

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Lead - Resources****Council – 26 June 2019**

Subject: Draft Statement of Accounts 2018/2019**1. Purpose**

- 1.1** The purpose of this report is to provide Council with a copy of the draft Statement of Accounts for 2018/2019 together with information as to the outturn for 2018/19 per the draft accounts.

2. Recommendations**2.1** Members are asked to:

- (a) note the contents of this report and the attached draft Statements of Accounts, subject to the understanding that the draft accounts may change depending upon the audit of the accounts undertaken by the Council's external auditors;
- (b) note the information provided in relation to the financial performance of the Council's services and capital plan for 2018/19;
- (c) note that a report on the audited accounts will be submitted to either Council or Audit Committee in September 2019 for approval as identified at paragraph 4.20 of this report;
- (d) note that the audited Trust Fund Accounts will be presented to the Trust Committees at a meeting for approval, prior to being reported to Council; and
- (e) agree that the value of General Services free reserves in excess of the prudential target (from the Draft Financial Statements, this is £0.192m) is earmarked towards the Change Fund.

3. Background

- 3.1** The Council is required by law to produce its draft Statement of Accounts for audit by 30 June each year.

- 3.2** The Local Authority Accounts (Scotland) Regulations 2014 came into force on 10 October 2014, revoking the Local Authority Accounts (Scotland) Regulations 1985. The legislation introduced a number of changes to the Statements, including:

- (a) the requirement for Council's formal consideration of the draft Management Commentary & Financial Statement of Accounts prior

to 31 August each year. However, best practice is that the Statements should be reported to the Council for formal consideration prior to submission to the Accounts Commission by 30 June each year;

- (b) the regulations require the notice for the public's right 'to inspect and object to the Statements requires be published no later than 17 June 2019 and the Statements to be available for inspection no later than 1 July 2019; and
- (c) the requirement to 'aim' to approve the audited Annual Accounts for signature no later than 30 September each year (with publication no later than 31 October each year).

3.3 A copy of the draft financial Statement of Accounts (including the Group Accounts) for the year ended 31 March 2019, is appended to this report as Appendix 1.

3.4 The management commentary within the draft Statements states that following the setting of the budget in March 2019, the projections identified current expected gaps of £9.816m in 2020/21 and a further £7.114m for 2021/22.

4. Main Issues

4.1 The draft accounts, including the group accounts, have now been prepared and passed to the Audit Scotland to commence their audit process.

4.2 The draft accounts show that the Council has been successful in managing its expenditure within the budgets approved for both the General Fund and the Housing Revenue Account (HRA).

Management Commentary

4.3 The Management Commentary within the Accounts provides information, particularly in relation to objectives of the Council and its performance. The purpose of this commentary is to inform users of the Statement and help users assess if the Council has performed its duty to promote the success of the Council. The Commentary is on pages 2 to 15 of the Statement of Accounts.

Annual Governance Statement

4.4 The Annual Governance Statement within the Accounts explains the Council's governance arrangements and reports on the effectiveness of its system of internal controls. The Statement is on pages 17 to 24 of the Statement of Accounts.

General Fund – Revenue position

4.5 In relation to the General Fund, as at 31 March 2019, the Accounts showed a General Fund balance of £10.559m. Of this balance, £6.175m

is earmarked for specified purposes, leaving an unearmarked balance of £4.384m.

- 4.6** The unearmarked reserve position as at 31 March 2019 has increased from the previous year, with a number of the commitments having changed. Appendices 2 and 3 compare the budget against actual and is summarised as follows:

	£m
Unearmarked balance at 31 March 2018	4.304
In year use of free reserves	(0.151)
	<u>4.153</u>
In-year surplus against original budget 2018/19	0.231
Unearmarked balance at 31 March 2019	<u>4.384</u>

