

EAST RENFREWSHIRE COUNCILCABINET15 August 2019Report by Head of Accountancy (Chief Financial Officer)FINANCIAL PERFORMANCE FOR YEAR ENDED 31 MARCH 2019**PURPOSE OF REPORT**

1. To advise the Cabinet of the financial results for 2018/19 and to compare the out-turn with the final budgetary control statement for that year which was submitted to the Cabinet on 4 April 2019.

**RECOMMENDATIONS**

2. It is recommended that members: -

- (a) note the outturn position compared to the previous Budgetary Control Report;
- (b) approve the transfers to be made from the General Fund to the Capital Reserve, Modernisation Fund, Repairs & Renewal Fund, Equalisation Reserve and the new Feasibility Fund; and
- (c) note that once the audit has been completed the Final Accounts will be submitted to a future meeting of the Council along with the External Auditor's report.

**OUTTURN**

3. Subject to audit, the financial results contained in the Accounts for the 2018/19 financial year are satisfactory.

- The Council's financial affairs have again been managed within its operational budget. In particular, all General Fund departments' outturn spend is within budget with Directors having taken early action in applying savings measures during 2018/19, this assisting the Council in addressing the financial difficulties it faces in future years. Reduced expenditure on payroll, procurement and utilities contributed to the underspend, together with increased recoveries of income, lower utilisation of contingency funds & savings on capital financing charges.
- As the Council operated comfortably within budget it did not require to drawdown £1,355k from reserves as planned and the accounts reflect transfers totalling £2,734k from the General Fund balance to the following reserves:-

	£'000
<b>General Fund</b>	
Non-Earmarked	384
Modernisation Fund	1,000

Equalisation Reserve	200
Feasibility Fund	<u>200</u>
<b>Total transfers to the General Fund</b>	<b>1,784</b>
Capital Reserve	550
Repairs & Renewals Fund	<u>400</u>
<b>Total Transfers</b>	<b><u>2,734</u></b>

- The Council's Non-Earmarked General Fund reserve has been increased by £384k resulting in a balance of £10,517k as at 31 March 2019 (4.3% of the annual budgeted net revenue expenditure). This is slightly above the Council's most prudent target level of 4%, however the balance will significantly reduce over the current year as the Council has budgeted to utilise £4,312k of this reserve during 2019/20.
- The accounts reflect the proposed establishment of a Feasibility Fund to permit early preparation and investigations for potential capital projects. This will enable a faster start on major new capital schemes as work to identify any design or ground condition issues can be taken forward in advance of formal approval of the Capital Plan.
- Capital Expenditure of £41,187k was invested.
- There has been an operating surplus of £89k on the Housing Revenue Account, this increasing the accumulated surplus balance to carry forward to £1,718k.

## COMPARISON TO BUDGETARY CONTROL

4. The Budget Monitoring Report for Period 11 submitted to the Cabinet on 4 April 2019 forecast an underspend of £1,654k in 2018/19 after Directors had been requested to reduce net expenditure wherever possible. These efforts continued and at the year-end the underspend position improved to £4,089k, thus the budgeted contribution from Reserves of £1,355k was not required. The main areas making up this year end position include a decrease in payroll, procurement and utility costs together with an increased recovery of income, lower utilisation of contingency funds and savings on capital financing charges.

5. The Period 11 report to Cabinet advised that all services would take steps to contain expenditure within the budget by the year-end, and all departments achieved that goal.

## RECOMMENDATIONS

6. It is recommended that members: -
- (a) note the outturn position compared to the previous Budgetary Control Report;
  - (b) approve the transfers to be made from the General Fund to the Capital Reserve, Modernisation Fund, Repairs & Renewal Fund, Equalisation Reserve and the new Feasibility Fund; and
  - (c) note that once the audit has been completed the Final Accounts will be submitted to a future meeting of the Council along with the External Auditor's report.

**BACKGROUND PAPERS**

A full copy of the Council's unaudited accounts has been placed in the Members' Lounge or can be obtained from the Chief Accountant.

**KEYWORDS**

Financial performance, reserves, annual accounts, accounting policies, corporate governance

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Further information is available from Barbara Clark, Chief Accountant

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