

ABERDEEN CITY COUNCIL

COMMITTEE: Council
DATE: 30 June 2010
REPORT BY: Head of Finance
TITLE OF REPORT: Draft Financial Statements 2009/10
REPORT NUMBER: CG/10/132

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide to elected members a copy of the Council's draft 2009/10 Financial Statements, which are subject to audit.
- 1.2 The Council is required by statute to annually present a set of draft accounts to Audit Scotland by 30 June and for elected members to receive a copy of these draft accounts by this due date.
- 1.3 This report provides the first opportunity to consider the finalised financial position following the year end process which includes taking account of all applicable accounting standards and recommended practice. Details of expenditure across the range of Funds that the Council operates are contained in the report.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Council:
 - a) note the draft accounts, which will be submitted to Audit Scotland by 30 June 2010;
 - b) note that the audited Financial Statements will be presented to the Audit and Risk Committee, along with the external auditor's report to members in the Autumn, and will come back to a Council meeting thereafter;
 - c) note the actual position and the better than projected outturn on the General Fund;
 - d) note the position on the Housing Revenue Account;
 - e) note the capital expenditure levels for the year and the means by which this was funded;
 - f) note the favourable movement in the Common Good;

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- g) note that under the Internal Trading Account requirements all of the services classified as significant trading operations, with the exception of Property Letting, have achieved a cumulative surplus on an aggregate rolling basis over the three year period from 1 April 2007;
- h) note and approve, as outlined at paragraph 6.12.2, the earmarked sums and commitments and the consequential uncommitted working balances remaining, for the General Fund, Housing Revenue Account and Common Good, based on the outlined commitments;
- i) note that in accordance with the strategy to restore revenue balances, there is an improved reserves and balances position at the year end; and
- j) note that a fuller analysis of financial outturn against budget will be presented to individual Service Committees and Finance and Resources Committee in due course.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of the Draft Financial Statements are detailed throughout the body of the report. Particular attention should be drawn to the 2009/10 year end working balances that exist on the three main accounts, the General Fund, the Housing Revenue Account and the Common Good, which show the extent of commitments set against the fund balances held. These details can be seen at section 6.12.2 below

4. SERVICE & COMMUNITY IMPACT

- 4.1 It is the aim of the Council to restore working balances to a level that provides sufficient scope to deal with unexpected or unforeseen events in order that this does not have a detrimental and immediate impact on service delivery.
- 4.2 The budget each year is produced in light of the Council priorities currently outlined in Vibrant, Dynamic and Forward Looking.

5. OTHER IMPLICATIONS

- 5.1 Every organisation has to manage the risks inherent in the operation of services on the scale of the Council. These risks are minimised by the regular review of financial information by Services and corporately by Members. This report forms part of the end of year reporting cycle and seeks to clarify the overall operating conditions and outcomes that have resulted in the past year.

6. REPORT

- 6.1.1 There is a statutory requirement that an abstract of the accounts for each financial year be submitted to the Controller of Audit not later than 30 June in the next financial year.
- 6.1.2 In effect this means that Financial Statements for 2009/10, which are prepared in accordance with Accounting Codes of Practice, require to be submitted by 30 June 2010 to Audit Scotland.
- 6.1.3 There is also a requirement that the draft accounts be presented to Elected Members by 30 June each year.
- 6.1.4 For ease of reference the report is broken down into the following sections:

- 6.2. Link between Financial Statements & General Fund Position
- 6.3 Financial Out-Turn 2009/10
- 6.4. Non-Recurring Funding Streams
- 6.5. General Fund
- 6.6. Trading Operations
- 6.7. Housing Revenue Account (HRA)
- 6.8. Capital Expenditure
- 6.9. Common Good
- 6.10. Draft Annual Accounts
- 6.11. Inspection and Audit of Accounts
- 6.12. Summary

6.2. Link between Financial Statements & General Fund Position

- 6.2.1 In reading the Financial Statements members are asked to note the difference between the figures shown in the Income and Expenditure Account and the actual performance of the Council against which it can be measured by the Council Tax payer, which is presented in the Statement of Movement on the General Fund Balance.
- 6.2.2 The figure to focus on is the one described as “(Increase) / Decrease in General Fund Balance for the Year”, which is the total movement on both the General Fund and the Housing Revenue Account
- 6.2.3 The importance of the difference cannot be over emphasised, the reason being that the Income and Expenditure shows the actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. It takes account of the requirements of accounting standards and the Local Authority Statement of Recommended Practice.

