

The Highland Council

26 June 2014

Agenda Item	11
Report No	HC/6/14

Statement of Accounts for the year to 31st March 2014

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 2014 for the Highland Council; Highland Charities Trust; Highland Council Charitable Trusts and the Highland Council Pension Fund and to consider the allocation of surplus balances from the General Fund.

1. Introduction

- 1.1 The unaudited annual accounts for The Council, the two Charities, the Pension Fund and the two Boards for the year ended 31st March 2014 are available on the Council's website (navigate to *Council and Government/Council Information/Our budgets and accounting/Our Annual Accounts*). At the time of writing work is on-going 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 £2.498m as shown on page 6 of the Accounts.

2. Statements of Accounts for the Highland Council; Highland Charities Trust; Highland Council Charitable Trusts and the Highland Council Pension Fund for 2013/14

- 2.1 The Statement of Accounts summarises the transactions for the 2013/14 financial year and provides a statement of the financial position at 31st March 2014.
- 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.

3. Council Budget Out-turns

3.1 Near Final Corporate Monitoring Statements for both Capital and Revenue were presented to the Resources Committee on the 28th May 2014 and detailed out-turn statements explaining Service variances will be presented to the next round of Strategic Committees.

3.2 Section 3 of the Statement of Accounts provides information on financial performance for the year and presents the position on earmarked and non-earmarked balances as at 31st March 2014.

3.3 The movement in the non-earmarked balance is detailed below:-

	£m	£m
Opening Balance 1/4/2013		18.167
add Service underspends		<u>3.676</u>
		21.843
add Additional Income		
- Council Tax	1.905	
surplus from earmarked reserve	0.405	2.310
add unallocated Contingencies		<u>1.609</u>
		25.762
less Budget Allocations		
- NHS	(3.500)	
- Road Maintenance	(1.250)	
- Additional Support Needs	(1.000)	
- Strategic Change and Development Fund	(0.750)	
- Carbon Clever Highlands	(0.160)	
- Commonwealth Games Legacy Fund	(0.150)	
- Supplementary Estimates	(1.770)	<u>(8.580)</u>
-		
Closing Balance 31/3/14		17.182
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4. Use of Reserves and Balances

4.1 At its meeting on the 13th March 2014 the Highland Council agreed a new reserves strategy of retaining 2.5% of the Net Revenue Budget as a contingency.

4.2 The overall General Fund surplus when combined with transfers to and from Service Budgets has produced at the end of March a non-earmarked balance of £17.182m.

4.3 The non-earmarked balance is £2.75m higher than anticipated and there is therefore additional resources available to address some immediate spending pressures but particularly provide an opportunity to effect revenue budget savings and accelerate the pace of change.

5. Road Maintenance

5.1 The Roads and Winter Maintenance budgets carry a significant financial risk, particularly in relation to weather which is obviously outwith the control of the Service.

5.2 The TECS Service (as was) was extremely successful in managing this financial risk in 2013/14. However this could only be achieved by phasing work during the summer months on roads maintenance. In any event, the mild winter has left the Service with an underspend of £0.74m at the year end.

5.3 It is recommended that this sum is ring-fenced and carried forward within the Roads Service to ensure that this funding is spent on the purpose intended.

5.4 This funding would be spent as follows:-

1. £0.50m was included in the Road Maintenance budget allocations agreed by Community Services Committee on 15 May 2014 which was allocated to surface dressing works.
2. £0.24m allocated to additional surface dressing before August – the end of the surface dressing programme window. If that is not possible it would be used to address a small number of structural maintenance schemes; a minimum of 1 in each of the 4 operational areas.

6. Winter Maintenance

6.1 As outlined above, the provision of a Winter Maintenance Service represents a significant financial risk to the Council. It also creates uncertainty, and to ensure a balanced budget, Community Services has to consider the level of roads maintenance work over the summer months in order to provide sufficient budget flexibility for the last quarter of the financial year where the greatest financial risk falls.

6.2 It is recommended that a Winter Maintenance Reserve Fund is created, with an initial balance of £1m. This will serve two main purposes:-

- (i) provide greater financial certainty to Community Services, and allow a fuller programme of Roads Maintenance work to be completed earlier in the financial year

- (ii) provide the potential for a budget saving in the Winter Maintenance Budget. The transfer of risk to a corporate fund could generate a budget saving of £0.5m pa, whilst still allowing for full spend as required in the event of an adverse winter. The scope and size of the Winter Maintenance Fund would be reviewed annually.

7. Strategic Change and Development Fund

- 7.1 The report to Highland Council in March indicated that the current Fund balance had been fully committed or spent. Council therefore approved the allocation of the sum of £0.750m.
- 7.2 The scale of the financial challenge, and the need to identify savings totalling £63.7m, suggests that the pace of change has to increase significantly.
- 7.3 The Executive Leadership Team is currently reviewing over eighty potential transformational projects. It is suggested that the remaining £1.01m of balances is added to the Strategic Change and Development Fund to provide the resource required to meet this pace of change and meet the cost of structural change.
- 7.4 If approved, the resulting balance on the Strategic Change and Development Fund would be £5.638m committed or allocated as follows:-

	£m
Customer Services Review	0.193
Website & Service Centre enhancement	0.069
Fort William Office Review	1.735
Pathfinder/SWAN	1.751
Implementing Future Change and Transformation	1.301
Corporate Improvement Programme	0.261
Dingwall Office Rationalisation	0.328
	5.638

8. Implications

- 8.1 The resource implications of this report are detailed above.
- 8.2 There are no legal; equalities; climate change/Carbon Clever; risk, Gaelic or rural implications.

Recommendations

Members are asked to:-

1. Receive the Unaudited Accounts for the Highland Council; Highland Charities Trust; Highland Council Charitable Trusts and the Highland Council Pension Fund for the year ended 31st March 2014 and note that these will be presented to the Controller of Audit by the prescribed date of 30th June 2014.
2. Note that detailed explanations will be presented to the Strategic Committees with regard to the year-end variances from Service budgets.
3. Approve the allocation of surplus funds of £2.75m as follows:-

	£m
Roads Maintenance	0.74
Winter Maintenance Fund	1.00
Strategic Change and Development Fund	1.01
	2.75

Designation: Director of Finance

Date: 17 June 2014

Authors: Derek Yule, Director of Finance and David Robertson,
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Background Papers: None