
Report to: Audit & Scrutiny Committee

Date of Meeting: 25 August 2022

Subject: Draft Annual Accounts 2021/22

Report by: Chief Finance Officer

1.0 Purpose

- 1.1. The Council is required by law to prepare a statement of accounts in accordance with 'proper practices' which set out its financial position at the end of each financial year. This is defined as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom prepared by the CIPFA/LASAAC Joint Committee.
- 1.2. The Code specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements where Councils have material interests in subsidiaries, associates or joint ventures. The financial statements aim to identify the key factors affecting the finances of the Council and that affect the physical resources that the Council can control to provide services.
- 1.3. The Local Authority Accounts (Scotland) 1985 Regulations require the Chief Finance Officer, as the Council's s95 officer, to prepare the Statement of Accounts as soon as practicable after the end of each financial year and to submit for Audit to the Councils External Auditor. This is normally by the 30th June, however due to COVID 19 pandemic, this was extended in agreement with the External Auditors.
- 1.4. Within the Draft Annual Accounts, a Management Commentary is included that presents the collective view of those charged with governance and apply relevant sections of the Companies Act 2006 in respect of the preparation of a Strategic Report. The Management Commentary is signed by the Leader of the Council, Chief Executive and Chief Finance Officer (as s95 officer). The Management Commentary includes information on the financial year just passed along with a forward financial outlook for the Council for 2022/23. Further detail of the Councils financial forecast for 2022/23 will be presented to the Audit and Scrutiny Committee during the year.
- 1.5. The Council's Draft Annual Accounts also include the annual Remuneration Report, and the Annual Governance Statement (AGS) which is signed on behalf of the Council by the Leader of the Council and the Chief Executive. Improvement actions associated with the AGS are incorporated within routine performance reporting using the Pentana system.

2.0 Recommendations

- 2.1 Committee is asked to:

- 2.1.1 note the 2021/22 draft annual accounts;
 - 2.1.2 note that the draft annual accounts will be submitted for audit to the Councils external auditors on 31 August;
 - 2.1.3 note that audited annual accounts will be presented to Council following conclusion of the audit, and
 - 2.1.4 otherwise note the contents of the report.
- 2.2 Committee is also asked to approve the following recommendation to go forward for approval by Council:
- 2.2.1 an additional £311k to be earmarked from in year capital receipts to top up the transformation fund (paragraph 3.11).

3.0 Considerations

- 3.1. The accounts have been prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22*. The Annual Accounts show the actual figures for 2021/22 and the comparable figures for 2020/21.

Revenue Outturn

- 3.2 The financial results for 2021/22 are positive and provide a platform from which to address the challenging times ahead. Against the background of reducing resources and the impact of the Covid 19 pandemic, the Council has successfully delivered services within budget and achieved a high percentage of its approved savings.
- 3.3 Gross revenue expenditure for the year was £138.272m. This represents the running costs of the Council and indicates the significant size and complexity of the organisation. In addition to this, the Council administered Support Grants to Businesses and Individuals on an Agency basis on behalf of the Scottish Government. This amounted to £6.736m and has been excluded from gross expenditure in line with specified Accounting guidance.
- 3.4 The surplus achieved in the year compared to budget was £10.324m. This includes carry-forward earmarked reserves of £7.455m for ring-fenced areas of spend such as PEF, ELCC and DSM and COVID funding. This results in a net underspend of £2.869m compared to budget which is a favourable movement on the nil variance position as at December 2021 (excluding Clackmannanshire element of the Clackmannanshire and Stirling Health and Social Care Partnership (HSCP), reported in the 2022/23 Budget paper to Council in March 2022.
- 3.5 The General Fund started the year with a balance of £20.025m. £7.149m was utilised from earmarked general reserves during the year, new earmarked reserves of £0.585m were created and £1.254m of commitments were released. Within the earmarked reserves £4.406m relates to funds provided for COVID related activity. The in year surplus along with the utilisation of reserves results in a net increase in general reserves of £3.175m and a closing general reserve balance at 31 March 2022 of £23.200m.

