
NORTH AYRSHIRE COUNCIL

22 June 2022

North Ayrshire Council

Title: North Ayrshire Council Unaudited Annual Accounts 2021/22

Purpose: To submit the unaudited Annual Accounts for the year to 31 March 2022 to the Council for approval.

Recommendation: That Council:

- (a) Approves the Annual Accounts for 2021/22, subject to audit;
- (b) Notes that Deloitte LLP plan to complete their audit of the Accounts by mid September 2022 and will present their annual audit report to the Council's Audit and Scrutiny Committee on 27 September 2022;
- (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. Deloitte LLP plan to complete their audit of the Accounts by mid September 2022 and will present their annual audit report to the Council's Audit and Scrutiny Committee on 27 September 2022. A copy of the Council's unaudited accounts, containing the key financial statements, for the year to 31 March 2022 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 2021/22 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 7 June 2022.
- 1.5 At 31 March 2022 the General Fund an in-year net breakeven position after the earmarking of underspends to support service delivery in 2022/23 and beyond. The earmarking includes the transfer of £3.073m to the Council's Investment Fund as approved at the Council meeting of 2 March 2022, being the balance of underspend for the year. At 31 March 2022 the General Fund Unearmarked Balance remains at £11.315m, or 2.9% of budgeted expenditure. In view of current inflationary pressures on Council budgets this is regarded as a prudent position. The balance of earmarked funds of £74.583m is detailed in paragraph 2.9.
- 1.6 At 31 March 2022 the Housing Revenue Account closed with an in year underspend of £2.941m. These funds have been earmarked to support the HRA Sustainability Fund, non-programmed works and other minor commitments. The HRA earmarked funds are detailed in paragraph 2.20 with an uncommitted balance at 31 March 2022 of £0.781m.
- 1.7 Capital Expenditure for the year was £41.041m for the General Fund and £48.668m for the HRA, representing significant ongoing investment in the Council's assets.
- 1.8 The Common Good Funds closed with a balance of £2.100m and the Trust Funds closed with a balance of £0.376m. 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 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. Following the drawdown of £1.486m, set aside by the Council to support the repayment of the IJB's deficit to the Council, the IJB's outstanding deficit has been reduced to £2.320m

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 6 June 2022 advising that the unaudited accounts would be available for inspection by appointment and on the Council's website between 1 July and 21 July 2022.
- 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 has been arranged for 27 September 2022 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 22 was a net breakeven position after the earmarking of underspends to support service delivery in 2022/23 and beyond. The earmarking includes the transfer of £3.073m to the Council's Investment fund as approved as the Council meeting of 2 March 2022, 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 31/3/22	Variance for year (Fav)/Adv	Carry Forwards	Variance After Carry Forward (Fav)/Adv
	£000's	£000's	£000's	£000's	£000's
Service Expenditure					
Chief Executive's	26,350	25,712	(638)	450	(188)
Communities Place	149,183	146,211	(2,972)	2,457	(515)
Other Corporate Services	69,040	66,565	(2,475)	2,263	(212)
Sub Total	18,452	7,249	(11,203)	12,191	988
Health and Social Care Partnership	263,025	245,737	(17,288)	17,361	73
Balance for Services	107,059	107,059	-	-	-
Financing Charges	370,084	352,796	(17,288)	17,361	73
Contribution to Loans Fund Reserve	22,228	22,228	-	-	-
Total Planned Expenditure	4,045	4,045	-	-	-
	396,357	379,069	(17,288)	17,361	73
Planned Income					
Aggregate External Finance	(335,202)	(335,244)	(42)	-	(42)
Council Tax	(59,856)	(59,887)	(31)	-	(31)
Contribution from Earmarked Funds	(1,299)	(1,299)	-	-	-
Total Planned Income	(396,357)	(396,430)	(73)	-	(73)
Net Expenditure/ (Income)	-	(17,361)	(17,361)	17,361	-

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 £13.784m by the IJB to support future service delivery . Following the drawdown of £1.486m which the Council had set aside to support the repayment of the IJB's deficit, the IJB's outstanding deficit now stands at £2.320m.

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

	Balance as at 31/3/2021 £000's	Income £000's	(Expenditure) £000's	Balance as at 31/3/2022 £000's	Anticipated Expenditure £000's	Estimated Available Balance £000's
General Fund - Unearmarked	11,315	-	-	11,315	-	11,315
Earmarked:						
Education DMR	14	7	(14)	7	(7)	-
Affordable Housing	2,922	1,066	(2,024)	1,964	(1,964)	-
Earmarked Funds	28,135	14,808	(8,449)	34,494	(34,494)	-
Change & Service Redesign	2,844	-	(207)	2,637	(2,637)	-
Loans Fund Reserve	4,265	4,045	(19)	8,291	(8,291)	-
Investment Fund	9,575	4,473	(325)	13,723	(13,723)	-
Renewal Fund	6,974	7,770	(1,277)	13,467	(13,467)	-
Total Earmarked	54,729	32,169	(12,315)	74,583	(74,583)	-
Other Reserves:						
Insurance Fund	3,381	55	(84)	3,352	(3,352)	-
Capital Fund	3,119	6,629	(1,161)	8,587	(8,587)	-
Total General Fund	72,544	38,853	(13,560)	97,837	(86,522)	11,315

