

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 2018/19 \(the 2018 code\)](#). The 2018/19 Annual Accounts have been prepared in accordance with this Code. A simplified summary of the Council's financial performance for 2018/19 is also available in [Report 215/19](#) and its appendices. Some minor adjustments to the figures have arisen since that report was prepared along with a slight change to the uncommitted balance.

The Accounting Code of Practice sets the format and content of local authority annual accounts and requires a set of accounting statements to be prepared which sets out the position at each financial year end. These accounts are prepared by the Director of Finance (Section 95 Officer) for submission to External 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 of 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 and Angus citizens receive 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 (excluding Council Housing and Adult Services, Angus Integrated Joint Board) over the financial year from 1 April 2018 to 31 March 2019.

Comprehensive Income and Expenditure Statement

	Net Spend £m	Net Budget £m	Variance £m
Strategic Policy, Transformation & Public Sector Reform			
- Directorate	0.600	0.634	0.034
- Strategic Policy & Economy	2.106	2.410	0.304
- Governance & Change	1.173	1.318	0.145
- Internal Audit	0.287	0.310	0.023
- Risk, Resilience & Safety	0.328	0.321	(0.007)
People			
- Directorate	0.592	0.525	(0.067)
- Schools & Learning	114.201	117.932	3.731
- Children, Families & Justice	19.943	20.118	0.175
- Human Resources, Digital Enablement, IT & Business Support	4.613	5.148	0.535
Place			
- Directorate & Business Support	1.020	0.892	(0.128)
- Services to Communities	7.276	7.182	(0.094)
- Communities	23.674	23.946	0.272
- Infrastructure Services	21.718	21.725	0.007
- Finance & Legal	7.172	7.512	0.340
Other Services	7.988	8.530	0.542
Facilities Management	2.702	3.394	0.692
Corporate Items	(3.406)	2.430	5.836
Tayside Valuation Joint Board	720	720	0
General Fund Net Expenditure	212.707	225.047	12.340

This shows that across all **general fund net expenditure** budgets there was a favourable variance against the original budget of just over £12 million. £3.4 million of this was from a refund from HMRC and £3.8 million Scottish Government grant funding, mainly for the Early Years Expansion, which will be carried forward to fund spending in 2019/20. In addition to this, some of the balance was known about or planned for during 2018/19 and in setting the 2019/20 budget as part of the Council's proactive financial management arrangements. In addition some of this saving has arisen due to delays in costs being incurred into financial year 2019/20 and this requires those savings to be earmarked and carried forward from 2018/19 to 2019/20. Further detail can be found within report [215/19](#).

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

- Savings in staff costs (£4.8 million) – services again have delayed recruitment to posts due to pending reviews and change programme savings requirements. This also includes the balance of funding allowed for severance costs which may come from the pending reviews and change programme of £1.7m which will be earmarked in the General Fund Balance for use in future years;
- Savings in the new facilities management service;
- Slippage in projects and works – underspends against budgets in these areas arise for a variety of reasons but non-filling of staff posts is likely to be a factor where services simply haven't had the resource to progress projects in line with expected timelines;
- Additional income in some services.

The savings on Directorate budgets for 2018/19 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 2019/20. A total of £5.9m of savings were implemented when the 2019/20 budget was set in February 2019 and

this included savings and adjustments delivered through the Organisational Design / Zero Based Budgeting programme of reviews.

1.3. Capital Outturn Position

Angus Council spent £33.518m during the year on various capital expenditure projects which is detailed in note 27 to the accounts. On a net basis (i.e. after accounting for dedicated capital receipts, grants and contributions), spend during 2018/19 was £26.132m.

The General Fund capital programme reported gross expenditure of £22.746m against a full year budget of £27.385m, representing slippage of £4.639m. This slippage arose mainly within Environmental Services (£1.251m) and Roads & Transportation (£1.103m) due to:

- Council agreement to defer spend associated with the provision of zero waste implementation (per report 264/18);
- delayed contract procurement on the Arbroath Flood Strategy project (January 2019), significantly reducing anticipated spend in 2018/19.

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

- £0.5m on agile office facilities and rationalisation of Council buildings;
- £1.8m on the provision of waste related services;
- £1.6m on the maintenance and upkeep of the council's buildings and property;
- £7.6m on infrastructure works to roads, footpaths, bridges, etc.;
- £0.5m on flooding / coastal protection related works;
- £4.1m on the provision of new primary schools in Arbroath;
- £0.2m on Early Years Expansion within schools.

For information more detailed narrative on capital investment plans, treasury management (borrowing and investments), prudential indicators and loans fund liabilities can be found in the Council's [Capital Strategy](#).

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

Angus Council owns 7,658 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 2018/19, the transfer of a net deficit of £0.074m resulted in HRA balances of £4.211m at 31 March 2019.

The Housing Capital Programme reported gross expenditure of £10.772m, representing slippage of £4.043m against a budget of £14.815m.

Slippage arose within the programmes for: heating installations / replacements (£1.445 million); energy savings (£1.703 million); bathroom replacements (£0.506 million); and general improvements at sheltered housing facilities (£0.195 million).

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

- £6.0m on new council housing provision;
- £0.4m on heating installations / replacements;

- £1.3m on energy saving measures;
- £1.4m on kitchen replacements;
- £0.3m on window replacements;
- £0.3m upgrading garages; and
- £0.3m resurfacing footpaths.

3. 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 on a one-off basis. All of the transactions on the General Fund and Housing revenue and capital budgets in 2018/19 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 2018/19 financial year the main usable reserves and their balance at 31 March 2019 are shown below together with the equivalent balances at 31 March 2018.

Usable Reserves

	Balance As At 31/3/19 £m	Balance As At 31/3/18 £m	Movement £m
General Fund	30.687	26.601	4.086
Housing Revenue Account	4.211	4.285	(0.074)
Capital Fund	1.521	2.206	(0.685)
Renewal and Repairs Fund	2.319	2.903	(0.584)
Insurance Fund	1.346	1.397	(0.051)
Usable Capital Receipts	1.524	1.424	0.100
Unapplied Grants	3.299	0.805	2.494
Other Reserves	<u>0.714</u>	<u>0.593</u>	<u>0.121</u>
Total	<u>45.621</u>	<u>40.214</u>	<u>5.407</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 General Fund balance is £30.687m as of 31 March 2019, and includes £0.931m held on behalf of Angus schools under the Devolved School Management (DSM) Scheme leaving a net General Fund balance of £29.756m. £22.506m of this net General Fund balance is committed as follows:

Committed General Fund Balances

	£m
Working Balance/Contingency (per existing policy)	4.000
Applied in 2019/20 Budget Setting	4.015
Saving on debt charges, used for informing discussions/decisions on the 20/21 budget setting process (committee report 64/18 refers)	1.799
Earmarked monies (including grants, re-determinations & prior year carry forwards) which will be used in 2019/20 and future years	7.460
2018/19 100% Revenue Budget Carry Forwards to 2019/20	1.402
Angus Council Change Fund	1.015
Affordable Housing Revenue Account	2.815
Total Committed Within General Fund Reserve	22.506

Once this committed balance has been removed from the net General Fund balance, the Council has an uncommitted balance of £7.250m at 31 March 2019.

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 2018/19 with an overall net surplus of £0.522 million.

The Repairs and Renewals Fund Reserves at 31 March 2019 represent £2.319m; Property £0.713m; Information Technology £0.402m; Roads & Transport £0.104m; Parks & Cemeteries £0.135m and £0.965m 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.