

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 2020/21 (the 2020 code). The 2020/21 Annual Accounts have been prepared in accordance with this Code. A simplified summary of the Council's financial performance for 2020/21 was presented at the meeting of Angus Council on 24 June 2021 and report 212/21 and its appendices are available on the website.

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 an independent external auditor 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 Summary below sets out the budgeted and actual cost of running Angus Council's main Services, with the Housing Revenue Account and Adult Services (Angus Integration Joint Board) shown separately for the financial year from 1 April 2020 to 31 March 2021.

Fig.1 Comprehensive Income and Expenditure Statement (CIES) Summary

	Net Spend £m	Net Budget £m	Variance £m
Education & Lifelong Learning	123.436	131.449	8.013
Communities	26.903	27.592	0.689
Children, Families & Justice	20.860	22.163	1.303
Infrastructure	23.539	23.995	0.456
Strategic Policy, Transformation & Public Sector Reform	9.016	10.543	1.527

Human Resources, Digital Enablement, Information Technology & Business Support	8.555	8.579	0.024
Finance	4.333	4.598	0.265
Legal & Democratic	2.647	2.649	0.002
Other Services	8.817	10.993	2.176
Facilities Management	5.554	5.902	0.348
Corporate Items	0.008	0.101	0.093
Tayside Valuation Joint Board	0.813	0.813	0.000
General Fund Net Expenditure	234.481	249.377	14.896
Adult Services	54.316	54.316	0.000
Housing Revenue Account	(0.653)	1.654	2.307
Net Cost of Service as per CIES	288.144	305.347	17.203
Other operating expenditure	(0.594)		
Financing & Investment Income	19.393		
Taxation and Non-specific Grant Income	(304.665)		
Deficit on Provision of Services transferred to the General Fund Reserve	2.278		

The table above shows that the overall revenue outturn 2020/21 was a deficit of £2.278m. After making the required adjustments as shown in the Expenditure Funding Analysis (note 5 to Accounts) along with transfers to and from earmarked reserves (note 6 to the Accounts) means an increase of £11.986m in the General Fund Reserve and an increase of £2.278m on the Housing Revenue Account reserve as shown in the Movement in Reserves Statement on page 62.

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 £14.9 million. The majority of the variance was known about or planned for during 2020/21 and in setting the 2021/22 budget as part of the Council's proactive financial management arrangements. However, some of it also arose after the year end due to the impact COVID-19 has had on Council Services during 2020/21. The ability to provide a 'normal' range of services and generate some sources of income has not been possible. In addition, some of these savings were taken to allow flexibility when implementing the COVID-19 recovery plan in 2021/22. The Council also received a number of grants in 2020/21 but the spend for which will be incurred over a number of years e.g. the early years expansion project. These savings and prepaid grants require to be earmarked and carried forward from 2020/21 to 2021/22.

In broad terms variances within General Fund Services revenue budgets arose due to the following main reasons:-

- a. Slippage within employee costs has returned an additional saving of £0.6m against the budgeted slippage target, mainly due to delays in recruitment due to COVID-19;
- b. Savings in budget provisions for energy and non-domestic rates costs (£1.2m);
- c. Slippage in projects and works (£6m) – underspends against budgets in these areas arise for a variety of reasons but the main reason is the impact that COVID-19 has had on some Services being able to provide their 'normal' services, either due to lockdowns and/or where services simply haven't had the resource to progress projects in line with expected timelines. A reduction in payments to third party providers who would have provided some of these services e.g. Tayside Contracts for School Meals is also a factor;
- d. Pre-paid grants, due to technical accounting treatment are shown as savings at year end (£6.9m),

This overall saving on services budgets for 2020/21 needs to be viewed in the context that the COVID-19 pandemic has had on the ability of Services to deliver services in the normal way and also in the context

of further savings which have now been removed from Directorate budgets in 2021/22. A total of £5.161 million of savings were implemented when the 2021/22 budget was set in March 2021. This includes savings of £3.696m in relation to Angus Health and Social Care Partnership.

Overall Impact on the General Fund Reserve

The actual year end position on the General Fund Reserve was an increase of £12.001 million.

1.3 Capital Outturn Position

Angus Council spent £38.301 million (gross) 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 2020/21 was £11.346 million.

The General Fund capital programme reported gross expenditure of £22.736 million against a full year budget of £33.847 million, representing slippage of £11.111 million. The most significant areas of General Fund capital expenditure (on a gross basis) undertaken during the year included:

- £0.407 million on the provision of an integrated transport hub at Orchardbank, Forfar;
- £1.740 million on the provision of waste related services;
- £0.841 million on the provision, maintenance and upkeep of the council's buildings, property and IT infrastructure;
- £6.338 million on infrastructure works to roads, footpaths, bridges, cycleways, active travel, etc.;
- £1.395 million on flooding / coastal protection related works, including a major flood scheme at Brothock Water, Arbroath;
- £3.925 million on new Early Learning and Childcare Centres in Forfar and Carnoustie;
- £2.379 million on the Early Years Expansion programme within schools;
- £0.750 million to extend Edzell Primary School;
- £1.057 million on information and communications technology equipment in schools, including digital inclusion for children and young people;

The COVID-19 pandemic had a significant impact on the capital programme during 2020/21, as highlighted in the slippage that arose across all areas, but particularly within Infrastructure (£5.657 million), Communities (£1.933 million) and Education & Lifelong Learning (£1.031 million). The lockdown at the start of the financial year caused most capital works to cease completely, and with a very measured and gradual unlocking thereafter, the intended capital programme was never fully caught up. Further information on the capital outturn position for 2020/21 can be found in [report 212/21](#).

