

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk & Scrutiny Committee
<b>DATE</b>	12 May 2021
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Unaudited Annual Accounts 2020/21
<b>REPORT NUMBER</b>	RES/21/120
<b>DIRECTOR</b>	Steven Whyte
<b>CHIEF OFFICER</b>	Jonathan Belford
<b>REPORT AUTHOR</b>	Lesley Fullerton
<b>TERMS OF REFERENCE</b>	AR&S Cttee 4.1 and 4.2,

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### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide Elected Members with an overview of the Council's 2020/21 unaudited Annual Accounts.
- 1.2 To enable scrutiny of and approval by the Committee on the content of the Annual Governance Statement. The statement has been included in the 2020/21 unaudited Annual Accounts subject to this approval.
- 1.3 The report also provides the unaudited Annual Accounts for those registered charities where the Council is the sole trustee and is subject to statutory requirements for separate accounts and audit opinions.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 approve the Annual Governance Statement as included in the Council's unaudited Annual Accounts for the financial year 2020/21.
- 2.2 consider the Council's unaudited Annual Accounts 2020/21.
- 2.3 consider the unaudited Annual Accounts 2020/21 of the Council's registered charities.
- 2.4 note that following this meeting the Council's and the registered charities unaudited Annual Accounts will be finalised, signed and submitted to the Council's external auditors, KPMG, and Audit Scotland.
- 2.5 note that the Audit, Risk and Scrutiny Committee on 30 June 2021 will receive the Council's audited Annual Accounts for consideration and approval prior to

their signature by the Chief Officer - Finance, Chief Executive and a Council Leader.

- 2.6 note that the Audit, Risk and Scrutiny Committee of 30 June 2021 will also receive the external auditor's report on the annual accounts for debate and consideration and that this report will set out the auditor's findings and conclusions, highlight the significant issues arising from the audit of the annual accounts and inform Elected Members of the proposed audit opinion in advance of the accounts being certified; and
- 2.7 note that the Audit, Risk and Scrutiny Committee on 30 June 2021 will also receive the audited Annual Accounts for the registered charities for consideration and approval prior to their signature along with the associated external auditor's report.

### **3. BACKGROUND**

#### **Annual Governance Statement**

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 specify that the Annual Accounts must include an Annual Governance Statement (AGS).
- 3.2 The AGS should be produced in accordance with proper accounting practices and the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.
- 3.3 The Council has developed its approach to the annual governance review process and in 2020/21 has again undertaken a self-evaluation of the effectiveness of the Local Code of Corporate Governance.
- 3.4 There are different layers of assurance that have been considered and used in determining the content of the AGS. These include management assurance, the internal audit assurance framework, and the consideration of external audit and external scrutiny.
- 3.5 Management assurance includes the certification of internal controls and assurance by Chief Officers, along with an assurance statement having been received by, or on behalf of, the Chief Executive of the group entities. The Chief Officer of the Aberdeen City Integration Joint Board has also provided assurance in respect of the Health and Social Care Partnership arrangements.
- 3.6 Further confidence is based on the operational structure and legislative framework that exists for the Council, including the continuity that has been maintained in relation to statutory posts throughout the year.
- 3.7 The Scheme of Governance defines the roles and responsibilities for officers and Elected Members.

- 3.8 The accounting team work closely with budget holders to ensure that a positive relationship exists and there is openness and transparency about decision making and the financial implications.
- 3.9 Each Chief Officer has reviewed their portfolio and certified their effectiveness to the Chief Officer – Governance and the Director of Resources.
- 3.10 Management Assurance has also been obtained from each Chief Officer and reviewed by the Corporate Management Team.
- 3.11 In undertaking a self-evaluation of the Council’s effectiveness of its governance framework, several officers have reviewed the Local Code of Governance and drawn judgements on the extent to which the Council is effectively complying with the code.
- 3.12 Independent scrutiny is undertaken by the Internal Audit function, which was carried out by the Internal Audit team from Aberdeenshire Council. They have provided management and the Committee with recommendations on improvements that can be implemented for the benefit, amongst other things, of the control environment.
- 3.13 External scrutiny is required by legislation (Local Authority Accounts (Scotland) Regulations 2014) and the Council’s external auditor, KPMG, reported on a variety of areas, not simply the financial statements and financial control environment. These reports, which are produced on a national basis, have been considered in preparing the AGS for 2020/21.
- 3.14 In conclusion and in examining the evidence, the 2020/21 AGS has been prepared with an approach of openness and accountability that recognises the positive framework that the Council has and the effectiveness of it during the financial year. It should be noted that the Statement has been produced by management and is not an independent expression of audit opinion.
- 3.15 The Annual Governance Statement is signed on behalf of Aberdeen City Council by the Chief Executive and Leader of the Council. It is recommended for approval prior to being signed off.

