

2020-21 UNAUDITED ANNUAL ACCOUNTS

1. EXECUTIVE SUMMARY

- 1.1 This covering report gives an overview of the unaudited annual accounts for 2020-21 and a summary of the significant movements from 2019-20. It also gives information on the revenue outturn for 2020-21 and Council will be asked to approve the Unaudited Annual Accounts for 2020-21 for issue.
- 1.2 The Comprehensive Income and Expenditure statement shows a surplus on the provision of services of £15.746m, a surplus on the revaluation of Long Term Assets of £9.930m and an actuarial loss on the pension fund assets/liability of £3.388m giving an accounting surplus of £22.288m.
- 1.3 The Balance Sheet shows that the net worth of the Council has increased by £22.288m from £325.471m as at 31 March 2020 to £347.759m as at 31 March 2021. The main reason for this increase relates to an increase in cash and cash equivalents due to significant COVID funding provided prior to 31 March 2020 to be used in both 2020-21 and 2021-22 and an increase on the pensions liability.
- 1.4 The balance of unusable reserves has decreased by £8.994m from £269.579m as at 31 March 2020 to £260.585m as at 31 March 2021. The main reasons for the decrease relates to a decrease in the pension fund reserve which matches the increase in the pensions liability referenced above and an increase in the revaluation reserve.
- 1.5 The balance of usable reserves has increased by £31.282m from £55.892m as at 31 March 2020 to £87.174m as at 31 March 2021. This is due to an increase to the General Fund of £30.964m in addition to small increases to the Capital Fund and the Repairs and Renewals Fund.
- 1.6 In respect of the General Fund Balance movement, there has been a significant increase of £30.964m from a balance of £49.670m to £80.634m. The main increase is in respect of the new earmarking at the end of 2021-22, with the most significant being in respect of COVID-19 funding received from the Scottish Government to be used in both 2020-21 and 2021-22 in addition to unspent grant carry forwards and unspent budget carry forward proposals. There are substantial sums earmarked within the general fund amounting to £74.277m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.032m. The remaining unallocated balance amounts to £1.325m.
- 1.7 The performance against budget for financial year 2020-21 was an overall

underspend of £0.188m, 0.07% after accounting for new earmarking. There was a net underspend of £0.003m in relation to Council services departmental expenditure, a net underspend of £0.230m in relation to other central costs and a net under recovery of funding of £0.045m. Social Work, managed by the Health and Social Care Partnership were underspent by £0.907m however this underspend was used to reduce the HSCP's debt to the Council for historic overspends. This is consistent with the Scheme of Delegation.

- 1.8 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2021.

2020-21 UNAUDITED ANNUAL ACCOUNTS

2. INTRODUCTION

- 2.1 This covering report gives an overview of the Unaudited Annual Accounts for 2020-21 and a summary of the significant movements from 2019-20. It also gives information on the revenue outturn for 2020-21 and Council will be asked to approve the Unaudited Annual Accounts for 2020-21 for issue.

3. RECOMMENDATIONS

- 3.1 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2021.

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 2021. 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 2020-21 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 usually 30 June each year. The Scottish Government interpreted provisions within the Coronavirus (Scotland) Act 2020 to modify the Public Finance and Accountability (Scotland) Act 2000 for the financial year ending 31 March 2020 to extend the administrative deadlines for local government accounts. This provision was extended for the 2020-21 accounts, however, the Council continued to work to the 30 June deadline. The deadline for publication of the signed accounts has been delayed until it is 'reasonably practical' with this date considered to be 30 November 2021.
- 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 Annual Accounts
- Annual Governance Statement
- The Remuneration Report
- Expenditure and Funding Analysis
- 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:** The 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 in making Argyll and Bute a place where people want to live, learn, work and do business.
- 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 2020-21 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.
- 4.9 **Expenditure and Funding Analysis:** this shows how the Council funding is spent across services. It also compares to the expenditure shown in Comprehensive Income and Expenditure Statement (CIES) and details the differences between the two. The differences are as a result of accounting statutory adjustments that are required within the CIES, for example, depreciation, pension adjustments etc.

Comprehensive Income and Expenditure Statement (CIES)

- 4.10 The statement of comprehensive income and expenditure 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 2021.

