

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Council: 31 August 2022

Subject: Unaudited 2021/22 Annual Accounts

1. PURPOSE

1.1 The purpose of this report is to provide Council with a copy of the unaudited 2021/22 Annual Accounts together with information as to the 2021/22 outturn as set out in the draft accounts.

2. RECOMMENDATIONS

2.1 Members are asked to:

- a) note the unaudited 2021/22 Annual Accounts
- b) note the information provided in relation to the financial performance of the Council's services and capital plan for 2021/22
- c) note the current position regarding the Council's reserves;
- d) note that a report on the audited accounts will be submitted to either Council or Audit Committee by 31 October 2022 for approval
- e) if required to meet the timetable for submission, Council agrees to delegate authority to the Audit Committee to formally approve the audited accounts by 31 October 2022, prior to submission to the Accounts Commission.

3. BACKGROUND

3.1 The annual accounts set out the financial statements of the Council and its group for the year ended 31 March 2022. Its main purpose is to demonstrate the stewardship of public funds entrusted to the Council. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2021/22 accounts have been prepared in accordance with this Code.

3.2 There is a statutory requirement to prepare a set of accounts and submit them to the Controller of Audit. The date set by the Scottish Government for the submission of the unaudited annual accounts is 30 June each year.

4. MAIN ISSUES

4.1 The Council's draft 2021/22 annual accounts, including the group accounts, were submitted the Controller of Audit before the 30 June 2022 deadline and our external auditors (Audit Scotland) have commenced their audit.

- 4.2 The draft accounts show that the Council has been successful in managing its 2021/22 expenditure within the budgets approved for the General Fund with the Housing Revenue Account (HRA) reporting an in-year deficit which is in line with the HRA financial plan to fund some capital from revenue to reduce the cost of borrowing.
- 4.3 Since 2010/11, local authorities have been required to prepare financial statements following International Financial Reporting Standards (IFRS). Under the Local Authority Accounts (Scotland) Regulations 2014 there is a requirement to include a management commentary in the accounts. The contents of the annual accounts are summarised in the paragraphs that follow.
- 4.4 **Management Commentary:** outlines the key messages regarding the objectives and strategy of the Council and its financial performance for the year. It also looks forward, outlining the future financial plans for the organisation and the challenges and risks which are faced by the Council.
- 4.5 **Statement of Responsibilities for the annual accounts:** outlines the Council's responsibilities and also the responsibilities of the Council's Section 95 Officer.
- 4.6 **Annual Governance Statement:** this details the view on the adequacy of its governance and internal control system. It is the Council's view that the systems for governance and internal control are operating effectively within the Council during 2021/22 and that there are no significant weaknesses.
- 4.7 **Remuneration Report:** provides details of the remuneration policy, remuneration and pension benefits of senior councillors and senior officers in addition to detail on employee exit packages.
- Comprehensive Income and Expenditure Statement (CIES):**
- 4.8 This statement shows the accounting cost of providing services rather than the amount to be funded from taxation. The Council is required to make various statutory accounting adjustments to the net cost of services as reported in the budgetary outturn in order to comply with the Code. These accounting adjustments include depreciation, loans fund principal repayment and accrued holiday leave not taken by 31 March 2022.
- 4.9 The Council ended the year with a surplus of £102.966m for 2021/22, this is the accounting surplus based on the IFRS compliant accounts rather than the movement in the General Fund Balance. The total Comprehensive Income and Expenditure comprises of a deficit on the provision of services of £41.992m, which is reduced by a surplus on the revaluation of Long Term Assets of £4.917m and an actuarial gain on the pension fund assets/liability of £140.041m.
- 4.10 The table below, sets out a reconciliation of the deficit on the provision of services of £41.992m as noted in the Statement of Comprehensive Income

and Expenditure to the revenue budget outturn of £0.159m underspend.

	£000	£000
Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement		41,992
<u>Removal of statutory adjustments not included in budget outturn (note 6):</u>		
Reversal of entries included in the surplus/ deficit on the provision of services in relation to capital expenditure (including depreciation and impairment)	(25,009)	
CFCR	13,247	
Pension adjustment	(32,116)	
Statutory repayment of debt	9,303	
Transfer to other statutory reserves	302	
Net gain / (loss) on sale of non current assets	(998)	(35,271)
Deficit on Provision of Services in Note 15 - Expenditure and Funding Analysis		6,721
Adjust for movements to/from other statutory reserves		
HRA reserve	(4,325)	
Other reserves	(2,388)	(6,713)
Movement in General Fund Balance		8
Movement in earmarked sums	(167)	(167)
Net General Fund budgetary control position 2021/22		(159)

4.11 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £102.967m from £318.629m as at 31 March 2021 to £421.596m as at 31 March 2022. The major changes are set out in the table below.

