

REPORT TO: THE MORAY COUNCIL ON 7TH JULY 2010

SUBJECT: DRAFT ANNUAL ACCOUNTS FOR 2009/10

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 2010.
- 1.2 This report is submitted to the Council 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 2010 be duly noted.**

3. BACKGROUND

- 3.1 The Statement of Movement on the General Fund Balance shows a deficit for the year of £250,000. After allowing for movements on Devolved School Management balances the year end position is a deficit of £700,000. This was during a year in which the Council had to contend with 2 significant flooding events and many weeks of severe winter weather. The final outturn compares very favourably with the estimated shortfall of £2.2M reported to Members in March.
- 3.2 Concerns about a potentially large overspend were first highlighted to Policy and Resources Committee on 22nd September 2009. At the same meeting the Corporate Management Team reported that, where possible, there would be no further expenditure during the year applying the following principle "if a purchase is not essential and can be deferred until 1st April 2010 without a material impact on the service in the short term then the expenditure should not be incurred". In subsequent reports the position was kept under close scrutiny and Members were reminded that mid-year estimates had not always proved to be reliable in the past, although the movements have represented relatively small percentage changes in the context of the Council's total budget.
- 3.3 Whilst the movement from the estimated outturn to the final position is quite significant, it is important to remember the overall context is a total expenditure of around £250M, the overspend has therefore reduced from an estimate of 0.9% to 0.3%.
- 3.4 The number of year end variances are extensive and present a complex picture of recurring and non-recurring expenditure pressures and budget

reductions achieved to offset these pressures. Analysis of this complex picture is provided in a number of tables that follow, starting with a comparison of the estimated outturn and the actual year end results:

	Estimated Outturn £M	Actual £M
1. Recurring Shortfall	2.1	2.5
2. Flooding	0.4	1.1
3. Winter Maintenance	1.4	1.4
4. Approved Expenditure from Reserves	1.1	0.5
5. Voluntary Severance	0.3	0.7
6. Non-recurring Overspends	0.6	1.1
7. Savings	(3.7)	(6.6)
	<u>£2.2M</u>	<u>£0.7M</u>
	=====	=====

Further explanation of each numbered line above is provided below.

1. Recurring shortfalls – the estimated outturn is compared against the actual year end results below:

	Estimated Outturn £000	Actual £000
Out of Area Placements	590	430
Landfill Tax	420	240
Homelessness	400	400
Supply Teachers	200	240
Rural Transport	100	130
Catering	130	-
Vehicle Running Costs	170	260
School Transport	100	140
Foster Care	-	130
Various – e.g. shortfalls in charges & property costs	-	260
Housing Benefits	-	300
	<u>2,090</u>	<u>2,530</u>
	=====	=====

2. Flooding – there was some uncertainty during the year about costs that might or might not be claimable under the Bellwin Scheme. Whilst the council incurred Bellwin eligible costs of £0.5M the first £0.4M falls within the deminimus that is not paid by the government. The expenditure of £1.1M excludes the cost of the road bridge in Fochabers of £523,000 which is accounted for as a capital scheme.

3. Winter Maintenance – The overspend of £1.4M brings the total expenditure on roads winter maintenance to £3.3M. The winter conditions in the previous year also resulted in an overspend against this budget. The budget is sufficient for mild winter weather which had been the experience for a number of years preceding the last two.
4. Approved expenditure from reserves – expenditure on the DBS programme was less than anticipated and a number of minor carry forwards were not utilised.
5. Voluntary Severance – the estimated actual only allowed for the cash payments made in the year. For accounting purposes where the ongoing liability can be calculated of “strain on the fund” pension payments, these need to be included in the year in which the post was removed from the Council’s structure.
6. Non-recurring overspends were as follows:

	£M
PPP Scheme Project Costs	0.4
Social Work – various items	0.4
Environmental Services – various items	<u>0.3</u>
	£1.1M
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7. Savings – At £6.6M, the level of savings achieved in the year was significant and will form part of the review to identify permanent savings against future years budgets. A summary of the savings achieved is provided below.

	Staff Vacancies £000	Repairs & Maintenance £000	Training £000	Other £000	Notes
Education	684	183	56	612	Sundry Items
				125	Free School Meals
Children & Families	183	-	90	172	Sundry Items
Community Care	436	-	-	467	Residential Care
				187	Sundry Items
Housing (Non-HRA)	192	-	-	171	Sundry Items
Direct Services	197	-	-	523	Roads Maintenance
				372	DLO Profit
				122	Sundry Items
Other Services	313	204	20	100	Grampian Police Refund
				586	Sundry Items
				375	Council Tax
				191	Government Grant
	2,005	387	166	4,005	
	=====	=====	=====	=====	

NOTE: The savings from staff vacancies are on top of the vacancy management savings already top sliced from staffing budgets.

3.4 Capital Expenditure

- 3.4.1 Capital expenditure for the year amounted to £34.9M which was £6.4M less than the revised plan for capital during the year. Details of the year end outturn for General Services was provided to Policy and Resources Committee on the 25th May and for Housing to Communities Committee on 8th June. The main underspends were in the following areas: Flood Alleviation £4.3M, Roads and Transport £1.2M and Schools £1.1M which were offset by various small overspends. The Policy and Resources Committee has agreed the amounts to be carried forward to future years.

3.4.2 The Council has introduced a number of controls in previous years to reduce the difference between planned and actual expenditure. Based on a number of years of consistent underspends against capital, the Council agreed to a capital plan that exceeds the funds available by 10% for 2010/11. The position will be closely monitored during the year and if expenditure is in line with the approved amounts, action will be taken to defer progress accordingly.

3.5 Reserves

3.5.1 The General Services element of the General Fund is £8.5M at the year end. The Council has commitments against the fund in relation to the Designing Better Services Programme of around £1M over the next two years and the Healthy Living and Leisure Facilities programme. The latter item is subject to a review of the Council's capital plan from 2011/12 onwards and will be considered again as part of that review later in the year.

4. **SUMMARY OF IMPLICATIONS**

(a) Single Outcome Agreement/Service Improvement Plan

The Draft Annual Accounts have been completed within the target timescale.

(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 2010.

(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 Budget Managers have responded very well to the challenging financial circumstances that the Council faced during 2009/10. As a result, Council reserves are in a better state than had been anticipated. As the Council progresses with plans to respond to the reduction in funding for public services, an assessment will be made of the savings made during 2009/10 to identify further permanent reductions in expenditure. It is important to note that budget managers were operating on the basis that expenditure would be deferred until 1st April 2010 and whilst a further instruction has been issued to continue to restrict expenditure to anything other than that which is absolutely essential, this approach will not be sustainable.**
- 5.2 Capital expenditure has, as in previous years, fallen well below the amounts planned and the Council has approved expenditure at 10% above funding levels for 2010/11 to combat this recurring underspend.**

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Background Papers:
Ref: MP/LMS/794043