

REPORT TO: THE MORAY COUNCIL ON 2ND JULY 2008

SUBJECT: DRAFT ANNUAL ACCOUNTS FOR 2007/08

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To submit to the Council the Draft Accounts of The Moray Council for the year ended 31st March 2008.
- 1.2 This report is submitted to Committee in terms of Section A(17) of the Council's Administrative Scheme relating to accounts.

2. RECOMMENDATION

- 2.1 **It is recommended that the Draft Accounts of The Moray Council for the year to 31st March 2008 be duly noted.**

3. BACKGROUND

- 3.1 The Draft Accounts are attached as an Appendix to this Report. An overview of the accounts is provided below.
- 3.2 Revenue Expenditure
 - 3.2.1 The Statement of Movement on the General Fund Balance identifies a surplus for the year of £399,000. This figure is stated after expenditure from Devolved School Management funds of £428,000 and interest earned on the Winter Maintenance fund of £21,000 and on the Central Energy Efficiency Fund of £16,000. After allowing for these adjustments, there is a surplus of £790,000 which is added to the Council's General Fund.
 - 3.2.2 The variances against the Budget can be divided between recurring and non-recurring items and the major variances are detailed below:

The recurring variances are:

	<u>£ m</u>
Out of Area Residential Childcare	0.8
Education Provision – Support for Learning	0.2
Property Repairs	<u>0.1</u>
	1.1
Offset by:	
Reduction in Operating Costs	0.8
Additional Income	<u>0.7</u>
	1.5
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Net Recurring Underspend	£0.4m
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The variances that were one-off in nature were:

	<u>£ m</u>
Additional provision for Equal Pay Claims	0.8
Public Transport Services	0.3
Single Status Appeals Process	<u>0.2</u>
	1.3
Offset by:	
Budget for Residential Facility due to be opened in 2008/09	0.6
Community Care Staffing and Training Costs	0.2
Refund from Service Provider	0.2
Budgets for New Burdens Not Required until 2008/09	<u>0.7</u>
	1.7
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Net Non-Recurring Underspend	£0.4m
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- 3.2.3 The Council's net budget for the year was £168 million and the variance of £0.8 million is equivalent to 0.5% of the budget. During the year, the Council reviewed its arrangements for budget monitoring and the variance is in line with the estimated outturn. A review of the main differences between the budget monitoring report estimates and the actual year end variances will be provided to the Corporate Management Team for consideration. Further improvements will be implemented during 2008/09 to increase the accuracy of monitoring reports.

3.2.4 Members will be aware of concerns expressed by the Chief Financial Officer in the past about the impact of accounting regulations on the transparency of Councils' financial statements. The result of the accounting requirements is to report a deficit of £4.5 million for the year as shown on the Income and Expenditure Account. A further page is then required to report the surplus for the year of £399,000 (referred to in para 3.2.1 above) after removing the accounting entries relating primarily to capital charges, depreciation and the annual valuation of the Pension Fund. For the purposes of budgeting and setting the Council Tax, the Council is required to use loan charges rather than capital charges and depreciation, and uses the pension contribution rate set by the Pension Fund which is based on the triennial valuation of the Fund.

3.3 Reserves

3.3.1 The General Services element of the General Fund is summarised as follows:

	<u>£ m</u>
General Fund Balance as at 31st March 2008	11.6
LESS Specific Projects Carried Forward	<u>1.9</u>
BALANCE AVAILABLE	£9.7 =====

3.3.2 When setting the Financial Plan for 2008 to 2012, the Council's policy was to maintain a minimum working balance of £5 million on the General Services element of the General Fund as a working balance to cushion the impact of any unforeseen circumstances or emergencies. There is therefore an excess of £4.7 million on the General Fund. The Council's Four Year Financial Plan identifies the substantial financial pressures that the Council faces in the years ahead and in particular:

- Flood Alleviation Schemes
- School PPP Schemes
- Efficiency Savings Target of £3 million

The Council's Capital Fund has been reduced to £2.2 million as a result of the Council's £13.3 million contributions, to date, to Flood Alleviation Schemes. It is anticipated that the Fund will be exhausted during 2008/09. The total cost of the remaining schemes is estimated at around £140 million and the Council has secured funding over the next three years from the Scottish Government of £40 million. The Council has been advised that funding from the Scottish Government is uncertain beyond 2010/11. Further funding from the Scottish Government is expected to be announced as part of the next Three Year Spending Plan which is likely to be announced towards the end of 2009.

3.4 Capital Expenditure

3.4.1 The level of Capital Expenditure for 2007/08 was set as follows:

Housing Revenue Account	£3.8m
General Services	<u>£20.9m</u>
Total	£24.7m
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3.4.2 A separate report on Capital Expenditure for 2007/08 is included on the agenda for the Council Meeting.

4. SUMMARY OF IMPLICATIONS

(a) **Corporate Development Plan/Community Plan/Service Improvement Plan**

The Draft Annual Accounts have been completed within the target timescale. The Report is in line with the working principles of the Corporate Development Plan in respect of Accountability and Sound Financial Management.

(b) **Policy and Legal**

Under para 4 of the Local Authority Accounts (Scotland) Regulations 1985, a Local Authority is required to submit an abstract of accounts to the Controller of Audit by 30th June in the next financial year.

The Council has met its statutory obligation in this regard and in due course a copy of the Audited Accounts, together with a copy of the External Auditors Report shall be laid before a meeting of the Council as required by para 6(1) of the same regulation.

(c) **Resources (Financial, Risks, Staffing and Property)**

The Accounts provide extensive information about the Council's financial position at 31st March 2008.

(d) **Consultations**

Finalising the Accounts does not involve consultation, but many staff throughout the Council are involved in providing information for inclusion in the Accounts.

5. CONCLUSION

- 5.1 An overall variance for the year of 0.5% provides evidence of good compliance with the Council's financial control arrangements although in a number of areas further improvement is required to ensure that in-year monitoring arrangements result in robust and accurate reporting.**
- 5.2 The increase in the Council's General Fund and the overall level of the fund is small in comparison to the financial pressures faced by the Council during the next three to five years.**

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Background Papers:

Ref: MP/LJC/456208