- 3.6 Of the £23.200m balance at 31 March 2022, £17.152m is earmarked for specific purposes, much of which is for use either by individual services or to meet corporate liabilities. This committed balance can be summarised as follows:

Devolved School Management (DSM)	£0.631m
Pupil Equity Funding (PEF)	£0.680m
Early Learning & Childcare (ELCC)	£0.226m
Education COVID Recovery	£0.500m
Ring-fenced Housing & Community Safety Grants	£1.008m
Contractual Repairs & Maintenance	£0.315m
Organisational Change Fund	£0.198m
Employment Fund	£0.853m
Transformation Fund	£1.841m
Miscellaneous commitments	£2.094m
Amount to Support 2022/23 Revenue Budget	£3.942m
Developer Contributions	£0.118m
Employability Funding	£0.840m
COVID General Funding	£2.580m
COVID Specific Funding	£1.326m
Total	£17.152m

- 3.7 The Council's Reserves Strategy stipulates that it should retain uncommitted reserves at a minimum level of 2.4% of budgeted net expenditure as amended in the 2022/23 budget paper. Based on 2022/23 approved budget this equates to a figure of £3.393m. At the end of 2021/22, uncommitted reserves are £6.048m, therefore, £2.655m in excess of this minimum reserve figure. Total uncommitted reserves therefore represent a level of 4.3% of budgeted net expenditure.

- 3.8 At the end of 2021/22, the Clackmannanshire locality of the Clackmannanshire and Stirling Health and Social Care Partnership (HSCP) reported an underspend of £1.647m. However, the final outturn reflects a nil variance as the Councils full approved budgeted contribution for 2021/22 is paid over to the Partnership and carried forward within reserves for utilisation in 2022/23.

Housing Revenue Account

- 3.9 The Housing Revenue Account achieved a surplus within the year of £7.119m against a budgeted surplus of £5.645m, £1.554m greater than budget. This is a movement of £0.973m greater than the forecast figure of £6.146m reported to Council in February 2022. During the year £5.265m of this surplus has been used to fund capital expenditure which mitigated the requirement to borrow. This has resulted in a net contribution to reserves of £1.942m. The outcome of these in year results is that the opening housing reserve balance of £7.610m at the start of the year, has increased to £9.552m as at 31st March 2022, which equates to 46.5% of 2022/23

budgeted Housing Rents. This is £8.731m above minimum reserves of 4% which can be used to offset future capital expenditure and reduce the requirement to borrow.

Other Reserves

- 3.10 The opening balance on the Capital Receipts Reserve was £1.333m. Of this balance, £0.097m was earmarked for the capital element of the Employment Fund to fund the statutory element of voluntary severance. £0.017m was utilised in the year and as the flexibility to use capital receipts for this purpose is due to end in March 2023, £0.034m was approved to be released from this fund as part of the 2022/23 Budget Setting process. This leaves a balance of £0.046m earmarked from Capital Receipts for the capital element of the Employment Fund.
- 3.11 During 2021/22 receipts of £0.943m were received as a consequence of asset sales. A further £0.115m was received from the transfer of property to the HRA. £0.729m was transferred to General reserves to support the 2021/22 budget and as above, £0.017m was used to support the statutory element of voluntary severance. £0.632m was transferred to the Transformation Fund as per the approved budget in 2022/23 and this paper also asks that the additional in year receipts of £0.311m are also transferred to the Transformation Fund for future use. Also as part of the 2022/23 budget, £0.099m was released from Capital Grants Unapplied to general receipts increasing the general receipts balance to £0.801m.
- 3.12 The opening balance on the Capital Grants and Contributions Unapplied account was £2.850m. Within this balance were earmarked receipts of £0.766m for the Transformation Fund. During the year £0.389m has been utilised from this Fund leaving a balance of £0.377m. Further top ups of this fund as mentioned above of £0.632m and £0.311m increase the closing balance on this fund to £1.320m. Within the Economic Stimulus Fund, £0.099m was released back to General Capital Receipts as per the approved 2022/23 Budget and £0.201m was utilised for the purchase of assets in the year leaving £0.182m in this part of the fund. In the year, no funding has been utilised and £0.198m has been added for new grants to be used in future years, leaving a balance at 31 March 2022 including earmarked of £3.302m.

Pensions Liability

- 3.13 The estimation of the Council's net liability in respect of pensions payable is a complex set of judgements. It requires estimates of the life expectancy of scheme members, assumptions about changes in retirement ages and expected returns on pension fund assets such as stock market investments. The Council engages actuaries to provide expert advice about prevailing assumptions.
- 3.14 As a result of the latest valuation of our Pension accounts in accordance with International Accounting Standard 19 (IAS19), the net liability within the Balance Sheet increased to £88.9m compared to £151.7m at March 2021. This favourable movement in the year which has reduced the liability is due to a combination of an increase in the net discount rate and asset returns.

