

**ANGUS COUNCIL**

**MEETING OF ANGUS COUNCIL – 12 AUGUST 2020**

**2019/20 FINANCIAL OUTTURN AND DRAFT ACCOUNTS UPDATE**

**REPORT BY IAN LORIMER, DIRECTOR OF FINANCE**

**ABSTRACT**

This report provides details of the unaudited financial outturn position on both a revenue and capital basis for 2019/20 for Angus Council and an update with regard to the preparation of the 2019/20 Annual Accounts.

**1. RECOMMENDATIONS**

**1.1 It is recommended that the Council:-**

- i Note the update with regard to the preparation of the 2019/20 Annual Accounts and that, in accordance with statutory requirements, they have been submitted to Audit Scotland by the 30 June 2020 deadline;
- ii Note that the Council's Annual Accounts have been published on the Council's website;
- iii Note the revenue budget performance and associated commentary as set out in Section 4 and Appendices A, B & D of this report;
- iv Note the capital budget performance and associated commentary as set out in Section 4 and Appendix C of this report;
- v Approve four of the thirty two 100% budget carry forwards received totalling £0.150 million, due to them being deemed urgent requests as set out in Section 4 and Appendix E 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 Director of 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. 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. However the publication of Local Government Finance Circular 10/2020 (Local Authority Accounts 2019/20 – COVID-19) provides the flexibility to Local Authorities to extend this deadline, and others, this year. However the draft Annual Accounts were completed and submitted by the 30 June deadline.

**3.2** The information presented in this report is based on the management structure and Service names which applied during the 2019/20 financial year.

**3.3 Annual Accounts Process**

Preparation of the Council's 2019/20 Accounts is now complete and they have been submitted to Audit Scotland and published on the Council's website for public inspection. The draft Accounts 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 2019/20 by comparing budget and actual expenditure and income. The information is presented in a similar format to the budget monitoring reports to Policy & Resources Committee during the year.

#### 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).

##### Revenue Budget Performance - General Fund Services

- 4.2 The Policy & Resources Committee received regular updates on budget performance during financial year 2019/20 based on a monitoring budget of £272.159 million.
- 4.3 When the Council set its 2020/21 revenue budget in February 2020 a saving of £8.787 million was projected. There are adjustments required to reflect previously approved policy and grant funding which due to accounting treatment will be carried forward into 2020/21. After taking these into account this left an adjusted projected surplus of £0.694 million at that time, report 22/20 refers.
- 4.4 The most recent projected outturn for 2019/20 submitted as an information report to the Special Arrangements Committee on 26 May 2020 predicted a saving against budget of £10.165 million whereof £7.618 million was to be earmarked leaving £2.547 million available as uncommitted.
- 4.5 Appendix A to this report provides a detailed breakdown of budget performance for each Council service and for centrally held budgets such as capital charges and financing and covers the same headings as those used in the budget monitoring reports submitted to Policy & Resources Committee and subsequently the Special Arrangements Committee.
- 4.6 Overall a saving compared to budget for Angus Council's General Fund Services of £14.397 million was achieved in 2019/20. This compares to the most recent projected position of £10.165 million, an increase of £4.232 million.
- 4.7 Some of this was known about or planned for during 2019/20 and in setting the 2020/21 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 which will now fall due in financial year 2020/21 and this requires those savings to be earmarked and carried forward from 2019/20 to 2020/21.
- ##### 100% budget carry forwards
- 4.8 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.
- 4.9 Thirty two 100% carryforward requests were received from Directorates totalling £2.665 million. The requests have been reviewed by officers and have been categorised into the following:-

Table 1 – 100% Carryforward Requests

	£m
Approval sought from Council – 12 August 2020 for time critical items	0.150
Approved by Angus Council 16 July, report 187/20 refers	0.200
Approved by Director of Finance under Delegated Authority	0.075
Approval to be sought at meeting of Angus Council 10 September 2020	2.240
<b>Total</b>	<b>2.665</b>

The details of the carry forward requests of £0.150 million requiring approval from this committee are attached at Appendix E.

