

**2022-23 UNAUDITED ANNUAL ACCOUNTS**

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**1. EXECUTIVE SUMMARY**

- 1.1 This covering report gives an overview of the unaudited annual accounts for 2022-2023 and a summary of the significant movements from 2021-22.
- 1.2 The Comprehensive Income and Expenditure statement shows a deficit on the provision of services of £5.994m, a surplus on the revaluation of Long Term Assets of £21.104m and an actuarial gain on the pension fund assets/liability of £247.409m giving an accounting surplus of £262.519m.
- 1.3 The Balance Sheet shows that the net worth of the Council has increased by £262.520m from £497.663m as at 31 March 2022 to £760.183m as at 31 March 2023. The main reason for this increase is a swing in the pension scheme asset which increased from £4.634m in 2021-22 to £232.073m in 2022-23. Our pension figures are provided by external actuaries and this increase is due to investment returns have been greater than expected leading to positive return on assets.
- 1.4 The balance of unusable reserves has increased by £271.856m from £394.480m as at 31 March 2022 to £666.336m as at 31 March 2023. The main reasons for the increase relates to the increase in the pension fund reserve referenced to above.
- 1.5 The balance of usable reserves has decreased by £9.336m from £103.183m as at 31 March 2022 to £93.847m as at 31 March 2023. This is largely due to a decrease to the General Fund of £9.659m in addition to small increases in the Capital Fund and the Repairs and Renewals Fund.
- 1.6 In respect of the General Fund Balance movement, as mentioned above, there has been a decrease of £9.659m from a balance of £96.087m to £86.428m. This was due to the 2021-22 balance being higher than normal as a result of receiving Scottish Government funding towards the end of the last financial year which was a similar position for all Local Authorities at that time. There are substantial sums earmarked within the general fund amounting to £79.466m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.691m. The remaining unallocated balance amounts to £1.271m.
- 1.7 The performance against budget for financial year 2022-23 was an overall underspend of £3.345m (1.08%) after accounting for new earmarking. Social Work, managed by the Health and Social Care Partnership were underspent by

£4.634m and this amount is recognised as a creditor on the balance sheet as money owing to the HSCP by the Council which creates a nil variance on the revenue monitoring position.

- 1.8 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2023.

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**2. INTRODUCTION**

- 2.1 This covering report gives an overview of the unaudited annual accounts for 2022-23 and a summary of the significant movements from 2021-22. It also gives information on the revenue outturn for 2022-23 and Council will be asked to approve the Unaudited Annual Accounts for 2022-23 for issue.

**3. RECOMMENDATIONS**

- 3.1 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2023.

**4. DETAIL****Introduction**

- 4.1 The annual accounts set out the financial statements of the Council and its group for the year ended 31 March 2023. 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 2022-23 accounts have been prepared in accordance with this Code.
- 4.2 There is a statutory requirement to prepare a set of accounts and submit them to the Council and the Controller of Audit. The date set by the Scottish Government for the submission of the unaudited annual accounts is 30 June each year.
- 4.3 It should be noted that the Annual Accounts have still to be audited and therefore figures are subject to change. Once the audit has been completed the Audit and Scrutiny Committee will be advised by the external auditor of any material issues coming to light during the audit and any changes to the Accounts. The timing of this meeting will depend on when the audit is completed. The Audited Accounts, Audit Certificate and Auditors final report will then be submitted to the Council.
- 4.4 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 noted below:
- Management Commentary
  - Statement of Responsibilities for the annual accounts

- Annual Governance Statement
- Remuneration Report
- Statement of Comprehensive Income and Expenditure
- Balance Sheet
- Statement of Movement in Reserves
- Cash Flow Statement
- Notes to the Financial Statements
- Council Tax and Non-Domestic Rate Income Accounts
- Group Accounts

- 4.5 **Management Commentary:** this 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.
- 4.6 **Statement of Responsibilities for the annual accounts:** this outlines the Council's responsibilities and also the responsibilities of the Council's Section 95 Officer.
- 4.7 **Annual Governance Statement:** this statement states its 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 Argyll and Bute Council during 2022-23 and that there are no significant weaknesses.
- 4.8 **Remuneration Report:** this 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):**

- 4.9 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 2023.
- 4.10 The Council ended the year with a surplus of £262.519m for 2022-23. 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 £5.994m, increased by a surplus on the revaluation of Long Term Assets of £21.104m and an actuarial gain on the pension fund assets/liability of £247.409m.
- 4.11 The deficit on the provision of services of £5.994m compares to a surplus of £15.016m for 2021-22. The main factors contributing to this change is an increase in the Net Cost of Services of £38.520m, a decrease in other operating income and expenditure of £0.527m, a decrease in financing and investment income and expenditure of £9.713m and an increase in the overall funding of £7.270m.

4.12

	£000	£000
<b>Surplus/(Deficit) on Provision of Services</b>		<b>(5,994)</b>
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	24,570	
Impairment of Assets charged to services	3,147	
Capital Funding	(22,549)	
CFCR	(2,938)	
Pension Adjustment	19,970	
Statutory Repayment of Debt	(20,317)	
Repayment of Finance Leases	(5,116)	
Transfers to/from Other Statutory Reserves	(322)	
Other Adjustments	(104)	
		(3,659)
<b>Movement In General Fund Balance</b>		<b>(9,653)</b>
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2022-23	33,893	
Revenue Budget 22-23 – transferred to General Fund	(2,482)	
Contributions to earmarked reserves 2022-23	(18,416)	
		12,998
<b>Revenue Budget Underspend/(Overspend)</b>		<b>3,345</b>

4.13 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £262.520m from £497.663m as at 31 March 2022 to £760.183m as at 31 March 2023. The major changes are set out in the table below.

