
NORTH AYRSHIRE COUNCIL

24 August 2020

Audit and Scrutiny Committee

Title: Unaudited Annual Accounts 2019/20

Purpose: To submit the unaudited Annual Accounts for the year to 31 March 2020 to the Committee for approval.

Recommendation: That Committee (i) considers the unaudited Annual Accounts for 2019/20, (ii) notes that these were submitted to the Council's external auditors prior to the deadline on 30 June 2020; and (iii) notes that Deloitte LLP plan to complete their audit of the Accounts by 30 September 2020 and will present their annual audit report to the Council's Audit and Scrutiny Committee in due course.

1. Executive Summary

1.1 The requirements for the production, submission and authorisation of local authority annual accounts are detailed in the Local Authority Accounts (Scotland) Regulations 2014. The annual accounts for the year to 31 March 2020 would normally be presented to Council by 30 June each year, seeking approval of their submission to the Council's external auditors and publication on the Council's website. Due to the restrictions resulting from the Covid-19 lockdown requirements, the Coronavirus (Scotland) Act 2020 has provided some flexibility around these requirements.

1.2 In accordance with the Regulations, as adjusted by the Act, the annual accounts for the year to 31 March 2020 were submitted to the Council's external auditors, Deloitte LLP, and published on the Council's website on 30 June 2020. The Council, or a committee with audit or governance functions, is required to meet to consider the unaudited accounts, as submitted to the auditors, within two months of this publication date. Deloitte LLP plan to complete their audit of the Accounts by the end of September 2020 and will present their annual audit report to the Council's Audit and Scrutiny Committee in due course. A copy of the Council's unaudited accounts for the year to 31 March 2020 was issued directly to Members prior to publication on the Council's website and can be found by following the attached link:

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

1.3 The 2019/20 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).

- 1.4 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 2019/20 and outlines the financial plans, challenges and risks which the Council faces.
- 1.5 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 June 2020.
- 1.6 At 31 March 2020 the General Fund closed with an in year underspend of £2.594m. This amount has been transferred to the General Fund Unearmarked Balance and will be available to help mitigate the impact of future Covid-19 costs and support recovery and renewal activities, as agreed by Cabinet 17 March 2020. The balance of the General Fund Unearmarked funds is £9.659m, which is equivalent to 2.7% of the annual budgeted expenditure. The balance of earmarked funds of £24.923m is detailed in paragraph 2.9.
- 1.7 At 31 March 2020 the Housing Revenue Account closed with an in year underspend of £0.463m. These funds have been earmarked to support the Council House Building programme, Sheltered Housing Refurbishments and Aids and Adaptations. The HRA earmarked funds are detailed in paragraph 2.18 with an uncommitted balance at 31 March 2020 of £1.500m.
- 1.8 Capital Expenditure for the year was £33.039m for the General Fund and £37.759m for the HRA, representing significant ongoing investment in the Council's assets.
- 1.9 The Common Good Funds closed with a balance of £2.069m and the Trust Funds closed with a balance of £0.364m. 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 overspend of £1.640m. Following the drawdown of £1.486m, set aside by the Council to support the repayment of the Integrated Joint Board's deficit to the Council, the resultant net overspend of £0.154m has increased the Integrated Joint Board's outstanding deficit to £5.293m.

2. Background

- 2.1 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;
 - North Ayrshire Integration Joint Board; and
 - Ardrossan North Shore LLP.
- 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 38;
 - Movement in Reserves Statement (MiRS) on page 39;
 - Balance Sheet on page 40; and
 - Cash Flow Statement on page 41.
- 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 20 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 8 June 2020 advising that the unaudited accounts would be available for inspection on the Council’s website between 8 July and 28 July 2020.
- 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 Deloitte LLP, a meeting of the Audit and Scrutiny Committee will be arranged 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 20 was a surplus of £2.594m. The following table details the final position on a service by service basis:

