

2003/04 ANNUAL ACCOUNTS (UNAUDITED)

1. SUMMARY

Departments have adhered to approved budgets and savings have been generated in loan charges and local tax income. The “free” General Fund Reserve has increased to £6.023m. This includes the transfer of £0.208m on the closure of Direct Labour Organisation and Direct Service Organisation Reserves. In addition the sum of £5.758m requires to be carried forward and earmarked within the General Fund Reserve. The total of the General Fund Reserve stands at £11.781m on the face of the Council’s Accounts.

The Housing Revenue Account Reserve now stands at £0.474m, an increase of £0.051m.

The Council is no longer required to maintain separate accounts for Direct Labour Organisations and Direct Service Organisations. However the financial performance of Significant Trading Organisations requires to be disclosed separately in the Accounts. Significant Trading Organisations achieved a net surplus overall of £0.115m. None returned a deficit.

2. RECOMMENDATIONS

2.1 Members note the unaudited accounts.

3. DETAIL

3.1 Introduction

There is a statutory requirement to prepare a set of Accounts and submit the Accounts to the Controller of Audit and the Council.

The date set by the Scottish Executive for submission of the Accounts is 30 June of each year.

It should be noted that the Accounts have still to be audited. The Auditors certificate and letter to Members will be submitted to Members immediately after the completion of the audit anticipated for 30 September 2004. Figures are therefore subject to change.

3.2 Outturn for the Year on the General Fund

3.2.1 A surplus of £1.779m was achieved in the General Fund. In addition funding of £5.758m requires to be carried forward and earmarked within the General Fund Reserve in order to meet future expenditure.

3.2.2 The following table summarises how the surplus for the year has arisen. For the purpose of comparison, the budget for 2003/04 has been taken as the original approved budget plus any supplementary estimates agreed to by Committee. Adjustments to budget have also been made in respect of additional revenue support grant and items transferred from revenue to capital.

	£m
Savings in loan charges	0.385
Increased collections on local taxes	0.975
Overall savings by departments against budget	0.419
Sub total	1.779
Funding to be carried forward and earmarked in Reserve	5.758
Earmarked funding at start of financial year	(1.671)
Transfer from DLO/DSO Reserves	0.208
Surplus for year per Accounts	6.074

3.3 General Fund Reserve

3.3.1 The General Fund Reserve at 31 March 2003 amounted to £5.707m of which £1.671m was earmarked. This left a “free” balance of £4.036m. The “free” Reserve now stands at £6.023m and the overall Reserve stands at £11.781m when earmarked funds are included.

	£m
“Free” Reserve at 31 March 2003	4.036
Surplus from loan charges, local tax income and departmental savings	1.779
Transfer from DLO/DSO Reserves	0.208
“Free” Reserve at 31 March 2004	6.023
Funding to be carried forward and earmarked in Reserve	5.758
Total Reserve per Accounts	11.781

3.4 Earmarked Funds

3.4.1 Funding to be carried forward for specific purposes and earmarked within the Reserve stood at £1.671m at 31 March 2003. It now stands at £5.758m. The table below gives details of these funds.

	£m
Waste Management PPP Smoothing Fund	1.086
Corporate Property Strategy	0.030
Change Management Funding	0.030
Area Budgets	0.015
Risk Management Fund	0.041
Community Safety	0.086
Revenue Funding For IT From “top slice”	0.092
Digital Communities	0.245
Modernising Government Fund	0.043
Works Committed Or Commenced By Roads But Not Completed Or Paid For	0.386
Social Work Funding	£m
Preserved Rights & Free Care	0.841
Residential Care	0.662
Home Care	0.232
Learning Disability Services	0.374
Supporting People	0.282
Direct Payout	0.107
Other Social Work Funding	<u>0.212</u>
	2.710
Underspends in 2003/04 used to fund savings in 2004/05 budget	0.994
Total Earmarked Funds	5.758

3.5 Housing Revenue Account

3.5.1 The Housing Revenue Account Reserve at 31 March 2003 amounted to £0.423m. A surplus of £0.184m has arisen for the year to 31 March 2004. A transfer to the General Fund of £0.143m was made to offset the reduction in central support allocations as agreed by the Council in February 2003. Interest of £0.010m on the Reserve has been added. The total sum carried forward at 31 March 2004 therefore amounts to £0.474.

3.6 Significant Trading Organisations

3.6.1 The requirement to maintain separate accounts for Direct Labour Organisations and Direct Service Organisations under the Compulsory Competitive Tendering legislation ended on 31 March 2003. Councils are now required to identify their Significant Trading Organisations. Significant Trading Organisations must achieve a breakeven financial position over a rolling 3 year period. This rolling 3 year period will not commence until 2005/06 (ie the first full 3 financial year following 31 March 2003). Supplementary information on the financial performance of Significant Trading Organisations must be given in the Accounts and this is laid out in note 6 of the Consolidated Revenue Account. All of the Significant Trading Organisations achieved a breakeven during 2003/04 and an overall surplus of £0.115m. Details of the services classified as Significant Trading Organisations was reported to the Strategic Policy Committee of 18 December 2003. The only variance from this has been the reclassification of Building Maintenance as a Significant Trading Organisation.

3.7 Reserves and Balances

- 3.7.1 The Council accepted in principle as part of the budget proposals to
- provide for a 2% general contingency
 - to establish within the General Fund Reserve a departmental contingency of 0.5% to allow departments to manage their financial position across more than one financial year
 - to establish a development fund of 0.5% to finance initial costs on a pay back basis for spend to save projects.

These proposals were dependent upon the General Fund Exceeding a given level and it was remitted to me to bring forward in due course more detailed proposals on how these arrangements would operate. I will bring forward a report on the position with regard to Reserves and Balances to an early meeting of the Strategic Policy Committee. This will not be delayed pending completion of the audit of the accounts.

3.8 Prudential Code

- 3.8.1 Under the Prudential Code a range of indicators were established as part of the budget process. These should be reviewed at least as part of each budget cycle and upon completion of the annual accounts. In respect of this latter requirement I will bring forward a report to an early Strategic Policy Committee reviewing our prudential indicators in the light of the unaudited Accounts.

3.9 Statement on the System of Internal Financial Control 2002/03

The Code of Practice on the Annual Accounts includes a requirement to prepare a statement on the system of internal financial control. My statement appears on the final page of the Accounts and is drawn from the Internal Audit Manager's statement on the adequacy and effectiveness of the internal financial control system of the Council. The Internal Audit Manager presented his statement to the Audit Committee on 14 June 2004.

My statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for Internal Audit.

Although some weaknesses in the system of financial control have been identified, most of these have been rectified between the time of Internal Audit identifying the weakness and the time of preparation of this report. The key remaining areas for the Council to address are the development of a risk management strategy and the development of asset management planning. With the recent appointments to the posts of Risk and Governance Manager and Chief Asset Manager work on these two areas will commence when the appointees take up their posts.