

THE HIGHLAND COUNCIL

27 June 2013

Agenda Item	
Report No	

Statement of Accounts for the year to 31st March 2013

Report by the Director of Finance

Summary

The purpose of this report is to introduce the Statement of Accounts for the year to 31st March 2013 for the Highland Council, the Highland Council Pension Fund, the Northern Joint Police Board and the Highland and Islands Fire Board and to provide explanation on major variances on the Council's General Fund at the year end.

1. Introduction

- 1.1 The Council's, the Pension Fund's and the two Board's unaudited accounts for the year ended 31st March 2013 are available on the Council's [website](#). At the time of writing work is ongoing to finalise the detailed notes to the accounts for the Council. The accounts will be placed on the website as soon as possible, and in advance of the Council meeting. The main financial issues are covered in this report.
- 1.2 The overall General Fund Surplus was £1.574m as shown on page 7 of the Accounts. Through pro-active management of balances, the Council has been able to meet all its financial objectives. Given the challenges created by severe weather events this is a significant achievement.

2. Statement of Accounts for the Highland Council, Highland Council Pension Fund, Northern Joint Police Board and Highland and Islands Fire Board for 2012/13

- 2.1 The Statement of Accounts summarises the transactions for the 2012/13 financial year and provides a statement of the financial position at 31st March 2013.
- 2.2 The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and section 12 of the Local Government in Scotland Act 2003, which require that they be prepared in accordance with proper accounting practices.
- 2.3 The Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK and the Service Reporting Code of Practice, underpinned by International Financial Reporting Standards (IFRS).
- 2.4 The accounting convention adopted in the Statement of Accounts is principally historical cost modified by the revaluation of certain categories of non-current assets and financial instruments.

- 2.5 The regulations require the Statement of Accounts to be presented to the Controller of Audit by the prescribed date of the 30th June.
- 2.6 For 2012/13 only The Highland Council will be required to approve the accounts for the Northern Joint Police Board and the Highland and Islands Fire Board under the transitional arrangements and transfer of responsibility to the two new single authorities.

3. Use of Reserves and Balances

- 3.1 The Council's budget each year makes provision for a number of pressures. Where there is some uncertainty over the absolute amount, the budget provision is held centrally and is only allocated to Services when there is clarity over the absolute value of that pressure. This is strong financial management, and is necessary to maintain a tight control over the Council's finances. The balance at 1st April 2012 included an element of balances carried forward from previous years.
- 3.2 Section 4 below provides detail of the actual outturn against budgets allocated to Services, and there is a separate report on today's agenda outlining the policy on reserves and balances.
- 3.3 The table at paragraph 3.7 below shows that the balance of contingency funds held centrally, plus additional income, has offset the net service overspend and enabled a net surplus to be reported.
- 3.4 Additional income was gained through the level of Council Tax receipts exceeding budget by £0.725m and the write-back of grant received in respect of Caithness Heat and Power (£2.803m).
- 3.5 As a result it was possible to make additional contributions of £1.575m to NHS Highland during 2012/13 for Integrating Care, as previously reported.
- 3.6 The resultant unearmarked balance on the General Fund will enable the Council to meet its budget commitment to establish a Community Challenge Fund of £1m, make a one-off additional allocation of £2m to Roads Maintenance in 2013/14, and allow a sum of £5m to provide an initial balance for the Strategic Change and Development Fund.

3.7 Movement in General Fund Unearmarked Balance 2012/13

	£m	£m
Opening Balance 1/4/2012		23.459
less Planned use of balances		<u>2.550</u>
		20.909
less 2012/13 in-year use of balances		
- NHS Highland	1.575	
- Other adjustments	<u>0.381</u>	<u>1.956</u>
		18.953
less Service overspends (per Section 4)		<u>0.951</u>
		18.002
add Additional Income		
- Council Tax	0.725	
- CHAP grant write-back	<u>2.803</u>	<u>3.528</u>
		21.530
add unallocated Contingencies		<u>4.637</u>
		26.167
less Budget Allocations		
- Community Challenge Fund	1.000	
- Roads Maintenance	2.000	
- Strategic Change & Development Fund	<u>5.000</u>	<u>8.000</u>
Closing Balance 31/3/13		18.167
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4. Variances from Budget for Highland Council