Provisions

- 3.15 There have been no new provisions created in the year. As at 31 March 2022, only one Provision remains in respect of the provision for Municipal Mutual Insurance Limited (MMI).
- 3.16 The provision for MMI was established in 2012/13 on the advice of our insurers to cover a potential 30% levy triggered under the Scheme of Arrangement in respect of

the winding down of the former MMI. This exposure relates back to former District and Regional Council operations. During the year £9k was paid out of which none was provided for and the provision was increased to offset this additional amount. No material amounts are expected for 2022/23 therefore there is no short term provision. The long term provision was increased by £13k to £60k to reflect an increase in the estimate of the amount required to meet future claims.

Contingent Liabilities

- 3.17 In order to reflect as yet potential uncertain and/ or unquantified timing and liabilities issues, aspects of those matters referenced in respect of Insurance set out in paragraph 3.16 above, are also reflected in the draft annual accounts as a contingent liability. In addition to this, the potential for claims of Historic Sexual Abuse and Equal pay remain as contingent liabilities. During 2021/22 a further contingent liability has been added representing the judicial review of a number of Social Services cases. As with all contingent liabilities, the timing and quantification of any liability in relation to these cases is unknown. No Contingent Assets have been identified as at 31 March 2022.

Capital Expenditure and Financing

- 3.18 During 2021/22 the Council spent £16.415m on Capital Expenditure across both General Fund and HRA. Of this, £16.358m was invested in its own assets with £0.057m granted to third parties including Common Good. This reflects an underspend of £10.393m on the approved budgeted programmes for both HRA and General Fund.
- 3.19 Capital expenditure in the year has been financed by: government grants and contributions (£7.037m) and direct revenue funding (£5.429m). The remaining balance of £3.949m was funded through internal borrowing.
- 3.20 The Councils gross external debt as at March 2022 stands at £137.919, a decrease of £1.245m from the position as at March 2021. This was as a result of no additional borrowing being undertaken during the year and repayments of £0.072m towards PWLB and Market Loans and £1.173m towards Public Private Partnership (PPP) arrangements. Further detail will be provided in the Annual Treasury Report presented at the next Council meeting.

Group Accounts

- 3.21 Group accounts are required to be prepared and included in the financial statements. The council's group accounts consist of; Clackmannanshire and Stirling Integration Joint Board, Central Scotland Valuation Joint Board, and Common Good.

Public Inspection

- 3.22 Following submission to the External Auditor the draft annual accounts will be made available for public inspection on the Councils website.
- 3.23 Following conclusion of the External Audit, the Council's final audited Annual Accounts will be presented to Council at a future meeting along with the External Auditors Report.

4.0 Conclusion

- 4.1 The results for the year are positive with a surplus being achieved in the year on General Fund which ensures the Councils uncommitted reserves remain in excess of

the Council's minimum level. This position is an improvement on that previously forecast at Budget setting in March 2022 due to a more favourable outturn than anticipated at that time.

- 4.2 Throughout the year, regular updates on progress in implementing the Budget Strategy and performance monitoring has been provided to Elected members through Council and Committee reports and briefings. Despite rising pressures, services worked hard to manage spend within budget to ensure the Council did not overspend its budget during 2021/22. In doing so, the Council consistently applied its agreed budget, finance and investment strategies throughout 2021/22.
- 4.3 In summary, the year end financial position, although favourable, remains challenging in light of the current financial circumstances of rising inflation and the ongoing impact of the COVID19 Pandemic.

5.0 Sustainability Implications

- 5.1 Not applicable

6.0 Resource Implications

6.1 *Financial Details*

- 6.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes
- 6.3 Finance have been consulted and has agreed the financial implications as set out in the report. Yes

6.4 *Staffing*

7.0 Exempt Reports

- 7.1 Is this report exempt? Yes (please detail the reasons for exemption below) No

8.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

- (1) **Our Priorities** (Please double click on the check box)

- Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all
- Our families; children and young people will have the best possible start in life
- Women and girls will be confident and aspirational, and achieve their full potential
- Our communities will be resilient and empowered so that they can thrive and flourish

(2) Council Policies (Please detail)

9.0 Equalities Impact

9.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

10.0 Legality

10.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

11.0 Appendices

11.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Draft Annual Accounts 2021/22 – to be circulated separately

12.0 Background Papers

12.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Elizabeth Hutcheon	Management Accountancy Team Leader	6214
Helen Coleman	Corporate Accountancy Team Leader	2256
Lindsay Sim	Chief Financial Officer	2022

Approved by

NAME	DESIGNATION	SIGNATURE
Lindsay Sim	Chief Finance Officer	
Stuart Crickmar	Director of Partnership and Performance	

