

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

West Dunbartonshire Council – 23 June 2021

Subject: Draft Statement of Accounts 2020/2021

1. Purpose

- 1.1** The purpose of this report is to provide Council with a copy of the draft Statement of Accounts for 2020/2021 together with information as to the outturn per the draft accounts.
- 1.2** The report also provides Council with the management's planned timetable for the budget process 2022/23 for information.

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 2020/21;
- (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 30 November 2021 for approval as identified at paragraph 4.17 of this report;
- (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 November 2021, prior to submission to the Accounts Commission; and
- (f) note the draft 2022/23 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 and includes the following requirements for Council annual financial reporting and audit:
- (a) Councils should formally consider the draft Management Commentary & Financial Statement of annual 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 Council's external auditors by 30 June each year;
 - (b) the notice for the public's right 'to inspect and object to the Statements to be published no later than 17 June each year and the Statements to be available for inspection no later than 1 July each year; and
 - (c) 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 and has been extended until 30 September 2021. The circular advises 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 to being by 30 November.
- 3.4** Our external auditors have agreed to work with the Council towards a sign off and publication of the accounts by 30 September 2021, with the understanding that this may be extended if circumstances require it.
- 3.5** A copy of the draft Financial Statement of Accounts (including the Group Accounts) for the year ended 31 March 2021 is attached as Appendix 1.
- 3.6** The Management Commentary within the draft Statements reports, following the setting of the budget in March 2021, future projected funding gaps of £4.891m for 2022/23 and a further £5.644m for 2023/24.

4. Main Issues

4.1 The draft accounts, including the group accounts, have now been prepared and will be passed to our external auditors to commence their audit process by before 30 June 2021.

4.2 The draft accounts show that the Council has been successful in managing its 2020/21 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 18 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 20 to 29.

General Fund – Revenue position 2020/21 within draft Statements

4.5 In relation to the General Fund, as at 31 March 2021, the draft Accounts show a General Fund reserve balance of £14.803m. Of this balance, £11.466m is earmarked for specified purposes, leaving an un-earmarked balance of £3.337m. The Prudential Target is currently £3.000m, which is the level of un-earmarked reserves considered necessary to safeguard assets and to protect services against financial risk.

4.6 The General Services capital receipts achieved by the Council during 2020/21 was £1.284m, which were set against transformational costs and the loan charges (premium) as agreed by Council.

4.7 The draft un-earmarked reserve position as at 31 March 2021 (as reported through the draft statements) has been increased from the previous year. Appendices 2 and 3 compare the budget against actual and is summarised as follows:

	£m
Un-earmarked balance at 31 March 2020	2.752
In-year surplus against original budget	0.585
Un-earmarked balance at 31 March 2021	<u>3.337</u>

4.8 The in-year surplus against original budget of £0.585m is the favourable variance against the overall budget in year. Information on variances is provided within Appendix 3.

- 4.9** A provision for the settlement of remaining Equal Pay claims remains at 31 March 2021, totalling £0.225m, which is outwith the unearmarked balance noted above. There is no provision for Voluntary Early Retirement / Voluntary Severance required in 2021/22 (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** 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 £2.992m with both operations have achieved a break even performance over the last three years in line with their statutory requirements.
- 4.11** The council tax in-year collection rate in 2020/21 was 94.18%, a slight reduction on the 95.15% achieved in 2019/20.

Housing Revenue Account – Revenue position 2020/21 within draft Statements

- 4.12** In relation to the HRA, the draft accounts show a balance of £7.364m as at 31 March 2021. Of this balance £6.441m 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 £0.923m, 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 31/3/20	(3.924)
Net Budgetary Control Position	(3.440)
Total HRA Reserves Held as at 31/3/21	(7.364)

Capital Programme position

- 4.13** 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 2020/21 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 11 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 12. The year end position is summarised as follows:

	General Services £000	HRA £000	Total £000
Original Budget	72,391	60,478	132,869
Actual Spend	42,612	49,572	92,184
Variance	(29,779)	(10,906)	(40,685)
Overspend	1,573	2,912	4,485
Underspend	(280)	(82)	(362)
Rephased	(31,072)	(13,736)	(44,808)
Rephased %	42.92%	22.71%	33.72%
2019/20 comparator (%)	28.02%	21.00%	24.88%

4.14 The main areas of slippage identified in the budgetary control report are:

General Services:

Project Name	Slippage (£m)
District Heating Expansion	5.500
Gruggies Burn	3.957
Schools Estate Improvement Plan	3.639
Vehicle Replacement	1.732
Posties Park	1.402
Clydebank Charette	1.227
Flood Risk Management	0.963
Schools Estate Improvement Plan - Phase 2	0.958
Regeneration	0.908
Heritage Capital Fund	0.734
A813 Road Improvement Phase 1	0.708
Spaces for People	0.648
New Westbridgend Community Centre	0.610
Town Centre Fund	0.593
Early Years	0.536

HRA:

Project Name	Slippage (£m)
Affordable Housing Supply Programme	3.871
Doors/window component renewals	2.255
Targeted EESSH compliance works	1.452
Building external component renewals, roofs/chimneys/flashings/fascias/gutters/svp	0.936
Buy Backs	0.805
Modern facilities and services	0.689

Group Accounts

- 4.15** 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 2020/21 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.

- 4.16** The effect of combining these entities on the Group Balance Sheet is to increase reserves and net assets by £36.428m creating an overall net asset of £354.832m. However, it should be noted that for two of the combining entities (the Valuation Joint Board and the Leisure Trust), 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

- 4.17** To enable the Council to meet its legislative requirements, Members require to approve the audited Annual Accounts for signature no later than 30 November 2021 (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 2021.

Charity Accounts

- 4.18** 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.
- 4.19** 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.

Financial Planning 2022/23

- 4.20** Following the preparation of the Council's draft Statement of Accounts 2020/21, the process for review and update of the Long-term Financial Strategy and the Draft budget for 2022/23 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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Stephen West
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Date: 17 June 2021

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Appendices: 1 - Draft Financial Statement of Accounts to 31 March
2021;

2 - Year end General Services Revenue Budgetary Control Position 2020/21 (Budget versus actual);
3 - General Services Revenue Variance Analysis 2020/21 (Budget versus actual);
4 - Year end HRA Revenue Budgetary Control position 2020/21 (Budget versus actual);
5 - HRA Revenue Variance Analysis 2020/21 (Budget versus actual);
6 - Year end General Service Capital Position 2020/21;
7 - Year end HRA Capital Position 2020/21;
8 -Trust Fund Accounts 2020/21; and
9 - Budget timetable

Background Paper: Report to Council 4 March 2020 – Budget Setting

Wards Affected: All