



Annex 4d – Illustrative Simplified Financial Statement: Unitary Authority

**ANNEX 4D –
ILLUSTRATIVE
SIMPLIFIED FINANCIAL
STATEMENT: UNITARY
AUTHORITY**

Financial Performance Statement

This financial performance statement provides an analysis of the council's financial performance and position over the last 12 months.

1. Financial Performance Statement

We have a responsibility to feed back to you, as a local resident or tax payer, on how we spend and manage Golden Sands Council's resources.

This financial performance statement compares the budget (what we planned to spend) at the start of the year with what we actually spent and explains the changes. If we have over or under spent, we have explained why.

As well as our annual expenditure, this statement also includes information about our longer-term financial sustainability. This is important so that you know the resources we have available to provide services into the future. The summary shows you what we own and what we owe, and what we have put aside to make sure we can deliver services beyond this year.

You can have confidence in the figures in this report because we have to follow regulations and standards in compiling them, and the information from our accounts is independently audited.

This information is consistent with that reported in the council's audited accounts. A full set of [Golden Sands Council's Statement of Accounts](#) is available from the Council's website.

About Golden Sands Council

Golden Sands is a unitary council, and this means we have responsibility for delivering services such as education, adult social care, housing, waste collection and leisure services.

To deliver these and other services, working with other organisations is important as it helps us to achieve more with our resources. We work closely with our neighbouring authorities, especially on economic regeneration.

Where the council gets its money from

A local council gets money from three main sources: council tax, business rates and grants from the government. We also receive locally generated income from activities such as planning, car parking and investment returns.

We have to make sure that when we set the budget for the year, we can afford to pay for the services we offer. This includes any plans we make where we need to include longer-term commitments. A council must balance its budget each year, and setting council tax is an important part of this process.

Our total funding is £549.9m, and this must support the services for a population of 325,000.

2. Analysis of Financial Performance

Table 1 below shows what Golden Sands Council planned to spend (its budget) against what we actually spent in the year.

Where a service generates income such as fees and charges, that income will be included as well. The difference between expenditure and income is known as net spend.

The net spend (expenditure less income) can be compared to the budget, and the difference between the two is shown in the final column. The positive figures are those where we have spent less than planned and the negative figures are where we have spent more than planned.

The differences from the budget are explained in Table 2 below.

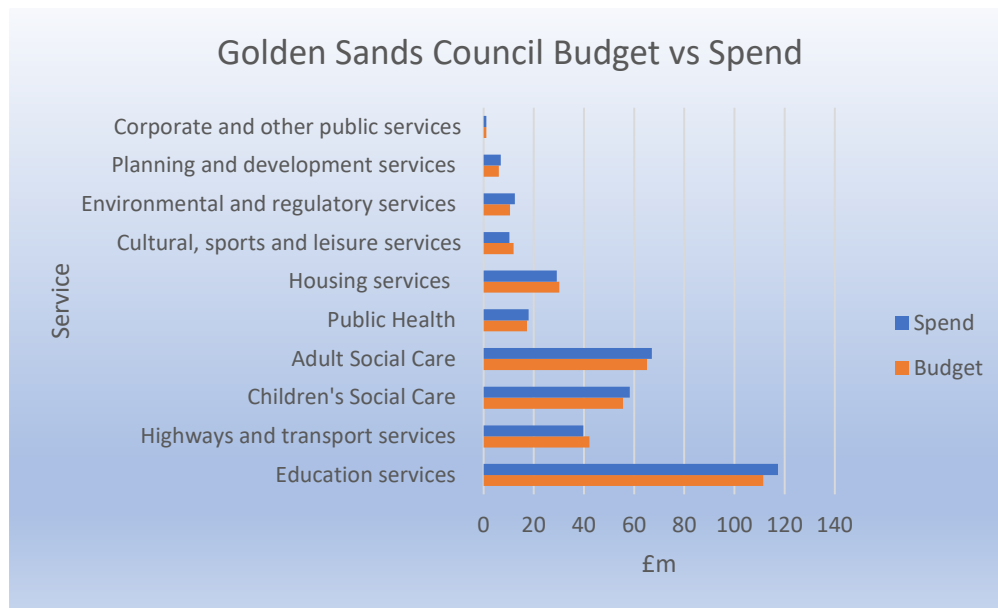
Table 1 - Golden Sands Council Budget - what we planned to spend against what we finally spent

Service	Budget (What we planned to spend)	Net Spend (What we actually spent)	Difference from Budget
	£m	£m	£m
Education services	111.5	117.3	-5.8
Highways and transport services	42.2	39.8	2.4
Children's social care	55.6	58.3	-2.7
Adult social care	65.1	67.1	-2.0
Public health	17.3	17.9	-0.6
Housing services (excluding the Housing Revenue Account which is considered in section 3)	30.2	29.1	1.1
Cultural, sports and leisure services	11.9	10.3	1.6