- 6.2.4 The impact of compliance with accounting standards is that many accounting entries are made which remove the obvious linkage between the figures presented in the Income and Expenditure Account and the way in which the Council is required to account for itself within a framework of raising Council Tax.
- 6.2.5 The main differences are that in the Income and Expenditure Account capital investment is accounted for as it is financed, rather than when the fixed assets are consumed; and retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- 6.2.6 The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. It is upon this basis that the regular monitoring reports are prepared for Member's consideration during the year.
- 6.2.7 It is with reference to the General Fund Balance that the remainder of this report considers the Council's financial position as at the end of financial year 2009/10.

6.3. Financial Out-Turn 2009/10

- 6.3.1 A summary of the 2009/10 financial out-turn is set out below for the General Fund, the Housing Revenue Account (HRA), Internal Trading Accounts, Capital Expenditure and the Common Good. For each a summary of reserves and balances is also provided. All of the figures provided are subject to the external audit process.
- 6.3.2 In addition, at paragraph 6.12.2 in terms of future budgeting, the impact of expected and known commitments against these reserves and balances is also outlined for Members in order to identify the uncommitted balances moving into 2010/11. This is different from the balances identified and set out in the draft accounts which comply with required accounting practice.

6.4. Non-Recurring Funding Streams

Consent to Borrow for Revenue Purposes

- 6.4.1 In 2008/09 the Council made a special application to Scottish Ministers in relation to seeking consent to borrow for the purpose of funding revenue expenditure. Scottish Ministers, under the Local Government (Scotland) Act 1975, have statutory powers to permit local authorities to meet revenue costs from borrowing, something which is otherwise not permitted by legislation.

- 6.4.2 The consent given covered financial years 2008/09 and 2009/10 and this was with specific reference to Equal Pay costs that were due to be paid by the Council in 2009/10. During 2009/10 the Scottish Government made a scheme available to all Local Authorities and while Aberdeen City Council didn't receive any additional value of consent to borrow, it has received an extended end date (31 March 2011) for the consent already in place.
- 6.4.3 In 2009/10 with substantial costs being paid to staff in relation to Equal Pay and estimates being provided to the Council of potential future liabilities it was considered prudent to take advantage of this non-recurring funding and to borrow money to cover some of the costs.
- 6.4.4 In 2009/10 the Council has exercised the consent to borrow and drawn £4.508 million for the purposes of funding revenue expenditure.
- 6.4.5 This has provided a one-off income stream of £4.508 million to the General Fund in 2009/10.

Reclamation of Value Added Tax (VAT)

- 6.4.6 As a result of a review of past VAT claims (mostly prior to Aberdeen City Council being formed) from recent case law the Council has benefited from a number of claims submitted to Her Majesty's Revenues and Customs (HMRC).
- 6.4.7 These claims were in relation to a number of areas – most significantly in connection with leisure and cultural activities.
- 6.4.8 The value of income (after deduction of fees) that the Council has received is £6.125 million
- 6.4.9 During the year the Finance and Resources Committee has been fully appraised of this matter and while there are a few smaller claims still outstanding it is not thought that there will be material sums reclaimed in the future.

6.5. General Fund

- 6.5.1 The General Fund Revenue Balance has increased in value by £4.008 million and this has been created as a result of three significant factors, (i) an operational budget surplus of £9.141 million, (ii) non-recurring funding streams of £10.633 million, and (iii) the use of earmarked sums to the value of £15.766 million. (£9.141m + £10.633m - £15.766m)

Actual v's Estimated Outturn Position

- 6.5.2 The operational budget surplus, £9.141 million, reflects an improvement of £5.756 million when compared to the comparable estimated position, previously reported to the Finance and Resources Committee (6 May 2010).
- 6.5.3 The movement since the last monitoring report is due to increased grant income that is applicable to financial year 2009/10, reduced costs associated with the delivery of Social Work Services, further savings achieved against the Capital Financing Costs, a review of insurance provisions / funds held, reduced costs to be set against contingencies, the inclusion of provisions for Council Tax Benefit/Housing Benefit Subsidy assessments by the Department of Works and Pensions. There has also been increased income following a year end review of the general revenue grant being carried forward, although this is offset by lower than predicted Council Tax / Community Charge arrears income.
- 6.5.4 Within the detailed figures there are a number of other adverse and favourable movements.
- 6.5.5 Overall, the favourable movements in the outturn position and the contributions from the non-recurring sources (reference section 6.4 above - borrowing to fund revenue expenditure and the income from HMRC) provide a substantial growth in the actual year end General Fund balance and increases the uncommitted balances on the General Fund, having taken account of the total value of recommendations for earmarked sums (see 6.5.21 to 6.5.25).