	Annual Budget	Actual Outturn to 31 March 2020	Variance for year (Fav)/Adv	Carry Forwards	Variance for Year After Carry Forward (Fav)/Adv
Service Expenditure	£000's	£000's	£000's	£000's	£000's
Chief Executive and Democratic Services	3,948	3,747	(201)	65	(136)
Communities	130,949	129,897	(1,052)	1,156	104
Finance & Corporate Support	18,285	17,402	(883)	339	(544)
Place	63,561	62,117	(1,444)	736	(708)
Other Corporate Services	9,025	5,642	(3,383)	2,277	(1,106)
Contribution to Insurance Fund	114	114	-	-	-
Sub Total	225,882	218,919	(6,963)	4,573	(2,390)
Health and Social Care Partnership	97,973	97,973	-	-	-
Balance for Services	323,855	316,892	(6,963)	4,573	(2,390)
Financing Charges	26,388	26,388	-	-	-
Contribution to Loans Fund Reserve	3,179	3,179	-	-	-
Total Planned Expenditure	353,422	346,459	(6,963)	4,573	(2,390)
Planned Income					
Aggregate External Finance	(289,384)	(289,380)	4	-	4
Council Tax	(56,803)	(57,011)	(208)	-	(208)
Contribution to Capital Fund	(181)	(181)	-	-	-
Contribution to/from Earmarked Funds	(7,054)	(7,054)	-	-	-
Total Planned Income	(353,422)	(353,626)	(204)	-	(204)
Net Expenditure/ (Income)	-	(7,167)	(7,167)	4,573	(2,594)

2.8 The Council's contribution to the Health and Social Care Partnership reported a breakeven position for the year reflecting the level of funding which the Council provided to the Partnership. However, the Partnership has reported an in year overspend of £1.640m. Following the drawdown of £1.486m which the Council had set aside to support the repayment of the Integrated Joint Board's deficit, the Integrated Joint Board's outstanding deficit has increased by £0.154m. The Integrated Joint Board's outstanding deficit now stands at £5.293m.

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

	Balance as at 31/3/2019 £000's	Income £000's	(Expenditure) £000's	Balance as at 31/3/2020 £000's	Anticipated Expenditure	Estimated Available Balance £000's
General Fund - Unearmarked	6,933	2,726	-	9,659	-	9,659
Earmarked:						
Education DMR	447	341	(447)	341	(341)	-
Affordable Housing	3,418	1,111	(1,448)	3,081	(3,081)	-
Earmarked funds	12,041	3,643	(6,716)	8,968	(8,968)	-
Change & Service Redesign	2,804	970	(630)	3,144	(3,144)	-
Legacy Fund	10	(10)	-	-	-	-
Loans Fund Reserve	6,210	3,179	-	9,389	(9,389)	-
Total Earmarked	24,930	9,234	(9,241)	24,923	(24,923)	-
Other Reserves:						
Insurance Fund	2,613	634	(33)	3,214	(3,214)	-
Capital Fund	6,638	52	(2,172)	4,518	(4,518)	-
Total General Fund	41,114	12,646	(11,446)	42,314	(32,655)	9,659

2.10 General Fund (Unearmarked) – the General Fund surplus for the year was £7.167m. after recognising the earmarking of funds to be carried forward of £4.573m, a surplus of £2.594m has been reported. These funds have been allocated to the Unearmarked Balance and will be available to help mitigate the impact of future Covid-19 costs and support recovery and renewal activities, as agreed by Cabinet 17 March 2020. The uncommitted balance at 31 March 2020 was £9.659m. This is equivalent to 2.7% of the Council annual budgeted expenditure, compared to the minimum recommended level of 2% or £7.159m.

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 Earmarked Funds and Education DMR – these funds relate to specific projects for which monies have been identified prior to 31 March 2020, but for which spending plans exist in 2020/21 and beyond.

2.13 Change & Service Redesign Fund – £0.630m expenditure was incurred during the year in delivery of the transformation programme. Given the scale of the transformation required to address the Council's financial challenges, additional funds of £0.970m have been allocated to meet future costs.

2.14 Loans Fund Reserve – funds arising from the Council's Treasury Management and Investment Strategy have been earmarked to support the Councils' Capital Investment Strategy.