Table 2 below shows the gross saving made and the net savings available for other purposes after adjusting for the total 100% carryforwards set out above.

Table 2 - Summary of Appendix A

	£m
Gross Saving – General Fund Services	14.397
Less Ring-fenced Grant Income/DSM	(7.689)
<b>Adjusted Saving Compared to Budget</b>	<b>6.708</b>
Less Capital Charges & Financing Savings (earmarked to support future budget pressures and special repayment of debt)	(1.042)
Less Savings in Change Programme Costs (earmarked for use in 2020/21)	(0.246)
<b>Savings Available for Other Purposes</b> (before requested carry forwards)	<b>5.420</b>
<b>Projected 2019/20 Outturn applied to 2020/21 Budget Setting</b>	<b>(1.562)</b>
Less Proposed 100% Budget Carry forwards	(2.665)
<b>Net Savings Available for Other Purposes</b> (if carry forwards agreed in full)	<b>1.193</b>

#### Overall Impact on the General Fund Balance

- 4.10 When the Council set its 2019/20 Revenue Budget it planned to fund £1.605 million of costs from its General Fund Balance, in other words it budgeted for a deficit of £1.605 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 £8.567 million.
- 4.11 The actual year end position on the General Fund Balance shows an increase of £6.138 million which compared to the revised budgeted deficit means the General Fund Balance is £14.705 million higher than expected on a gross basis. This gross position does however need to be interpreted carefully because much of this relates to delayed spending rather than real savings which can be used for other purposes.
- 4.12 The main components of the favourable movement on the General Fund Balance are set out in Table 3 below:-

Table 3 – General Fund Balance Movement

	£m
Underspend on Services budgets (inc capital financing charge savings of £1.042m) - see Table 2 above	14.397
Debt Restructuring Premium	(0.144)
Additional Council Tax Income	0.380
Increased Surplus – Tayside Contracts	0.044
Transfer to Affordable Housing Account	(0.500)
Transfer from Unapplied Grants	0.570
All other Items (Net effect)	(0.042)
<b>Total Movement on General Fund Balance</b>	<b>14.705</b>

#### Money Held by Angus Schools

- 4.13 Appendix D provides a breakdown of the monies which are held and ring-fenced by Angus Schools and which are not available for other purposes. The Appendix shows the balances held under the Devolved School Management (DSM) scheme and Pupil Equity Fund (PEF). Together these amount to £1.117 million.

#### Revenue Budget Versus Actual – Services Budgets

- 4.14 Appendix A attached provides a Service breakdown of the £14.397 million reported in Table 1 and the adjustments made. Appendix B provides a short commentary on all of the main variances in Table 2. 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.
- 4.15 It will be noted from Appendix A that all Services, operated within their controllable budget, prior to removing employee slippage which is now held and controlled centrally within Other

Services, in 2019/20. Budget holders supported by Finance employees will undertake a detailed review of the variances compared to budget and assess whether adjustments are required to 2020/21 or 2021/22 budgets based on the 2019/20 experience.

#### Revenue Budget Performance - Housing Revenue Account (HRA)

- 4.16 When the Council set its 2019/20 Revenue Budget for Housing it planned for a breakeven position which meant no contribution to or from Reserves was planned.
- 4.17 The actual year end position shows a surplus of £0.295 million and the reasons for this position are given in Appendix B. This surplus will transfer to the HRA reserve. Other transfers to and from the HRA reserve have been made as part of the year end accounts resulting in a balance at 31 March 2020 of £3.097 million as set out in Table 4 below.

