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**Title: Unaudited Annual Accounts 2017/18**

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**Purpose:** To (i) provide the Council with an overview of the Council's unaudited Annual Accounts for the year to 31 March 2018; (ii) provide an overview of the Council's financial performance for the year; and (iii) outline how the 2017/18 outturn impacts on the Council's overall financial position.

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**Recommendation:** That Council agrees to:

- (a) approve, subject to audit, the Council's Annual Accounts for 2017/18;
- (b) authorise the Audit and Scrutiny Committee to consider and approve for signature the audited annual accounts within the required timeframe;
- (c) note that Deloitte LLP plan to complete their audit of the Accounts by mid September 2018 and will present their annual audit report to the Council's Audit and Scrutiny Committee by 30 September 2018;
- (d) approve the carry forward of a further £9.904m to fund service expenditure in 2018/19, as detailed in Appendix 9;
- (e) note the unaudited General Fund break even position after allowing for the approved and planned carry forwards, including the earmarking of £2.500m from 2017/18 and the use of £1.000m of previously ringfenced reserves as part of the 2018/19 revenue budget strategy;
- (f) note the balance of uncommitted funds of £6.624m on the General Fund (equivalent to 2.0% of annual budgeted expenditure) being held in reserve;
- (g) note the unaudited Housing Revenue Account (HRA) surplus for the year of £0.009m;
- (h) note the earmarking and carry forward of the HRA balance as outlined in 2.20; and
- (i) note the financial performance of the Health and Social Care Partnership and the £5.8m deficit due to be repaid to the Council in future years.

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## **1. Executive Summary**

- 1.1 The Council prepares its Accounts on an annual basis to 31 March and is required, by the Local Authority Accounts (Scotland) Regulations 2014, to submit these Accounts to the appointed auditor by 30 June of each year. Deloitte LLP plan to complete their audit of the Accounts by mid September 2018 and will present their annual audit report to the Council's Audit and Scrutiny Committee by 30 September 2018. An abbreviated version of the Council's unaudited Accounts, containing the key financial statements, for the year to 31 March 2018 has been issued directly for Members' approval prior to their submission to the appointed auditor. A copy of the full set of accounts can be found in the Members' Lounge or by following the attached link:

<http://www.north-ayrshire.gov.uk/council/performance-and-spending/budgets-and-finance.aspx>

- 1.2 The 2017/18 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (ACOP) and requirements of International Financial Reporting Standards (IFRS).
- 1.3 The Annual Accounts provide an overview of the financial performance of the various funds managed by the Council. The Management Commentary summarises the key messages in relation to the Council's financial planning and performance for 2017/18 and how this has supported delivery of the Council's priorities. It also outlines the Council's future financial plans and the challenges and risks which the Council faces. At 31st March 2018 the General Fund closed with a breakeven position after earmarking £2.500m to support the non recurring investment identified as part of the 2018-19 revenue budget. The balance on the General Fund unearmarked funds is £6.624m (equivalent to 2.0% of annual budgeted expenditure). The balance of earmarked funds is £26.611m and is detailed in section 2.21.
- 1.4 The unaudited Housing Revenue Account (HRA) surplus for the year is £0.009m. Earmarked funds are outlined at 2.20 leaving an uncommitted balance of £1.009m.
- 1.5 In 2017/18 General Fund capital expenditure of £32.006m and Housing capital expenditure of £25.510m was incurred with further details outlined in sections 2.30 to 2.37.
- 1.6 Common Good Funds closed with a balance of £2.025m and Trust Funds with a balance of £0.492m as outlined in sections 2.38 to 2.39.
- 1.7 The Health and Social Care Partnership closed 2017/18 with a deficit of £2.6m, which when added to the deficit brought forward from 2016/17 requires £5.8m to be repaid to the Council in future years.

## **2. Background**

2.1 The Annual Accounts provide an overview of the financial performance of the various funds managed by the Council:

- ) North Ayrshire Council General Fund (capital and revenue)
- ) Housing Revenue Account (capital and revenue)
- ) Six Common Good Funds
- ) Trust Funds

2.2 The statements also include 'group accounts', which recognise the material interest the Council has in other organisations, mainly:

- ) North Ayrshire Ventures Trust Limited
- ) North Ayrshire Leisure Limited
- ) Strathclyde Passenger Transport
- ) Ayrshire Valuation Joint Board
- ) North Ayrshire Integration Joint Board
- ) Ardrossan North Shore LLP

2.3 The financial position of the Council and its Group is presented in the following statements:

- ) Expenditure and Funding Analysis (page 28);
- ) Comprehensive Income and Expenditure Statements for the Council and the Group (page 29);
- ) Movement in Reserves Statement (page 30);
- ) Balance Sheets for the Council and the Group (page 31).