Actual v's Budget Position

- 6.5.6 The revised budget for the year of £455.152 million was supported by a budgeted use of General Fund balances of £15.766 million. The unaudited position shows that the Council drew £15.766 million from the General Fund balance to support the expenditure levels incurred during the year. The main area of spend that was funded from the use of the General Fund balance was the cost of exit costs relating to the voluntary severance and early retirement scheme, and amounted to £14.885 million.
- 6.5.7 Overall, in analysing the unaudited outturn position compared to budget significant elements that make up the movement have, to a large extent, been identified and explained throughout the year within the regular monitoring reports to the Finance and Resources Committee.
- 6.5.8 The monitoring of key areas has received a great deal of attention during the year, which has allowed accurate and timely reporting of variances. However, it would appear that the control arrangements that have been in place generally across the Council have resulted in a very favourable operating outcome.

- 6.5.9 It is important to recognise that the Council did have to draw upon one-off resources in order to achieve the overall outturn position. As such it means that the Council cannot relax in its approach to tackling the financial position, but it should be acknowledged that the indication is that costs can be controlled appropriately and as such this effort across the board needs to continue.
- 6.5.10 Within the overall movement there are a number of favourable and adverse movements and it is appropriate for Members to recognise the wide range of impacts there have been on the General Fund in arriving at the final outturn.
- 6.5.11 Reported throughout the year have been cost pressures resulting from the needs led nature of Social Work services as well as the cost of supporting children with special educational needs and the additional costs of dealing with the winter weather.
- 6.5.12 During the year the Council implemented the Equal Pay and Modernisation solution across its workforce while ongoing review and assessment of the outstanding liabilities arising from Equal Pay legislation have been quantified and provision made for future costs. A challenging economic climate and downturn in relation to some key income streams – sport centre income and planning / building control fees all added to the range of conditions that the Council had to overcome.
- 6.5.13 The Council has been advised that it will benefit from favourable circumstances such as reductions in the cost of Capital Financing Costs, arising from an opportunity to reschedule a loan and reduced capital expenditure, limited use of contingencies, and a favourable outcome being arrived at with HMRC in relation to an assessment of National Insurance Contributions due, as well as being able to draw upon other resources on a one-off basis.
- 6.5.14 From previous estimates, the Social Care and Wellbeing expenditure has reduced at year end by as much as £1.5 million, and as such has broadly spent in line with the budget that had been set.
- 6.5.15 Within the budget there had been a range of contingencies and an investment fund to allow specific change and project work to progress for the benefit of the Council. These budgets were utilised during the year however were not required to the same extent as had been predicted – contingencies being held until this point in case of unforeseen / unexpected cost pressures that arise in any of the Services. A value of £2.5 million that was not needed at the year end provides a welcome reduction in cost to the overall position for the Council.

6.5.16 The Council recognises within its budget that some items of expenditure that were initially thought to be of a Capital nature, upon closer examination, are not allowable within the scope of Capital. The consequence of this is that they are treated as Revenue items and at the start of the year approximately £1.5 million had been set aside to cover this year end analysis. In the end only £0.9 million was required providing a further favourable variance on the year end position of £0.6 million.

6.5.17 Expenditure that was incurred by the Council from earmarked sums, set aside from the General Fund Balance at the start and during the year, has allowed the Council to take action in the key area of workforce reduction and only as a result of having balances in reserve has this been possible. The extent of costs in 2009/10 has been in the region of £14.885 million, reflecting the full value of costs of a voluntary reduction in the workforce. Further costs are associated with this programme and further commitment is given to supporting this with additional sums being earmarked from the General Fund Balance as at the year end, and referred to in section 6.5.21 and 6.5.23.