### **Unaudited Annual Accounts**

- 3.16 On 9 December 2020 Audit, Risk and Scrutiny committee received and noted the contents of a report, “Annual Accounts 2020/21 – Action Plan” which provided high level information and key dates in relation to the production of the 2020/21 Annual Accounts.
- 3.17 The key dates contained within the above report were: -

31 March 2021	End of the financial year 2020/21
Jan – June 2021	Information from Group Entities (including ALEO’s)
16 April 2021	Public Notice for the Public Inspection Period to be issued
10 May 2021	Signing of unaudited Annual Accounts by the Proper Officer

12 May 2021	Audit, Risk and Scrutiny Committee to consider the unaudited Annual Accounts
12 May 2021	Submission of the Annual Accounts to Auditors
11 May – 1 June 2021	Public Inspection Period for the unaudited Annual Accounts
30 June 2021	Audit, Risk and Scrutiny Committee to consider and aim to approve the audited Annual Accounts for signature
30 June 2021	Signing of the audited Annual Accounts by the Proper Officer, Chief Executive and Council Leader.
30 June 2021	Statutory deadline for the Proper Officer to sign the unaudited Annual Accounts, submit to the Auditor and publish on the website, along with the accounts of all subsidiary bodies
16 July 2021 (tbc)	Deadline for submission of the unaudited Whole of Government Accounts (WGA) to the Scottish Government
30 September 2021	Deadline for submission of the signed audited Annual Accounts to the Auditor
30 September 2021	Deadline for submission of the audited WGA to the Scottish Government
31 October 2021	Statutory deadline for the publication on the website of the signed Annual Accounts & Audit Certificate, related Auditor report and accounts of all subsidiary bodies
31 December 2021	Deadline for submission of the audited Charitable Trust Annual Accounts to OSCR

- 3.18 Whilst there are statutory requirements under the Local Authority Accounts (Scotland) Regulations 2014 which specify deadlines in relation to the unaudited and audited Annual Accounts, this does not prevent the Council from working to earlier dates and indeed the earlier completion of our Annual Accounts could be considered advanced practice.
- 3.19 There is also a requirement that the unaudited Annual Accounts be provided to and considered by a committee whose remit includes audit or governance.

### **Inspection and Audit of the Accounts**

- 3.20 The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 1 July 2021. The inspection must last 15 working days. As the Annual Accounts process is being undertaken to earlier deadlines this year the public inspection period will begin on 11 May 2021 and end on 1 June 2021.

The Regulations also require publication of the unaudited Annual Accounts, as submitted to the Auditor, on the Council's website until the audited accounts can replace them. This not only provides a means by which the public can access the accounts during the inspection period but also ensures the Council is open and transparent in its reporting.

- 3.22 On completion of the audit process, the external auditor's will present their report on the audit of the Annual Accounts to the meeting of the Audit, Risk and

Scrutiny Committee on 30 June 2021. This report will highlight any significant issues arising from the audit and inform Elected Members of the proposed audit opinion in advance of the final accounts being certified.

- 3.23 The audited Annual Accounts will also be presented to that meeting for consideration and approval for signature. Thereafter, the accounts will be signed by the Chief Officer - Finance, Chief Executive and a Council Leader. The signed accounts must be submitted to and signed by Audit Scotland no later than 30 September 2021.

### **Financial Performance and Review of the Accounts**

- 3.24 It should be noted that the unaudited Annual Accounts are prepared according to the requirements of the IFRS based Code of Practice on Local Authority Accounting (the Code) and as a result are more complex and detailed than the information included in the monitoring reports provided to Committee throughout the year.
- 3.25 A report covering the detailed financial position of the Council was considered by the City Growth and Resources Committee on 11 May 2021. This report covers the Council's revenue and capital accounts for General Fund, Housing Revenue and Common Good and the reserves and balances of the Council as at 31 March 2021.
- 3.26 Against total funding from Council Tax, Non-Domestic Rates and Revenue Support Grant of £508 million (this includes Covid-related Revenue Support Grant £45k), the services including surpluses from trading operations incurred net spend of £415 million, whilst the net spend on the corporate budgets, including capital financing costs, was £47 million.
- 3.27 The credit rating and LSE listing has brought several reporting and governance requirements, including the need to consider our financial management systems, processes and routines to take into account the requirements and expectations of holding and maintaining a suitable credit rating and being an Issuer of Bonds.
- 3.28 The following paragraphs highlight some of the key sections of the Annual Accounts:
- 3.29 Management Commentary – focuses on the financial performance of the Council and its group as well as highlighting significant past and future events and comments on the economic climate within which the Council operates.
- 3.30 Comprehensive Income & Expenditure Statement (CIES) and Expenditure & Funding Analysis - reflects the income and expenditure of the Council per the Council's service structure based on the requirements of accounting standards.
- 3.31 Balance Sheet – provides information on the assets and liabilities of the Council together with its usable and unusable reserves. Net assets (i.e. assets less liabilities) have increased by £116 million from March 2020 to a total of £1.331 billion at March 2021, mainly reflecting a decrease in long term liabilities of

£138 million, with pension liabilities being £109 million of this. The corresponding increase in reserves reflects a £76 million and £39 million increase in unusable and usable reserves respectively.

