

2021-22 UNAUDITED ANNUAL ACCOUNTS

1. EXECUTIVE SUMMARY

- 1.1 This covering report gives an overview of the unaudited annual accounts for 2021-22 and a summary of the significant movements from 2020-21. It also gives information on the revenue outturn for 2021-22 and Council will be asked to approve the Unaudited Annual Accounts for 2021-22 for issue.
- 1.2 The Comprehensive Income and Expenditure statement shows a surplus on the provision of services of £1.025m, a surplus on the revaluation of Long Term Assets of £11.143m and an actuarial gain on the pension fund assets/liability of £110.648m giving an accounting surplus of £122.816m.
- 1.3 The Balance Sheet shows that the net worth of the Council has increased by £122.814m from £345.370m as at 31 March 2021 to £468.184m as at 31 March 2022. The main reason for this increase is a swing in the pension scheme which went from a liability of £82m in 2020-21 to an asset of £5m in 2021-22. Our pension figures are provided by external actuaries and their explanation for this is that investment returns have been greater than expected leading to positive return on assets.
- 1.4 The balance of unusable reserves has increased by £103.973m from £260.585m as at 31 March 2021 to £364.558m as at 31 March 2022. 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 increased by £18.841m from £78.245m as at 31 March 2021 to £96.530m as at 31 March 2022. This is due to an increase to the General Fund of £18.285m 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 an increase of £18.285m from a balance of £78.245m to £96.530m. The main increase is in respect of new earmarking of funds at the end of 2021-22, with the most significant being in respect unspent grant carry forwards in addition to COVID-19 funding and unspent budget carry forward proposals. There are substantial sums earmarked within the general fund amounting to £89.433m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.256m. The remaining unallocated balance amounts to £1.841m.
- 1.7 The performance against budget for financial year 2021-22 was an overall

underspend of £1.630m, 0.59% after accounting for new earmarking. There was a net underspend of £0.815m in relation to Council services departmental expenditure, a net overspend of £0.432m in relation to other central costs and a net over recovery of income of £1.247m. Social Work, managed by the Health and Social Care Partnership were underspent by £1.738m 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 2022.

2021-22 UNAUDITED ANNUAL ACCOUNTS

2. INTRODUCTION

- 2.1 This covering report gives an overview of the Unaudited Annual Accounts for 2021-22 and a summary of the significant movements from 2020-21. It also gives information on the revenue outturn for 2021-22 and Council will be asked to approve the Unaudited Annual Accounts for 2021-22 for issue.

3. RECOMMENDATIONS

- 3.1 The Committee is asked to consider the Unaudited Annual Accounts for the year ended 31 March 2022.

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 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.
- 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 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 2021-22 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 2022.
- 4.11 The Council ended the year with a surplus of £122.816m 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 surplus on the provision of services of £1.025m, increased by a surplus on the revaluation of Long Term Assets of £11.143m and an actuarial gain on the pension fund assets/liability of £110.648m.

4.12 The surplus on the provision of services of £1.025m compares to a surplus of £14.257m for 2020-21. The main factors contributing to this change is an increase in the Net Cost of Services of £25.792m, a decrease in other operating income and expenditure of £5.934m, a decrease in financing and investment income and expenditure of £0.336m and an increase in the overall funding of £6.290m.

4.13 The table below, sets out a reconciliation of the surplus on the provision of services of £1.025m as noted in the Statement of Comprehensive Income and Expenditure to the revenue budget outturn of £1.630m underspend.

	£000	£000
Surplus/(Deficit) on Provision of Services		1,025
<i>Remove statutory adjustments that don't feature in budget outturn:</i>		
Depreciation	23,325	
Impairment of Assets charged to services	1,252	
Capital Funding	(21,700)	
CFCR	(735)	
Pension Adjustment	23,700	
Statutory Repayment of Debt	(2,514)	
Repayment of Finance Leases	(4,844)	
Transfers to/from Other Statutory Reserves	(553)	
Other Adjustments	(671)	
		17,260
Movement In General Fund Balance		18,285
	£000	£000
<i>Adjust for earmarkings:</i>		
Released sums earmarked to service budgets 2020-21	18,921	
Supplementary estimates agreed during 2020-21	(2,975)	
Revenue Budget 20-21 - investment in Capital	(7,562)	
Repayment of Social Work Overspend by HSCP	(2,759)	
Contributions to earmarked reserves 2020-21	(22,280)	
		(16,655)
Revenue Budget Underspend/(Overspend)		1,630

4.14 **Balance Sheet:** The Balance Sheet shows that the net worth of the Council has increased by £122.814m from £345.370m as at 31 March 2021 to £468.184m as at 31 March 2022. The major changes are set out in the table below.