6.5.18 The summary of the movement on the General Fund Revenue Balance between actual and budgeted expenditure can be analysed as follows:

<u>2009/10 General Fund Revenue Balance</u>	<u>£ million</u>	<u>£ million</u>
Budgeted Use of Balances		15.766
Movements: (favourable)/adverse		
- Staff savings through vacancies and management of staff resources in Corporate Governance	(2.000)	
- Additional cost of Legal Services and reduction of Income due to reduced conveyancing work	0.762	
- Reduced spend on Corporate Training Budgets	(0.360)	
- Waste management savings through lower tonnage figures	(2.300)	
- Supporting people cost pressures	1.200	
- Grounds Maintenance expenditure	1.100	
- Staff savings through vacancies and management of staff resources in Social Care and Wellbeing	(1.091)	
- Cost pressures in Adult community care services	3.461	
- Additional costs of Children care services	2.614	
- Savings across other commissioned services	(3.108)	
- Additional income in Social Care and Wellbeing	(0.682)	
- Reduced cost of Property Maintenance	(0.727)	
- Winter Maintenance	0.908	
- Other Roads / Lighting Works	(0.673)	
- Review of provisions for equal pay and modernisation	6.120	
- Provision for D.W.P. assessment of Housing Benefit / Council Tax Benefit Subsidy	0.974	
- Planning & Building Control fee income	0.653	
- Capital Financing Costs	(7.448)	
- Corporate Revenue Investment Fund and Contingencies	(2.679)	

- Revenue Costs charged to Capital – budget not required	(0.610)	
- Interest on Balances	(0.443)	
- Reduction of Surpluses from Trading Operations	2.258	
- Reversal of Provision for H.M.R.C. assessment on National Insurance	(1.062)	
- Review of Insurance Provisions and Funds	(0.969)	
- Review of General Revenue Grant carried forward and 2009/10 re-determined funding used by Services	(3.561)	
- Reduction in Council Tax / Community Charge Arrears collection	0.557	
- Various other net items	(2.035)	(9.141)
Sub-Total (Operational expenditure / (income) including use of General Fund balances in-year)		6.625
Less: Contributions from Other Sources:		
- Consent to Borrow	(4.508)	
- Reclamation of Value Added Tax (VAT)	(6.125)	(10.633)
Net operational contribution to General Fund balances		<u>(4,008)</u>

6.5.19 Taking all of these factors into consideration the net movement of £4.008 million has resulted in a balance, on the General Fund Reserve, of £29.568 million as at 31 March 2010.

6.5.20 This is prior to meeting a range of commitments as described and set out in sections 6.5.21 and 6.5.22.

Commitments and Earmarked Sums

6.5.21 A provision of £3.7 million is set aside for future liabilities attributable to schools and community education centres in respect of the Devolved Education Management (DEM) scheme. This figure, which is in effect a net carry forward of budget under or over spends by these establishments, is still undergoing a reconciliation and verification process with the heads of establishments. Any amendments to this will be reported at a future date.

6.5.22 It is also proposed to earmark a sum of £14.529 million to meet potential further costs, and unspent but expected commitments carried forward from 2009/10 as set out below:-

	£ million
Pension and Workforce Reduction Costs (pending)	1.500
Service Redesign Costs	8.900
Equal Pay and Modernisation	0.956
City Development Company & Business Improvement District	1.700
Ward Budgets – unspent at end of 2009/10	0.155
The Green - Townscape	0.507
Road Repairs	0.117
Energy Efficiency Fund	0.595
Queens Links Reinstatement Fund	0.099
	<u>14.529</u>

6.5.23 It is recommended that the above sums are earmarked for use in 2010/11 and future years. Deducting these commitments from the closing General Fund balance leaves a working (uncommitted) balance of £11.339 million.

6.5.24 This position will have to be monitored closely throughout the year and take into consideration past trends, any other identified exceptional items in 2009/10, and additional cost pressures during the year.

6.5.25 The overall value of working balances that has been approved by the Council as acceptable is between 2.5% and 3% of the annual net revenue budget. The closing working balance as at 31 March 2010 is at a level that is now within the approved level, representing 2.53% of the 2010/11 net revenue budget. This is extremely welcome and is the positive impact on the balances that the Council has been looking to achieve over the last two years.

6.6. Trading Operations

6.6.1 The Local Government in Scotland Act 2003 sets out a statutory duty for Councils to achieve Best Value. It also provides a strong link between the duty of Best Value, the delivery of services and the reporting of financial performance.