Table 4 – HRA Reserve Movement

	Transferred From Reserve £m	Transferred To Reserve £m	Reserve Balance £m
Opening Balance at 1 April 2019			4.211
Capital funding in lieu of borrowing	(1.909)		
Affordable Housing Revenue Account capital funding		0.500	
In-year surplus		0.295	
Total movements	(1.909)	0.795	(1.114)
Closing balance at 31 March 2020			3.097

#### Capital Budget Performance – General Fund

- 4.18 The Council's provisional capital budget for 2019/20 was set in February 2019, forming part of the 2018/2023 Capital Plan (report 59/19 refers). Following a comprehensive update of the 2018/2023 Capital Plan based on actual expenditure at the end of the 2018/19 financial year, the capital monitoring budget for 2019/20 was approved in August 2019 (report 277/19 refers).

- 4.19 Table 5, below, sets out the year end position on the overall General Fund capital programme for 2019/20 on a net basis (i.e. after the deduction of direct funding contributions).

Table 5 – NET Capital Expenditure 2019/20

Programme	Monitoring Budget Net £m	Actual Expenditure £m	Under / (Over) Spend £m	Percentage Spend Against Budget %
<b>Strategic Policy, Transformation &amp; Public Sector Reform</b>				
Strategic Policy & Economy	0.650	0.099	0.551	15.2
<b>Communities</b>				
Planning & Communities *	0.200	* (0.011)	0.211	-5.5
Environmental Services	2.630	1.713	0.917	65.1
<b>Infrastructure</b>				
Property Asset	2.508	2.665	(0.157)	106.3
Roads & Transportation	7.005	5.965	1.040	85.2
<b>Schools &amp; Learning</b>	10.923	9.966	0.957	91.2
<b>Digital Enablement &amp; Information Technology</b>	0.952	0.339	0.613	35.6
<b>Angus Health &amp; Social Care Partnership</b>	0.895	0.028	0.867	3.1
<b>Angus Alive *</b>	0.027	** (0.018)	0.045	-66.4
<b>Total Net Capital Expenditure</b>	<b>25.790</b>	<b>20.746</b>	<b>5.044</b>	<b>80.4</b>

\* capital receipt relating to the return of grant on the former Brechin Townscape Heritage Initiative project

\*\* relates to an over-accrual of expenditure in a prior year on the Montrose Library / ACCESS Integration project

- 4.20 Table 6, below, details how the actual net expenditure of £20.746 million has been funded and compares this with the funding anticipated when the 2019/20 monitoring budget was set:

Table 6 – Capital Funding 2019/20

Funding Source	Monitoring Budget £m	Actual £m	Variance £m
Borrowing	6.166	1.160	5.006
General Capital Grant	19.524	19.551	(0.027)
Corporate Capital Receipts	0.100	0.035	0.065
<b>Total Funding</b>	<b>25.790</b>	<b>20.746</b>	<b>5.044</b>

- 4.21 The level of expenditure slippage on the General Fund capital programme has meant that a reduced level of borrowing has been required to fund the 2019/20 capital expenditure. This funding requirement has not however gone away but is merely subject to a delay in application in line with the slipped expenditure.
- 4.22 Appendix C to this report provides a brief commentary on the capital budget performance of council Services during the year. The Capital Projects Monitoring Group reviewed the year end position in more detail at its meeting on 4 June 2020.
- 4.23 In summary, Angus Council spent £5.044 million less on General Fund capital projects than budgeted for and this has meant a substantially lower requirement for borrowing in 2019/20. In the main, the £5.044 million underspend against the monitoring budget is due to project

delays and therefore represents a delay in incurring the expenditure rather than a reduction in the expenditure required.

Capital Budget Performance – Housing Revenue Account (HRA)

- 4.24 The HRA provisional capital budget for 2019/20 was set in February 2019. Following a comprehensive update of the 2018/2023 Financial Plan based on actual expenditure at the end of the 2018/19 financial year, the capital monitoring budget for 2019/20 was updated and reported to the Communities Committee in September 2019 (report 230/19 refers).
- 4.25 Table 7, below, sets out the year end position on the overall HRA capital programme for 2019/20 on a net basis (i.e. after the deduction of direct funding contributions).

