

---

# NORTH AYRSHIRE COUNCIL

21 June 2023

## North Ayrshire Council

---

**Title:** North Ayrshire Council Unaudited Annual Accounts 2022/23

**Purpose:** To submit the unaudited Annual Accounts for the year to 31 March 2023 to the Council for approval.

**Recommendation:** That Council:

- (a) Approves the Annual Accounts for 2022/23, subject to audit;
- (b) Notes that Audit Scotland plan to complete their audit of the Accounts by mid-September 2023 and will present their annual audit report to the Council's Audit and Scrutiny Committee on 26 September 2023;
- (c) Authorises the Audit and Scrutiny Committee to consider, and approve for signature, the audited annual accounts within the required timeframe.

---

## 1. Executive Summary

1.1 The Council prepares its Accounts on an annual basis to 31 March and is required by the Local Authority Accounts (Scotland) Regulations 2014 to submit these Accounts to the appointed auditor by 30 June each year. Audit Scotland plan to complete their audit of the Accounts by mid-September 2023 and will present their annual audit report to the Council's Audit and Scrutiny Committee on 26 September 2023. A copy of the Council's unaudited accounts, containing the key financial statements, for the year to 31 March 2023 has been issued directly for Members' approval prior to their submission to the appointed auditor. A copy of the full set of accounts can be found by following the attached link:

<https://www.north-ayrshire.gov.uk/council/performance-and-spending/budgets-and-finance.aspx>

1.2 The 2022/23 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (ACOP) and the requirements of the International Financial Reporting Standards (IFRS).

- 1.3 The Annual Accounts provide an overview of the financial performance of the various funds managed by the Council. The Management Commentary summarises the key messages in relation to the Council's financial and service performance for 2022/23 and outlines the financial plans, challenges and risks which the Council faces.
- 1.4 The detailed financial performance for both Revenue and Capital are reported to Cabinet throughout the financial year and the final Revenue Budget and Capital Programme Financial Performance reports were submitted to Cabinet on 30 May 2023.
- 1.5 At 31 March 2023 the General Fund reported a net in-year underspend of £1.524m after the earmarking of underspends to support service delivery in 2023/24 and beyond. As approved by Council on 1 March 2023, the underspend has been earmarked to support the Roads Maintenance budget and the Council's Energy Smart Scheme, resulting in a net breakeven position being reported in the Annual Accounts.
- 1.6 In support of the General Services Revenue Estimates for 2023/24 to 2025/26, Council agreed to reduce the level of unearmarked balances to 2% of budgeted expenditure. As a result, following the reported net in-year breakeven position, the General Fund Unearmarked Balance at 31 March 2023 is confirmed as £8.053m. This is at the lowest level of the recommended range of 2% - 4% for general reserves. The balance of earmarked funds of £102.062m is detailed in paragraph 2.9.
- 1.7 At 31 March 2023 the Housing Revenue Account closed with an in-year breakeven position, after the utilisation of earmarked reserves. The HRA earmarked funds of £12.904m are detailed in paragraph 2.21 with an uncommitted balance at 31 March 2023 of £0.781m.
- 1.8 Capital Expenditure for the year was £36.194m for the General Fund and £30.478m for the HRA, representing significant ongoing investment in the Council's assets.
- 1.9 The Common Good Funds closed with a balance of £2.139m and the Trust Funds closed with a balance of £0.385m. The Annual Trustees' Report and Financial statements for the charitable trusts are subject to a separate report to Council.
- 1.10 The Health and Social Care Partnership reported an in-year breakeven position after accounting for earmarked reserves. The Integration Joint Board will carry these reserves forward to support service delivery in future years.

## **2. Background**

- 2.1 The Annual Accounts provide an overview of the financial performance of the various funds managed by the Council, including:
  - North Ayrshire Council General Fund (capital and revenue);
  - Housing Revenue Account (capital and revenue);
  - Six Common Good Funds; and
  - Charitable Trusts Funds.