- 4.1 There was an overall overspend of £0.951m (0.16%) on General Fund Services for financial year 2012/13.
- 4.2 The Education, Culture and Sport Service returned a near balanced position for its spend against budget during the year. The overall balanced position masks some areas of over and underspend within the Service. The principal areas of overspend include the catering service (escalating food costs) £0.297m, teachers' supply cover £0.244m and responding to specific additional support needs, £0.386m. These areas of overspend are offset by various underspends across the Service, principally in the Public Private Partnership school contracts, building cleaning and learning and teaching areas.
- 4.3 In the Health and Social Care budget an over spend of £0.866m is the outturn. The main reason for the over spend position is pressure in the budget for looked after children placements in residential care (£2.538m) and foster care (£0.595m); offset by underspends from limiting discretionary spend and tightly controlling the management of staff turnover.
- 4.4 The Other Housing and Property (Non HRA) budget has a year end position of £0.024m under budget.
- 4.5 The final position for The Building Maintenance DLO is an over spend of £0.178m,

due mainly to fee income being less than expected

- 4.6 The final position for the Planning and Development Service shows an under spend of £0.046m.
- 4.7 A year end over spend of £4.106m is reported on the budget for Transport, Environmental and Community Services. The main features contributing to the over spend were Winter Maintenance £1.164m, Cyclic Maintenance £1.007m, Lighting Services £0.981m, Subsidies and Concessioning Fares £0.597m, Coast Protections £0.793m (due to the storm surge in December), and a reduction in the margin achieved on Marine Fuel Sales £0.254m. Underspends across other budget lines have accommodated small overspends elsewhere and have provided some mitigation for the overall overspend.
- 4.8 The year end position for the Chief Executive's Service is an under spend of £0.040m. Cost pressures in some budget headings have been offset by savings in staff costs and additional income.
- 4.9 The Finance Service shows a near balanced position at the year end.
- 4.10 The Housing Benefit budget for the year is £0.204m under budget. This favourable variance is a result of additional subsidy received for homeless accommodation.
- 4.11 The Council has a balanced position at the year end on the budget for its share of the costs of Highland and Western Isles Joint Valuation Board. For the Fire Requisition the position is a small under spend of £0.033m being the Council's share of the final balance on the Highland and Islands Fire Board general fund; and for the Police requisition budget, there is a year end under spend of £0.430m after netting off the Council's share of the final balance of Northern Joint Police Board's general fund against a recovery of the 2011-12 refunded requisition by the Scottish Government. The share of the funds of the previous Fire and Police boards is based on the unaudited accounts for these bodies and is subject to adjustment during the audit period.
- 4.12 Loan charges show a budget saving of £3.411m due to low rates continuing to be available on temporary borrowing and cash balances being maintained at a level such that the need to borrow externally during the year was limited.
- 4.13 The budget for income from interest on revenue balances shows a positive variance in the final position of £0.079m resulting from cash flows being more positive than estimated

5. Discussion

- 5.1 The reported outturn for 2012/13 is a surplus of £1.574m (0.27%), and through proactive management of balances, the Council has been able to meet all its financial objectives. Given the challenges created by severe weather events this is a significant achievement.
- 5.2 However Service net expenditure outturns are a cause for concern. The separate report on today's agenda, looking at the longer-term financial position, illustrates significant financial challenges ahead. As budgets are squeezed harder it is

imperative that Services manage budgets within the available resources.

- 5.3 Officers are closely examining individual Service budgets and seeking detailed explanations for areas where budgets have overspent. In particular a detailed review of the TECS budget will commence shortly as this is an area of particular concern. In addition a review will also take place of the Health and Social Care budget. This review will consider whether budgets are aligned with service delivery appropriately, as well as consider the actions being taken to address the underlying budget pressures.

Recommendations

Members are asked to:-

1. Consider the outturn position for 2012/13 for Highland Council as outlined in sections 3-5.
2. Receive the Unaudited Accounts for the Highland Council, the Highland Council Pension Fund, Northern Joint Police Board and Highland and Islands Fire Board for the year ended 31st March 2013 and note that these will be presented to the Controller of Audit by the prescribed date of 30th June 2013.
3. Note that detailed explanations will be presented to the Strategic Committees with regard to the year-end variances from Service budgets.
4. Note the action being taken to address budget concerns.

Designation: Director of Finance

Date: 18 June 2013

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Background Papers: None