

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

West Dunbartonshire Council – 26 August 2020

Subject: Draft Statement of Accounts 2019/2020

1. Purpose

- 1.1** The purpose of this report is to provide Council with a copy of the draft Statement of Accounts for 2019/2020 together with information as to the outturn for 2019/20 per the draft accounts.
- 1.2** The report also provides Council with the management's proposed timetable for the budget process 2021/22 for consideration.

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 2019/20;
- (c) note the current position regarding the General Fund free reserves;
- (d) note that a report on the audited accounts will be submitted to either Council or Audit Committee by 30 November 2020 for approval as identified at paragraph 4.18 of this report. If required, Council agrees to delegate authority to the Audit Committee to formally approve the audited accounts by November 2020, prior to submission to the Accounts Commission;
- (e) note that the current external auditor contract will be extended to cover the financial year 2021/22; and
- (f) note the attached draft 2021/22 budget timetable.

3. Background

Council - Statement of Accounts

- 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 2020 and the Statements to be available for inspection no later than 1 July 2020; 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** Local Government Finance Circular 10/2020 was released on 21 May 2020 advising of provisions in the Coronavirus (Scotland) Act 2020 in relation to temporary powers regarding reports and other documents. The circular advises on publishing of annual accounts; public inspection of annual accounts and associated documents; notice of inspection; reduction in reporting burden of the Management Commentary. However, the process for the annual accounts within this Council has not been materially affected by coronavirus and as such we continue to follow the normal process (with the exception of the public inspection which requires to be completed electronically until there is no longer a significant risk of the transmission of coronavirus. This circular also allows the delay in publication of audited accounts from being completed by 30 September 2020 to being by 30 November 2020.
- 3.4** An email was received from our external auditors on 26 May 2020 advising that, due to covid restrictions, and as has been allowed through the Finance Circular 10/2020 that the most realistic approach will be to work with the Council towards a sign off and publication of the accounts by 30 November 2020.
- 3.5** A copy of the draft Financial Statement of Accounts (including the Group Accounts) for the year ended 31 March 2020 (Appendix 1).
- 3.6** The management commentary within the draft Statements states that following the setting of the budget in March 2020, the projections identified current expected gaps of £6.051m in 2021/22 and a further £7.017m for 2022/23.

External audit Contract extension

- 3.7** As a result of covid-19 Audit Scotland has advised that the current external audit contract the Council has with Audit Scotland covers the period 2016/17 to 2020/21, similar to all public audit appointments in Scotland, with provisions in the current contracts that allow for extensions of up to two years.

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 2019/20 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 17 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 19 to 27.

General Fund – Revenue position 2019/20 within draft Statements

- 4.5** In relation to the General Fund, as at 31 March 2020, the draft Accounts show a General Fund reserve balance of £9.090m. Of this balance, £6.643m is earmarked for specified purposes, leaving an un-earmarked balance of £2.447m. The Prudential Target is currently £4.305m.
- 4.6** The General Services capital receipts achieved by the Council during 2019/20 was £0.803m, which were set against the loan charges and the shortfall funded from the gain held which was attained through the Loans Fund Review.
- 4.7** The draft un-earmarked reserve position as at 31 March 2020 (as reported through the draft statements) has been decreased from the previous year, due to additional commitments agreed during 2019/20 by Members. Appendices 2 and 3 compare the budget against actual and is summarised as follows:

	£m
Un-earmarked balance at 31 March 2019	4.828
Movement in free reserves	(2.662)
	2.166
In-year surplus against original budget 2019/20	0.281
Un-earmarked balance at 31 March 2020	2.447

