

ANGUS COUNCIL

ANGUS COUNCIL – 14 JUNE 2018

2017/18 FINANCIAL OUTTURN AND DRAFT ACCOUNTS UPDATE

REPORT BY HEAD OF FINANCE & LEGAL

ABSTRACT

This report provides details of the unaudited financial outturn position on both a revenue and capital basis for 2017/18 for Angus Council and an update with regard to the preparation of the 2017/18 Annual Accounts.

1. RECOMMENDATIONS

1.1 It is recommended that the Council:-

- i Note the update with regard to the preparation of the 2017/18 Annual Accounts and that, in accordance with statutory requirements, they will be submitted to Audit Scotland by the 30 June 2018 deadline;
- ii Note that the Council's Annual Accounts will be published on the council's website on or around 30 June 2018.
- iii Note the revenue budget performance and associated commentary as set out in Section 4 and Appendix A & 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 Council Plan / Local Outcome Improvement Plan.

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 Finance & Legal and his team on a draft basis for submission to the Controller of Audit in order that they may scrutinise their accuracy and completeness. 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.

3.2 The information presented in this report is based on the management structure and Directorate and Service names which applied during the 2017/18 financial year.

3.3 Annual Accounts Process

Preparation of the Council's 2017/18 Accounts is nearing completion and are on schedule to meet the statutory submission deadline (30 June). These draft accounts will be published on the Council's website at the end of June, made available for public inspection and will be submitted to the August meeting of the Scrutiny & Audit Committee.

3.4 This report summarises in a simpler format than the formal Accounts how the Council has performed financially in 2017/18 by comparing budget and actual expenditure and income.

4. BUDGET PERFORMANCE

4.1 Background

This report looks at budget performance on revenue (running costs) and capital (investment in assets) for both the Housing Service and the General Fund (which covers all other services provided by the Council).

4.2 Revenue Budget Performance - General Fund Services

When the Council set its 2017/18 Revenue Budget it planned to fund £2.102 million of costs from Reserves, in other words it budgeted for a deficit of £2.102 million. For accounting purposes and to reflect the fact that Services can carry forward some unspent budget from previous years this budgeted deficit has subsequently been revised to £12.003 million.

4.3 The actual year end position shows a surplus of £1.125 million which compared to the budgeted deficit means the Council is £13.128 million better off than it had budgeted to be. A significant part of this favourable position relative to budget had already been identified through the in-year budget monitoring activity which takes place and had accordingly been captured when the Council set its 2018/19 budget in February 2018

4.4 There are a number of reasons why the actual position is better than had been budgeted for and these summarised in Table 1 below

Table 1 – General Fund Movement

	£m
Net Expenditure lower than budget - Directorate budgets	10.312
Net Expenditure lower than budget - Loan Charges	2.103
Additional Council Tax Income	0.986
Additional Council Tax Reduction Scheme Grant	1.017
Transfer of Affordable Housing Monies to Housing Account	(0.600)
Transfer of 16/17 Angus IJB underspend to Creditors	(0.582)
All other Items (Net effect)	(0.108)
Total	13.128

4.5 Of the total favourable variance shown in Table 1 some £8.7 million was anticipated and taken into account when setting the 2018/19 and beyond revenue and capital budgets.

4.6 Revenue Budget Versus Actual – Directorate Budgets

Appendix A attached provides a Directorate breakdown of the position shown in Table 1. Appendix B provides a short commentary on all of the main variances in Table 1. Appendix B is in 2 parts. Part 1 explains variances between budget and actual for the year and part 2 explains the main variances between the actual position and the last projected position through the Council's internal budget monitoring process.

4.7 It will be noted from Appendix A that all Directorates and the Chief Executive's unit operated within their controllable budget in 2017/18. Budget holders supported by Finance Services staff will undertake a detailed review of the variances compared to budget and assess whether adjustments are required to 2018/19 or 2019/20 budgets based on the 2017/18 experience.

4.8 100% budget carry forwards

A key part of the Council's financial management arrangements is to provide budget flexibility across financial years and this allows services to carry forward resources for specific purposes. Committee report 50/18 to Angus Council, in February 2018 approved utilising £0.279 million of the projected underspend at that time on 100% carry forward proposals on priority areas.

4.9 Beyond the approved carry forwards, additional 100% carry forward requests from directorates have been identified and those recommended for approval (totalling £1.110 million) are shown in Appendix C. These carry forwards are all for essential works and projects. Although this is a significant sum it represents unavoidable financial commitments which will arise during 2018/19 and provides all Directorates and the Chief Executive's Unit with flexibility in managing their budgets in an increasingly difficult financial environment.

4.10 Revenue Budget Performance - Housing Revenue Account (HRA)

When the Council set its 2017/18 Revenue Budget for Housing it planned for a breakeven position which meant no contribution to or from Reserves was planned.

4.11 The actual year end position shows a surplus of £1.261 million and the reasons for this improved position are given in Appendix B. All of this surplus along with some existing HRA Reserves have been applied to part fund the capital programme (£0.533 million) and to make a special repayment of debt (£1.359 million). The net effect of these various transactions is to leave the HRA Reserve with a balance of £4.291 million at 31 March 2018.

4.12 Capital Budget Performance – General Fund & Housing

The Council's capital budget for 2017/18 was set in February 2017 but subsequently adjusted in September 2017 to take into account actual spend achieved at the end of the 2016/17 financial year.

4.13 Table 2, below, shows the budgeted and actual expenditure on the General Fund and Housing capital programmes for 2017/18 on a net basis (i.e. after the deduction of direct funding contributions).

