
NORTH AYRSHIRE COUNCIL

26 June 2019

North Ayrshire Council

Title:	Unaudited Annual Accounts 2018/19
Purpose:	To submit the unaudited Annual Accounts for the year to 31 March 2019 to the Council for approval.
Recommendation:	That Council (i) approves the Annual Accounts for 2018/19, subject to audit; (ii) notes that Deloitte LLP plan to complete their audit of the Accounts by mid September 2019 and will present their annual audit report to the Council's audit and Scrutiny Committee by 30 September 2019; and (iii) 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. Deloitte LLP plan to complete their audit of the Accounts by mid September 2019 and will present their annual audit report to the Council's Audit and Scrutiny Committee by 30 September 2019. An abbreviated version of the Council's unaudited accounts, containing the key financial statements, for the year to 31 March 2019 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 in the Members' Lounge or by following the attached link:

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

- 1.2 The 2018/19 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 2018/19 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, in a change to previous practice, the final Revenue Budget and Capital Programme Financial Performance reports were submitted to Cabinet on 11 June 2019.
- 1.5 At 31 March 2019 the General Fund closed with an in year underspend of £0.021m, after earmarking £2.300m to support the 2019/20 revenue budget. The balance on the General Fund unearmarked funds is £6.933m, which is equivalent to 2.0% of the annual budgeted expenditure. The balance of earmarked funds of £24.930m is detailed in paragraph 2.9.
- 1.6 At 31 March 2019 the Housing Revenue Account closed with a breakeven position after earmarking £0.554m to support the Council House Building programme. The HRA earmarked funds are detailed in paragraph 2.18 with an uncommitted balance at 31 March 2019 of £1.000m.
- 1.7 Capital Expenditure for the year was £32.006m for the General Fund and £28.987m for the HRA, representing significant ongoing investment in the Council's assets.
- 1.8 The Common Good Funds closed with a balance of £1.994m and the Trust Funds closed with a balance of £0.372m. The Annual Trustees' Report and Financial statements for the charitable trusts are subject to a separate report to Council.
- 1.9 The Health and Social Care the Partnership has reported an in year overspend of £0.818m. Following the drawdown of £1.486m which the Council had set aside to support the repayment of the Integrated Joint Board's deficit, £0.818m has been applied to fund the in year deficit and £0.668m has been applied as a partial repayment of the Integrated Joint Board's outstanding deficit. This now stands at £5.139m.

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;
 - 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 35;
 - Movement in Reserves Statement (MiR) on page 36;
 - Balance Sheet on page 37; and
 - Cash Flow Statement on page 38.
- 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 18 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 3 June 2019 advising that the unaudited accounts would be available for inspection at Cunninghame House between 1 July and 19 July 2019.
- 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 no later than 30 September each year. The Audit and Scrutiny Committee will meet to consider the audited annual accounts and approve them for signature within the required timescale.

General Fund Revenue

2.7 The final position for the General Fund Revenue Account at 31 March 2019 was a surplus of £0.021m, after the earmarking of funds including £2.300m to support the 2019/20 revenue budget. The following table details the final position on a service by service basis:

	Annual Budget	Actual Outturn to 31 March 2019	Variance for year (Fav)/Adv	Carry Forwards	Variance for Year After Carry Forward (Fav)/Adv
	£000's	£000's	£000's	£000's	£000's
Service Expenditure					
Chief Executive and Democratic Services	3,827	3,565	(262)	96	(166)
Economy and Communities	19,847	19,508	(339)	39	(300)
Education and Youth Employment	110,163	110,599	436	-	436
Finance & Corporate Support	18,350	17,531	(819)	453	(366)
Place	57,695	57,481	(214)	81	(133)
Other Corporate Services	8,684	7,040	(1,644)	155	(1,489)
Sub Total	218,566	215,724	(2,842)	824	(2,018)
Health and Social Care Partnership	95,169	95,169	-	-	-
Balance for Services	313,735	310,893	(2,842)	824	(2,018)
Financing Charges	30,279	27,596	(2,683)	2,683	-
Total Planned Expenditure	344,014	338,489	(5,525)	3,507	(2,018)
Planned Income					
Aggregate External Finance	(278,321)	(278,538)	(217)	-	(217)
Council Tax	(53,756)	(53,842)	(86)	-	(86)
Contribution to Capital Fund	(2,300)	(2,300)	-	-	-
Contribution to/from Earmarked Funds	(9,637)	(9,637)	-	-	-
Total Planned Income	(344,014)	(344,317)	(303)	-	(303)
Net Expenditure/ (Income)	-	(5,828)	(5,828)	3,507	(2,321)
Support for 2019/20 Revenue Budget	-	-	-	2,300	2,300
Revised Net Expenditure/(Income)	-	(5,828)	(5,828)	5,807	(21)

2.8 The Council's contribution to the Health and Social Care Partnership reported a break even 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 £0.818m. Following the drawdown of £1.486m which the Council had set aside to support the repayment of the Integrated Joint Board's deficit, £0.818m has been applied to fund the in year deficit and £0.668m has been applied as a partial repayment of the Integrated Joint Board's outstanding deficit. The Integrated Joint Board's outstanding deficit now stands at £5.139m.