- 4.11 The Council ended the year with a surplus of £22.288m for 2020-21, 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 surplus on the provision of services of £15.746m, increased by a surplus on the revaluation of Long Term Assets of £9.930m and decreased by an actuarial loss on the pension fund assets/liability of £3.388m.
- 4.12 The surplus on the provision of services of £15.746m compares to a surplus of £6.234m for 2019-20. The main factors contributing to this change is a decrease in the Net Cost of Services of £4.848m, an increase in other operating income and expenditure of £5.690m, a decrease in financing and investment income and expenditure of £1.651m and an increase in the overall funding of £8.703m.
- 4.13 The table below, sets out a reconciliation of the surplus on the provision of services of £15.746m as noted in the Statement of Comprehensive Income and Expenditure to the revenue budget outturn of £0.188m underspend.

	£000	£000
Surplus/(Deficit) on Provision of Services		15,746
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	22,041	
Impairment of Assets charged to services	(3,142)	
Capital Funding	(13,495)	
CFCR	(744)	
Pension Adjustment	11,580	
Statutory Repayment of Debt	(5,246)	
Repayment of Finance Leases	(2,592)	
Transfers to/from Other Statutory Reserves	(291)	
Other Adjustments	7,107	
		15,218
Movement In General Fund Balance		30,964
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2020-21	7,749	
Supplementary estimates agreed during 2020-21	15	
Revenue Budget 20-21 - investment in Capital	(2,636)	
Repayment of Social Work Overspend by HSCP	(2,590)	
Contributions to earmarked reserves 2020-21	(33,314)	
		(30,776)
Revenue Budget Underspend/(Overspend)		188

4.14 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £22.288 from £325.471m as at 31 March 2020 to £347.759m as at 31 March 2021 The major changes are set out in the table below.

	31/03/2020 £000	31/03/2021 £000	Change £000	Main Reason
Long Term Assets	648,377	653,832	5,455	Asset revaluations
Current Assets	87,464	121,349	33,885	Increase in cash and cash equivalents due to COVID funding provided at year end and carried forward into 2021/22 and reduced expenditure on the capital programme.
Current Liabilities	(47,115)	(53,278)	(6,163)	Increase in short-term creditors partially offset by a reduction in short term borrowing.
Long Term Liabilities	(363,255)	(374,144)	(10,889)	Increase in pension liability.
Total	325,471	347,759	22,288	

4.15 **Statement of Movement in Reserves -** This Statement 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).

4.16 The total Council reserves have increased from £325.471m at 31 March 2020 to £347.759m at 31 March 2021, an increase of £22.288m.

4.17 The balance of unusable reserves has decreased by £8.994m from £269.579m as at 31 March 2020 to £260.585m as at 31 March 2021. The main reasons for the decrease relates to an decrease in the pension fund reserve of £14.968m which matches the increase in the pensions liability referenced above and an increase in the revaluation reserve of £9.732m which arises from revaluations of properties within the Council's 5 year rolling programme.

4.18 In respect of the General Fund Balance movement, there has been a significant increase of £30.964m from a balance of £49.670m to £80.634m and the detail on the movement in the balance is summarised within the table below. The main increase is in respect of the new earmarking at the end of 2021-22, with the most significant being in respect of COVID-19 funding received from the Scottish Government to be used in both 2020-21 and 2021-22 in addition to unspent grant carry forwards and unspent budget carry forward proposals. This increase in the General Fund balance will be mirrored across other Scottish Councils who will also have significant elements of COVID-19 funding earmarked within their General Fund.

- 4.19 The General Fund balance at 31 March 2021 is £80.634m. The total earmarked balances amount to £74.227m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.032m. The remaining General Fund balance (“unallocated balance”) amounts to £1.325m.