	31/03/2021 £000	31/03/2022 £000	Change £000	Main Reason
Long Term Assets	671,332	687,461	16,129	Revaluation of fixed assets and addition of pension debtor due to an increase in investment returns
Current Assets	103,849	123,285	19,436	Investments previously categorised as long term now

				moved to short term as due to mature in less than 1 year.
Current Liabilities	(55,667)	(66,513)	(10,846)	Increase in temporary borrowing after a period of little/no borrowing during the height of the pandemic.
Long Term Liabilities	(374,144)	(276,049)	98,095	Pension liability reduced to zero as investment returns have been greater than expected leading to positive return on assets.
Total	345,370	468,184	122,814	

- 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 £345.370m at 31 March 2021 to £468.184m at 31 March 2022, an increase of £122.814m.
- 4.17 The balance of unusable reserves has increased by £103.973m from £260.585m as at 31 March 2021 to £364.558m as at 31 March 2022. The main reason for this increase is a swing in the pension scheme which went from a liability of £82.314m in 2020-21 to an asset of £4.634m in 2021-22 and an increase in the revaluation reserve of £10.511m 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 an increase of £18.285m from a balance of £78.245m to £96.530m 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 unspent grant carry forwards, funding for capital projects, unspent budget carry forward proposals and COVID funding received from the Scottish Government.
- 4.19 The General Fund balance at 31 March 2022 is £96.530m. The total earmarked balances amount to £89.433m. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget and this amounts to £5.256m. The remaining General Fund balance ("unallocated balance") amounts to £1.841m.

	£000
Balance on General Fund 31 March 2021	78,245
Social Work Repayment of Debt	2,759
Revenue Budget 2021-22 – investment in capital	2,975
Revenue Budget 2021-22 – COVID allocation to reserves	7,562
Released sums earmarked to service budgets 2021-22	(18,923)
Contributions to earmarked reserves 2021-22	22,280
Overall budget underspend as noted above	1,630

Rounding	2
Balance on General Fund as at 31 March 2022	96,530
Earmarked balances as at 31 March 2022	(89,433)
Contingency Balance 2% of budget	(5,256)
Unallocated Balances as at 31 March 2022	1,841

- 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 £15.910m to £19.728m.
- 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 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 2020-21 was £56.242m. This compared to £54.437m in 2020-21.
- 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 £25.070m for 2021-22 allocated from the national pool. This compares to £23.284m in 2020-21. Our own net income amounted to £25.706m and we made a contribution to the national pool of £0.636m for 2021-22. These figures compared to income of £24.736m and a contribution to the national pool of £1.452m for 2020-21.
- 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 £24.186m. This gives an overall net asset position for the Group of £492.370m, an increase of £134.400m from the previous year. As with the single entity Balance Sheet, the increase

is mainly due to the swing in the pension scheme which went from a liability of £88m in 2020-21 to an asset of £1m in 2021-22.

Performance Against Budget

- 4.26 The performance against budget for financial year 2021-22, after adjusting for automatic and proposed earmarked reserve proposals, was an overall underspend of £1.630m, 0.59% (2020-21 underspend of £0.188m, 0.07%).
- 4.27 There was a net underspend of £0.815m in relation to Council services departmental expenditure, a net overspend of £0.432m in relation to other central costs and a net over recovery of income of £1.247m. Social Work, managed by the Health and Social Care Partnership were underspent by £1.738m 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.

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

Chief Executive's Unit - a small underspend which was largely due to a reduction in travel costs as a result of COVID-19 restrictions and new ways of working.

Executive Director Douglas Hendry - the main underspends were due to an over recovery of vacancy savings, reduced catering in schools due to less demand as a result of COVID-19, reduced running costs within Early Learning and Childcare and an underspend in NPDO and Hub Schools arising from insurance savings and the settlement of historic disputed cost reductions. The main overspends related to external residential placements within Education.

Executive Director Kirsty Flanagan - the main underspends were due to the over recovery of vacancy savings, additional income within Environmental Health, one-off income in Housing and additional planning fee income. The main overspends were due to the under recovery of building warrant fees and transportation project costs. Central costs - The main reason giving rise to the overspend was due to insurance costs being higher than budget by £0.339m.

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

2021-22 Final Revenue Budget Outturn

	Actuals	Budget	Variance	Percentage
		Adjusted for Earmarkings	(Overspend) Underspend	
	£000	£000	£000	%
Chief Executive's Unit	5,308	5,326	18	0.34%
Executive Director (Douglas Hendry)	115,160	115,383	223	0.19%
Executive Director (Kirsty Flanagan)	49,123	49,697	574	1.16%

Total Departmental Expenditure	169,591	170,406	815	0.48%
Joint Boards	1,490	1,496	6	0.40%
Loans Charges	9,382	9,382	0	0.00%
Pension Costs	1,798	1,745	(53)	(2.99%)
Other	9,664	9,279	(385)	(4.15%)
Total Central Expenditure	22,334	21,903	(432)	(1.97%)
Social Work	62,871	62,871	0	0.0%
Total Social Work Expenditure	62,871	62,871	0	0.0%
Total Expenditure	254,796	255,098	383	0.12%
Total Funding	278,706	277,459	1,247	0.45%
UNDERSPEND			1,630	

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 £18.285m, 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 £122.814m to £468.184m. Overall the financial position of the Council remains stable.

6. IMPLICATIONS

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|-------|------------------------|---|
| 6.1 | Policy – | None. |
| 6.2 | Financial - | None, summarises the financial position for 2021-22 |
| 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
17 June 2022

Gary Mulvaney - Policy Lead for Finance and Commercial Services

Appendix 1 – Unaudited Annual Accounts 2021-22

For further information contact Anne Blue, Interim Head of Financial Services
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