2.4 The Local Authority Accounts (Scotland) Regulations 2014 require various disclosures about the remuneration and pension benefits of senior councillors and senior employees. The remuneration report can be found on page 14 of the financial statements.

2.5 The Council is legally required to make its draft accounts available for public inspection for a 3-week period during the audit. A notice has been published on the Council website and an advert was placed in the local papers week commencing 4 June 2018, advising that the accounts will be available for inspection at Cunninghame House, Irvine between 2 and 20 July 2018.

2.6 Under the Local Authority Accounts (Scotland) Regulations 2014, a local authority, or committee of that authority whose remit includes audit or governance functions, must meet to approve the audited Annual Accounts for signature no later than 30th September each year. The Audit and Scrutiny Committee will meet to consider the

audited annual accounts and approve them for signature within the required timescale.

## Financial Performance 2017/18

- 2.7 This section of the report provides an overview of the financial performance of each of the main budgets managed by the Council.

### General Fund Revenue Budget

- 2.8 As shown on page 5 of the Annual Accounts, the General Fund Revenue Account achieved an underspend of £13.022m in the year, before earmarking of £10.522m, resulting in a revised underspend of £2.500m. The final position is break even after the earmarking of funds including £2.500m to support the 2018-19 revenue budget. This compares to the reported in year surplus of £2.413m, net of £3.118m of carry forwards, as at 31 January 2018. The following table details the final position on a service by service basis:

	Appendix No	Annual Budget	Actual Outturn to 31 March 2018	Variance for year (Fav)/Adv	Request for Carry Forward Approved @ P10	New Requests for Carry Forward	Variance for Year After Carry Forward (Fav)/Adv
<b>Service Expenditure</b>		£000's	£000's	£000's	£000's	£000's	£000's
Chief Executive and Democratic Services	1	3,687	3,482	(205)	-	15	(190)
Finance & Corporate Support	2	17,360	16,277	(1,083)	-	304	(779)
Education and Youth Employment Place	3	103,467	103,260	(207)	15	-	(192)
Economy and Communities	4	58,103	58,040	(63)	360	(260)	37
Other Corporate Services	5	21,410	21,176	(234)	37	189	(8)
Sub Total	6	16,103	7,259	(8,844)	-	7,209	(1,635)
Health and Social Care Partnership	7&8	220,130	209,494	(10,636)	412	7,457	(2,767)
Balance for Services		89,347	89,347	-	-	-	-
		309,477	298,841	(10,636)	412	7,457	(2,767)
Financing Charges	9	26,185	23,315	(2,870)	2,706	(53)	(217)
Total Planned Expenditure		335,662	322,156	(13,506)	3,118	7,404	(2,984)
<b>Planned Income</b>							
Aggregate External Finance	9	(271,113)	(271,091)	22	-	-	22
Council Tax	9	(52,108)	(51,646)	462	-	-	462
Contribution to Capital Fund	9	(641)	(641)	-	-	-	-
Contribution to/from Earmarked Funds	9	(11,800)	(11,800)	-	-	2,500	2,500
Total Planned Income		(335,662)	(335,178)	484	-	2,500	2,984
Net Expenditure/ (Income)		-	(13,022)	(13,022)	3,118	9,904	-

- 2.9 **Analysis of Final Outturn** - detailed explanations for the significant variances in service expenditure compared to the approved budgets, together with information on funding to be carried forward to finance expenditure in 2018/19, are provided in Appendices 1 to 10 of this report. A summary of the proposed carry forward of earmarked funds to 2018/19 can be found in Appendix 9. There are various over and underspends across all divisions of the service. However, in summary, the year-end variance is mainly attributable to:

- ) Resources set aside for Community Investment and Poverty Challenge Funds not fully drawdown during the year (£5.7m);
- ) Scottish Government funding for 2018/19 received in 2017/18 (£0.9m);
- ) Lower loan charges aligned to the Council's Capital Investment Programme 2018/19 to 2027/28 (£2.9m);
- ) Vacancy management and the early delivery of future year savings (£1.2m); and
- ) Higher than budgeted income across a range of services (£1.2m).

