

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 2021/22 (the 2021 code). The 2021/22 Annual Accounts have been prepared in accordance with this Code. A simplified summary of the Council's financial performance for 2021/22 was presented at the meeting of Angus Council on 30 June 2022 and report 179/22 and its appendices are available on the Council 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.
- Group Accounts
- Housing Revenue Income and Expenditure Statement
- Council Tax Income Account
- Non-Domestic Rates Income Account
- Charitable Trusts
- Common Good

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 cost of running Angus Council Services, Housing Revenue Account and Adult Services (Angus Integration Joint Board) along with the overall revenue outturn position for the financial year from 1 April 2021 to 31 March 2022.

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

	Net Spend £m	Net Budget £m	Variance £m
Education & Lifelong Learning	134.324	143.126	8.802
Communities	29.569	31.867	2.298
Children, Families & Justice	22.843	23.494	0.651
Infrastructure Services	25.268	25.337	0.069
Strategic Policy, Transformation & Public Sector Reform	9.834	9.841	0.007
Human Resources, Digital Enablement, Information Technology & Business Support	9.820	9.825	0.005
Finance	3.776	3.920	0.144
Legal & Democratic Services	3.163	3.446	0.283
Other Services	8.662	11.185	2.523
Facilities Management	2.637	2.959	0.322
Corporate Items	0	3.170	3.170
Tayside Valuation Joint Board	0.800	0.810	0.010
General Fund Net Expenditure	250.696	268.980	18.284
Adult Services	59.868	59.868	0.000
Housing Revenue Account	1.368	2.820	1.452
Net Cost of Service as per CIES	311.932	331.668	19.736
Other operating expenditure/(income)	(0.620)		
Financing & Investment Income & Expenditure	17.876		
Taxation and Non-specific Grant Income	(302.383)		
Deficit on Provision of Services transferred to the General Fund Reserve	26.805		

The table above shows that the overall revenue outturn 2021/22 was a deficit of £26.805 million. After making the required adjustments as shown in the Expenditure Funding Analysis (note 5 in the Accounts), along with transfers to and from earmarked reserves (note 6 in the Accounts), means an increase of £6.717 million in the General Fund Reserve and a decrease of £1.004 million on the Housing Revenue Account reserve as shown in the Movement in Reserves Statement on page 50 of the Accounts.

The table (Fig 1) above also shows that, across all general fund net expenditure budgets, there was a favourable variance against the original budget of £18.284 million. The majority of the variance was known about or planned for during 2021/22 and in setting the 2022/23 budget as part of the Council's proactive financial management arrangements. Also a number of grants were received in 2021/22 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 2021/22 to 2022/23.

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

- a. Slippage within LGE employee costs has returned an additional saving of £1.2 million against the budgeted slippage target, mainly due to recruitment issues which are being identified across a number of service areas. Lower than anticipated permanent teacher numbers has also generated an additional saving of £1.2 million within employee costs;
- b. Slippage in projects and works (£1.8m) – underspends against budgets in these areas arise for a variety of reasons but the 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. 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.
- c. Planned savings on Scottish Government grant – COVID consequential (report 285/21 refers) £2.5 million;
- d. Pre-paid grants, due to technical accounting treatment are shown as savings at year end (£8.2 million);
- e. Savings within Capital Charges & Financing (£3.8 million), where decisions were taken to accelerate the Loans Fund repayment policy, generating an additional £2 million of one-off savings and to earmark £1.3 million of savings from CFCR funding for future drawdown;
- f. Additional income arising from profit sharing from the waste incineration plant in Dundee (£1.1 million).

This overall budget saving for 2021/22 needs to be viewed in the context of further savings which have now been removed from Services budgets for 2022/23, along with the planned savings achieved as part of the future years budget and reserves strategies.

Overall Impact on the General Fund Reserve

The actual year end position on the General Fund Reserve was an increase of £6.717 million.

1.3 Capital Outturn Position

Angus Council spent £49.607 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 2021/22 was £37.906 million.

The General Fund capital programme reported net expenditure of £16.219 million against a full year budget of £22.620 million, representing slippage of £6.401 million. The most significant areas of General Fund capital expenditure (on a net basis) undertaken during the year included:

- £1.860 million on the provision of waste related services;
- £1.304 million on the provision, maintenance and upkeep of the council's buildings, property and IT infrastructure;
- £4.067 million on infrastructure works to roads – carriageway and footway reconstructions;
- £6.159 million on flooding / coastal protection related works, including a major flood scheme at Brothock Water, Arbroath;

- £0.414 million on information and communications technology equipment in schools, including digital inclusion for children and young people; and
- £0.498 million on corporate information and communication technology;

The COVID-19 pandemic, together with material and labour supply issues continued to have a significant impact on the capital programme during 2021/22, as highlighted in the slippage that arose across all areas, but particularly within Infrastructure (£3.315 million), Vibrant Communities & Sustainable Growth (£1.193 million) and Education & Lifelong Learning (£0.569 million), 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 66/22 and Treasury Management Strategy Statement (report 103/22). The 2021/22 Treasury Management Annual report will be presented to committee in the next cycle.

