

ANGUS COUNCIL

ANGUS COUNCIL – 18 JUNE 2015

2014/15 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 2014/15 for Angus Council and an update with regard to the preparation of the 2014/15 Accounting Statements.

1. RECOMMENDATIONS

1.1 It is recommended that the Council:-

- i Note the update with regard to the preparation of the 2014/15 Accounting Statements and that, in accordance with statutory requirements, they will be submitted to Audit Scotland by the 30 June 2015 deadline;
- ii Note that the Council's Accounting Statements will be published on-line at or around 30 June 2015 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 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 a set of Accounting Statements (the 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.

Final Accounts Process

Angus Council's 2014/15 final accounts statements 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 final accounts process and in turn this has increased the pressures placed on Council officers to deliver accounting statements 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.

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 2014/15.

The 2014/15 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 2015 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 2014/15.

Overall General Fund Balance Position

The opening balance on the General Fund at 1 April 2014 was £19.267 million including £0.479 million attributable to Devolved School Management.

The budgeted position on the General Fund Balance for 2014/15 was a breakeven position, however, this position changed to a budgeted deficit of £7.326 million after adjusting for budget carry forwards and various other accounting requirements. These factors would have resulted in an estimated General Fund balance of £11.941 million at 31 March 2015.

The actual movement on the General Fund Balance for 2014/15 is an increase of £4.359 million in comparison to the decrease of £7.326 million highlighted above which has resulted in a balance of £23.626 million at 31 March 2015. The balance at 31 March 2015 therefore represents an overall favourable movement against budget of £11.685 million (£7.326 million+£4.359 million). Members will recall that most 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 2015/16 budget in February 2015.

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>
Underspends on Directorate's budgets	7.918
Loan Charges – Underspend on Principal Repayments	3.067
Additional Council Tax income	0.929
Additional Council Tax income for Affordable Housing	0.399
Affordable Housing Expenditure	(0.222)
Other	(0.406)
Total	11.685

Overall Housing Revenue Account Balance Position

The opening balance on the Housing Revenue Account at 1 April 2014 was £3.181 million.

The budgeted Housing Revenue Account position for 2014/15 was breakeven which would have resulted in an unchanged balance of £3.181 million at 31 March 2015.

The actual movement on the Housing Revenue Account for 2014/15 is an increase of £0.382 million which has resulted in a balance of £3.563 million at 31 March 2015. Further comment is given in Appendix B(ii).

Revenue Budget Versus Actual

Appendix B (i) provides detail of the budget versus actual outturn for 2014/15 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 2014/15 in terms of the 50% budget carry forward scheme will be detailed in the report accompanying the audited Accounts in November this year.

100 % budget carry forwards

Committee report 504/14 to Angus Council, in December 2015 approved utilising £1.653 million of the projected underspend on service proposals on priority areas, £0.219 million of virements for reinvestment spend in 2014/15 and £1.434 million on 100% carry forward proposals, subject to outturn positions.

Committee report 46/15 to Policy and Resources, in February 2015 approved utilising another £0.989 million of the projected underspend on service proposals on priority areas, £0.056 million of virements for reinvestment spend in 2014/15 and £0.933 million on 100% carry forward proposals, subject to outturn positions.

Due to changes to the outturn positions in the intervening period requests have been received to increase the approved carry forward total of £2.367 million by £0.368 million to £2.735 million. (£0.328 million in respect of Tranche 1 and £0.040 million in respect of Tranche 2). Details of the changes are attached in Appendix C for members to consider.

Beyond the approved carry forwards, additional 100% carry forward requests from directorates (revenue budget and transfers to special funds) have now been reviewed by the Head of Corporate Improvement and Finance and those recommended for approval (totalling £2.194 million) are detailed in the attached Appendix C. In addition 100% carry forward requests have been received for Corporate Spend to Save Proposals and £0.350 million is recommended for approval. If approved this increases the total 100% carry forward (including those previously approved) to £5.279 million. Although this is a significant sum it largely represents unavoidable financial commitments which will arise during 2015/16 and provides all Directorates and the Chief Executive's Unit with flexibility in managing their budgets in an increasingly difficult financial environment.

The 100% carry forwards can be summarised as follows:-

Carry Forward	Approved (£m)	Revised (£m)
Corporate carry forwards -1 st Tranche (report 504/14)	1.434	1.762
Corporate carry forwards – 2 nd Tranche (report 46/15)	0.933	0.973
Corporate carry forwards – 3rd Tranche (this report)	-	2.194
Corporate Spend to Save Proposals	-	0.350
Total	2.367	5.279

It will be noted that all Directorates and the Chief Executive's unit operated within their controllable budget, after allowing for 100% budget carry forwards totalling £5.279 million, 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.