- 3.32 Common Good and Trusts – the Common Good, CIES and Balance Sheet reflect an increase in the value of its net assets which has resulted in its value increasing by £5.7 million to £129.8 million at March 2021. The financial statements of the Trusts now clearly reflect the split between charitable and non-charitable trusts. This will aid the separate audit of charitable trusts, which is an OSCR (Office of the Scottish Charity Regulator) requirement and will be carried out by the Council's external auditors.
- 3.33 Group Accounts – these include the Council, its subsidiaries, associate, and joint venture companies and reflects all the significant entities the Council has a controlling interest in. The group balance sheet shows net assets and reserves of £1.467 billion. A few smaller organisations have been excluded from the financial statements due to their relative size on the grounds of materiality and as such their performance is disclosed simply in the notes to the group accounts.

## **Registered Charities**

- 3.34 This encompasses those trusts, registered with OSCR, for which the Council (all 45 Councillors) is the sole trustee. There are nine separately registered charities which for reporting purposes can be grouped together into a single Annual Report and Accounts. The consolidated balance sheet shows a value of £7.187 million, after the elimination of intra trust balances i.e. the investment in the Lands of Skene by the Guildry and Bridge of Don trusts.
- 3.36 These accounts are subject to the same audit process as the Council with the audited accounts and related auditor's report being reported back to this committee on 30 June 2021 for approval prior to signature by the relevant officers and the Council Leader.
- 3.37 Thereafter, they will be submitted to OSCR, no later than 31 December 2021.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are no direct financial implications arising from this report.

## **5. LEGAL IMPLICATIONS**

- 5.1 The preparation of the Annual Governance Statement is a part of the Council's compliance with the CIPFA/SOLACE guidance on 'Delivering Good Governance in Local Government'.
- 5.2 There is a statutory requirement for the Council to produce both unaudited and audited Annual Accounts within certain timescales and to a high standard in accordance with The Local Authority Accounts (Scotland) Regulations 2014, the CIPFA Code of Practice on Local Authority Accounting and generally

accepted accounting practices. This is a major task which requires co-operation and input from a large number of people across all services of the Council. It is only with the commitment of all staff that these high standards and deadlines can be met.

## 6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
<b>Strategic Risk</b>	There is a risk that if reporting of annual accounts is not undertaken as required, the financial resilience of the Council is not maintained that strategic priorities and outcomes have to be compromised in the future.	L	Comprehensive approach to preparing Annual Accounts to accounting standards and legislation to ensure compliance and transparency for all stakeholders.
<b>Compliance</b>	Risk of Legislation not being followed	L	Staff working with external audit to ensure compliance with legislation
<b>Operational</b>	External audit reveals errors &/or adjustments. Risk that the Finance systems could be disrupted	L  L	Officers discuss with Auditors throughout external audit process. Digital strategy that includes regular and rigorous checks to protect the integrity of all systems.
<b>Financial</b>	External audit reveals errors &/or adjustments	L	Officers discuss with Auditors throughout external audit process.
<b>Reputational</b>	Information contained in the Annual Accounts may cause damage to the Council's reputation	L	Independent examination by senior staff and external auditors
<b>Environment / Climate</b>	n/a	n/a	n/a

## 7. OUTCOMES

<b><u>COUNCIL DELIVERY PLAN</u></b>	
<b>Impact of Report</b>	
<b>Aberdeen City Council Policy Statement</b>	Financial reporting enables the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.
<b>Aberdeen City Local Outcome Improvement Plan</b>	
Prosperous Economy Stretch Outcomes	The Council continues to invest and report in front-line services across its statutory responsibilities as well as capital infrastructure. Investment in the city will have a positive impact on the economy.
Prosperous People Stretch Outcomes	Robust and effective management and reporting of the Council's finances will ensure that services can continue to be provided
Prosperous Place Stretch Outcomes	Investment will enhance the place by creating a better and more vibrant city in which to live.
<b>UK and Scottish Legislative and Policy Programmes</b> The Local Authority Accounts (Scotland) Regulations 2014	The attached appendices are prepared under The Local Authority Accounts (Scotland) Regulations 2014.

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	not required
<b>Data Protection Impact Assessment</b>	not required

## 9. BACKGROUND PAPERS

Delivering Good Governance in Local Government, Framework (2016 Edition)' CIPFA & SOLACE, 2016;  
 'Delivering Good Governance in Local Government, Guidance Note for Scottish Local Authorities (2016 Edition)' CIPFA & SOLACE, 2016;  
 Unaudited Annual Accounts 2019/20



## 10. APPENDICES

Appendix A - Unaudited Annual Accounts 2020/21

Appendix B - Aberdeen City Council Registered Charities Unaudited Annual Report and Accounts 2020/21

## 11. REPORT AUTHOR CONTACT DETAILS

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