### **Chief Executive and Democratic Services**

2.10 Chief Executive and Democratic Services was underspent by £0.205m (5.6% of the annual budget) for the year. This compares to a projected underspend for the year at 31 January 2018 of £0.076m. The main reasons for the final underspend are reduced employee costs across the service due to vacant posts (£0.159m) and lower than budgeted administration costs (£0.052m).

Council is asked to approve a carry forward of £0.015m of the underspend to support Community Planning activities during 2018/19. After the earmarking of £0.015m, the service was underspent by £0.190m (5.2%).

### **Finance and Corporate Support**

2.11 Finance and Corporate Support was underspent by £1.083m (6.2% of the annual budget) for the year. This compares to a projected underspend for the year at 31 January 2017 of £0.468m. The additional underspend is primarily related to additional income recovered from the DWP and statutory additions combined with reduced expenditure from vacancy management across the service.

The main reasons for the final underspend are:

- ) Reduced employee costs across the service due to vacancy management and early realisation of savings (£0.594m);
- ) Additional income recovered from the DWP and statutory additions on Council Tax and Non Domestic Rates (£0.395m).

Council is asked to approve a carry forward of £0.143m of DWP funding, £0.099m in relation to software commitments, £0.032m to support specialist procurement training and £0.030m in relation to Scottish Welfare Fund Crisis Grants. After the earmarking of £0.304m for carry forward, the service was underspent by £0.779m (4.5%).

### **Education and Youth Employment**

2.12 Education and Youth Employment was underspent by £0.207m (0.2% of the annual budget) for the year. This compares to a projected underspend for the year at 31 January 2018 of £0.454m. The reduced underspend is primarily related to additional non teacher staffing in ASN Schools and ASN response classroom assistants, partially offset by reductions in PPP unitary charges in relation to utilities and insurance charges.

The significant final variances are as follows:

- ) An underspend relating to PPP schools due to contract deductions and reductions in the unitary charge (£0.374m);
- ) An underspend within Early Years teaching staff (£0.101m) and Early Years' Supplies and Services (£0.151m); and
- ) An underspend on ASN primary provision due to teacher vacancies (£0.244m); partly offset by
- ) An overspend in relation to ASN Classroom Assistants and Early Years Workers, including ASN response staffing, £0.494m; and
- ) An overspend in external specialist placements due to increased demand, £0.474m;

Cabinet has previously approved carry forwards of £0.015m. After the earmarking of £0.015m for carry forwards, the service was underspent by £0.192m (0.2%).

## **Place**

2.13 Place was underspent by £0.063m (0.1% of the annual budget) for the year. This compares to a projected underspend for the year of £0.397m at 31 January 2018. The reduced underspend is primarily related to additional energy costs at Red Cross House and the Garnock Campus, additional winter maintenance expenditure and reduced Building Services' income resulting from access issues, partly offset by reduced provisions for landfill site costs and taxation.

There are various over and underspends across all divisions of the service which are summarised below:

- ) An overspend within Building Services (£0.267m) mainly due to additional subcontractor costs and asbestos works, partly offset by additional income and reduced expenditure on employee costs and materials;
- ) An overspend within Property Running Costs (£0.133m) linked to slippage in the property rationalisation programme;
- ) An overspend with Energy and Sustainability (£0.205m) arising from additional costs in relation to the Garnock Campus and Red Cross House;
- ) An overspend within Roads (£0.364m) related to additional winter maintenance costs;
- ) An overspend within Streetscene (£0.142m) related to additional costs for skip hires and community clean ups and unrealised staff turnover; offset by
- ) An underspend within Property Maintenance (£0.214m) due to delays in completing condition survey and roofing works;
- ) An underspend within Other Housing (£0.183m) primarily related to vacancy management; and
- ) An underspend within Waste Services (£0.576m) arising from an improved market for recyclates, increased income from Waste Gas Extraction and reduced tonnages at Landfill partly offset by seasonal and operational employee costs demands.

