

1. Financial Results

The annual accounts report the financial performance of the Council and their purpose is to demonstrate that the council has used its public funds to deliver on the Council's vision and strategic objectives. The requirements governing the format and content of the Council's Annual Accounts are contained in the [Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 \(the 2017 code\)](#). The 2017/18 Annual Accounts have been prepared in accordance with this Code. A simplified summary of the Council's financial performance for 2017/18 is also available in Report [190/18](#) and its appendices. Some minor adjustments to the figures have arisen since that report was prepared.

The Accounting Code of Practice sets the format and content of local authority annual accounts and requires a set of accounting statement to be prepared which sets out the position at each financial year end. These accounts are prepared by the Head of Finance & Legal for submission to the Controller of Audit so that they may scrutinise their accuracy and completeness. The accounts present the council's financial transactions for the year and show that there has been a proper use public funds as mentioned above.

The Accounting statements comprise of

- A movement in reserves Statement
- A comprehensive income and expenditure Statement
- A balance sheet
- A cash flow statement
- A variety of Accounting Notes which include a summary of significant accounting policies, analysis of significant figures within the accounting statements and other explanatory information

1.1. What Revenue and Capital Expenditure Covers

Revenue expenditure covers all the costs of running and operating council services in any one year while capital expenditure represents money spent by the Council for buying, upgrading or improving assets such as buildings and roads.

The difference between capital and revenue expenditure is that the Council receives the benefit from capital expenditure over more than one year.

1.2. Revenue Outturn Position

The Comprehensive Income and Expenditure Statement below sets out the cost of running Angus Council Services (including Council Housing) over the financial year from 1 April 2017 to 31 March 2018.

Fig.2 Comprehensive Income and Expenditure Statement

	Net Spend £m	Net Budget £m	Variance £m
Chief Executives	6.877	7.779	0.902
Children & Learning	137.640	141.124	3.484
Adult Services	45.982	45.982	0

Place	59.613	60.010	0.397
Other Services	4.219	8.783	4.564
Joint Boards	0.692	0.736	0.044
General Fund Net Expenditure	255,023	264,414	9.391

This shows that across all **general fund net expenditure** budgets there was a favourable variance against to the original budget of just over £9 million. This represents known and planned actions during 2017/18 as part of the Council's proactive financial management arrangements.

In broad terms, variances within Directorate revenue budgets arose due to the following main reasons:-

- Savings in staff costs (£4.5 million) – services have delayed recruitment to posts due to pending reviews and change programme savings requirements. Difficulties in recruitment causing delays have also been a factor
- Lower spend by schools on DSM budgets and lower than expected property and school transport costs (£1.5 million)
- Overspends in costs impacted by weather e.g. roads winter maintenance, energy costs, etc. which naturally vary and are therefore difficult to predict from year to year
- Slippage in projects and works – underspends against budgets in these areas arise for a variety of reasons. However, delays in recruitment meaning that there have been insufficient staff to progress projects in line with original timelines is a likely factor
- Additional one-off receipt from the Residual Waste Management Contract (£2.8 million)

The savings on Directorate budgets for 2017/18 particularly in areas like staff costs also need to be viewed in the context of the further savings which have now been removed from Directorate budgets in 2018/19. A total of £7m of savings were implemented when the 2018/19 budget was set in February 2018.

1.3. Capital Outturn Position

Angus Council spent £35.834m during the year on various capital expenditure projects which is detailed in note 35 to the accounts. On a net basis (i.e. after accounting for dedicated capital receipts, grants and contributions), spend during 2017/18 was £28.910m.

The General Fund capital programme reported gross expenditure of £23.071m against a full year budget of £30.655m, representing slippage of £7.584m. This slippage arose mainly within Children & Learning (£4.498m) and Regulatory & Protective Services (£1.541m) due to:

- a change in the presentation / accounting treatment on the Arbroath Schools Project (Phases 2 & 3a) from capital to revenue funded;
- consideration of scope of restoration works required at Restenneth Landfill Site;
- deferral of spend associated with zero waste implementation following Council agreement to postpone decision on recycling centre provision.

The most significant areas of General Fund capital expenditure (on a gross basis) undertaken during the year included:

- £1.4m on Montrose South Regeneration (Economic Development)
- £0.9m on agile office facilities and rationalisation of Council buildings (Strategic Policy, Transformation & Public Sector Reform)
- £1.4m on the provision of waste related services
- £2.3m on the maintenance and upkeep of the council's buildings and property
- £9.0m on infrastructure works to roads, footpaths, bridges, etc.
- £1.2m on flooding / coastal protection related works
- £1.5m on the provision of new primary schools in Arbroath

2. Housing Revenue Account (HRA) Revenue and Capital Outturns

Angus Council owns 7,621 properties for which it charges rent. All expenditure associated with these houses must be funded from the rental income generated. Any surplus or deficit at the end of the year is transferred into or out of the Housing Revenue Account (HRA) balances. For 2017/18, the transfer of a net deficit of £0.637m resulted in HRA balances of £4.285m.

The Housing Capital Programme reported expenditure of £12.763m, representing slippage of £1.021m against a budget of £13.784m.

Slippage arose within the programmes for: heating installations / replacements (£0.113 million); window replacements (£0.290 million); bathroom replacements (£0.479 million); and garage improvements (£0.299 million).

The most significant areas of HRA capital expenditure (on a gross basis) undertaken during the year included:

- £7.2m on new council housing provision
- £1.6m on heating installations / replacements
- £1.8m on energy saving measures
- £0.8m on kitchen replacements

9. Usable Council Reserves

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. The Movement in Reserves Statement shows the balance on the Council's Usable Reserves.

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.

Fig. 3 Usable Reserves

	Balance As At 31/3/18 £m	Balance As At 31/3/17 £m	Movement £m
General Fund	26.601	25.663	0.938
Housing Revenue Account	4.285	4.922	(0.637)
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>40.214</u>	<u>40.811</u>	<u>(0.597)</u>

The General Fund balance is split between uncommitted balances (the level of funding available to Angus Council to manage financial risks and unplanned expenditure) and balances which have been committed for specific purposes.

The committed General Fund balance is £24.244m as of 31 March 2018, and includes £0.824m held on behalf of Angus schools under the Devolved School Management (DSM) Scheme which leaves £23.420m, committed as follows:

Fig. 4 Committed General Fund Balances

	£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	8.895
Proposed 100% Revenue Budget Carry Forwards	1.389
Angus Council Change Fund	1.477
Affordable Housing Revenue Account	2.424
Total Committed Within General Fund Reserve	23.420

Once this committed balance has been removed from the General Fund, the Council is then left with an uncommitted balance of £2.357m at 31 March 2018.

The Housing Revenue Account balances represent the accumulation of surpluses and deficits over past years in relation to Council Houses. The Housing Revenue Account ended 2017/18 with an overall net deficit of £0.637 million.

The Repairs and Renewals Fund Reserves at 31 March 2018 represent £2.903m; Property £0.931m; Information Technology £0.609m; Roads & Transport £0.410m; Parks & Cemeteries £0.176m and £0.765m Services to Communities.

The Insurance Fund covers the main classes of insurance and is specifically earmarked for possible future insurance claims.

The Capital Receipts Reserve represents the proceeds from non-current asset disposals not yet used and which are available to meet future capital expenditure.

The Capital Grants Unapplied Account holds those grants and contributions received towards capital projects where Angus Council has met the conditions that would otherwise require repayment of the monies, but the monies have yet to be applied to meet expenditure.