- 2.2 The accounts also include “Group” accounts which recognise the material interest the Council has in other organisations, including:
- North Ayrshire Ventures Trust Ltd;
  - North Ayrshire Leisure Ltd;
  - Strathclyde Partnership for Transport;
  - Ayrshire Valuation Joint Board; and
  - North Ayrshire Integration Joint Board.
- 2.3 The financial position of the Council and its Group is presented in the core financial statements, including:
- Comprehensive Income and Expenditure Statement (CIES) on page 41;
  - Movement in Reserves Statement (MiRS) on page 42;
  - Balance Sheet on page 43; and
  - Cash Flow Statement on page 44.
- 2.4 The Local Authority Accounts (Scotland) Regulations 2014 require various disclosures of the remuneration and pensions benefits of senior councillors and employees. These are detailed in the Remuneration Report which can be found on page 22 of the Annual Accounts.
- 2.5 The Council is legally required to make its draft accounts available for public inspection for a three-week period during the audit. A notice was published on the Council website and an advert placed in local newspapers during week beginning 5 June 2023 advising that the unaudited accounts would be available for inspection by appointment and on the Council’s website between 30 June 2023 and 21 July 2023.
- 2.6 Under the Local Authority Accounts (Scotland) Regulations 2014 the Council, or a committee of the Council with a remit including audit or governance, must meet to approve the audited annual accounts for signature. Following confirmation of the completion of the audit by Audit Scotland, a meeting of the Audit and Scrutiny Committee has been arranged for 26 September 2023 to consider the audited annual accounts and approve them for signature.

## **General Fund Revenue**

- 2.7 The final position for the General Fund Revenue Account at 31 March 23 was a net breakeven position after the earmarking of underspends to support service delivery in 2023/24 and beyond. The earmarking includes the transfer of £1.000m to support the Roads Maintenance budget and £0.524m to supplement the Energy Smart Scheme as approved at the Council meeting of 1 March 2023, being the balance of underspend for the year. The following table details the final position on a service by service basis:

	Annual Budget	Actual Outturn to 31/3/23	Variance for year (Fav)/Adv	Carry Forwards	Variance After Carry Forward (Fav)/Adv
	£000's	£000's	£000's	£000's	£000's
<b>Service Expenditure</b>					
Chief Executive's	26,560	25,702	(858)	560	(298)
Communities Place	176,746	171,407	(5,339)	3,603	(1,736)
Other Corporate Services	54,524	55,423	899	931	1,830
Sub Total	18,441	15,407	(3,034)	3,616	582
Health and Social Care Partnership	276,271	267,939	(8,332)	8,710	378
Balance for Services	120,549	120,549	-	-	-
Financing Charges	396,820	388,488	(8,332)	8,710	378
Contribution to Loans Fund Reserve	19,621	19,621	-	-	-
Total Planned Expenditure	7,581	7,581	-	-	-
	424,022	415,690	(8,332)	8,710	378
<b>Planned Income</b>					
Aggregate External Finance	(348,966)	(348,950)	16	-	16
Council Tax	(61,595)	(61,989)	(394)	-	(394)
Contribution from Earmarked Funds	(13,461)	(13,461)	-	-	-
Total Planned Income	(424,022)	(424,400)	(378)	-	(378)
Net Expenditure/ (Income)	-	(8,710)	(8,710)	8,710	-

2.8 The Council's contribution to the Health and Social Care Partnership reported an in-year breakeven position after accounting for the earmarking of £5.065m by the IJB to support future service delivery .