Cabinet previously approved carry forwards of £0.360m in relation to welfare services and property maintenance. Council is requested to note that £0.260m of this carry forward is no longer required.

After the earmarking of £0.100m for carry forward, the service was overspent by £0.037m (0.1%).

## **Economy and Communities**

- 2.14 Economy and Communities was underspent by £0.234m (1.1% of the annual budget) for the year. This compares to a projected underspend for the year of £0.048m at 31 January 2018. The additional underspend is primarily related to unused income in relation to the Ayrshire Growth Deal.

The main reasons for the final variances are related to:

- ) An underspend on Economic Growth Marketing and Research (£0.068m); and
- ) Additional income from the Ayrshire local authorities in relation to the Ayrshire Growth Deal (£0.114m).

Cabinet have previously approved carry forwards of £0.037m. In addition, Council is asked to approve a carry forward of £0.189m in relation to the income from the Ayrshire local authorities for the Ayrshire Growth Deal (£0.114m) and £0.075m related to funding for the Quarry Road project which will not now be required until 2018/19.

After the earmarking of £0.226m for carry forward, the service was underspent by £0.008m (0.0%).

## **Other Corporate Items**

- 2.15 Other Corporate Items was underspent by £8.844m compared to a projected underspend of £1.566m at 31 January 2018. The additional underspend relates to delays in the drawdown of Community Investment and Poverty Challenge Funds and advance receipt of 2018/19 Scottish Government funding.

The significant variances are:

- ) Resources set aside for Community Investment and Poverty Challenge Funds which have not been fully drawn down within the year (£5.747m);
- ) Additional Scottish Government funding in relation to the 2018/19 Settlement (£0.925m);
- ) Additional Scottish Government funding in relation to temporary accommodation and teacher induction (£0.676m);
- ) Centrally held funds identified as not fully required during the year related to pensions, the revised Benefits Cap and energy inflation (£1.443m); and
- ) Employee related provisions no longer required (£0.730m); partly offset by
- ) Increased Bad Debt Provision of £0.800m.

Council is asked to approve a carry forward of £7.209m to meet the following expenditure in 2018/19:

	£000s
Community Investment and Poverty Challenge Funds	5,747
18/19 Scottish Government Settlement	925
Festivals Fund	150
Poverty Challenge Fund	130
North Ayrshire Leisure income shortfall	100
Ardrossan Hostel	55
Community Justice transitional funding	38
Council Tax Reduction admin funding	23
Change Fund procurement savings	17
North Ayrshire Achieves	16
Sensory Impairment Scottish Government Grant	8
<b>Total Other Corporate Items</b>	<b><u>7,209</u></b>

After the earmarking of £7.209m for carry forward, the underspend was £1.635m.

## Health and Social Care Partnership

2.16 The Council's contribution to the Health and Social Care Partnership reported a break even position for the year reflecting the level of funding the Council provided to the Health and Social Care Partnership. However, the Health and Social Care partnership has reported an overspend of £2.562m (1.1%) against the full-year budget of £227.581m. The overspend has reduced by £1.071m since period 10 mainly due to securing additional funding of £0.971m from the NHS to bring the NHS element of the budget online. The significant final variances are:

) **Community Care & Health** - against the full-year budget of £65.543m there was an underspend of £0.829m (1.3%). The main reasons for the final underspend are:

- a) **Locality Services** – year end underspend of £0.381m which consists of additional income of £0.378m which has been mainly secured from charging order income, the planned underspend of £0.200m in equipment agreed as part of the mitigation plan and Independent Living Services Care Packages underspent by £0.093m.

This is partly offset by Care Home placements, including respite, which has overspent by £0.300m (an adverse movement of £0.200m).

- b) **Community Care Service Delivery** – year end underspend of £0.504m which consists of care at home which underspent by £0.927m partly due to the agreed mitigation to delay the recruitment of posts and £0.177m of funds to cover the projected increased costs of homecare if more services are brought in house. Employee costs overspent by £0.228m across Montrose House, day care and the business unit.