6.6.2 Councils are required, under paragraph 10 of the Act, to maintain statutory trading accounts for 'significant trading operations'.

6.6.3 The following services have been identified as significant trading operations, within the terms of the legislation, for the City Council, and there have been no changes to this classification of services during 2009/10: –

- Building Maintenance
- Environmental Services (inc. Street Cleansing & Refuse Collection)
- Road Maintenance
- Maintenance of Grounds
- Letting of Industrial, Commercial & other Properties
- Provision and Management of Car Parking Facilities

6.6.4 All the services achieved a surplus in 2009/10. Property Letting is the only service which failed to achieve the statutory target of a cumulative surplus on an aggregate rolling basis over the three year period from 1 April 2007.

- 6.6.5 The deficit in Property Letting is largely as a result of exceptional charges, totalling £10.244 million over the last three financial years. These changes are a result of a downward revaluation of specific individual investment portfolio properties and works depots as required under the Code of Practice on Local Authority Accounting in the UK 2009: A Statement of Recommended Practice (the SORP).
- 6.6.6 The other five significant trading operations successfully maintained surplus balances over that same three year period and met the legislative requirements that these operations break even, in aggregate, over a three year rolling period.
- 6.6.7 Detailed information on the performance of each of the above trading operations is included and published within the Trading Operations - Summary of Results of the Council's Draft Financial Statements.
- 6.6.8 The Council also maintains trading accounts for activities, which are not deemed to be "significant" in terms of legislation. For these non-significant trading operations there is no specific legislative target in respect their outturn position. However it should be noted that there is a significant cumulative deficit on the various activities, which comprise catering, building cleaning and vehicle repair and maintenance, with catering incurring a significant deficits of £1.701 million in 2009/10.
- 6.6.9 The deficit can be principally attributed to a decline in income from meals sales. As a result, a review was undertaken during the year which identified a number of key improvement areas for the service which are being taken forward by the Director of Enterprise, Planning and Infrastructure.

6.7. Housing Revenue Account

- 6.7.1 The Housing Revenue Account (HRA) has a surplus of £1.896 million in 2009/10.
- 6.7.2 There were a number of favourable and adverse movements which contribute to the reported position.
- 6.7.3 The contributing factors relate mainly to:-
- Savings in respect of capital financing costs reflects the reduced borrowing requirement in 2008/09 for the Housing Capital programme;
 - Higher than budgeted spending for utility costs primarily due to the adverse winter conditions experienced in 2009/10;
 - Lower than budgeted spending on former tenants arrears principally relates to a change of accounting treatment;

- Increased revenue contribution to capital funding of £2.112 million reflects the favourable position of the Housing Revenue Account to ensure debt is managed effectively.

6.7.4 These contributing factors are summarised below, comparing the most significant movements between the budgeted and the actual out-turn deficit:-

2009/10 Housing Revenue Account (HRA)

	<u>£ million</u>
Budgeted use of working balances 2009/10	0.000
Movements: (favourable)/adverse	
- Capital Financing Costs	(1.729)
- Housing Repairs & Maintenance	(0.839)
- Revenue Contribution to Capital Funding	2.112
- Utility Costs	0.606
- Maintenance of Grounds	(0.209)
- Council tax on void properties	(0.263)
- Legal costs	0.193
- Former Tenants Arrears	(1.247)
- Cleaning/Security of Multi Storey Blocks	(0.300)
- Miscellaneous, across various other areas	(0.220)
Net surplus/(deficit) 2009/10 (subject to audit)	<u>(1.896)</u>

6.7.5 The overall position on the HRA working balances can be summarised as follows:-

Housing Revenue Account Working Balances

	<u>£ million</u>
Balance as at 1 April 2010 (subject to audit)	8.387
<u>(Deduct)</u> : Earmarked Commitments 2010/11	
Repairs & maintenance commitments from 2009/10	(0.692)
Purchase of internal land/properties	(1.897)
Pension and Workforce Reduction Costs	(0.213)
Scottish Secure Tenancy	(0.250)
Projected Uncommitted Balances as at 31 March 2011	<u>5.335</u>

6.7.6 It is considered prudent to maintain working balances of at least £3.505 million.

6.8. Capital Expenditure

6.8.1 Capital expenditure is undertaken by the Council having regard to the Prudential Code for Finance in Local Authorities and considerations, in all years, of affordability and sustainability.

