

ARGYLL AND BUTE COUNCIL

BUSINESS CONTINUITY COMMITTEE

FINANCIAL

2019-20 UNAUDITED ANNUAL ACCOUNTS

2. INTRODUCTION

- 2.1 This covering report gives an overview of the unaudited annual accounts for 2019-20 and a summary of the significant movements from 2018-19 and asks members to approve the unaudited annual accounts for 2019-20 for issue.

3. RECOMMENDATIONS

- 3.1 The Business Continuity Committee are asked to approve the unaudited annual accounts for the year ended 31 March 2020 for issue.

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 2020. 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 2019-20 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 usually 30 June each year. Scottish Government has interpreted provisions within the Coronavirus (Scotland) Act 2020 to modify the Public Finance and Accountability (Scotland) Act 2000 for the financial year ending 31 March 2020 and have extended the administrative deadlines for local government accounts by 2 months. Therefore, the Council is required to prepare its unaudited 2019-20 accounts by 31 August 2020 and to submit signed accounts by 20 November 2020. The Council continued to work to the 30 June deadline for the unaudited accounts, however, Audit Scotland, have advised that it will be October before they complete the audit of our accounts and into November for issue of the annual report and audit certificate.
- 4.3 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 summarised in the paragraphs that q 1 0YI4 0 Tdl accounts

- 4.4 **Management Commentary:** this 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 by the Council.
- 4.5 **Statement of Responsibilities for the annual accounts:** this outlines the Council's responsibilities and also the responsibilities of the Council's Section 95 Officer.
- 4.6 **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 2019-20 and that there are no

	£000	£000
Surplus/(Deficit) on Provision of Services		7,134
Other income	1,200	
Other expenditure	(5,066)	
Transfer to/from reserves	1,934	
Transfer to/from provisions	(7,134)	
Total		7,134

4.10 **Balance Sheet:** the balance sheet shows that the net worth of the Council has increased to £326.371m compared to a net worth at 31 March 2019 of £242.667m. The main changes are set out in the table below.

	31/03/2020 £000	31/03/2019 £000	Change £000	Main Reason
Long Term Assets	648,377	624,055	24,322	Asset revaluations.
Current Assets	88,364	92,072	(3,708)	Small increase in short term investments and a reduction in cash held at the end of the year.
Current Liabilities	(47,115)	(62,455)	15,340	Reduction in short term borrowing.
Long Term Liabilities	(363,255)	(411,005)	47,750	Reduction in pension liability.
Total	326,371	242,667	83,704	

4.11 **Statement of Movement in Reserves:** this 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). The balance of unusable reserves has increased by £83.340m from £187.139m as at

31 March 2019 to £270.479m as at 31 March 2020. Part of the movement is the increase in the pensions reserves which is linked to the decrease in the pensions liability with the remainder of the movement accounting adjustments required through the capital adjustment account and revaluation reserve.

The balance of usable reserves has increased by £0.364m from £55.528m as at 31 March 2019 to £55.892m as at 31 March 2020. This is mainly as a result of a small increase in the general fund balance of £0.190m in addition to small increases to the capital fund and repairs and renewals fund.

The general fund balance at 31 March 2020 was £49.670m, this is an increase of £0.190m from last year. The Council has agreed to hold a contingency balance equivalent to 2% of the Council budget for 2020-21 and this amounts £4.929m. The remaining unallocated balance amounts to £1.366m. The movement in the general fund balance as well as the remaining unallocated balance is summarised in the table below.

	£000
Balance on General Fund as at 31 March 2019	49,480
Budgeted surplus 2019-20	212
Part repayment of Social Work overspend 2017-18	100
Supplementary estimate agreed in-year	(94)
Released sums earmarked to service budgets 2019-20	(13,548)
Contributions to earmarked reserves 2019-20	13,018
Overall budget underspend	502
Balance on General Fund as at 31 March 2020	49,670
Earmarked balances as at 31 March 2020	(43,375)
Contingency Balance 2% of budget	(4,929)
Unallocated Balances as at 31 March 2020	1,366

- 4.12 **Cash Flow Statement:** this 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 balance decreased by £5.046m to £8.785m. The operating activities generated cash of £3.244m, the investing activities generated cash of £4.480m

compared to £49.868m in 2018-19.

- 4.15 **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 £35.231m for 2019-20 allocated from the national pool. This compares to £33.035m in 2018-19.

of the Council remains stable, however the COVID-19 pandemic will place significant financial challenges on the Council within 2020-21 and beyond.

6. IMPLICATIONS

6.1	Policy –	None.
6.2	Financial -	None, summarises the financial position for 2019-20
6.3	Legal -	None.
6.4	HR -	None.
6.5	Fairer Scotland Duty	None.
6.6	Risk -	None.
6.7	Customer Service -	None.

Kirsty Flanagan
Section 95 Officer
16 June 2020

Gary Mulvaney - Policy Lead for Financial Services and Major Projects

Appendix 1 – Unaudited Annual Accounts 2019-20