

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 2019/20 (the 2019 code). The 2019/20 Annual Accounts have been prepared in accordance with this Code. A simplified summary of the Council's financial performance for 2019/20 will be presented at the meeting of Angus Council planned for 12 August 2020 and the report and its appendices will be available on the website a few days before this meeting.

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 Integration Joint Board) over the financial year from 1 April 2019 to 31 March 2020.

Comprehensive Income and Expenditure Statement

	Net Spend £m	Net Budget £m	Variance £m
Schools & Learning	118.459	125.693	7.234
Communities	24.111	26.142	2.031
Children, Families & Justice	20.167	20.491	0.324
Infrastructure	22.068	22.119	0.051
Finance	4.540	4.763	0.223
Human Resources, Digital Enablement, Information Technology & Business Support	8.513	7.996	(0.517)
Strategic Policy, Transformation & Public Sector Reform	11.050	11.495	0.445
Legal & Democratic	2.974	2.890	(0.084)
Other Services	3.911	5.009	1.098
Facilities Management	2.703	3.168	0.465
Corporate Items	0.306	2.385	2.079
Tayside Valuation Joint Board	0.781	0.787	0.006
General Fund Net Expenditure	219.583	232.938	13.355

*This deficit is in the main due to the establishment of a corporate employee slippage policy which resulted in employee slippage budgets being transferred to a corporate budget. In addition unbudgeted Office 365 costs had to funded from this budget.

**This deficit is due to the under recovery of income in a number of areas which will be reviewed and aligned as part of the 2020/21 budget monitoring.

The table (Fig 3) above also shows that across all **general fund net expenditure** budgets there was a favourable variance against the original budget of £13.355 million. The majority of the variance 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 these savings were taken to allow flexibility when implementing the COVID 19 recovery plan in 2020/21 and also a number of grants which were received in 2019/20 but the spend for which spans over a number of years, specifically for the early years expansion project. These savings and prepaid grants require to be earmarked and carried forward from 2019/20 to 2020/21.

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

- Savings against budget in energy costs and rebates on rates for a number of schools (£1.4m)
- Slippage in projects and works – underspends against budgets in these areas arise for a variety of reasons but non-filling of employee posts is likely to be a factor where services simply haven't had the resource to progress projects in line with expected timelines (£1.8m);
- Savings within Capital Charges & Financing, Corporate decision taken around delays in special repayment of debt (£1.4m);
- Pre-paid grants, due to technical accounting treatment are shown as savings at year end £7m.

The savings on services budgets for 2019/20 also need to be viewed in the context of the further savings which have now been removed from Directorate budgets in 2020/21. A total of £6m of savings were implemented when the 2020/21 budget was set in February 2020. This excludes savings of £4.244m and £0.458m in relation to Angus Health and Social Care Partnership and Angus Alive, respectively. A number of the change programme savings projects have been impacted/delayed due to COVID 19.

1.3. Capital Outturn Position

Angus Council spent £42.304m during the year on various General Fund and Housing capital 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 2019/20 was £33.127m.

The General Fund capital programme reported gross expenditure of £28.142m against a full year budget of £37.063m, representing slippage/savings of £8.921m. The most significant areas of General Fund capital expenditure (on a gross basis) undertaken during the year included:

- £1.117m on agile office facilities and rationalisation of Council buildings;
- £0.945m on the provision of waste related services;
- £1.514m on the maintenance and upkeep of the council's buildings and property;
- £5.143m on infrastructure works to roads, footpaths, bridges, etc.;
- £0.460m on flooding / coastal protection related works;
- £8.649m on the provision of new primary schools in Arbroath;
- £5.915m on the Early Years Expansion programme within schools.

The slippage / savings arose mainly within Schools & Learning (£2.617m), Communities (£2.555m) and Infrastructure (£1.006m) due to:

- the need to re-tender the Early Learning & Childcare Centre in Carnoustie, thereby delaying the project's start on site;
- potential financial risks identified on the Arbroath Schools Project did not materialise during the year, although as they relate to demolition and associated works they are still present;
- design work delays associated with the various projects to be taken forward using Town Centre Fund monies, although all monies have been allocated to identified projects; and
- Employee resource availability impacted on the ability to progress a number of roads related projects.

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 7,751 properties for which it charges rent. This includes 70 properties transferred to the HRA from the Angus Community Care Charitable Trust (ACCCT). This transfer followed a decision of the ACCCT board to wind up the company, with all assets transferring to the Council on 19 July 2020.

All expenditure associated with HRA properties 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 2020/21, the transfer of a net deficit of £1.114m resulted in HRA balances of £3.097m at 31 March 2020.

The Housing Capital Programme reported gross expenditure of £14.162m, representing slippage of £6.492m against a budget of £20.654m. The most significant areas of HRA capital expenditure (on a gross basis) undertaken during the year included:

- £8.4m on new council housing provision;

- £0.5m on heating installations / replacements;
- £1.2m on energy saving measures;
- £1.6m on kitchen replacements;
- £0.8m on bathroom replacements;
- £0.5m aids and adaptations; and
- £0.4m on conversions.

Slippage mainly arose within the programmes for: new build (£2.842 million) heating installations / replacements (£0.598 million); energy savings (£1.964 million); bathroom replacements (£0.551 million); and garage improvements (£0.278 million).

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 2019/20 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 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.

Fig. 4 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 Grant	1.805	3.299	(1.494)
Other Reserves	0.753	0.714	0.039
Total	47.779	45.591	2.188

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 £36.616m as of 31 March 2020, and includes £0.518m held on behalf of Angus schools under the Devolved School Management (DSM) Scheme leaving a net General Fund balance of £36.098m. Some £34.843m of this net General Fund balance is committed as follows:

Committed General Fund Balances

	£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	1.042

2020/21 budget setting process (committee report 64/18 refers)	
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 Reserve	34.843

Once this committed balance has been removed from the net General Fund balance, the Council has an uncommitted balance of £1.255 million at 31 March 2020. This uncommitted balance position is after allowing for an earmarked contingency sum of around 1.8% of the net revenue budget (£4.9 million) and it is considered prudent to continue with this position to address any significant one-off issues (e.g. COVID-19 impacts) which may arise during the course of the current and forthcoming financial year. This contingency sum will also provide a suitable financial base for future years as part of the Council's medium term budget strategy. As part of the 2020/21 budget setting the Council adopted a 3 year reserves strategy intended to support balancing the budget over the next 3 years, report [88/20](#) refers.

The Housing Revenue Account balance represent the accumulation of surpluses and deficits over past years in relation to Council Houses. The Housing Revenue Account ended 2019/20 £0.295 million under budget.

The Repairs and Renewals Fund Reserves at 31 March 2020 represent £2.193 million; Property £0.601 million; Information Technology £0.405 million; Roads & Transport £0.105 million; Parks & Cemeteries £0.136 million and £0.946 million 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.