Service	Budget (What we planned to spend)	Net Spend (What we actually spent)	Difference from Budget
Environmental and regulatory services	10.5	12.4	-1.9
Planning and development services	6.1	6.8	-0.7
Corporate and other services to the public (e.g. local tax collection and coroners' services)	1.1	1.1	0
Total service expenditure and income	351.5	360.1	-8.6
Financing costs (costs relating to financing debt)	0.5	0.6	-0.1
Net taxation and grant income (excluding council tax income)	-205.2	-205.4	0.2
Total expenditure and income	146.8	155.3	-8.5
Transfers to/from – reserves	3.6	-4.9	8.5
Council tax requirement <i>(Our income without council tax is not enough to pay for the service we deliver - this is the amount we need to raise to cover that gap)</i>	150.4		

The differences between what we planned to spend against what we have actually spent are demonstrated by the graph below.

Graph 1 - Golden Sands Council Service Analysis - budget against spend



What were the differences?

Table 2 – Explanations for the significant differences between what we budgeted for and what we spent

We have spent £8.5m more than budget due to the following significant differences:		
Service	Explanation	Difference £m
Education services	• lower than anticipated government grants received for education services	-1.1
	• increased expenditure on special educational needs	-4.8
Highways and transport services	• a small number of key schemes did not start when expected and were delayed until the following year	2.4
Children's social care	• lower than anticipated government grants received	-1.2
	• increased needs of the children assessed	-1.5
Adult social Care	• increased expenditure due to an improvement in care packages delivered	-2.0

	<ul style="list-style-type: none">• Other adjustments	-0.3
	Total differences between budget and spend	-8.5

Illustration

3. Housing Revenue Account

As the landlord account for the authority, the Housing Revenue Account (HRA) accounts for all services to tenants and leaseholders, and is the account which holds the rent we collect.

The HRA is a separate account to the general budget and the Council is not allowed to subsidise the HRA by making contributions from the General Fund. This means that the HRA must break even in its own right.

Table 3 shows the spending on HRA services to council tenants in the year and how that compared to the HRA budgeted figures. Significant differences to the budget are explained in table 5.

Table 3 - Analysis of HRA budget against actual spending

Housing Revenue Account	Budget	Net Spend	Difference from Budget
	(What we planned to spend)	(What we actually spent)	
	£m	£m	£m
Rent income	16.3	15.9	0.4
Other income	1.4	1.5	-0.1
Total Income	17.7	17.4	0.3
Repairs and maintenance	5.1	4.4	0.7
Managing the stock	4.6	4.6	0.0
Rents, rates and taxes	0.2	0.2	0.0
Capital financing and interest charges	6.7	6.1	0.6
Set aside for stock improvements	1.7	1.7	0.0
Total Expenditure	18.3	17.0	1.3
Surplus (-) / Deficit	0.6	-0.4	1.0

Table 4 shows the level of reserves that the council holds to support the future provision of council housing and manage future risks.

Table 4 – HRA Reserves

Housing Revenue Account Reserves	Opening Balance	Closing balance
	£m	£m
HRA Reserves	10.7	11.1

Table 5 – Explanations for the significant differences between what we budgeted for and what we spent

The net underspend of £1.0m is due to the following significant variations:		
Service category	Explanation	Difference £m
Dwelling Rents	Reduced rent income due to higher than expected Right to Buy sales to tenants	-0.4
Repairs and Maintenance	Fewer responsive repairs than anticipated	0.7
Capital financing and interest charges	HRA share of savings in corporate interest costs	0.6
	Other spending differences (net)	0.1
	Total differences between budget and spend	1.0

4. The Council's Financial Position

Golden Sands Council uses your money to provide necessary local services. The summary financial position below (also known as the balance sheet) represents a summary, or 'snapshot,' of the financial position at a single point in time, which for councils is 31 March. Each year it sets out what the council owns and how much is owed, and the resources it has left to support the provision of future services on the 31 March.

Below we show the council's financial position at the year-end, which is a summary of the balance sheet in the audited accounts. This information supports the assessment of whether or not the council has a sustainable financial position and is able to support and maintain services on an on-going basis. The net financial position helps inform future financial planning and sustain the services we deliver.

Summary Financial Position

	£m
What we own (<i>held as 'assets'</i>)	2,525.5
What we owe (<i>held as 'liabilities'</i>)	-1,634.2
Net Financial Position (<i>assets less liabilities</i>)	891.3
<i>The net financial position is held in reserves as follows:</i>	
General reserves available to the Council	131.1
Other reserves held for statutory and/or specific purposes	760.2
Total Reserves	891.3

Financial Sustainability - The ability to plan for the future

We have to plan for the long term to ensure that we can continue to deliver our services in future years and be able to deal with any unexpected events. As a result, it is important that our financial standing (or sustainability) is robust.

