

COSLA's Audited Financial Statements for Year Ending 31st March 2020

Summary and Recommendations

In line with normal practice, COSLA's Financial Statements for the Year Ending 31 March 2020, and associated Letter of Representation are presented to Convention. The reports have been scrutinised by COSLA's Audit Committee.

Convention is invited to:

- i. Approve and adopt the Financial Statements for the Year Ending 31 March 2020 (Appendix A);
- ii. Approve the associated Letter of Representation (Appendix B); and
- iii. Confirm the Chief Executive should sign both documents on behalf of Convention

References

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October 2020



COSLA's Audited Financial Statements for Year Ending 31st March 2020

Purpose

1. To provide Convention with commentary on the outturn financial position for Year Ending 31 March 2020 and to present Audited Financial Statements and associated Letter of Representation for the same period for approval and adoption.

Audit Group

2. COSLA's Audit Group has been briefed on a regular basis on the budget and the outturn financial position. Throughout the year, regular monitoring meetings have taken place and the Group have been advised by officers of decisions taken to manage the budget. All areas that impact COSLA's financial well-being are discussed at these meetings and Convention can be assured that this Group will continue to scrutinise the Association's finances.
3. The attached Financial Statements and Letter of Representation have been reviewed by the Audit Group, which is recommending they be approved by Convention.

Outturn

4. Convention is invited to note the Operating Surplus of £965,065 (2019: £852,453). After making the required transfer to the Pension Reserve, £70,065 (2019: £240,453) remained to be added to General Reserves. This is £30,000 higher than the 2019/20 budgeted figure.

Detail

5. The key drivers behind the higher than expected surplus are:
 - Salaries – savings of £60k accrued, mainly due to a high turnover in posts as several funded posts came on-stream that were filled by core staff members which generated slippage due to the time taken to back fill substantive posts;
 - Room hire/catering income – shows an adverse variance to budget of £54k. Some of this is attributable to the Conference Centre shutdown in mid-March but turnover had been lower prior to this. Conference space did not show particularly lower levels of occupancy but income generating events were fewer as COSLA-hosted meetings were more prevalent.
 - Grant-funded posts – an expected cut to the Scottish Government Health Improvement Grant didn't materialise, leaving a £30k surplus.
 - mjs commercial income – exceeded budget due to the high volume of business through the recruitment portal resulting in a net £25k surplus.
6. Other highlights include:
7. **Statement of Financial Position:** net liabilities include a notional pension liability of £8.8m, a decrease of £2m from the year ended March 2019. In their report, the actuary writes "investment returns have been significantly lower than expected (particularly in the last 2 months of the accounting period) which has served to worsen the balance sheet position. The effect of this will have been at least partly offset by a higher net discount rate which serves to reduce the value placed on the obligations (corporate bond yields

are at a similar level to 2019 but inflation expectations are significantly lower). In addition, each employer's accounting results will reflect their own specific circumstances which could introduce differences (e.g. your LGPS cashflow position and your individual LGPS Fund's actual asset experience." The report is based on a default set of assumptions rather than being specific to COSLA.

8. **Note 3 Debtors:** The increase in Other Debtors and Prepayments is mainly attributable to TSS income totalling £429k. There were two late Grant applications relating back to the 19/20 financial year and a change from monthly to quarterly claiming of the BEIS income. All this income has now been received.
9. **Note 5 Deferred Income:** these are funds held by the organisation for work to be delivered in the 2020/21 financial year. Among the balances held is a particularly large balance of £919k held under Scottish Government Grants which, for further understanding, can be broken down as follows:
 - Participatory Budgeting Grant £417k
 - Appropriate Adult £275k
 - Early Learning Centres project £124k
 - National Care Homes £45k
 - Joint Investigative Interviewing £44k
 - Social Security + others £4k
10. **Note 6 Designated reserves:** A call for funds from the Property Reserve is to be expected in 2020/21 as the next rent review is scheduled for November 2020. A plan to make use of the Transformation and Development reserve will be reviewed in light of the pandemic and how current work practices may be affected.
11. **Note 7 Other Income/Note 10 Operational Expenses and Other Expenditure:** Corporate Events fees show a £55k decrease on the previous year, with costs being £14k less as shown in Catering/Hospitality/Corporate Events on the expenditure side. March 2020 income was affected by the shutdown and fewer fee-paying events were hosted at the conference facilities. The £40k increase shown in mjs commercial Income is offset by the same increase in mjs operational costs.
12. **Note 8 Salaries** have increased by £100k as the organisation maintained a full payroll of 49 core posts and the 3% pay award was applied. Extra staff costs also accrued to cover maternity leave. **Employers Pension Contributions** reflect the required entries from Accounting Standards on pension schemes.
13. **Letter of Representation (Appendix B):** this is to confirm to our auditors that we are aware of our responsibilities around the Financial Statements, and that we have met them

October 2020