Table 7 – NET HRA Capital Expenditure 2019/20

Programme	Monitoring Budget Net £m	Actual Expenditure £m	Under / (Over) Spend £m	Percentage Spend Against Budget %
New Build	9.134	6.586	2.548	72.1
Conversions	0.347	0.415	(0.068)	119.6
Aids & Adaptations	0.415	0.493	(0.078)	118.8
Improvements	0.014	0.000	0.014	0.0
Heating Installations & Replacements	1.110	0.512	0.598	46.1
Window Replacements	0.255	0.140	0.115	54.9
Energy Savings	3.183	1.219	1.964	38.3
Sheltered Housing	0.505	0.095	0.410	18.8
Kitchen Replacements	1.500	1.661	(0.161)	110.7
Bathroom Replacements	1.350	0.799	0.551	59.2
Miscellaneous / Balances on Completed Works	0.722	0.415	0.307	57.5
<b>Total Net Capital Expenditure</b>	<b>18.535</b>	<b>12.335</b>	<b>6.200</b>	<b>66.5</b>

- 4.26 Table 8, below, details how the actual net expenditure of £12.335 million has been funded and compares this with the funding anticipated when the 2019/20 monitoring budget was set:

Table 8 – Housing Capital Funding 2019/20

Funding Source	Monitoring Budget £m	Actual £m	Variance £m
Borrowing	7.289	0	7.289
Capital Receipts	1.475	1.475	0.000
Capital from Current Revenue	8.451	8.451	0.000
Affordable Housing Reserve	0.500	0.500	0.000
HRA Reserves	0.820	1.909	(1.089)
<b>Total Funding</b>	<b>18.535</b>	<b>12.335</b>	<b>6.200</b>

- 4.27 Members will note from Table 8 that the level of expenditure slippage on the HRA capital programme has meant that it has not been necessary to carry out any borrowing to fund the 2019/20 capital expenditure. This funding requirement has not however gone away but is merely subject to a delay in application to fund slipped expenditure.
- 4.28 Appendix C to this report provides a brief commentary on the capital budget performance of the HRA during the year. The Capital Projects Monitoring Group reviewed the year end position in more detail at its meeting on 4 June 2020.

## 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 2019/20 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 2019/20 financial year the main usable reserves and their balance at 31 March 2020 are shown below together with the equivalent balances at 31 March 2019:-

Table 9 – Usable Reserves

	Balance As At 31/3/20 £m	Balance As At 31/3/19 £m	Movement £m
General Fund	36.616	30.657	5.959
Housing Revenue Account	3.097	4.211	(1.114)
Capital Fund	1.519	1.521	(0.002)
Renewal and Repairs Fund	2.193	2.319	(0.126)
Insurance Fund	1.338	1.346	(0.008)
Usable Capital Receipts	0.458	1.524	(1.066)
Unapplied Grants	1.805	3.299	(1.494)
Other Reserves	<u>0.753</u>	<u>0.714</u>	0.039
Total	<u>47.779</u>	<u>45.591</u>	<u>2.188</u>

5.3 Overall the Council’s Reserves have increased by £2.188 million in the year ending 31 March 2020. Section 2 and Appendix B of this report explains how the majority of this has arisen and it’s effectively due to the net effect of all of the savings and use of reserves which has taken place during 2019/20.

### General Fund Reserve

5.4 The main Reserve held by the Council is the General Fund Balance the opening balance on which at 1 April 2019 was £30.657 million including £0.931 million held on behalf of schools under the Devolved School Management scheme. At 31 March 2020 this Balance stands at £36.616 million of which £0.518 million is earmarked under the DSM scheme. Excluding these the total balance available for other purposes is £36.098 million.