Table 2 – Net Capital Expenditure 2017/18

Directorate / Division	2017/18 Monitoring Budget Net £m	2017/18 Actual Expenditure Net £m	Under / (Over) Spend £m	Percentage Spend Against Budget
<u>General Fund</u>				
Chief Executive's Place	2.429	2.603	(0.174)	107.2%
People Adult Services (IJB)	16.827	12.994	3.833	77.2%
	2.172	2.091	0.081	96.3%
	0.260	0.165	0.095	63.5%
Total General Fund	21.688	17.853	3.835	82.3%
Communities – Housing	11.875	11.057	0.818	93.1%
Total Net Capital Expenditure	33.563	28.910	4.653	86.1%

4.14 Table 3, below, details how the actual net expenditure of £28.910 million has been funded and compares this with the funding anticipated when the monitoring budget was set:

Table 3 – Capital Funding 2017/18

Funding Source	Monitoring Budget £m	General Fund £m	Housing £m	Total £m	Variance £m
Borrowing	7.125	5.967	-	5.967	1.158
General Capital Grant	11.758	11.846	-	11.846	(0.088)
Corporate / HRA Receipts	2.760	0.040	2.260	2.300	0.460
Corporate / HRA Revenue	10.069	-	7.764	7.764	2.305
Housing Reserves	1.851	-	1.033	1.033	0.818
Total Funding	33.563	17.853	11.057	28.910	4.653

4.15 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 has reviewed the year end position in more detail at its meeting on 7 June 2018.

4.16 In summary the Council spent £4.653 million less on capital projects than budgeted for and this has meant a lower requirement for borrowing and use of other funding sources. In the main this underspend against the original budget is because of project delays and therefore represents a delay in spending the budget rather than a reduction in the spend required.

5. COUNCIL RESERVES

5.1 The Council holds a number of Reserves and those which are classified as “Usable Reserves” for accounting purposes can be used to support service expenditure. All of the transactions on the General Fund and Housing revenue and capital budgets in 2017/18 affect the Council’s reserves as does expenditure met directly from Reserves such as the Renewal and Repairs Fund.

5.2 Based on all of the transactions for the 2017/18 financial year the main usable reserves and their balance at 31 March 2018 are shown below together with the equivalent balances at 31 March 2017:-

Table 4 – Usable Reserves

	Balance As At 31/3/18 £m	Balance As At 31/3/17 £m	Movement £m
General Fund	26.788	25.663	1.125
Housing Revenue Account	4.291	4.922	(0.631)
Capital Fund	2.206	1.812	0.394
Renewal and Repairs Fund	2.903	3.976	(1.073)
Insurance Fund	1.397	1.281	0.116
Usable Capital Receipts	1.424	2.356	(0.932)
New Unapplied Grants	0.805	0.199	0.606
Other Reserves	<u>0.593</u>	<u>0.602</u>	<u>(0.009)</u>
Total	<u>40.407</u>	<u>40.811</u>	<u>(0.404)</u>

5.3 Overall the Council’s Reserves have reduced by £404,000 in the year ending 31 March 2018. This is however a much lower reduction than expected for the reasons given in Section 4 of this report.

5.4 General Fund Reserve

The main Reserve held by the Council is the General Fund Reserve the opening balance on which at 1 April 2017 was £25.663 million including £0.641 million held on behalf of schools under the Devolved School Management scheme. At 31 March 2018 this Reserve stands at £26.788 million of which £0.824 million is earmarked under the DSM scheme. Excluding these the total balance available for other purposes is £25.694 million.

5.5 A significant part of the General Fund Reserve is committed or earmarked as follows:-

Table 5 – General Fund Commitments

	£m
Working Balance/Contingency (per existing policy)	4.000
Applied in 2018/19 Budget Setting	5.235
Earmarked monies (including Earmarked Grants, Re-determinations & Prior Year carry forwards) which will be used in 2018/19 and future years	6.129
Proposed 100% Revenue Budget Carry Forwards	1.389
Transforming Angus Fund (committee report 83/14 refers)	1.477
Adult Services Underspend (earmarked for Angus IJB use)	0.380
Affordable Housing Revenue Account	2.424
Total Committed Within General Fund Reserve	21.034

5.6 This leaves an uncommitted or un-earmarked balance of £4.930 million at 31 March 2018. The future use of this sum will be considered as part of the ongoing delivery of the 2018/19 budget and the development of the budget strategy for 2019/20 and beyond.

5.7 The Housing Revenue Account Reserve

The balance on this Reserve of £4.291 million is, as anticipated, above the policy level of £1.0 million and this 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 2019/20 and beyond.

5.8 Other Reserves

The Capital Fund balance (£2.206 million) relates to funding decisions within the Financial Plan and is largely committed, while the Renewal and Repairs Fund balance (£2.903 million) provides resources to assist the Council to respond to requirements to keep its property, roads, play parks, cemeteries and IT assets properly maintained. Most of this sum is also committed. The balance on the Insurance Fund (£1.397 million) will be reviewed in the context of potential liabilities. The Other Reserves (£0.593 million) include the Arbroath Harbour and Car Parking Reserves and also have commitments against them. The balances on all of these Reserves were reviewed when the Council set its 2018/19 budgets in February 2018 and they will be reviewed again in setting the 2019/20 budgets.

6. FINANCIAL IMPLICATIONS

- 6.1 The Annual Accounts for 2017/18 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 General Fund Revenue Budget had a favourable performance relative to budget of £13.128 million.
- 6.2 Net capital expenditure of £17.853 million (General Fund) and £11.057 million (Housing) has been incurred in 2017/18. This is some £3.835 million below and £0.818 million below the respective net budgeted positions of £21.688 million and £11.875 million.
- 6.3 Overall the Council's reserves are showing a decrease of £0.404 million.

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 – Revenue Budget Performance Commentary
Appendix C – Proposed Carry Forwards
Appendix D – Capital Budget Performance