- 6.8.2 Total capital expenditure in 2009/10 was £105.472 million, of which £48.547 million was spent on the Housing (HRA) programme and £52.417 million on the Non-Housing programme. A further £4.508 million relates to Consent to Borrow granted during the year by the Scottish Government to fund specific costs in relation to Equal Pay (as described in detail in section 6.4 above).
- 6.8.3 The main service elements within the Non-Housing Capital programme comprise approximately £9.899 million on Education projects, £6.150 million on infrastructure improvements to Roads & Transportation, £4.613 million on Culture and Sports projects, £12.149 million on Office Accommodation projects with the remaining balance of £19.606 million being spent on various other capital projects.
- 6.8.4 Examples of some of the main projects undertaken in 2009/10 include work on Dyce Music School accommodation, 3R's schools equipment, including ICT equipment, Links Ice Arena, Aberdeen Sports Village, 'Ness' landfill site, crematorium cremator replacement and Marischal College. Specific housing related projects included Housing for Varying Needs, Extra Care Adaptation, and the modernisation programme. Further details of these and other main projects are provided at note 1(g) of the Notes to the Balance Sheet.
- 6.8.5 The majority of costs were funded from a combination of finance through net borrowing (£62.675 million), the proceeds from the sale of assets, and income from grants and contributions, with the remainder being contributions from the revenue accounts (£14.612 million).
- 6.8.6 It is worthy of note that in the Accounts for 2009/10 changes to accounting policy and practice have been incorporated to reflect the staged move to compliance with International Financial Reporting Standards. Accounting for PFI/PPP transactions and similar contracts are affected and for Aberdeen City Council this has been assessed as taking into account the 3R's 'Reorganise, Renovate, Rebuild' Aberdeen schools project.
- 6.8.7 While the basic funding is sourced from the private sector, the property will be substantially in the control of the Council throughout the life of the contract. As such the Council is viewing this as a Council asset and in compliance with accounting standards has taken the assets onto its Balance Sheet. The impact of this, for the schools that have become operational in 2009/10 is that fixed assets have increased by £94 million
- 6.8.8 A liability is also added to Balance Sheet in order to recognise the cost of acquiring the assets however this is not funded from Capital Expenditure instead it follows the PPP model whereby the Council pays a unitary charge to the operator for the buildings and services provided.

6.9. Common Good

- 6.9.1 At the end of the year the value of the Common Good stood at £63.477 million, a net increase of £4.572 million, compared to the prior year figure of £58.905 million.
- 6.9.2 This has principally arisen from two factors. These being
- an increase in the valuation of land and property assets of £4.799 million reflecting improved market conditions from the previous year;
 - a deficit on the Common Good income and expenditure account of £0.227 million.
- 6.9.3 During the year the Common Good incurred a deficit on its activities of £227,000. This is deterioration on the position that had been forecast and represents the finalisation of year-end transactions.
- 6.9.4 The budget set for the Common Good contains a mixture of recurring and non-recurring items of expenditure. The non-recurring items of expenditure during 2009/10 included expenditure of £151,000 in respect of the development of the Greenfern Masterplan. Overall there is approval to incur expenditure on this development site of £466,000, which is expected to be fully recoverable at a later date.
- 6.9.5 The financial performance when compared to budget shows overall an improved revenue position (£70,000), which reflects the impact of a number of items, the most significant being: -
- reduced costs within the civic administration unit;
 - lower than budgeted costs in respect of civic receptions resulting from a detailed examination and scrutiny of requests made; and
 - cancellation of the Energising Aberdeen music festival.
- 6.9.6 Continued support was given from the Common Good in 2009/10 to many projects, including the Christmas illuminations and festivities, funding of the International budget (Twinning links), plus various donations, grants and contributions, and civic hospitality.
- 6.9.7 At the end of the year the overall value of the Common Good was £63.477 million which includes investment (cash) balances of £6.059 million (net of creditors and debtors).
- 6.9.8 The Council has previously adopted an underlying principle that these balances should be maintained above a level based upon a calculation utilising the Consumer Price Index (CPI). As at 31 March 2010 the minimum recommended level of cash balances is £4.794 million. It is planned that the level of these cash balances will be regularly reviewed and reported to Committee.