- 4.7** The in-year surplus against original budget of £0.231m is the favourable variance against the overall budget in year. Information on variances is provided within Appendix 3.
- 4.8** The unearmarked balance of £4.384m is greater than the prudential reserve target of £4.192m which is considered necessary to safeguard assets and to protect services against financial risk. It is recommended that the reserve balance above the prudential target is earmarked for the Council's Change Fund, for investment in future transformational projects.
- 4.9** A provision for the settlement of remaining Equal Pay claims was made at 31 March 2019, totalling £0.233m, which is outwith the unearmarked balance noted above. There is no provision for Voluntary Early Retirement / Voluntary Severance required in 2018/19 (due to the technical definition of a provision), however additional funds for Voluntary Early Retirement / Voluntary Severance are available as part of the Change Fund.
- 4.10** At the Council meeting on 27 March 2019 the position projected for services for 2018/19 was that there would be a favourable variance of £0.118m. The final outturn shows a favourable against this by £0.113m (out of a total favourable variance £0.231m).
- 4.11** At the Council meeting on 27 March 2019, Members agreed a change in policy on treatment of capital receipts, release of previously earmarked balances and to uses these funds for future budget commitments. These balances have been added to earmarked balances and as such are not reported as part of the favourable variance within the budgetary control report.
- 4.12** The Council maintains statutory accounts for two trading operations under the provisions of the Local Government Scotland Act 2003: Housing Maintenance and Grounds Maintenance/Street Cleaning. These operations returned a collective surplus in the year of £3.234m and both

operations have achieved a break even performance over the last three years in line with their statutory requirements.

- 4.13** The council tax in-year collection rate in 2018/19 was 95.55%, an improvement on the 95.41% achieved in 2017/18.

Housing Revenue Account – Revenue position

- 4.14** In relation to the HRA, the accounts show a balance of £1.606m as at 31 March 2019. Of this balance £0.756m is earmarked to assist in a number of areas, including the regeneration of the Housing estate, as agreed by a previous Council decision, leaving an unearmarked balance of £0.850m, which is exactly in line with the prudential reserve target. The HRA outturn and main variances are noted in Appendices 4 and 5.

	£m	£m
Balance at 31 March 2018		7.422
Use of earmarked balances	(6.072)	
In-year surplus against original budget	0.256	(5.816)
Balance at 31 March 2019		1.606
Earmarked		(0.756)
Unearmarked balance as at 31 March 2019		0.850

Capital Programme position

- 4.15** Details of the capital programmes are shown in Appendix 6 (General Fund) and Appendix 7 (HRA) and are summarised below. The appendices detail the outturn of the projects within 2018/19 and provide further information on the projects which have been identified as red status (i.e. those projects which are likely to be significantly overspent and/or to have significant delays in completion). A list of the main capital projects is given on page 9 of the Statement of Accounts. A number of projects have been reported previously to Council as having to be re-phased and the most significant are listed on page 10. The year end position is summarised as follows:

	General Services	HRA	Total
<u>2018/19</u>	£m	£m	£m
Original budget	83.777	33.406	117.183
Actual Spend	49.377	22.620	71.997
Overspend	2.517	2.979	5.496
Underspend	(2.122)	(0.550)	(2.672)
Re-phased	34.795	13.215	48.010
Re-phased (%)	41.5%	39.6%	41.0%
2017/18 comparator (%)	51.4%	36.6%	47.7%

- 4.16** The main areas of slippage identified in the budgetary control report are:

Project Name	Year end Slippage (£m)
General Services	
Early Learning and Childcare Funding	2.937
Vehicle Replacement	4.046
Posties Park Sports Hub	1.742
Building Upgrades	0.988
Regeneration/Local Economic Development	1.728
Queens Quay Regeneration	4.279
Regeneration Fund	1.745
Replace Elderly Care Homes and Day Care Centres	5.648
HRA	
New House Build	7.899
Targeted EESSH compliance works	2.180
Projects to deliver housing policies/strategies (Buy Backs)	0.813

Group Accounts

- 4.17** The Council is required to prepare Group Accounts in addition to its own Annual Accounts. Group Accounts are prepared when a Council has a material interest in other organisations. The purpose of the accounts is to combine its financial information with other organisations within its group. For 2018/19 the Council's group consists of:

- (a) West Dunbartonshire Leisure Trust;
- (b) Dunbartonshire and Argyll and Bute Valuation Joint Board;
- (c) Strathclyde Partnership for Transport;
- (d) Strathclyde Concessionary Travel Joint Board;
- (e) Clydebank Property Company;
- (f) Health and Social Care Integrated Joint Board; and
- (g) Dumbarton Common Good and Trust Funds.