- 4.8** The in-year surplus against original budget of £0.281m is the favourable variance against the overall budget in year. Information on variances is provided within Appendix 3.
- 4.9** The un-earmarked balance of £2.447m is less than the prudential reserve target of £4.305m, by £1.858m, which is considered necessary to safeguard assets and to protect services against financial risk. Actions to manage this position will be considered as part of the budget process for 2021/22 to 2023/24.
- 4.10** A provision for the settlement of remaining Equal Pay claims remains at 31 March 2020, totalling £0.232m, which is outwith the unearmarked balance noted above. There is no provision for Voluntary Early Retirement / Voluntary Severance required in 2019/20 (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.
- 4.11** The Council maintains statutory accounts for two trading operations under the provisions of the Local Government Scotland Act 2003: Housing Property Maintenance and Grounds Maintenance/Street Cleaning. These operations returned a collective surplus in the year of £2.387m with both operations have achieved a break even performance over the last three years in line with their statutory requirements. However, it should be noted that the Housing Property Maintenance trading operation was in a net loss position in 2019/20 (£0.014m), due to an International Accounting Standard (IAS19) entry required in relation to in-year pension costs which was significantly higher than expected. This doesn't not have an effect on the Council's financial position overall.
- 4.12** The council tax in-year collection rate in 2019/20 was 95.15%, a slight reduction on the 95.55% achieved in 2018/19.

Housing Revenue Account – Revenue position 2019/20 within draft Statements

- 4.13** In relation to the HRA, the draft accounts show a balance of £8.387m as at 31 March 2020. Of this balance £7.504m 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 £0.883m, which is in line with the prudential reserve target. The HRA outturn and main variances are noted in Appendices 4 and 5.

	£m
Total HRA Reserves Held as at 31/3/19	(1.606)
Net Budgetary Control Position	(6.781)
Total HRA Reserves Held as at 31/3/20	(8.387)

Capital Programme position

- 4.14** 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 2019/20 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 10 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 11. The year end position is summarised as follows:

	General Services	HRA	Total
<u>2019/20</u>	£m	£m	£m
Original budget	77.722	62.716	140.438
Actual Spend	57.079	51.150	108.229
Overspend	1.408	2.867	4.275
Underspend	(0.277)	(1.265)	(1.542)
Re-phased	(21.774)	(13.168)	(34.942)
Re-phased (%)	28.02%	21.00%	24.88%
2018/19 comparator (%)	41.50%	39.60%	41.00%

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

Project Name	Year end Slippage (£m)
General Services	
Gruggies Burn flood prevention	4.305
Vehicle Replacement	3.714
A811 Lomond Bridge	3.112
Posties Park Sports Hub	1.637
Depot Rationalisation	1.017
HRA	
New House Build	8.821
Projects to deliver housing policies/strategies (Buy Backs)	1.539

Group Accounts

- 4.16** 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 2019/20 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.

- 4.17** The effect of combining these entities on the Group Balance Sheet is to increase reserves and net assets by £29.757m creating an overall net asset of £308.690m. 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.

Further steps in finalising

- 4.18** To enable the Council to meet its requirement, Members require to approve the audited Annual Accounts for signature no later than 30 November 2020 (as adjusted from normal closure date of 30 September as advised by Finance Circular 10/2020). Therefore, depending on progress in auditing the accounts the audited accounts will be presented to a future Council before 30 November 2020.

Charity Accounts

- 4.19** 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.

- 4.20** 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 separately.

Current external audit contract

- 4.21** The COVID-19 pandemic has resulted in significant disruption for public bodies and their capacity for financial reporting, and to auditors of the public sector. Due to this, the Auditor General for Scotland and the Accounts Commission for Scotland intend to extend the current audit appointments by one year in the first instance. The intended extension would be through to the audit of the 2021/22 year. The Auditor General and the Commission will confirm both the extension and the time period in Autumn 2020.

Financial Planning 2021/22

4.22 Following the preparation of the Council's draft Statement of Accounts 2019/20, the process for review and update of the Long-term Financial Strategy and the Draft budget for 2021/22 will commence. A draft management timetable for this process has been prepared and is attached as Appendix 9, for Members' information.

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: 27 July 2020

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Appendices:

- 1 - Draft Financial Statement of Accounts to 31 March 2020;
- 2 - Year end General Services Revenue Budgetary Control Position 2019/20 (Budget versus actual);
- 3 - General Services Revenue Variance Analysis 2019/20 (Budget versus actual);
- 4 - Year end HRA Revenue Budgetary Control position 2019/20 (Budget versus actual);
- 5 - HRA Revenue Variance Analysis 2019/20 (Budget versus actual);
- 6 - Year end General Service Capital Position 2019/20;
- 7 - Year end HRA Capital Position 2019/20;
- 8 -Trust Fund Accounts 2019/20; and
- 9 - Budget timetable

Background Paper: Report to Council 27 March 2019 – Budget Setting

Wards Affected: All