	31 March 2021 £000	31 March 2022 £000	Change £000	Main Reason
Long Term Assets	1,113,415	1,148,987	35,572	Increase in Property Plant and Equipment, in line with capital expenditure
Current Assets	87,954	79,723	(8,231)	Cash and Cash Equivalents held has decreased, partially offset by an increase in Debtors
Current Liabilities	(340,449)	(352,731)	(12,282)	Short-term Borrowing has increased (in line with the Treasury Strategy and capital spend), as has Creditors
Long Term Liabilities	(542,291)	(454,383)	87,908	Net Pension Liability has significantly decreased, partially offset by an increase in Long Term Borrowing (in line with the Treasury Strategy and capital spend)
Total	318,629	421,596	102,967	

Movement in Reserves Statement

4.12 This shows the movement on the different reserves held by the Council, analysed into usable reserves (resource backed reserves which can be used to fund expenditure) and unusable reserves (required purely for accounting purposes and are not backed by resources).

4.13 The total Council reserves have increased from £318.629m at 31 March 2021 to £421.595m at 31 March 2022, an increase of £102.966m.

4.14 The balance of unusable reserves has increased by £108.125m from £294.418m as at 31 March 2021 to £402.543m as at 31 March 2022. The main reason for this increase is a material reduction in the pension scheme

liability from a liability of £163.315m in 2020/21 to a liability of £55.690m in 2021/22 (a decrease of £107.625m).

4.15 In respect of the General Fund Balance movement, there has been a small decrease of £0.008m from a balance of £15.028m to £15.020m. Of that total £11.525m is earmarked for specific purposes. The Council has agreed to hold a contingency balance equivalent to 2% net expenditure (excluding requisitions) and this amounts to £3.123m. The remaining General Fund balance (unearmarked balance) amounts to £0.372m.

4.16 **Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. The Cash and Cash Equivalents decreased by £10.101m to £2.140m.

4.17 **Notes to the Financial Statement:** The notes section provides further information and explanation on some of key figures included within the Accounts. The notes conform to the guidance issued by CIPFA/LASAAC within the Code of Practice on Local Authority Accounting.

4.18 **Council Tax Income Account:** This account shows the gross income raised from council tax levied and deductions made under the Local Government Finance Act 1992. The resultant net income is transferred to the CIES. Council Tax rate for Band D was £1,293.55 for 2021/22 which was identical to 2020/21 due to a council tax freeze agreed by Council as part of the budget setting process. The income transferred to the general fund for Council Tax in 2021/22 was £38.207m. This compared to £36.765m in 2020/21.

4.19 **Non Domestic Rate Income Account:** This account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non Domestic Rate Account. Net Non Domestic Rate Income to the Consolidated Income and expenditure Account amounted to £81.408m for 2021/22. This compares to £55.963m in 2020/21, which was artificially reduced due to the package of measures introduced by the Scottish Government to support the Scottish businesses affected by the COVID outbreak.

4.20 **Housing Revenue Account**

In relation to the HRA, the draft accounts show a balance of £2.734m as at 31 March 2022. Of this balance £1.794m 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 un-earmarked balance of £0.940m, which is in line with the prudential reserve target.

4.21 **Capital Programmes**

Details of the capital programmes are shown in Appendix 4 (General Fund) and Appendix 5 (HRA) and are summarised below. The appendices detail the outturn of the projects within 2021/22 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 progressed during 2021/22 is provided on page 16 of the Annual Accounts. The year end position is summarised as follows:

	Budget	Spend	Variance	Overspend	Underspend	Slippage
	£,000	£,000	£,000	£,000	£,000	£,000
General Services	56,727	33,620	(23,107)	1,934	(83)	(24,958)
HRA	48,328	30,600	(17,728)	3,701	(1,503)	(19,926)
Total	105,055	64,220	(40,835)	5,635	(1,586)	(44,884)

4.22 The main areas of slippage in the year were:

General Services	
District Heating Expansion	Network expansion to Golden Jubilee National Hospital will commence pending positive commercial discussions.
Heritage Capital Fund	COVID impacted on the timescale for delivery of a number of projects including Clydebank Town Hall, the Clydebank Museum, and the Dalmuir Library and Gallery. Work is now underway to get these projects progressed.
Vehicle Replacement	Delay due to the vehicle build time associated with the specialist vehicles and the delivery lead time from the date of supply order placement.
Schools Estate Improvement Plan	As a result of COVID Skills School was rephased during 2021/22 and further costs are still expected for Renton Campus.
HRA	
New house build	Due to a number of different complexities there were delays to getting on site across each of the new build sites.
Projects to deliver housing strategies (Buy Backs)	These are subject to stringent criteria to ensure accountability and value for money for tenants and involves several key stakeholders which resulted in time delays
Doors/Windows	Installations are behind original planned targets due to internal and external contractor resource issues