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.

Table 2, below, sets out the year end position on the overall General Fund and Housing capital programmes for 2014/15 on a net basis (i.e. after the deduction of direct funding contributions).

Table 2 – Net Capital Expenditure 2014/15

Directorate / Division	2014/15 Actual Expenditure Net £m	2014/15 Monitoring Budget Net £m	Over / (Under) Spend £m	Percentage Spend Against Budget %
<u>General Fund</u>				
Chief Executive's	0.110	0.174	(0.064)	63.2%
Communities	14.378	16.720	(2.342)	86.0%
People	11.996	18.589	(6.593)	64.5%
Resources	0.017	0.017	0.000	100.0%
Total General Fund	26.501	35.500	(8.999)	74.7%
Communities – Housing	11.125	11.849	(0.724)	93.9%
Total Net Capital Expenditure	37.626	47.349	(9.723)	79.5%

Table 3, below, details how the actual net expenditure of £37.626 million has been funded and compares this with the funding anticipated when the monitoring budget was set:

Table 3 – Capital Funding 2014/15

Funding Source	General Fund £m	Housing £m	Total £m	Monitoring Budget £m	Variance £m
Borrowing	5.879	2.047	7.926	21.682	(13.756)
General Capital Grant	16.705	0.000	16.705	14.978	1.727
Corporate Capital Receipts	1.151	1.363	2.514	1.750	0.764
Revenue Budget	2.766	7.715	10.481	8.939	1.542
Total Funding	26.501	11.125	37.626	47.349	(9.723)

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.

Reserves

The main usable reserves and their balance at 31 March 2015 are shown below together with the equivalent balances at 31 March 2014:-

Table 4	Balance As At 31/3/15 £m	Balance As At 31/3/14 £m	Movement £m
General Fund	23.6	19.3	4.3
Housing Revenue Account	3.6	3.2	0.4
Capital Fund	0.9	0.4	0.5
Renewal and Repairs Fund	3.1	3.9	(0.8)
Insurance Fund	0.8	0.5	0.3
Usable Capital Receipts	0.0	0.0	0.0
New Unapplied Grants	0.2	0.0	0.2
Other Reserves	0.6	0.6	0.0
Total	32.8	27.9	4.9

The 31 March 2015 General Fund balance includes £0.6 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 £23.0 million, of which £21.9 million is committed or earmarked as follows:-

Table 5	£m
Working Balance/Contingency (per existing policy)	4.0
2015/16 Budget Setting	1.6
Earmarked monies (including Earmarked Grants, Re-determinations & Prior Year carry forwards)	4.0
Long Term Affordability Report (63/15) – Principal Repayments	3.1
Amounts eligible under 50% Revenue Budget carry-forward scheme (subject to final determination)	0.3
Proposed 100% Revenue Budget Carry Forward	5.3
Transforming Angus Fund (committee report 83/14 refers)	1.9
Affordable Housing	1.7
Total Committed Within General Fund Balances	21.9

This leaves an uncommitted or un-earmarked balance of £1.1 million and the future use of this sum will require to be considered as part of the ongoing delivery of the 2015/16 budget and the development of the budget strategy for 2016/17 and beyond.

The Housing Revenue Account balance of £3.6 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; achieve and maintain the Scottish Housing Quality Standard; and as part of the budget strategy for 2016/17 and beyond.

The Capital Fund balance (£0.9 million) relates to funding decisions within the Financial Plan, 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 (£0.8 million) will be reviewed in the context of potential liabilities. The Other Reserves (£0.6 million) include the Arbroath Harbour and Car Parking Reserves.

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 Accounts for 2014/15 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 £11.685 million and £0.382 million on Housing Revenue Account Services.

Net capital expenditure of £26.501 million (General Fund) and £11.125 million (Housing) has been incurred in 2014/15. This is some £8.999 million and £0.724 million below the respective net budgeted positions of £35.500 million and £11.849 million.

Overall the Council's reserves showed an increase (£4.9 million). The Renewal and Repairs has reduced but this has been offset by increases in the General Fund, HRA, Insurance Fund and Capital Fund.

The draft Accounts will be submitted to Audit Scotland for 30 June 2015 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