- ) **Mental Health Services** - against the full-year budget of £71.761m there was an overspend of £1.011m (1.4%). The overspend has reduced by £0.512m since period 10. The main reasons for the final overspend are Learning Disability care packages which overspent by £0.847m which included a backdated charge of £0.392m. The packages continue to be reviewed and progress is monitored by the head of service. There was also an overspend of £0.092m on respite provision and an under recovery of £0.092m in income from other local authorities using Taigh Mor respite unit.
- ) **Children's Services and Criminal Justice** - against the full-year budget of £33.504m there was an overspend of £2.462m (7.3%). The overspend has increased by £0.488m since period 10. The main reasons for the final overspend are:
  - a) **Residential Schools and Community Placements** – overspend of £1.669m (adverse movement of £0.446m from P10). This is the net result of rate changes for two providers, 2016/17 invoices that were not accrued and additional supports for children that were not included in the projection. Controls and processes have been put in place to ensure future early identification.
  - b) **Looked After Children Placements** – overspend of £0.596m due to the current mix of fostering, adoption and kinship payments.
  - a) **Employee costs** – overspent by £0.420m (adverse movement of £0.153m) due to the impact of the closure of the Nethermain facility for refugees sooner than anticipated and placement of the supernumerary staff in the children's units for a short period.
- ) **Management and Support Costs** - The overspend has increased by £0.204m since period 10. This mainly relates to the previous inaccurate projection of the Apprenticeship Levy.

Current year financial performance results in the Health and Social Care Partnership having a cumulative deficit of £5.8m which it requires to repay to the Council.

Significant work has been undertaken to support financial sustainability for the Partnership. This includes the establishment of a dedicated Chief Finance and Transformation Officer and development of more robust governance and accountability arrangements.

- 2.17 The Code of Practice requires the Council to account for the budget delegated to the Health and Social Care Partnership within expenditure, matched by income which was delegated back from the Partnership. The entries within the Comprehensive Income and Expenditure Account have been adjusted to reflect the required accounting entries for the cost of the Council delivering services on behalf of the Health and Social Care Partnership. This results in an increase in expenditure and income of £89.347m.

## Council Tax Income

- 2.18 Income from Council tax is £0.462m lower than budgeted at the start of the financial year. This is mainly related to additional provision being made for net discounts and reliefs for prior years in line with previous trends.

## Housing Revenue Account

- 2.19 As shown on Appendix 10 the Housing Revenue Account delivered an in-year underspend of £0.009m compared to the underspend of £0.196m anticipated at 31 January 2018. The main factors contributing to the final underspend at 31 March 2018 are as follows:

- ) A net saving in loan charges as a result of external borrowing funds falling below anticipated levels due to the availability and continued use of internal balances (£0.237m);
- ) Underspends on Planned Maintenance and Aids and Adaptations, partly offset by overspends on Response and Void repairs, (£0.132m);
- ) The above underspends were offset by an under recovery of income in relation to rents and recharges linked to increased council house sales, property slippage and protracted voids, £0.438m.

The balance brought forward at 1 April 2017 was £14.704m. £1.086m was utilised during 2017/18 for refurbishment works and the Council House Build Programme. When the 2017/18 surplus of £0.009m is applied, this results in a cumulative balance of £13.627m at 31 March 2018.

- 2.20 In total, the following sums have been approved by Cabinet for earmarking within the HRA:

	£000s
Council House Building	7,650
Welfare Reform	3,000
Infrastructure Improvements	613
Major Refurbishment Works	264
Tarryholme	1,091
Contingency	1,009
<b>Total Other Corporate Items</b>	<b><u>13,627</u></b>

## Fund Balances and Reserves

2.21 The table below summarises the movement on each of the Council's Funds during the year, the closing balance at 31 March 2018 and the estimated future commitments:

	Balance as at 31/3/2017	Transfer included in Budget Paper Feb 2018	(Expenditure) / Income	Balance as at 31/3/2018	Anticipated Expenditure	Estimated Available Balance
	£000's	£000's	£000's	£000's		£000's
<b>General Fund - Unearmarked</b>	<b>6,380</b>	<b>(2,256)</b>	<b>2,500</b>	<b>6,624</b>	<b>-</b>	<b>6,624</b>
<b>General Fund Earmarked:</b>						
Education DMR	713	-	(36)	677	(677)	-
Affordable Housing	4,329	-	62	4,391	(4,391)	-
Earmarked funds	14,742	2,267	(2,953)	14,056	(14,056)	-
Equal Pay	1,011	(1,011)	-	-	-	-
Change & Service Redesign	3,949	1,000	(1,034)	3,915	(3,915)	-
Legacy Fund	51	-	(6)	45	(45)	-
Loans Fund Reserve	874	-	2,653	3,527	(3,527)	-
<b>General Fund Sub Total</b>	<b>32,049</b>	<b>-</b>	<b>1,186</b>	<b>33,235</b>	<b>(26,611)</b>	<b>6,624</b>
<b>Other Reserves:</b>						
Repairs & Renewals Fund	286	-	2	288	(288)	-
Insurance Fund	2,599	-	10	2,609	(2,609)	-
Capital Fund	7,662	-	1,569	9,231	(9,231)	-
<b>Total General Fund</b>	<b>42,596</b>	<b>-</b>	<b>2,767</b>	<b>45,363</b>	<b>(38,739)</b>	<b>6,624</b>
Housing Revenue Account	14,704	-	(1,077)	13,627	(12,618)	1,009
<b>Total Reserves</b>	<b>57,300</b>	<b>-</b>	<b>1,690</b>	<b>58,990</b>	<b>(51,357)</b>	<b>7,633</b>

2.22 **General Fund (unearmarked)** – The General Fund surplus for the year was £13.022m. After recognising the earmarking of funds to be carried forward (£13.022m) this leaves a break even position on the General Fund.

The uncommitted balance at 31 March 2018 was £6.624m, equivalent to 2.0% of the Council's annual budgeted expenditure. Best practice recommends that local authorities should retain uncommitted reserves of between 2% and 4%, equivalent to between £6.6m and £13.3m for North Ayrshire Council. The Council's reserves policy will continue to be reviewed, particularly as the level of total reserves reduces due to the delivery of commitments over the next few years.

- 2.23 **Affordable Housing** – 40% of Council Tax income on properties which are not a sole or main residence is earmarked for the provision of new build affordable housing.
- 2.24 **Earmarked Sums and School Funds** – These funds relate to specific projects for which monies have been identified prior to 31 March 2018, but for which spending plans exist in 2018/19 and beyond.
- 2.25 **Equal Pay** – As reported to Council on 28 February 2018, significant progress has been made in settling equal pay claims and the full reserve has been released.
- 2.26 **Change & Service Redesign Fund** – £1.034m was incurred during the year in delivering the council's change programme. Given the scale of the transformation required to address the financial challenge that the Council faces, the full balance of the Fund is required.
- 2.27 **Repairs and Renewals Fund**—These funds are earmarked for Schools PPP works.
- 2.28 **Insurance Fund** - this fund represents the amount required to deal with potential uninsured claims and Municipal Mutual Insurance (MMI) underwriting costs. The insurance fund was independently assessed during 2015/16 and the sum earmarked continues to reflect the value recommended by this assessment.
- 2.29 **Capital Fund**—These funds support the capital programme as set out in the 2018-19 to 2026-27 capital programme.

### **General Services Capital**

- 2.30 The Council approved its General Services capital budget for 2017/18 on 1 March 2017. The Cabinet received regular reports on the capital programme throughout the year and approved various adjustments to reflect identified slippage and under/overspends on projects. The last report to the Cabinet in March 2018 outlined a revised capital budget of £39.767m as at 31 January 2018.
- 2.31 Gross capital expenditure in 2017/18 was £32.006m compared to the final revised budget of £35.667m, i.e. slippage of £3.661m. This is related to underspends across a range of projects within the programme of which £2.946m is required to be carried forward to 2018/19, resulting in a true underspend of £0.715m within the programme.
- 2.32 The Corporate Property and Asset Group continues to monitor performance in relation to capital programme delivery. Details of the final General Services capital outturn against budgets for individual projects is provided in Appendix 11 to the report.
- 2.33 Several major projects were completed successfully during the year with excellent progress being made on a number of others. The key projects undertaken during 2017/18 included Irvine Enterprise Area, Quarry Road, Access Paths, Largs Campus, the Secondary School Estate, Lifecycle Investment, Roads Infrastructure, Technology and Energy projects.