6.9.9 Subject to the audit of the 2009/10 balances it is anticipated that the uncommitted investment or cash balances currently remaining as at 31 March 2010 will be £5.607 million as set out below based on the currently approved commitments and transfers in 2010/11.

Common Good - Cash Balances

	<u>£ million</u>	<u>£ million</u>
Cash Balance as at 31 March 2010 (subject to audit)		6.059
<i>Adjustments for:</i>		
<u>1. 2009/10 Budget items approved by Council 11 Feb 2010</u>		
Deficit after recurring items of expenditure/income	(0.247)	
Non-recurring items of expenditure	<u>(0.150)</u>	(0.397)
<u>2. Finance and Resources Committee 11 Mar 2010</u>		
Support for C.L.A.N.	<u>(0.055)</u>	<u>(0.055)</u>
Projected Uncommitted Balances as at 31 March 2011		<u>5.607</u>
Cash balance as required to maintain value at 31 March 2011		<u>4.794</u>

6.9.10 The cash balance required to maintain the value of the Common Good detailed above has been adjusted by £200,000 to reflect the value of capital receipts received during the year.

6.10. Draft Annual Accounts

6.10.1 Further information regarding the financial out-turn can be found in the explanatory foreword, which is particularly helpful in explaining the presentation of the accounts to reflect accounting standards in line with the generally accepted accounting practices across the United Kingdom (UKGAAP).

6.10.2 The core financial statements and associated notes, containing detailed information are disclosed throughout the document.

6.11. Inspection and Audit of Accounts

6.11.1 Following submission of the draft accounts, upon being so requested by Audit Scotland, a notice of inspection will be placed in the press giving at least 14 days' public notice of the commencement of the period during which the accounts and other documents will be available for public inspection. The accounts and other documents require to be made available for a period of not less than 15 full days during ordinary business hours.

6.11.2 It would be anticipated, at this stage and as in previous years, following the required timetable and notices that the draft accounts will be available for public inspection in late July/early August.

6.11.3 It should be noted that the unaudited accounts are prepared according to the requirements of the Code of Practice on Local Authority Accounting: A Statement of Recommended Practice (the SORP) and as a result are more complex and detailed than monitoring reports provided to Committee throughout the year.

6.11.4 A fuller analysis of the accounts will be presented to the Audit and Risk Committee and Council once the audit process has been completed, along with the external auditor's report. The audit process is scheduled for completion by 30 September 2010.

6.11.5 A fuller analysis of the outturn compared to budgeted figures will be presented to future meetings of the Service Committees and Finance and Resources Committee.

6.12. Summary

6.12.1 The final 'draft' out-turn in 2009/10 for the General Fund has improved because of reduced expenditure at year end, with the General Fund also receiving additional income and further sums were able to be drawn from other borrowing. The Housing Revenue Account increased balances and the Common Good had an increase in available resources, principally because of the rising asset valuations.

6.12.2 The 'draft' out-turn for 2009/10 along with commitments and recommended earmarked sums for 2010/11, against the balances, as at 31 March 2010 are as set out and summarised below:-

	General Fund £ million	Housing Revenue Account £ million	Common Good £ million
Balance as at 1 April 2009	25.560	6.491	
<u>Add/(Deduct):</u>			
Movement on Fund Balances 2009/10	4.008	1.896	
Balance as at 31 March 2010 (subject to audit)	29.568	8.387	6.059
<u>Deduct:</u>			
Commitments & ear-marked sums	(18.229)	(3.052)	(0.452)
Projected Working balances for 2010/11	11.339	5.335	5.607
Recommended balances	11.204	3.505	4.794
Notes	(1)	(2)	(3)

Notes

- (1) This is based on the range approved by the Council for uncommitted balances on the 2010/11 revenue budget of 2.5%. The approved range is 2.5% to 3%
- (2) It is considered prudent to have minimum balances of £3.505 million. The approved level is 5% of gross expenditure.
- (3) The Cash balance, as required to maintain its value using the Consumer Price Index (CPI) as previously adopted by Council is £4.794 million.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

Draft Financial Statements for Financial Year 2009/10;
Financial ledger data extracted for the period;
Redetermination letters received from the Scottish Government;
Previous reports to Finance and Resources Committee on General Fund
Financial Monitoring for 2009/10.