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

Angus Council owns 7,717 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 2021/22, the transfer of a net deficit of £1.004m resulted in HRA balances of £4.370m at 31 March 2022.

The Housing Capital Programme reported net expenditure of £21.687m, representing an overspend of £4.112m against a budget of £17.575m. The most significant areas of HRA capital expenditure (on a net basis) undertaken during the year included:

- £7.3m on new council housing provision;
- £1.3m on shared equity properties;
- £0.3m on improvements;
- £0.5m on window replacements;
- £8.1m on energy saving measures;
- £0.2m on sheltered housing;
- £0.8m on kitchen replacements;
- £1.0m on bathroom replacements;
- £0.4m aids and adaptations; and
- £1.6m on LD2 smoke alarm upgrades.

Overspends mainly arose within the programmes for: energy savings (£4.083m); shared equity (£0.738m); and LD2 smoke alarm upgrade (£0.837m) offset by underspends in the heating installations programme (£1.095m); and the improvements programme (£0.322m).

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, Housing Revenue Account and capital budgets in 2021/22 affect the

Council's reserves as does expenditure met through transfers from the 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 2021/22 financial year, the main usable reserves and their balance at 31 March 2022 are shown below together with the equivalent balances at 31 March 2021.

Fig. 2 Usable Reserves

	Balance As At 31/3/22 £m	Balance As At 31/3/21 £m	Movement £m
General Fund Reserve	56.049	49.332	6.717
Housing Revenue Account	4.370	5.374	(1.004)
Capital Fund	1.645	3.755	(2.110)
Renewal and Repairs Fund	1.498	1.621	(0.123)
Insurance Fund	1.592	1.501	0.091
Usable Capital Receipts	1.343	2.257	(0.914)
Unapplied Capital Grant	1.128	2.612	(1.484)
Total	67.625	66.452	1.173

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 £56.049 million as of 31 March 2022 and some £49.563 million of this General Fund Reserve is committed as follows:

Fig. 3 General Fund Reserve Commitments

	£m
Working Balance/Contingency (per existing policy)	4.700
Applied in 2022/23 Budget Setting	6.185
Future years reserve strategy	3.000
2021/22 COVID-19 Response (285/21)	2.500
Severance Costs	1.047
Provision for Participatory Budgeting	0.262
Saving on debt charges to be applied to future CFCR in the 2021/26 capital plan agreed per report 68/22	2.325
Change Fund (committee report 83/14 refers)	0.673
Tay Cities Deal Fund	0.348
Investment Projects (approved as part of 2019/20 budget setting)	0.234
Service Developments (approved as part of 2020/21 budget setting)	0.608
Prior Year 100 % Carry forward Requests	3.040
Ringfenced Grants received in 2021/22 that need to be earmarked for future drawdown as per accounting regulations	6.697
Prior Year Non Covid Redetermination Monies	0.632
Prior Year COVID-19 Redetermination Monies	1.008
2021/22 Non COVID-19 Redeterminations Monies	2.870
2021/22 COVID-19 Redetermination Monies which are committed for specific projects	2.655
Consolidation of the Living Wage – Pay & Grading 2021/22	0.350
Return of IJB Reserves	0.548

ANGUSalive – Income Generation uncertainty/inability to deliver 2020/21 savings targets in Change Programme	0.723
Museums Collection Fund	0.007
Scottish Welfare Fund	0.763
Discretionary Housing Payments Funding Carry forward	0.244
Affordable Housing Revenue Account	2.942
Proposed 2021/22 100% Revenue Budget Carry Forward	0.907
Demolition of Lochside Leisure Centre	0.377
COVID-19 Contingency	1.723
Car Park Reserve	0.267
Arbroath Harbour Reserve	0.194
Specific Reserves	0.232
Devolved School Management Scheme (DSM)	1.502
Total Committed Within General Fund Reserve	49.563
Uncommitted General Fund Reserve at 31 March 2022	6,486

Once this committed balance has been removed from the net General Fund Reserve, the Council has an uncommitted balance of £6.486 million at 31 March 2022. This uncommitted balance position is after allowing for an earmarked contingency sum of around 1.5% of the net revenue budget (£4.700 million) and it is considered prudent to continue with this position to address any significant one-off issues (e.g. COVID-19 impacts, inflation) 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 2022 are £1.498 million; and this made up of following components; Property £0.355 million; Information Technology £0.082 million; Roads & Transport £0.106 million; Parks & Cemeteries £0.032 million and £0.912 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.