2.9 The following table summarises the movements on each of the Council's General Fund reserves during the year:

	Balance as at 31/3/2022	Income	(Expenditure)	Balance as at 31/3/2023	Anticipated Expenditure	Estimated Available Balance
	£000's	£000's	£000's	£000's	£000's	£000's
<b>General Fund - Unearmarked</b>	<b>11,315</b>	-	<b>(3,262)</b>	<b>8,053</b>	-	<b>8,053</b>
<b>Earmarked:</b>						
Affordable Housing	1,964	617	(542)	2,039	(2,039)	-
Change & Service Redesign	2,637	-	(144)	2,493	(2,493)	-
Loans Fund Reserve	10,860	8,093	(49)	18,904	(18,904)	-
Investment Fund	13,223	-	(4,824)	8,399	(8,399)	-
Renewal Fund	13,517	-	(578)	12,939	(12,939)	-
Energy Smart	500	2,250	(30)	2,720	(2,720)	-
Earmarked Funds	31,882	32,482	(9,796)	54,568	(54,568)	-
<b>Total Earmarked</b>	<b>74,583</b>	<b>43,442</b>	<b>(15,963)</b>	<b>102,062</b>	<b>(102,062)</b>	-
<b>Other Reserves:</b>						
Insurance Fund	3,140	51	(193)	2,998	(2,998)	-
Capital Fund	8,587	295	-	8,882	(8,882)	-
<b>Total General Fund</b>	<b>97,625</b>	<b>43,788</b>	<b>(19,418)</b>	<b>121,995</b>	<b>(113,942)</b>	<b>8,053</b>

- 2.10 General Fund (Unearmarked) – After recognising the earmarking of funds to support the Roads Maintenance budget and the Energy Smart Scheme, a net breakeven position has been reported. Following agreement by Council, the level of unearmarked balances has been reduced to 2% of budgeted expenditure. As a result, the uncommitted balance at 31 March 2023 was £8.053m. This is equivalent to 2.0% of the Council annual budgeted expenditure, compared to the recommended level of between 2% and 4%.
- 2.11 Affordable Housing – 40% of Council Tax income on properties which are not a sole or main residence is earmarked for the provision of new build affordable housing.
- 2.12 Change & Service Redesign Fund – £0.144m expenditure was incurred during the year to support the delivery of the Sustainable Change programme.
- 2.13 Loans Fund Reserve – funds arising from the Council's Treasury Management and Investment Strategy, combined with additional allocations to address rising cost pressures, have been earmarked to support the Councils' Capital Investment Strategy.
- 2.14 Investment Fund – funds set aside to support investment in environmental projects, infrastructure investment and Community Wealth Building activity. £4.824m expenditure was incurred during the year.
- 2.15 Renewal Fund – funds earmarked to support the delivery of the Councils' Recovery and Renewal Strategy through prioritised investment. £0.578m expenditure was incurred during 2022/23.
- 2.16 Energy Smart – funds earmarked to support the reduction of fuel poverty and increased affordable warmth. Additional investment of £2.250m was approved during 2022/23.
- 2.17 Earmarked Funds – these funds relate to specific projects for which monies have been identified prior to 31 March 2023, but for which spending plans exist in 2023/24 and beyond. Earmarked funds include a one-off retrospective adjustment of £21.546m following the adoption of revised service concession accounting arrangements. These funds have been earmarked to support Workforce Planning, Child Poverty and Cost of Living activities and Future Budget Planning over the medium term.
- 2.18 Insurance Fund – these funds represent the amount required to deal with potential uninsured claims and Municipal Mutual Insurance (MMI) underwriting costs.
- 2.19 Capital Fund – Capital receipts and funds allocated by Council in support of the General Fund Capital Investment Programme 2023 to 2031.

### **General Fund Capital**

- 2.20 General Fund Capital Expenditure amounted to £36.194m, in line with the revised annual budget for 2022/23.