- 2.15 Insurance Fund – these funds represent the amount required to deal with potential uninsured claims and Municipal Mutual Insurance (MMI) underwriting costs. During 2019/20 an additional £0.500m has been allocated to this fund in relation to the potential financial risks associated with national activity in respect of historic child abuse, including contributions to the proposed Statutory Redress Scheme.
- 2.16 Capital Fund – Capital receipts and funds allocated by Council in support of the General Fund Capital Investment Programme 2020 to 2028.

General Fund Capital

- 2.17 General Fund Capital Expenditure amounted to £33.039m or 99.97% of the revised annual budget for 2019/20 of £33.050m.

HRA Revenue

- 2.18 The final position for the Housing Revenue Account at 31 March 2020 was an in-year underspend of £0.463m. These funds have been carried forward to 2020/21 and ringfenced in relation to Aids and Adaptations extension works not completed during 2019/20, £0.058m; additional funding for extensive works at Barnett Court SHU, £0.110m; and support for the Council House Building programme, £0.295m. A full analysis of HRA Revenue financial performance was presented to Cabinet on 30 June 2020. The following table details the movements on the Council's HRA Reserves for the year:

	Balance as at 31/3/2019 £000's	Income £000's	(Expenditure) £000's	Balance as at 31/3/2020 £000's	Anticipated Expenditure £000's	Estimated Available Balance £000's
HRA Reserves						
Council House Building Fund	7,025	295	(947)	6,373	(6,373)	-
Welfare Reform	3,000		(1,500)	1,500	(1,500)	-
Infrastructure Improvements	545	-	(240)	305	(305)	-
Major Refurbishment Works	52	-	-	52	(52)	-
Tarryholme (Trindlemoss)	791	240	(1,031)	-	-	-
Aids and Adaptations	-	58	-	58	(58)	-
Sheltered Housing Works	-	110	-	110	(110)	-
Additional CFCR	-	1,000	-	1,000	(1,000)	-
Uncommitted Balance	1,000	500	-	1,500	-	1,500
Total HRA Reserves	12,413	2,203	(3,718)	10,898	(9,398)	1,500

HRA Capital

- 2.19 HRA Capital Expenditure amounted to £37.759m or 99.96% of the revised annual budget for 2019/20 of £37.773m.
- 2.20 A full analysis of financial performance for the 2019/20 revenue and capital budgets was presented to Cabinet on 30 June 2020.

Common Good Funds

- 2.21 A summary of the revenue and capital balances on the Common Good Funds is provided below with further details provided on page 44 of the unaudited annual accounts:

Common Good Fund	Balance at 1 April 2019 £000s	Movement in Year Increase / (Decrease) £000s	Balance at 31 March 2020 £000s
Ardrossan	217	25	242
Irvine	1,068	56	1,124
Largs	469	(9)	460
Millport	67	-	67
Saltcoats	17	-	17
Stevenston	156	3	159
Total	1,994	75	2,069

Trusts

- 2.22 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 45 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 1 April 2019 £000s	Movement in Year Increase / (Decrease) £000s	Balance at 31 March 2020 £000s
North Ayrshire Charitable Trust	84	2	86
Town Trusts	61	(11)	50
Douglas Sellers Trust	1	-	1
Anderson Trust	1	-	1
Margaret Archibald Trust	182	2	184
Other Bequests	43	(1)	42
Total	372	(8)	364

3. Proposals

- 3.1 It is proposed that Committee (i) considers the unaudited Annual Accounts for 2019/20, (ii) notes that these were submitted to the Council's external auditors prior to the deadline on 30 June 2020; and (iii) notes that Deloitte LLP plan to complete their audit of the Accounts by 30 September 2020 and will present their annual audit report to the Council's Audit and Scrutiny Committee in due course.

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, as amended by the Coronavirus (Scotland) Act 2020, the Council is required to meet to consider the Unaudited Annual Accounts within two months of their publication.

Equality/Socio-economic

4.4 None

Environmental and Sustainability

4.5 None.

Key Priorities

4.6 This report and the annual accounts directly support the draft 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 Discussions have taken place between Senior Officers and the Finance Service throughout the year on services' financial performance.

Mark Boyd
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For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551**.

Background Papers

Revenue Budget 2019/20 : Financial Performance to 31 March 2020 - Cabinet 30 June 2020;

Capital Programme Performance to 31 March 2020 – Cabinet 30 June 2020