- 4.18** The effect of combining these entities on the Group Balance Sheet is to increase reserves and net assets by £24.437m creating an overall net asset of £227.861m. However, it should be noted that for one of the combining entities (the Valuation Joint Board), there lies a net liability held on their individual Balance Sheet related to the defined pension schemes. However, as there is no reason to suggest the future funding to these organisations will not continue, the accounts have been prepared on a going concern basis.

Outstanding Issues

- 4.19** During the preparation of the Draft Financial Statements, an issue was identified regarding the valuation of the assets:

- (a) The timing of receipt of some of the required valuations didn't allow for some valuations to be included within the Draft Financial Statements and may require to be adjusted within the post audit Financial Statements; and

- (b) Some valuations of assets were significantly different from previous valuations. Following analysis and scrutiny, the most recent valuations received have been updated for 2018/19 in the Draft Financial Statements and will form part of the audit of the Statements. At this time it has been assessed that the valuations in the 2017/18 audited Financial Statements did not require to be amended.

Further steps in finalising

- 4.20** To enable the Council to meet its requirement, Members require to approve the audited Annual Accounts for signature no later than 30 September 2019. Therefore, based on the current Committee schedule, the audited accounts will be reported to Council at the 26 September 2019 meeting and then referred to Audit Committee on 12 December 2019 for further scrutiny.

It is noted that there is a motion submitted to this Council meeting which if agreed would remove the September Council meeting from the schedule. If this is agreed then the audited accounts would require to be reported to the Audit Committee on 25 September for approval and thereafter reported to the next available Council (potentially October 2019, per the motion).

Charity Accounts

- 4.21** Appendix 8 provides Members with the accounts of the Trust Funds which are administered by the Council. These Financial Statements are also audited by our external auditors prior to submission to the Office of the Scottish Charity Regulator (OSCR). As noted at 4.16 above these are also included within the Council's Group position.
- 4.22** The audited Trust Fund accounts will be approved by the Council, together with the Council's Financial Statements, but will be presented to the Trust Committees prior to this for Trustee approval.

5. Option appraisal

- 5.1** No option appraisal was required for this report.

6. People Implications

- 6.1** There are no people implications.

7. Financial and Procurement Implications

- 7.1** There are no direct financial or procurement implications arising from this report.

8. Risk Analysis

- 8.1** No risk analysis was required.

9. Equalities Impact Assessment (EIA)

- 9.1** No equalities impact was required in relation to the preparation of this report.

10. Environmental Sustainability

- 10.1** No assessment of environmental sustainability was required in relation to this report.

11. Consultation

- 11.1** The views of Legal Services have been requested on this report and have advised there are neither any issues nor concerns with the report.

12. Strategic Assessment

- 12.1** Sound financial practices are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

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Date: 21 June 2019

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Appendices:

- 1 - Draft Financial Statement of Accounts to 31 March 2019;
- 2 - Year end General Services Revenue Budgetary Control Position 2018/19 (Budget versus actual);
- 3 - General Services Revenue Variance Analysis 2018/19 (Budget versus actual);
- 4 - Year end HRA Revenue Budgetary Control position 2018/19 (Budget versus actual);
- 5 - HRA Revenue Variance Analysis 2018/19 (Budget versus actual);
- 6 - Year end General Service Capital Position 2018/19;
- 7 - Year end HRA Capital Position 2018/19; and
- 8 –Trust Fund Accounts 2018/19.

Background Paper: Report to Council 5 March 2018 – Budget Setting

Wards Affected: All

