

ANGUS COUNCIL

SCRUTINY & AUDIT COMMITTEE - 24 JANUARY 2017

LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL OVERVIEW 2015/16

**JOINT REPORT BY CHIEF EXECUTIVE, STRATEGIC DIRECTOR – RESOURCES AND THE
HEAD OF CORPORATE IMPROVEMENT AND FINANCE**

ABSTRACT:

This report covers the first of Audit Scotland's published Local Government overview output reports and tells the strategic financial story for local government in Scotland in 2015/16. The report highlights specific audit findings from an analysis of Councils' 2015/16 audited annual accounts and it is aimed primarily at councillors and senior council officers as a source of information and to support them in their complex and demanding roles. It is anticipated that the findings will be considered by councils and councillors when setting their 2017/18 budgets. The published report also provides the opportunity to compare Angus Council to other authorities.

1 RECOMMENDATION

It is recommended that the Scrutiny & Audit Committee review the content of Audit Scotland's Overview Report and supplementary information (**Appendices 1A & 1B**) and provide any commentary considered appropriate at this time.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/ SINGLE OUTCOME AGREEMENT/
CORPORATE PLAN**

2.1 This report contributes as a whole to the local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

3 BACKGROUND

3.1 Audit Scotland have developed their approach to overview reporting for local government into a series of output reports throughout the year. An overview report covering the performance of council services and challenges facing councils will be reported in the March 2017 overview report. The attached overview report covers the analysis of the 2015/16 accounts and audit findings and the report is being published a few months earlier than usual so that the report findings can be considered by councils and councillors when setting their 2017/18 budgets.

3.2 2015/16 was another challenging year for councils, however Councils' responded well by controlling their spending, increasing reserves and reducing debt. Scottish Government funding has fallen in real terms in recent years and Councils' also continue to face cost pressures. The report recognises that difficult decisions have been required when setting budgets and this disciplined approach must continue as Councils' move into the 2017 election year, as significant challenges lie ahead and Councils' need to be well placed to meet them.

4 OVERVIEW REPORT KEY MESSAGES

4.1 The Overview report is self explanatory and has been the subject of review and discussion of factual accuracy with relevant senior officers prior to being finalised. The overview report attached as Appendix A sets out Summary key messages, Income and Spending key messages and Financial Outlook key messages that need to be considered by all councils.

4.2 The key messages in the report are in the main positive and the main highlights to be considered as are follows:-

- Councils' have managed their finances well but significant challenges lie ahead, therefore the message is clear in that Councils need to ensure long term financial strategies are in place to ensure spending is aligned with priorities and supported by medium term financial plan and budget forecasts.
- There has been a long term decline in grant funding to councils, and this is to continue.
- The management commentary section of the annual accounts should provide a clear and easily understandable account of the council's finances.
- Councils continue to generate savings through reducing their workforce.
- Councils need to change the way they work to deal with the financial challenges they face, future funding gaps will require further savings or a greater use of their reserves.
- Councils must consider how and when reserves are used to support services as they can only be used once and relying on them is not sustainable.

4.3 The report highlights a number of significant risks that will need to be managed by the Council including those associated with the funding environment which is subject to sustained pressure to deliver more with less.

5 FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications arising for the Council directly from the recommendations contained within this report.

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 this report.

Richard Stiff
Chief Executive

Mark Armstrong
Strategic Director - Resources

Ian Lorimer
Head of Corporate Improvement
and Finance

REPORT AUTHOR: GILLIAN WOODCOCK
EMAIL DETAILS: FINANCE@angus.gov.uk

List of Appendices:

Appendix 1A - Audit Scotland's Overview Report

Appendix 1B – Supplementary Information to Audit Scotland's Overview Report