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

	Balance as at 31/3/2018	Transfer included in Budget Paper Feb 2019	(Expenditure) / Income	Balance as at 31/3/2019	Anticipated Expenditure	Estimated Available Balance
	£000's	£000's	£000's	£000's		£000's
General Fund - Unearmarked	6,624	(2,012)	2,321	6,933	-	6,933
Earmarked:						
Education DMR	677	-	(230)	447	(447)	-
Affordable Housing	4,391	-	(973)	3,418	(3,418)	-
Earmarked funds	14,056	4,462	(6,477)	12,041	(12,041)	-
Change & Service Redesign	3,915	-	(1,111)	2,804	(2,804)	-
Legacy Fund	45	-	(35)	10	(10)	-
Loans Fund Reserve	3,527	-	2,683	6,210	(6,210)	-
Total Earmarked	26,611	4,462	(6,143)	24,930	(24,930)	-
Other Reserves:						
Repairs & Renewals Fund	288	(288)	-	-	-	-
Insurance Fund	2,609	-	4	2,613	(2,613)	-
Capital Fund	9,231	(2,162)	(431)	6,638	(6,638)	-
Total General Fund	45,363	-	(4,249)	41,114	(34,181)	6,933

2.10 General Fund (Unearmarked) – the General Fund surplus for the year was £5.828m. after recognising the earmarking of funds to be carried forward of £5.807m, a surplus of £0.021m has been reported. The uncommitted balance at 31 March 2019 was £6.935m. This is equivalent to 2% of the Council annual budgeted expenditure, in line with the Council's reserve policy.

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 2019, but for which spending plans exist in 2019/20 and beyond.

2.13 Change & Service Redesign Fund – £1.111m 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, the full balance of the Fund is required 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. Following updated technical guidance, further work will be undertaken during 2019/20 to inform the Council's policy on the prudent repayment of loans fund advances.
- 2.15 Insurance Fund – these funds represent the amount required to deal with potential uninsured claims and Municipal Mutual Insurance (MMI) underwriting costs.
- 2.16 Capital Fund – Capital receipts and funds allocated by Council in support of the General Fund Capital Investment Programme 2019 to 2028.

General Fund Capital

- 2.17 General Fund Capital Expenditure amounted to £32.006m or 96.8% of the revised annual budget for 2018/19 of £33.060m.

HRA Revenue

- 2.18 The final position for the Housing Revenue Account at 31 March 2019 was a break even position, after the earmarking of £0.554m to support the Council House Building programme. A full analysis of HRA Revenue financial performance was presented to Cabinet on 11 June 2019. The following table details the movements on the Council's HRA Reserves for the year:

	Balance as at 31/3/2018 £000's	(Expenditure) / Income £000's	Balance as at 31/3/2019 £000's	Anticipated Expenditure £000's	Estimated Available Balance £000's
HRA Reserves					
Council House Building Fund	7,749	(724)	7,025	(7,025)	-
Welfare Reform	3,000	-	3,000	(3,000)	-
Infrastructure Improvements	545	-	545	(545)	-
Major Refurbishment Works	242	(190)	52	(52)	-
Tarryholme (Trindlemoss)	1,091	(300)	791	(791)	-
Uncommitted Balance	1,000		1,000	-	1,000
Total HRA Reserves	13,627	(1,214)	12,413	(11,413)	1,000

HRA Capital

- 2.19 HRA Capital Expenditure amounted to £28.987m or 101.0% of the revised annual budget for 2018/19 of £28.686m. The additional expenditure has been funded through the acceleration of future year funding.
- 2.20 A full analysis of financial performance for the 2018/19 revenue and capital budgets was presented to Cabinet on 11 June 2019.

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 41 of the unaudited annual accounts:

Common Good Fund	Balance at 1 April 2018 £000s	Movement in Year Increase / (Decrease) £000s	Balance at 31 March 2019 £000s
Ardrossan	187	30	217
Irvine	1,095	(27)	1,068
Largs	498	(29)	469
Millport	73	(6)	67
Saltcoats	17	-	17
Stevenston	155	1	156
Total	2,025	(31)	1,994

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 42 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 2018 £000s	Movement in Year Increase / (Decrease) £000s	Balance at 31 March 2019 £000s
North Ayrshire Charitable Trust	82	2	84
Town Trusts	183	(122)	61
Douglas Sellers Trust	2	(1)	1
Anderson Trust	1	-	1
Margaret Archibald Trust	181	1	182
Other Bequests	43	-	43
Total	492	(120)	372

3. Proposals

- 3.1 That Council approves the Annual Accounts for 2018/19, subject to audit; (ii) notes that Deloitte LLP plan to complete their audit of the Accounts by mid September 2019 and will present their annual audit report to the Council's audit and Scrutiny Committee by 30 September 2019; and (iii) 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:	The financial implications are as outlined within the report.
Human Resources:	None
Legal:	Under the Local Authority Accounts (Scotland) Regulations 2014 the Council is required to submit its Unaudited Annual Accounts for external audit by 30 June 2019.
Equality/Socio-economic Duty:	None
Children and Young People:	None
Environmental & Sustainability:	None
Key Priorities:	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 Benefits:	None

5. Consultation

- 5.1 Discussions have taken place between Senior Officers and the Finance Service throughout the year on services' financial performance.

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LAURA FRIEL

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

Background Papers

General Services Revenue Estimates 2018/19 – North Ayrshire Council 28 February 2018
Revenue Budget 2018/19 : Financial Performance to 31 March 2019 – Cabinet 11 June 2019
Capital Programme Performance to 31 March 2019 – Cabinet 11 June 2019