Golden Sands Council has a fully developed five-year financial plan, which includes looking at risks and future demands on services. The biggest risks identified are likely to be:

- *Population growth and age profile* – this is likely to lead to increased service demand
- *Schools balances* – we have funding shortages due to government education grants being less than expenditure
- *Safeguarding the financial position of the council* – the council is looking at ways to improve efficiency and deliver services in different ways. These plans are currently on track.

More about our Reserves

Table 6 sets out a breakdown of the council's general reserves.

Table 6 – General Reserves

	Amount held at 31 March £m
Earmarked reserves (reserves which are planned to fund specific projects or other council commitments)	90.4
Unallocated reserves (reserves held to support future service provision and manage risk)	45.8
School's balances* (balances held specifically for schools - these are held separately from other council funds)	-5.1
Total general reserves	131.1

*Note we have a deficit balance on our school's balances. As these are ringfenced, these balances do not impact on the setting of our council tax.

Council Subsidiaries, Associates and Joint Ventures

The council has financial interests in several [number] organisations, the results of which are included in Golden Sands Statement of Accounts. The most significant of these are Golden Sands Care Homes and a housing development company, Sunset Homes. A number of less significant organisations are not included in the accounts, but are included in table 7 below for completeness.

Table 7 – Financial interests in other organisations

Type	Number
Subsidiaries fully owned	2
Subsidiaries part owned	1
Associated organisations and Joint Ventures	4

The organisations included in the Statement of Accounts have the following impact on the financial position of the council:

Subsidiaries, Associates and Joint Ventures	£m
What we own and are owed (<i>held as 'assets'</i>)	106.3
What we owe (<i>held as 'liabilities'</i>)	-99.2
Net Financial Position (<i>assets less liabilities</i>)	7.1
The net financial position is held in reserves as follows:	
General reserves available for future spend	21.9
Other reserves held for statutory and/or specific purposes	-14.8
Total Reserves	7.1

Raising debt to finance council investment

Councils can borrow to invest in property or other infrastructure that supports the delivery of services, but they must ensure that they can pay this amount back. The Council has an underlying need to borrow to finance these assets (this includes assets which are leased) of £871.1m. The council must set aside a prudent amount of resources each year so it can pay back its borrowing, and this must be affordable when compared to its annual income.

We compare what it is costing to cover our borrowing costs for these assets against the funding we receive from council tax, business rates and grants (our income streams) to show you what proportion of income is required to fund the council's investments.

Table 8 - Borrowing costs as a proportion of income

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Actual	Actual	Actual	Forecast	Forecast	Forecast
0.9%	1.2%	1.3%	1.5%	1.6%	1.6%

You can find more detail on these balance sheet items in [Golden Sands Council's Statement of Accounts](#).

Investments in Commercial Properties

This year the council has purchased, for £20m, Sunny Sands Regional Development Park, which includes 50 industrial units. This purchase was funded in part from capital receipts from the sale of other assets (50%) and in part from borrowing (50%). The council purchased the development park because the industrial units are not performing at a commercial level and sales of the units are slow. The development park is in the local Southern Sands region, which is an important area for economic development.

Commercial rates of return on investments for these types of property locally are 2.5%. Success for the Council would be a rate of return of 1.5%. In its first year, the rate of return on the investment is at 0.5%. The Council plans to increase this to 1.5% over the next three years.

5. Golden Sands Council Performance Data 1 April 2019 to 31 March 2020

Table 9 - Golden Sands Council performance information

The table below provides financial performance information for our key services, identifying the costs incurred by the authority (using the information in Table 1) and measuring that on an appropriate unit basis, for example, per head of population or per km of minor roads.

Cost Type	Unit Cost
Education services Cost per child aged 4 to 18	£2,290
Highways and transport services Cost per km of minor roads	£22
Children's social care Cost per child under 18	£1,079
Adult social care Cost per head of older population (over 65's)	£1,284
Public health Cost per head of population	£55
Housing services Cost per head of population	£90
Cultural, sports and leisure services Cost per head of population	£32
Environmental and regulatory services Cost per head of population	£38
Planning and development services Cost per planning application	£2,592
Corporate and other services to the public Cost per head of population	£3

[Note the above extract is indicative only and the detail of what could/should be set out in a financial performance statement will form a significant element of future consultation.]

Illustration

AUDIT CERTIFICATE

Audit certificate to be developed. There is an expectation that this statement will be subject to external audit from 2021/22.