	£000
Balance on General Fund as at 31 March 2020	49,670
Part repayment of Social Work overspends	2,589
Supplementary Estimate Agreed	(15)
Revenue Budget 2020-21 – investment in capital	2,636
Released sums earmarked to service budgets 2020-21	(7,751)
Contributions to earmarked reserves 2020-21	33,314
2020/21 revenue budget underspend	188
Rounding Adjustment	3
Balance on General Fund as at 31 March 2021	80,634
Earmarked balances as at 31 March 2021	(74,277)
Contingency Balance 2% of budget	(5,032)
Unallocated Balances as at 31 March 2021	1,325

- 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 balance increased by £26.853m to £35.638m.
- 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 £1,367.73 for 2020-21 compared to £1,308.83 for 2019-20. The income transferred to the general fund for Council Tax in 2020-21 was £54.437m. This compared to £52.533m in 2019-20.
- 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 £23.284m for 2020-21 allocated from the national pool. This compares to £35.634m in 2019-20. The movement in Non-Domestic Rate Income between years is related to the application of Coronavirus relief for the Retail Hospitality and Leisure sectors in 2020-21. Our own net income amounted to £24.736m and we made a contribution to the national pool of £1.452m for 2020-21. These figures compared to income of £37.374m and a contribution to the national pool of £1.740m for 2019-20.
- 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 £9.307m. This gives an overall net asset position for the Group of £357.066m, an increase of £20.483m from the previous year. As with the single entity Balance Sheet, the increase is mainly due to the increase in cash and cash equivalents and partially offset by an increase in the pension liability.

Performance Against Budget

- 4.26 The performance against budget for financial year 2020-21, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £0.188m, 0.07% (2019-20 underspend of £0.502m, 0.20%).
- 4.27 There was a net underspend of £0.003m in relation to Council services departmental expenditure, a net underspend of £0.230m in relation to other central costs and a net under recovery of funding of £0.045m. Social Work, managed by the Health and Social Care Partnership were underspent by £0.907m however this underspend was used to reduce the HSCP's debt to the Council for historic overspends. This is consistent with the Scheme of Delegation.

The main reasons for the year-end net overspend are noted below:

Chief Executive's Unit - there was an under-recovery of Local Tax Commission due to reduced recoveries. This was partially offset by an underspend in Community Planning as planned project work had to be delayed due to the team's involvement in the Caring for People response to COVID.

Executive Director Douglas Hendry - the main underspends were due to positive contract management within NPDO and Hub Schools, delays in filling vacancies within Procurement and savings on bank staff within Cleaning. The main overspends were on minor repairs, residential placements and clothing grants.

Executive Director Kirsty Flanagan - main underspends were Waste Variation monies from Renewi, over-recovered vacancy savings, an underspend in SPT and a decrease in the bad debt provision. The main overspends were in Winter Maintenance, Street Lighting Electricity and Glass Collection.

Central costs - underspends on Elected Members due to COVID travel restrictions, and on the Loans Fund due to slippage within the capital programme. These were partially offset by an overspend on insurance costs.

4.28 A summary of the final outturn position is noted within the table below:

2020-21 Final Revenue Budget Outturn

	Actuals	Budget	Variance	Percentage
		Adjusted for Earmarkings	(Overspend) Underspend	
	£000	£000	£000	%
Chief Executive's Unit	5,312	5,273	(39)	(0.74%)
Executive Director (Douglas Hendry)	109,632	109,651	19	0.02%
Executive Director (Kirsty Flanagan)	50,088	50,111	23	0.05%
Total Departmental Expenditure	165,032	165,035	3	0.00%
Joint Boards	1,470	1,472	2	0.14%
Loans Charges	12,120	12,380	260	2.10%
Pension Costs	1,810	1,755	(55)	(3.13%)
Other	7,812	7,835	23	0.29%
Total Central Expenditure	23,212	23,442	230	0.98%
Social Work	55,789	55,789	0	0.0%
Total Social Work Expenditure	55,789	55,789	0	0.0%
Total Expenditure	244,033	244,266	233	0.10%
Total Funding	278,625	278,670	(45)	(0.02%)
UNDERSPEND			188	

5. CONCLUSION

5.1 The Unaudited Annual Accounts have been prepared in accordance with professional and statutory requirements. The General Fund Balance has increased by £30.964m, 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 £22.288m to £347.759m. Overall the financial position of the Council remains stable.

6. IMPLICATIONS

6.1	Policy –	None.
6.2	Financial -	None, summarises the financial position for 2020-21
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	Risk -	None.
6.7	Customer Service -	None.

Kirsty Flanagan
Executive Director/Section 95 Officer
11 June 2021

Gary Mulvaney - Policy Lead for Financial Services and Major Projects

Appendix 1 – Unaudited Annual Accounts 2020-21