

## **COSLA's Audited Financial Statements for Year Ending 31 March 2022**

### **Summary and Recommendations**

As required by COSLA's Constitution and in line with good accounting practice, COSLA's annual Financial Statements are presented to Convention each year, along with a Letter of Representation. This report summarises the key points from the Financial Statements for the Year Ending 31 March 2022, with the details presented at Appendix A, and asks Convention to:

- i. Approve and adopt the Financial Statements for the Year Ending 31 March 2022 (Appendix A);
- ii. Approve the associated Letter of Representation (Appendix B);
- iii. Confirm the Chief Executive should sign both documents on behalf of Convention; and
- iv. Note the composition of COSLA's new Audit Group, following the Local Government elections in May 2022

### **References**

- Item 03, Convention, November 2021: 'COSLA's Audited Financial Statements for Year Ending 31st March 2021'.
- Item 08, Convention, March 2021: 'COSLA Budget 21-22 to 24-25'
- Item 08, Convention, June 2022: 'Appointments to Audit Group'

**Douglas Gray**  
**Finance Manager**  
[douglasg@cosla.gov.uk](mailto:douglasg@cosla.gov.uk)  
0131 474 9234

October 2022

## **Purpose**

1. The purpose of this report is to present Convention with:
  - Audited Financial Statements for Year Ending 31 March 2022 for approval and adoption, and
  - an associated Letter of Representation for approval.
2. The report also seeks confirmation from Convention that the Chief Executive can be authorised to sign both documents on behalf of COSLA, and informs Convention of the composition of COSLA's new Audit Group.

## **Background**

3. As required by COSLA's Constitution and good accounting practice, a set of Financial Statements is prepared for each financial year in order to present a formal picture of COSLA's finances. The Financial Statements are independently audited, providing members with assurance that COSLA's finances are in accordance with UK accounting standards.
4. COSLA's newly appointed Audit Group has met to review the Financial Statements and to hear directly from the independent auditors. As a result, the Audit Group supports the recommendations. During the previous Local Government term, the previous Audit Group also received reports during the year to March 2022, allowing them to monitor actual performance against the budget that had been approved by Convention, and engage the Senior Management Team in discussion about their plans.
5. Following the elections in May 2022, the Audit Group membership was revisited and Group Leaders were asked to nominate representatives for this term, in line with the Paper approved by Convention in June 2022. As a result, the Group is now comprises the following councillors:
  - Councillor Phil Doggart, Conservative, City of Edinburgh Council (elected as Chair by the Group at their first meeting in September)
  - Councillor Peter Barrett, Liberal Democrat, Perth and Kinross Council,
  - Councillor Rosemary Fraser, SNP, Stirling Council
  - Councillor Kevin Keenan, Labour, Dundee City Council
  - Councillor Stephen McCabe, Labour, Inverclyde Council
  - Councillor Susan Rae, Scottish Green Party, City of Edinburgh Council
  - Councillor Gary Robinson, SNP, North Lanarkshire Council
  - Councillor Peter Smail, Conservative Midlothian Council
  - Councillor Paul Steele, Independent, Comhairle nan Eilean Siar,

## **Detail – Financial Statements (Appendix A)**

6. In March 2021, Convention approved a four-year budget covering FY2021-22 to FY2024-25. It allowed for a small 0.55% increase in membership subscriptions in each of the four years.
7. Year 1 (FY2021-22) of the four-year budget modelled a Deficit of £133k. The Annual Accounts show a Surplus of £446k for the same time period.

8. This is a strong result, given the challenges to COSLA's finances during the year to 31 March 2022, mostly arising from the Coronavirus pandemic, and the subsequent closure of the Conference Centre, and the overnight disappearance of related income. A gradual re-opening of the Conference Centre has been taking place since October 2021.
9. The key drivers behind the successful results include:
  - Savings on staff of £179k through vacancy management
  - Savings on Property Costs of £56k
  - Extra income from myjobscotland recruitment website of £154k
  - Extra Support Costs recharged to external grant funding of £170k
10. The surplus of £445,905 was added to the General Reserve, which then stood at £851,402 at 31 March 2022.
11. The four-year budget envisaged the General Reserve being brought into line with the target of £300,000 by the end of the four years. The Senior Management Team is assessing options on how best to achieve this, given the stronger than expected results for Year 1. However, there are number of liabilities that must be considered, and work is currently being done to establish a prudent approach to addressing these.
12. Other important areas to note within the Financial Statements are:
  - The healthy position of cash balances. At the year end, almost £2.6m was immediately available to pay staff and suppliers (£1.4m higher than at the previous year end). A further £2.2m was being held in a High Interest Account (£800k higher than at the previous year end).
  - Deferred Income of £4.25m (an increase of £2.6m on the prior year). This represents funding actually received, but to be used in future years.
  - The pension liability of £6.4m (a decrease of £6.8m on the prior year). This reflects the amount by which the pension assets fell short of the pension liabilities, following an actuarial valuation of the scheme as at 31 March 2022. It is important to note that this liability would only crystallise on the winding up of COSLA and become a joint and several liability of the members. In the meantime, it will fluctuate in line with the value of the pension scheme's assets and liabilities.

#### **Detail – Letter of Representation (Appendix B)**

13. This is a standard letter requested each year by the Auditors. It highlights the responsibilities of COSLA members and the Senior Management Team in connection with the Financial Statements and disclosing information – either in the Financial Statements themselves, or direct to the Auditors.

#### **Recommendations**

14. Convention is asked to:

- Approve and adopt the Financial Statements for the Year Ending 31 March 2022;
- Approve the associated Letter of Representation;
- Confirm the Chief Executive should sign both documents on behalf of Convention; and
- Note the composition of COSLA's new Audit Group following the Local Government elections in May 2022.

### **Next Steps**

15. If the recommendations are agreed by Convention:
  - two sets of the Financial Statements will be prepared for signing by COSLA and the Auditors, with each retaining one copy for their records; and
  - One copy of the Letter of Representation will be prepared for COSLA to sign and send to the Auditors as the final piece of Audit evidence.