- 2.10 General Fund (Unearmarked) – the General Fund surplus for the year was £17.361m. After recognising the earmarking of these funds to be carried forward, a net breakeven position has been reported. The uncommitted balance at 31 March 2022 was £11.315m. This is equivalent to 2.9% of the Council annual budgeted expenditure, compared to the recommended level of between 2% and 4%. In view of the current inflationary pressures on Council budgets, this is regarded as a prudent position.
- 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 2022, but for which spending plans exist in 2022/23 and beyond.
- 2.13 Change & Service Redesign Fund – £0.207m expenditure was incurred during the year to support the delivery of the Sustainable Change programme.
- 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 Investment Fund – funds set aside to support investment in environmental projects, infrastructure investment and Community Wealth Building activity. Following approval at Council on 2 March 2022, the Fund will be supplemented by the balance of underspend for 2021/22 which totals £3.073m.

- 2.16 Renewal Fund – funds earmarked to support the delivery of the Councils’ Recovery and Renewal Strategy through prioritised investment.
- 2.17 Insurance Fund – these funds represent the amount required to deal with potential uninsured claims and Municipal Mutual Insurance (MMI) underwriting costs.
- 2.18 Capital Fund – Capital receipts and funds allocated by Council in support of the General Fund Capital Investment Programme 2022 to 2031.

General Fund Capital

- 2.19 General Fund Capital Expenditure amounted to £41.041m, in line with the revised annual budget for 2021/22.

HRA Revenue

- 2.20 The final position for the Housing Revenue Account at 31 March 2022 was an in-year underspend of £2.941m. These funds have been earmarked to support the HRA Sustainability Fund, non-programmed works and other minor commitments. A full analysis of HRA Revenue financial performance was presented to Cabinet on 7 June 2022. The following table details the movements on the Council’s HRA Reserves for the year:

HRA Reserves	Balance as at 31/3/2021 £000's	Income £000's	(Expenditure) £000's	Balance as at 31/3/2022 £000's	Anticipated Expenditure £000's	Estimated Available Balance £000's
Council House Building Fund	5,580	1,246	(1,546)	5,280	(5,280)	-
Welfare Reform	1,500	-	-	1,500	(1,500)	-
Sustainability Fund	3,174	1,826	-	5,000	(5,000)	-
Voids - non-programmed works	-	1,558	-	1,558	(1,558)	-
Software Licences	-	123	-	123	(123)	-
Infrastructure Improvements	305	111	-	416	(416)	-
Major Refurbishment Works	52	-	-	52	(52)	-
Tenant led budget	520	116	-	636	(636)	-
Additional CFR	1,000	-	(1,000)	-	-	-
Cyclical Planned Maintenance	55	-	(55)	-	-	-
Disturbance Allowance	385	-	(385)	-	-	-
Responsive Repairs	150	-	(150)	-	-	-
Electrical Testing	-	270	-	270	(270)	-
Uncommitted Balance	1,500	-	(719)	781	-	781
Total HRA Reserves	14,221	5,250	(3,855)	15,616	(14,835)	781

HRA Capital

- 2.21 HRA Capital Expenditure amounted to £48.668m or 101% of the revised annual budget for 2021/22 of £48.177m.

Common Good Funds

2.22 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	Movement	Balance at
	1 April 2021	in Year	31 March
	Increase /	(Decrease)	2022
	£000s	£000s	£000s
Ardrossan	280	25	305
Irvine	1,102	-	1,102
Largs	443	(7)	436
Millport	67	-	67
Saltcoats	17	(1)	16
Stevenston	173	1	174
Total	2,082	18	2,100

Trusts

2.23 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	Balance at
	1 April 2021	in Year	31 March
	Increase /	(Decrease)	2022
	£000s	£000s	£000s
North Ayrshire Charitable Trust	91	4	95
Town Trusts	49	(4)	45
Douglas Sellers Trust	1	-	1
Anderson Trust	1	-	1
Margaret Archibald Trust	188	4	192
Other Bequests	42	-	42
Total	372	4	376

3. Proposals

3.1 It is proposed that Council:

- (a) Approves the Annual Accounts for 2021/22, subject to audit;
- (b) Notes that Deloitte LLP plan to complete their audit of the Accounts by mid September 2022 and will present their annual audit report to the Council's Audit and Scrutiny Committee on 27 September 2022;
- (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 2021/22.

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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