## HRA Revenue

2.21 The final position for the Housing Revenue Account at 31 March 2023 was an in-year breakeven position following the utilisation of earmarked reserves. A full analysis of HRA Revenue financial performance was presented to Cabinet on 30 May 2023. The following table details the movements on the Council's HRA Reserves for the year:

<b>HRA Reserves</b>	Balance as at 31/3/2022 £000's	Income £000's	(Expenditure) £000's	Balance as at 31/3/2023 £000's	Anticipated Expenditure £000's	Estimated Available Balance £000's
Council House Building Fund	5,280	-	(571)	4,709	(4,709)	-
Welfare Reform	1,500	-	-	1,500	(1,500)	-
Sustainability Fund	5,000	-	-	5,000	(5,000)	-
Voids - non-programmed works	1,558	-	(1,360)	198	(198)	-
Software Licences	123	-	-	123	(123)	-
Infrastructure Improvements	416	-	-	416	(416)	-
Major Refurbishment Works	52	-	-	52	(52)	-
Tenant led budget	636	-	-	636	(636)	-
Electrical Testing	270	-	-	270	(270)	-
Uncommitted Balance	781	-	-	781	-	781
<b>Total HRA Reserves</b>	<b>15,616</b>	<b>-</b>	<b>(1,931)</b>	<b>13,685</b>	<b>(12,904)</b>	<b>781</b>

## HRA Capital

2.22 HRA Capital Expenditure amounted to £30.478m, an underspend of £6.399m compared to the revised annual budget for 2022/23 of £36.877m.

## Common Good Funds

2.23 A summary of the revenue and capital balances on the Common Good Funds is provided below with further details provided on page 47 of the unaudited annual accounts:

Common Good Fund	Balance at 1 April 2022 £000s	Movement in Year Increase / (Decrease) £000s	Balance at 31 March 2023 £000s
Ardrossan	305	20	325
Irvine	1,102	14	1,116
Largs	436	(5)	431
Millport	67	-	67
Saltcoats	16	(1)	15
Stevenston	174	11	185
<b>Total</b>	<b>2,100</b>	<b>39</b>	<b>2,139</b>

## Trusts

- 2.24 A summary of the revenue and capital balances on the charitable trusts administered by the Council is provided below with further details provided on page 48 of the unaudited annual accounts. Charitable trusts, where the Council is the sole trustee, are required to prepare their own Accounts and Trustees' annual report. These are subject to a separate external audit and a separate report to Council.

Trusts	Balance at	Movement in Year	Balance at
	1 April 2022	Increase / (Decrease)	31 March 2023
	£000s	£000s	£000s
North Ayrshire Charitable Trust	95	6	101
Town Trusts	45	-	45
Douglas Sellers Trust	1	-	1
Anderson Trust	1	-	1
Margaret Archibald Trust	192	5	197
Other Bequests	42	(2)	40
<b>Total</b>	<b>376</b>	<b>9</b>	<b>385</b>

## 3. Proposals

- 3.1 It is proposed that Council:

- (a) Approves the Annual Accounts for 2022/23, subject to audit;
- (b) Notes that Audit Scotland plan to complete their audit of the Accounts by mid-September 2023 and will present their annual audit report to the Council's Audit and Scrutiny Committee on 26 September 2023;
- (c) Authorises the Audit and Scrutiny Committee to consider, and approve for signature, the audited annual accounts within the required timeframe.

## 4. Implications/Socio-economic Duty

### Financial

- 4.1 The financial implications are as outlined in the report.

### Human Resources

- 4.2 None.

### Legal

- 4.3 Under the Local Authority Accounts (Scotland) Regulations 2014 the Council is required to submit its Unaudited Annual Accounts for external audit by 30 June each year.

### Equality/Socio-economic

- 4.4 None.

### **Climate Change and Carbon**

4.5 None.

### **Key Priorities**

4.6 This report and the annual accounts directly support the Council Plan 2019 to 2024 by maximising resources and providing value for money to support financially sustainable delivery models.

### **Community Wealth Building**

4.7 None.

## **5. Consultation**

5.1 Legal Services were consulted during the preparation of the Trustees' Annual Report 2022/23.

**Mark Boyd**  
**Head of Service (Finance)**

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551** or **DavidForbes@north-ayrshire.gov.uk**.

### **Background Papers**

N/A