

**ANGUS COUNCIL**

**ANGUS COUNCIL – 16 JUNE 2016**

**2015/16 FINANCIAL OUTTURN AND DRAFT ACCOUNTS UPDATE**

**REPORT BY HEAD OF CORPORATE IMPROVEMENT AND FINANCE**

**ABSTRACT**

This report provides details of the unaudited financial outturn position on both a revenue and capital basis for 2015/16 for Angus Council and an update with regard to the preparation of the 2015/16 Annual Accounts.

**1. RECOMMENDATIONS**

1.1 It is recommended that the Council:-

- i Note the update with regard to the preparation of the 2015/16 Annual Accounts and that, in accordance with statutory requirements, they will be submitted to Audit Scotland by the 30 June 2016 deadline;
- ii Note that the Council's Annual Accounts will be published on-line at or around 30 June 2016 for members wishing to look at these and that copies of the draft accounts will also be placed in the Members Information Hub;
- iii Note the revenue budget performance and associated commentary as set out in Section 4 and Appendix B of this report;
- iv Note the capital budget performance and associated commentary as set out in Section 4 and Appendix D of this report;
- v Approve the end of year 100% budget carry forwards as set out in Section 4 (and Appendix C) of this report in accordance with the Council's budget carry forward scheme subject to none of these being affected by changes arising from the audit process.

**2. ALIGNMENT TO ANGUS COMMUNITY PLAN / SINGLE OUTCOME AGREEMENT**

2.1 This report contributes as a whole to the local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

**3. BACKGROUND**

3.1 The Council is required by law to prepare Annual Accounts which set out its financial position at the end of each financial year. These Accounts are prepared by the Head of Corporate Improvement and Finance and his team on a draft basis for submission to the Controller of Audit in order that they may scrutinise their accuracy and completeness. In preparing the draft Accounts the Council must comply with recognised accounting practice as it applies to local authorities. The Accounts represent the culmination of the year's financial transactions and are an essential means of demonstrating the proper stewardship of public funds as well as budget performance and financial control. The Council is legally obliged to complete the draft Accounts and submit them by 30 June to Audit Scotland to facilitate subsequent review by the appointed External Auditors.

3.2 Annual Accounts Process

Angus Council's 2015/16 Annual Accounts are prepared in accordance with the Code of Practice on Local Authority Accounting. The Code is based on International Financial Reporting Standards (IFRS). Notably the provision of IFRS compliant statements adds significant additional complexity and workload requirements to the annual accounts process and in turn

this has increased the pressures placed on Council officers to deliver the accounts within the prescribed timescales.

In light of this, Report 69/11 outlined that:-

- Draft accounts would not be formally submitted to the Council in June prior to their being forwarded to Audit Scotland by 30 June; but
- Copies of the draft accounts will be placed in the Members Information Hub and personal copies provided to any member wishing to receive one for their own interest;
- The draft annual accounts will be submitted to the first Scrutiny and Audit Committee following the recess at which the Head of Corporate Improvement and Finance will address any queries arising;
- A report detailing the Council's budget performance for the financial year would be submitted to the June full Council meeting.

3.3 This report therefore concentrates upon the financial outturn information arising from the draft Accounts to provide members with an appreciation of how the Council has performed in 2015/16.

3.4 The 2015/16 annual accounts are being prepared to be compliant with the Local Authority Accounting Code of Practice and are on schedule for submission to Audit Scotland by the 30 June 2016 deadline.

#### 4. CURRENT POSITION

##### 4.1 Background

The draft Accounts have been progressed to a point where the Comprehensive Income & Expenditure statement has been completed and, therefore, information can be provided as to the Council's financial outturn position for 2015/16.

##### 4.2 Overall General Fund Balance Position

The opening balance on the General Fund at 1 April 2015 was £23.626 million including £0.646 million attributable to Devolved School Management.

4.3 The budgeted position on the General Fund Balance for 2015/16 was a deficit of £1.569 million however, this position changed to a budgeted deficit of £9.659 million after adjusting for budget carry forwards and various other accounting requirements. These factors would have resulted in an estimated General Fund balance of £13.967 million at 31 March 2016.

4.4 The actual movement on the General Fund Balance for 2015/16 is an increase of £5.521 million in comparison to the decrease of £9.659 million highlighted above which has resulted in a balance of £29.147 million at 31 March 2016. The balance at 31 March 2016 therefore represents an overall favourable movement against budget of £15.180 million (£9.659 million+£5.521 million). Members will recall that some of this favourable movement had already been identified through the in-year budget monitoring activity which takes place and had accordingly been captured when the Council set its 2016/17 budget in February 2016.

