

## Period 9 Financial Statement 2011/12

3rd February 2011

### 1 Purpose of report

This report has been prepared in consultation with the Assessor and summarises the Revenue position for the period ending 31st December, 2011, together with projections of likely expenditure to the year end.

### 2 Main Report

#### Performance to 31st December 2011

2.1 The table below compares actual and budgeted expenditure for the nine month period to 31st December, 2011, together with a year-end projection to 31st March 2012.

|                        | Annual<br>Budget<br>£000 | --- nine months to 31.12.11 ---<br>Budget<br>£000 | Actual<br>£000 | Variance<br>£000 | %      | -- Projected to --<br>31.03.12<br>Outturn<br>£000 | £000  |
|------------------------|--------------------------|---|----------------|------------------|--------|---|-------|
| <b>Expenditure</b>     |                          |   |                |                  |        |   |       |
| Employee               | 4,563                    | 3,409   | 3,361          | (48)             | (1.4)  | 4,507   | (56)  |
| Property               | 615                      | 565   | 553            | (12)             | (2.1)  | 597   | (18)  |
| Supplies and Services  | 730                      | 507   | 479            | (28)             | (5.5)  | 688   | (42)  |
| Transport              | 133                      | 103   | 83             | (20)             | (19.4) | 107   | (26)  |
| Third Party Payments   | 80                       | 45  | 71             | 26               | 57.8   | 119   | 39    |
| Support Services       | 88                       | 8   | 8              | -                | -      | 78  | (10)  |
|                        | 6,209                    | 4,637   | 4,555          | (82)             | (1.8)  | 6,096   | (113) |
| <b>Income</b>          |                          |   |                |                  |        |   |       |
| Fees and Charges       | (43)                     | (31)  | (27)           | 4                | 12.9   | (30)  | 13    |
| Interest               | (3)                      | -   | -              | -                | -      | (3)   | -     |
| <b>Net Expenditure</b> | 6,163                    | 4,606   | 4,528          | (78)             | (1.7)  | 6,063   | (100) |

2.2 The performance at the nine month stage shows a net underspend of £78,000 and is 1.7% below the net approved budget. The main variances are as follows:

(a) **Employee Costs underspend £48,000**

This is due to an underspending on APT&C staff costs and has arisen primarily as a result of delayed and non filling of staff vacancies and the operation of flexible working options.

(b) **Property underspend £12,000**

This is due to an underspending on energy and cleaning costs.

- (c) **Supplies and Services underspend £28,000**  
This is mainly due to an underspending on postage costs.
- (d) **Transport underspend £20,000**  
The continuing review of work practices on external survey requirement and the economic downturn in the construction industry has resulted in lower business mileage claims.
- (e) **Third Party Payments overspend £26,000**  
This is due to the high number of revaluation appeals heard by the Valuation Appeals Committee.

### **Projections to Year End**

2.3 At this stage, the projected outturn indicates a potential net expenditure of £6,063,000 which results in a net underspend of £100,000. The principal reasons for the variance are as follows:

- (a) **Employee Cost underspend £56,000**  
This is due to delayed and non filling of staff vacancies, and the operation of flexible work options. At this stage it is not anticipated that the early release provisions approved by the Board will be used during 2011/12.
- (b) **Property underspend £18,000**  
This is mainly due to an underspending on insurance and energy costs.
- (c) **Supplies and Services underspend £42,000**  
This is mainly due to lower than anticipated postage costs and a lower level of legal fees.
- (d) **Transport underspend £26,000**  
As referred to above, the continuing review of work practices on external survey requirement has resulted in lower business mileage claims.
- (e) **Third Party Payments overspend £39,000**  
This is a result of a higher than anticipated activity of the Valuation Appeals Committee. This is due to the large volume of lodged revaluation appeals and the increasing number of material change of circumstances appeals received subsequently and the increasing complexity both in valuation and legal terms that these appeals present.

2.4 The projected underspend at Period 9 is £17,000 greater than that reported to the Board at its meeting on the 28th November, 2011. This is mainly due to greater projected savings on APTC employee costs £22,000 and legal fees £30,000. This has been offset by greater than expected pension strain costs totalling £36,000 in respect of retirements during the year.

2.5 Voluntary Early Release and Redundancy Schemes have been approved by the Board at its meeting on 4th February 2011. The Board also approved at its meeting on the 29th November 2010, a recommendation that the Assessor, in consultation with the Board's Convener and Treasurer, be authorised to approve costs arising from the acceptance of voluntary early release requests. It was also the decision of the Board that the Assessor seek approval from the Board before instigating the procedure for compulsory redundancies as indicated in the

Redundancy Policy. Any applications under these schemes will be evaluated on affordability and impact on service delivery.

- 2.6 In terms of Section 58 of the Local Government (Scotland) Act 1973, the Board has no specific power to retain reserves, however, unspent funding contributions from constituent councils can be carried forward as creditors to meet future funding commitments. In order to facilitate the introduction of early release measures, the Board, at its meeting in November 2010, approved a recommendation that the 2010/11 underspend, subject to consultation between the Assessor, Convener and Treasurer, be used to meet costs arising from early release measures. Accordingly, £228,000 has been set aside to meet potential future liabilities.
- 2.7 At this stage it is not anticipated that the early release provisions will be used during 2011/12, however, the Assessor, in consultation with the Board's Convener and Treasurer, continues to examine proposals to achieve sustainable budget savings and efficiencies through deployment of the Board's early release schemes. It is recommended that the 2010/11 underspend, as referred to in paragraph 2.6 above, together with any potential underspend for 2011/12 be carried forward to meet liabilities that may be incurred in 2012/13.

### **3 Conclusions**

- 3.1 At this stage, there is a projected net underspend of £100,000.
- 3.2 The Board has no power to establish a general reserve, however unspent funding contributions of £228,000 have been carried forward as a creditor to meet liabilities arising through the Board's early release measures.
- 3.3 Early release requirements will be reviewed during the year.

### **4 Recommendations**

The Board is recommended to

- (i) note the financial statement for the nine month period to 31st December, 2011, together with the year end projections;
- (ii) agree that the projected underspend for 2011/12 be used to meet costs arising from early release measures in terms of the Board's decision of November 2010.

**K. Kelly,  
Treasurer.**

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| <b>Appendices</b>        | None                            |
| <b>Contact/Tel:</b>      | Mr. I. Knowles: 0131 469 3173   |
| <b>Background Papers</b> | Held at the Office of Treasurer |