Building external components	Resource issues has delayed the roof renewal programme which continues into 2022/23. Additional installations by support contractors is underway to assist completions
------------------------------	--

4.23 **Group Accounts:** 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 2021/22 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) West Dunbartonshire Energy Company
- (g) Health and Social Care Integrated Joint Board
- (h) Dumbarton Common Good and Trust Funds.

4.24 The effect of combining these entities on the Group Balance Sheet is to increase reserves and net assets by £48.600m creating an overall net asset of £470.195m.

4.25 **Update on Transformational Projects**

Following recent (but temporary) Scottish Government legislation, the Council agreed as part of its budget for 2021/22 to use capital receipts to fund some transformational spend. The budgeted spend approved by Council was £0.526m, the actual spend as at 31 March 2022 was £0.383m. Appendix 6 provides further details of these transformational projects and the position regarding these as at 31 March 2022.

Next Steps

4.26 To enable the Council to meet its legislative requirements, Members require to approve the audited Annual Accounts for signature no later than 31 October 2022. Therefore, depending on progress in auditing the accounts the audited accounts will be presented to a future Council before 31 October 2022.

Charity Accounts

4.27 Appendix 7 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). The draft Financial Statements 2021/22 were presented to Audit Scotland on 28 April 2022. As noted at 4.24 above these are also included within the Council's Group position.

The main movements within the Trusts are noted below – interest gained was received for all trusts, with one grant payment made (Dr AK Glen).

	Opening Balance	Receipts	Payments	Closing Balance
	£	£	£	£
Educational Trust Scheme	90,433	62	0	90,495
McAuley Prize for Mathematics	21,884	14	0	21,898
Alexander Cameron Bequest	117,776	2,492	0	120,268
Dr AK Glen	24,732	16	(19,800)	4,947
UIE Award	24,741	16	0	24,757
Cash and Bank	279,565	2,600	(19,800)	262,365
Educational Trust Scheme	218	0	0	218
Investments	218	0	0	218
Overall Total	279,783	2,600	(19,800)	262,583

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.

4.28 **Common Good**

Appendix 8 provides Members with the accounts of the Dumbarton Common Good which are administered by the Council, also audited by our external auditors as part of the year end process. As noted at 4.24 above this is also included within the Council's Group position.

The main movements within the common good are noted below:

	£
Opening Balance	520,642
Income	320,272
Expenditure	(259,602)
Closing Balance	581,312

CONCLUSION

- 4.29 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has decreased by £0.008m, after taking into consideration the movement during the year, the end of year outturn position and earmarkings. The net worth per the balance sheet has increased by £122.814m to £468.184m. Overall the financial position of the Council remains stable.

5. PEOPLE IMPLICATIONS

- 5.1 There are no people implications as a consequence of this report.

6. FINANCIAL AND PROCUREMENT IMPLICATIONS

6.1 There are no direct financial or procurement implications arising from this report.

7. RISK ANALYSIS

7.1 No risk analysis was required

8. EQUALITIES IMPACT ASSESSMENT (EIA)

8.1 No equalities impact was required in relation to the preparation of this report.

9. CONSULTATION

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

10. STRATEGIC ASSESSMENT

10.1 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.

Laurence Slavin
Chief Officer - Resources
Date: 31 August 2022

Person to Contact: Gillian McNeilly, Finance Manager, 16 Church Street, Dumbarton

E-mail: gillian.mcneilly@west-dunbarton.gov.uk

Appendices

1. Draft Annual Accounts to 31 March 2022 for West Dunbartonshire Council
2. General Services Budgetary Control Report to 31 March 2022 – Revenue
3. HRA Budgetary Control Report to 31 March 2022 – Revenue
4. General Services Budgetary Control Report to 31 March 2022 - Capital
5. HRA Budgetary Control Report to 31 March 2022 - Capital
6. Update on transformational spend 2021/22
7. Draft Annual Accounts to 31 March 2022 for Trust Funds
8. Draft Position to 31 March 2022 for Dumbarton Common Good

Background Papers

Budget Report to Council - 22 March 2021

Budget Report to Council - 9 March 2022

Local Government Finance Circular 4/2019 – capital receipts to fund transformational projects