4.5 Appendix A summarises the main components of the favourable movement on the General Fund Balance which consists of the following main items:-

**Table 1**

	<u>£ million</u>
Underspend on Directorate's budgets	11.344
Loan Charges – Underspend on Principal Repayments	2.895
Additional Council Tax income	1.122
Increased Surplus – Tayside Contracts	0.353
Other	(0.534)
<b>Total</b>	<b>15.180</b>

- 4.6 Overall Housing Revenue Account Balance Position  
The opening balance on the Housing Revenue Account at 1 April 2015 was £3.563 million.
- 4.7 The budgeted Housing Revenue Account position for 2015/16 was for breakeven position which would have resulted in an unchanged balance of £3.563 million at 31 March 2016.
- 4.8 The actual movement on the Housing Revenue Account for 2015/16 is an increase of £2.244 million which has resulted in a balance of £5.807 million at 31 March 2016. Further comment is given in Appendix B(ii).
- 4.9 Revenue Budget Versus Actual  
Appendix B (i) provides detail of the budget versus actual outturn for 2015/16 for each General Fund directorate. An indication of the 50% budget carry forward flexibility, subject to applicable ceilings, afforded to each directorate is also included within Appendix B (i). The actual amounts which directorates are permitted to carry forward from the financial year 2015/16 in terms of the 50% budget carry forward scheme will be detailed in the report accompanying the audited Accounts in November this year.
- 4.10 100% budget carry forwards  
Committee report 42/16 to Angus Council, in February 2016 approved utilising £3.552 million of the projected underspend at that time on 100% carry forward proposals on priority areas, subject to outturn positions. A further £0.259 million was approved under delegated authority by the Head of Corporate Improvement and Finance giving a total approved of £3.811 million.
- 4.11 Due to changes to the outturn positions in the intervening period requests have been received to increase the approved carry forward total of £3.811 million by £0.475 million to £4.286 million. Details of the changes are attached in Appendix C for members to consider.
- 4.12 Beyond the approved carry forwards, additional 100% carry forward requests from directorates have now been reviewed by officers and those recommended for approval (totalling £3.760 million) are also detailed in Appendix C. Additional requests under the delegated authority limit of £20k have been reviewed and £0.404 million has been approved.
- 4.13 Although this is a significant sum it largely represents unavoidable financial commitments which will arise during 2016/17 and provides all Directorates and the Chief Executive's Unit with flexibility in managing their budgets in an increasingly difficult financial environment.
- 4.14 The 100% carry forwards can be summarised as follows:-

<b>Corporate Carry Forwards</b>	<b>Approved (£m)</b>	<b>Revised (£m)</b>
1 <sup>st</sup> Tranche report 42/16	3.552	4.025
1 <sup>st</sup> Tranche under delegated authority	0.259	0.261
Final Tranche (this report)	-	3.760
Final Tranche under delegated authority	-	0.404
<b>Total</b>	<b>3.811</b>	<b>8.450</b>

- 4.15 It will be noted from Appendix B (i) that all Directorates and the Chief Executive's unit operated within their controllable budget, albeit there were in most instances over and under spends with regard to individual business units within directorates. Finance service contacts in conjunction with directorate support officers will be looking at the reasons for these overall variances in more detail in early course but some initial commentary is provided in Appendix B(ii) in respect of the General Fund and Housing Revenue Account.
- 4.16 Capital Budget Versus Actual  
Budget monitoring information on both General Fund and Housing capital expenditure is presented to relevant committees throughout the financial year so that the Council is aware of progress.
- 4.17 Table 2, below, sets out the year end position on the overall General Fund and Housing capital programmes for 2015/16 on a net basis (i.e. after the deduction of direct funding contributions).

Table 2 – Net Capital Expenditure 2015/16

Directorate / Division	2015/16 Actual Expenditure Net £m	2015/16 Monitoring Budget Net £m	(Over) / Under Spend £m	Percentage Spend Against Budget %
<u>General Fund</u>				
Chief Executive's	0.175	0.276	0.101	63.4%
Communities	17.957	22.320	4.363	80.5%
People	25.957	24.770	(1.187)	104.8%
Resources	0.181	0.400	0.219	45.3%
Total General Fund	44.270	47.766	3.496	92.7%
Communities – Housing	7.540	7.216	(0.324)	104.5%
Total Net Capital Expenditure	51.810	54.982	3.172	94.2%

- 4.18 Table 3, below, details how the actual net expenditure of £51.810 million has been funded and compares this with the funding anticipated when the monitoring budget was set:

Table 3 – Capital Funding 2015/16

Funding Source	General Fund £m	Housing £m	Total £m	Monitoring Budget £m	Variance £m
Borrowing	17.945	0.000	17.945	20.035	2.090
General Capital Grant	22.320	0.000	22.320	22.219	(0.101)
Corporate Capital Receipts	0.237	1.566	1.803	0.500	(1.303)
Revenue Budget	3.768	5.974	9.742	12.228	2.486
Total Funding	44.270	7.540	51.810	54.982	3.172

- 4.19 Appendix D to this report provides a brief commentary on the capital budget performance of council directorates during the year. The Capital Projects Monitoring Group will be reviewing the year end position in more detail.