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

Table 10– General Fund Commitments

	£m
Working Balance/Contingency (per existing policy)	4.880
Applied in 2020/21 Budget Setting	4.671
Future years reserve strategy	2.500
Saving on debt charges, used for informing discussions/decisions on the 20/21 budget setting process (committee report 64/18 refers)	1.042
Earmarked Grants which will be used in 2020/21	7.171
Earmarked monies (including Earmarked Re-determinations & Prior Year carry forwards) which will be used in 2020/21 and future years	5.325
Proposed 100% Revenue Budget Carry Forwards (subject to future approval by Committee)	2.665
Change Fund (committee report 83/14 refers)	1.161
Affordable Housing Revenue Account	3.144
Investment Projects (approved as part of 2019/20 budget setting)	1.363
Tay Cities Deal Fund	0.500
Participatory Budgeting	0.421
Total Committed Within General Fund Balance	34.843

It should be noted that the total commitments within the general fund balance shown in the table above is different to those shown in the unaudited annual accounts. There has been a reduction of £0.378 million from that contained in the accounts following a further review of the proposed 100% carry forwards.

- 5.6 If all 100% budget carry forwards were to be approved when Council considers these in August/September this would leave an uncommitted balance of £1.255 million at 31 March 2020. The future use of this sum will be considered as part of the ongoing delivery of the 2020/21 budget and the development of the budget strategy for 2021/22 and beyond. When the Council set its 2020/21 revenue budget in February 2020 it projected to have an uncommitted General Fund Balance of zero so the position now is an improvement of £3.920 million which would reduce to £1.255 million if all carry forward proposals are ultimately approved. Table 11 below sets out the movement on the General Fund Balance taking into account the budget performance for the year and adjustments required for earmarked monies.

Table 11 – Uncommitted General Fund Balance Movement

	£m
<b>Uncommitted General Fund Balance at 1 April 2019</b>	<b>7.220</b>
New Commitments 2019/20	(0.071)
Use of General Fund Balance per Report 88/20, Setting of the Council Tax.	(5.331)
Draw Down for Future Budget Strategy per Report 88/20	(2.500)
Increase Corporate Contingency per Report 88/20	(0.880)
<b>2019/20 Annual Accounts Adjustments</b>	
2019/20 Saving on Budget Performance per Table 1	14.397
Grant Monies / DSM to be earmarked	(7.689)
Loan Charges Underspend to be earmarked	(1.042)
Change Fund Year end position to be earmarked	(0.246)
Changes to Earmarked Monies	(0.500)
2019/20 Redeterminations to be earmarked	(1.223)
2019/20 Proposed Carry Forwards (subject to a separate report for approval)	(2.665)
Additional General Revenue Grant Redeterminations	1.796
Additional Council Tax	0.380
Transfer to Car Parking Reserve	(0.180)
Additional Tayside Contracts Surplus	0.044
Other minor movements	(0.255)
<b>Uncommitted General Fund Balance at 1 April 2020</b>	<b>1.255</b>

- 5.7 The Housing Revenue Account Reserve  
The balance on this Reserve of £3.097 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 2021/22 and beyond.

Other Reserves

- 5.8 The Capital Fund balance (£1.519 million) relates to funding decisions within the Financial Plan and is largely committed, while the Renewal and Repairs Fund balance (£2.193 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 (£1.338 million) will be reviewed in the context of potential liabilities. The Other Reserves (£0.753 million) include the Arbroath Harbour and Car Parking Reserves and also have some commitments against them. The balances on all of these Reserves were reviewed when the Council set its 2020/21 budget in February 2020 and they will be reviewed again in setting the 2021/22 budgets.

## 6. FINANCIAL IMPLICATIONS



- 6.1 The Annual Accounts for 2019/20 have been concluded to a stage sufficient to allow actual outturn information to be prepared and commented upon as detailed in this report.
- 6.2 Overall the Council's reserves are showing an increase of £2.188 million.

#### **REPORT AUTHOR**

**This report and associated schedules have been compiled by Gillian Woodcock, Manager (Finance) who can be contacted by emailing [FINANCE@angus.gov.uk](mailto:FINANCE@angus.gov.uk)**

#### **List of Appendices:**

- Appendix A – Summary Outturn (Main Variances)
- Appendix B – Revenue Budget Performance Commentary
- Appendix C – Capital Budget Performance
- Appendix D – Money Held by Angus Schools
- Appendix E – 100% Carryforward Requests