	31/03/2022 £000	31/03/2023 £000	Change £000	Main Reason
Long Term Assets	717,383	979,659	262,276	Revaluation of fixed assets and substantial increase of pension debtor due to an increase in investment returns.
Current Assets	122,842	90,682	(32,160)	Reduction in cash balances in comparison to previous year which was particularly high due to timing of funding received prior to year end.
Current Liabilities	(66,513)	(68,526)	(2,013)	Increase in short term creditors offset by a decrease in short term borrowing.
Long Term Liabilities	(276,049)	(241,632)	34,417	Reduction in long term borrowing due to the early repayment of loans during the year.
<b>Total</b>	<b>497,663</b>	<b>760,183</b>	<b>262,520</b>	

## Statement of Movement in Reserves:

- 4.14 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).
- 4.15 The total Council reserves have increased from £497.663m at 31 March 2022 to £760.183m at 31 March 2023, an increase of £262.520m.
- 4.16 The balance of unusable reserves has increased by £271.856m from £394.480m as at 31 March 2022 to £666.336m as at 31 March 2023. The main reason for this is an increase in the pension scheme asset which increased from £4.634m in 2021-22 to £232.073m in 2022-23 and an increase in the revaluation reserve of £17.307m which arises from revaluations of properties.
- 4.17 In respect of the General Fund Balance movement, there has been a decrease of £9.659m from a balance of £96.087m to £86.428m and the detail on the movement in the balance is summarised within the table below. The main decrease is in respect earmarked reserves utilised during the year of £33.893m which are offset by new earmarkings at the end of 2022-23 of £18.413m.
- 4.18 The General Fund balance at 31 March 2023 is £86.428m. The total earmarked balances amount to £79.466m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.691m. The remaining General Fund balance (“unallocated balance”) amounts to £1.271m.

	<b>£000</b>
Balance on General Fund 31 March 2022	96,081
Revenue Budget 2022-23 – transfer to General Fund	2,482
Released sums earmarked to service budgets 2022-23	(33,893)
Contributions to earmarked reserves 2022-23	18,413
Overall budget underspend as noted above	3,345
<b>Balance on General Fund 31 March 2023</b>	<b>86,428</b>

- 4.20 **Cash Flow Statement:** The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the financial year. This is analysed into Operating, Investing and Financing Activities. The Cash and Cash Equivalents decreased by £25.810m to -£6.082m.
- 4.21 **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.

- 4.22 **Council Tax Income Account:** This accounts 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 £1,408.76 for 2022-23 which represented a 3% increase from 2021-22 as agreed by Council as part of the budget setting process. The income transferred to the general fund for Council Tax in 2022-23 was £53.900m. This compared to £56.242m in 2021-22.
- 4.23 **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. Non Domestic Rate Income amounted to a share of £33.179m for 2022-23 allocated from the national pool. This compares to £25.070m in 2021-22. Our own net income amounted to £34.534m and we made a contribution to the national pool of £1.355m for 2022-23. These figures compared to income of £25.706m and a contribution to the national pool of £0.636m for 2021-22.
- 4.24 **Group Accounts:** Argyll and Bute Council Group comprise the following entities:
- Argyll and Bute Council
  - Dunbartonshire and Argyll and Bute Valuation Joint Board
  - Strathclyde Partnership for Transport
  - Strathclyde Concessionary Travel Scheme Joint Committee
  - Live Argyll (Leisure Trust).

In addition, the council's Common Good Funds have been fully consolidated into the Group Accounts.

- 4.25 The effect of inclusion of the Associates, Subsidiary and Common Good Funds on the Group Balance Sheet is to increase both reserves and net worth by £34.414m. This gives an overall net asset position for the Group of £769.534m, an increase of £246.303m from the previous year. As with the single entity Balance Sheet, the most significant increase is in the pension reserve of £235.901m and the increase in the General Fund Balance as noted earlier in the commentary.

## 5. CONCLUSION

- 5.1 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has decreased by £9.659m, after taking into consideration the movement during the year, the end of year outturn position and the new earmarkings. The net worth per the balance sheet has increased by £262.520m to £760.183m. Overall the financial position of the Council remains stable.

## 6. IMPLICATIONS

- |       |                        |   |
|-------|------------------------|---|
| 6.1   | Policy –               | None.   |
| 6.2   | Financial -            | None, summarises the financial position for 2022-23 |
| 6.3   | Legal -                | None.   |
| 6.4   | HR -                   | None.   |
| 6.5   | Fairer Scotland Duty - | None.   |
| 6.5.1 | Equalities -           | None  |
| 6.5.2 | Socio-Economic -       | None  |

6.5.3	Islands Duty -	None
6.6	Climate Change -	None.
6.7	Risk -	None.
6.8	Customer Service -	None.

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**16 June 2023**

**Gary Mulvaney - Policy Lead for Finance and Commercial Services**

Appendix 1 – Unaudited Annual Accounts 2022-23

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