## HRA Capital

- 2.34 The Council approved its HRA capital budget for 2017/18 on 1 March 2017. The Cabinet received regular reports on the capital programme throughout the year and approved various adjustments to reflect identified slippage and under/overspends on projects. The last report to the Cabinet in March 2018 outlined a revised capital budget of £26.146m at 31 January 2018.
- 2.35 Gross capital expenditure in 2017/18 was £25.510m compared to the final revised budget of £26.315m, i.e. slippage of £0.805m. This is related to underspends across a range of projects within the programme of which £0.201m is required to be carried forward to 2018/19, resulting in a true underspend of £0.604m which will be applied to support future projects within the HRA Capital Investment Programme..
- 2.36 Details of the final HRA capital outturn against budgets for individual projects is provided in Appendix 12 to the report.
- 2.37 During 2017/18 the Council continued with its plans to build 1,000 new houses by 2022, with 232 houses completed at 31 March 2018, and made significant progress in key projects including Improvements to Housing Stock, House Refurbishments and Energy Efficiency.

## Common Good Funds

- 2.38 A summary of the revenue and capital balances on the Common Good Funds is provided below, with further details provided on page 35 of the financial statements. All funds have accumulated surpluses at 31 March 2018.

Common Good Fund	Balance at 1 April 2017	Movement in Year Increase / (Decrease)	Balance at 31 March 2018
	£m	£m	£m
Ardrossan	0.158	0.029	0.187
Irvine	1.023	0.072	1.095
Largs	0.430	0.068	0.498
Millport	0.060	0.013	0.073
Saltcoats	0.017	-	0.017
Stevenston	0.144	0.011	0.155
<b>Total</b>	<b>1.832</b>	<b>0.193</b>	<b>2.025</b>

## Trusts

- 2.39 A summary of the revenue and capital balances on the Trust Funds administered by the Council is provided below, with further details provided within page 36 of the financial statements. North Ayrshire Council's Trust Funds, where the Council is the sole trustee, are required to prepare their own Accounts and Trustees' Annual Report. These are subject to separate external audit and their own report to Council.

Trusts	Balance at	Movement in Year	Balance at
	1 April 2017	Increase / (Decrease)	31 March 2018
	£m	£m	£m
North Ayrshire Charitable Trust	0.079	0.003	0.082
Town Trusts	0.196	(0.013)	0.183
Douglas Sellers Trust	0.002	-	0.002
Anderson Trust	0.001	-	0.001
Margaret Archibald Trust	0.180	0.001	0.181
Other Bequests	0.044	(0.001)	0.043
<b>Total</b>	<b>0.502</b>	<b>(0.010)</b>	<b>0.492</b>

## 3. Proposals

### *General Fund*

- 3.1 The General Fund ended the year with a break even position after the earmarking of funds including £2.500m to support the non recurring investment identified as part of the 2018-19 revenue budget. At 31 March 2018 the Council has an accumulated unearmarked General Fund balance of £6.624m (equivalent to 2.0% of annual budgeted expenditure). Due to the risks in the planning assumption in North Ayrshire's medium term financial plan and the uncertainty around future funding it is proposed that this balance remains unearmarked.

### *Housing Revenue Account:*

- 3.2 When applied to the balance brought forward from 2016/17 of £14.704m, the accumulated HRA balance at 31 March 2018 is £13.627m, before recognising earmarking of funds. As outlined at paragraph 2.20 above, £12.618m has already been set aside for various initiatives, leaving an uncommitted balance of £1.009m.
- 3.3 It is proposed that this balance is held in reserve to meet any funding requirements arising from the review of the 30 year HRA business plan.

#### 4. Implications

<b>Financial:</b>	The financial implications are as outlined within the report.
<b>Human Resources:</b>	None
<b>Legal:</b>	None
<b>Equality:</b>	None
<b>Children and Young People:</b>	None
<b>Environmental &amp; Sustainability:</b>	None
<b>Key Priorities:</b>	This report aligns to the Council's strategic priorities by "making the best use of all resources" and ensuring a "sound financial position".
<b>Community Benefits:</b>	None

#### 5. Consultation

- 5.1 Discussions have taken place between Executive Directors and Finance on Services' financial performance throughout the year to 31 March 2017.



LAURA FRIEL  
Executive Director (Finance and Corporate Support)

For further information please contact David Forbes, Senior Manager (Strategic Business Partner) on (01294) 324551.

#### Background Papers

Revenue Budget 2017/18 : Financial Performance to 31 January 2018 - Cabinet - 20 March 2018