More detailed narrative on the council's capital investment plans, treasury management (borrowing and investments), prudential indicators and loans fund liabilities can be found in the Council's Capital Strategy ([report 73/21](#)) and Treasury Management Strategy Statement ([report 101/21](#)). The 2020/21 Treasury Management Annual report will be presented to committee later in the year (depending on timing a link will be provided in the audited statements).

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

Angus Council owns 7,695 properties for which it charges rent.

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 surplus of £2.278m resulted in HRA balances of £5.374m at 31 March 2021.

The Housing Capital Programme reported gross expenditure of £15.565m, representing slippage of £2.344m against a budget of £17.909m. The most significant areas of HRA capital expenditure (on a gross basis) undertaken during the year included:

- £9.8m on new council housing provision;
- £0.5m on heating installations / replacements;
- £2.3m on energy saving measures;
- £0.7m on kitchen replacements;
- £1.2m on bathroom replacements;
- £0.2m aids and adaptations; and
- £0.3m on garage improvements.

Slippage mainly arose within the programmes for: heating installations / replacements (£1.168m); energy savings (£1.660m); and window replacements (£0.422m) offset by additional spend in the new build programme (£0.963m).

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 2020/21 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 2020/21 financial year the main usable reserves and their balance at 31 March 2021 are shown below together with the equivalent balances at 31 March 2020.

Fig. 2 Usable Reserves

	Balance As At 31/3/21 £m	Balance As At 31/3/20 £m	Movement £m
General Fund	46.545	36.616	9.929
COVID-19 Contingency	2.057	0.000	2.057
Other Reserves	0.768	0.753	0.015
Total General Fund Reserve	49.370	37.369	12.001
Housing Revenue Account	5.374	3.096	2.278
Capital Fund	3.755	1.519	2.236
Renewal and Repairs Fund	1.621	2.193	(0.572)
Insurance Fund	1.501	1.339	0.162
Usable Capital Receipts	2.257	0.458	1.799
Unapplied Grant	2.612	1.805	0.807
Total	66.490	47.779	18.711

The General Fund Reserve 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 Reserve is £49.370m as of 31 March 2021 which includes £1.011m held on behalf of Angus schools under the Devolved School Management (DSM) Scheme. The Reserve shown in Figure 2 also includes the Car Park Reserve of £0.357, Arbroath Harbour Reserve of £0.180m and Specific Reserves £0.231m. This leaves a net General Fund Reserve of £47.591. Some £41.500m of this net General Fund Reserve is committed as follows:

Fig. 3 General Fund Reserve Commitments

	£m
Working Balance/Contingency (per existing policy)	4.705
Applied in 2021/22 Budget Setting	4.891
Future years reserve strategy	1.000
Severance Costs	1.162
Provision for Participatory Budgeting	0.404
Saving on debt charges, used for informing discussions/decisions on the 20/21 budget setting process (committee report 64/18 refers)	1.042
Change Fund (committee report 83/14 refers)	0.871
Tay Cities Deal Fund	0.694
Investment Projects (approved as part of 2019/20 budget setting)	0.523
Service Developments (approved as part of 2020/21 budget setting)	1.048
Prior Year 100 % Carry forward Requests	2.613
Ringfenced Grants received in 2020/21 that need to be earmarked for future drawdown as per accounting regulations	6.874
Prior Year Redetermination Monies	0.681
2020/21 Non COVID-19 Redeterminations Monies	0.392
2020/21 COVID-19 Redetermination Monies which are committed for specific projects	5.260
ANGUSalive – Income Generation uncertainty/inability to deliver 2020/21 savings targets in Change Programme	0.458
Museums Collection Fund	0.007
Welfare Reform Fund	0.698
Affordable Housing Revenue Account	2.946
Proposed 2020/21 100% Revenue Budget Carry Forwards	2.747
Demolition of Lochside Leisure Centre	0.427
COVID-19 Contingency agreed per report 211/20	2.057
Total Committed Within General Fund Reserve	41.500
Uncommitted General Fund Reserve at 31 March 2021	6.091
This Uncommitted balance is made up of:-	
2020/21 COVID-19 Redetermination Monies which are not committed for specific projects	4.278
Non COVID-19 Uncommitted General Fund	1.813

Once this committed balance has been removed from the net General Fund Reserve, the Council has an uncommitted balance of £6.091 million at 31 March 2021. £4.278m of this is in relation to 2020/21 COVID-19 Redeterminations which were received and not for specific projects leaving an unearmarked General Fund reserve of £1.813m. This uncommitted balance position is after allowing for an earmarked contingency sum of around 1.8% of the net revenue budget (£4.7 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.

The Repairs and Renewals Fund Reserves at 31 March 2021 are £1.621 million; and this made up of following components; Property £0.445 million; Information Technology £0.089 million; Roads & Transport £0.106 million; Parks & Cemeteries £0.061 million and £0.920 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.