains its policy of providing a contingency reserve in line with previous practice, a sum of £0.553m is available for additional investment in 2005/2006. A further paper will be brought forward seeking consideration of options to utilise this sum.
- 7.3 The main reasons for the resultant variance from the planned position were the savings resultant from the initiative to reduce the level of void properties, combined with savings in loan charges and an over-recovery of rental income.

## 7. **Conclusion**

It is pleasing to report that the unaudited accounts have been submitted by the statutory deadline of 30<sup>th</sup> June, an important measure of effective financial management. The accounts highlight a planned movement in the overall General Fund position and demonstrate the effective financial performance and monitoring throughout the year. The resultant £1.848m of available resources will enable the Council to further achieve its objectives in terms of the delivery of services to the public when considering future budget strategies.

## 8. **Recommendations**

The Committee is requested to note this report.



**Director of Finance**

*For further information, please contact Paul Hughes on tel. ext. 2671*