4.20 Reserves

The main usable reserves and their balance at 31 March 2016 are shown below together with the equivalent balances at 31 March 2015:-

<u>Table 4</u>	Balance As At 31/3/16 £m	Balance As At 31/3/15 £m	Movement £m
General Fund	29.1	23.6	5.5
Housing Revenue Account	5.8	3.6	2.2
Capital Fund	2.8	0.9	1.9
Renewal and Repairs Fund	3.1	3.1	0.0
Insurance Fund	1.1	0.8	0.3
Usable Capital Receipts	0.3	0.0	0.3
New Unapplied Grants	0.2	0.2	0.0
Other Reserves	<u>0.6</u>	<u>0.6</u>	<u>0.0</u>
<b>Total</b>	<b>43.0</b>	<b>32.8</b>	<b>10.2</b>

- 4.21 The 31 March 2016 General Fund balance includes £0.8 million of resources earmarked under the Devolved School Management (DSM) scheme which are sums specifically ring-fenced for use by the Council's schools. Excluding these the total balance is £28.3 million, of which £27.4 million is committed or earmarked as follows:-

<u>Table 5</u>	<u>£m</u>
----------------	-----------

Working Balance/Contingency (per existing policy)	4.0
2016/17 Budget Setting	1.2
Earmarked monies (including Earmarked Grants, Re-determinations & Prior Year carry forwards)	5.2
Long Term Affordability Report (64/16) – Principal Repayments	2.9
Amounts eligible under 50% Revenue Budget carry-forward scheme (subject to final determination)	0.5
Proposed 100% Revenue Budget Carry Forwards	8.5
Transforming Angus Fund (committee report 83/14 refers)	2.1
Affordable Housing	3.0
<b>Total Committed Within General Fund Balances</b>	<b>27.4</b>

- 4.22 This leaves an uncommitted or un-earmarked balance of £0.9 million and the future use of this sum will require to be considered as part of the ongoing delivery of the 2016/17 budget and the development of the budget strategy for 2017/18 and beyond.
- 4.23 The Housing Revenue Account balance of £5.8 million is, as anticipated, above the policy level of £1.0 million. The balance will be taken into account in the ongoing commitment to: deliver new build and affordable housing; maintain the Scottish Housing Quality Standard; and as part of the budget strategy for 2017/18 and beyond.
- 4.24 The Capital Fund balance (£2.8 million) relates to funding decisions within the Financial Plan and is almost wholly committed, while the Renewal and Repairs Fund balance (£3.1 million) provides resources to assist the Council to respond to requirements to keep its property, roads, play parks, cemeteries and IT assets properly maintained. The balance on the Insurance Fund (£1.1 million) will be reviewed in the context of potential liabilities. The Other Reserves (£0.6 million) include the Arbroath Harbour and Car Parking Reserves.
- 4.25 Following finalisation of the Accounts they will be submitted to Audit Scotland for auditing. They will also be advertised for public inspection affording opportunity for members of the public to examine the accounts and raise matters with the external auditors. The Accounts will also be submitted to the Scrutiny & Audit Committee for detailed review.

## 5. FINANCIAL IMPLICATIONS

- 5.1 The Annual Accounts for 2015/16 have been concluded to a stage sufficient to allow revenue outturn information to be prepared and commented upon as detailed in this report. In summary the Council delivered a revenue underspend on General Fund Services of £15.180 million and £2.244 million on Housing Revenue Account Services.
- 5.2 Net capital expenditure of £44.270 million (General Fund) and £7.540 million (Housing) has been incurred in 2015/16. This is some £3.496 million below and £0.324 million above the respective net budgeted positions of £47.766 million and £7.216 million.
- 5.3 Overall the Council's reserves showed an increase of £10.2 million but most of that increase is committed for future use.
- 5.4 The draft Annual Accounts will be submitted to Audit Scotland for 30 June 2016 and thereafter considered by the Scrutiny & Audit Committee at their first meeting after the summer recess.

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

**REPORT AUTHOR: GILLIAN WOODCOCK**  
**EMAIL DETAILS: FINANCE@angus.gov.uk**

Appendix A – Draft Summary Outturn (Main Variances)  
Appendix B (i) & (ii) – Revenue Budget Performance  
Appendix C – Carry Forwards  
Appendix D – Capital Budget Performance