

COSLA's Audited Financial Statements for Year Ending 31 March 2023

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 2023, with the details presented at Appendix A, and asks Convention to:

- i. Approve and adopt the Financial Statements for the Year Ending 31 March 2023 (Appendix A);
- ii. Approve the associated Letter of Representation (Appendix B); and
- iii. Confirm the Chief Executive is authorised to sign both documents on behalf of Convention.

References

- Item 03, Convention March 2023: 'COSLA Budget FY23-24'
- Item 08, Convention, June 2022: 'Appointments to Audit Group'
- Item 08, Convention, March 2021: 'COSLA Budget 21-22 to 24-25'

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September 2023



COSLA's Audited Financial Statements for Year Ending 31 March 2023

Purpose

1. The purpose of this report is to present Convention with:
 - Audited Financial Statements for Year Ending 31 March 2023 for approval and adoption, and
 - an associated Letter of Representation for approval.
2. The report also seeks confirmation from Convention that the Chief Executive is authorised to sign both documents on behalf of COSLA.

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 Audit Group met on 28th August to specifically review the Financial Statements and to hear directly from the independent auditors. As a result, the Audit Group supports the recommendations of this paper.
5. The Audit Group is comprised of the following Members:

Councillor	Party	Council
Phil Doggart (Chair)	Conservative	City of Edinburgh
Peter Barrett	Liberal Democrats	Perth & Kinross
Rosemary Fraser	SNP	Stirling
Dræyk van der Hørn	Green	Moray
Kevin Keenan	Labour	Dundee City
Stephen McCabe	Labour	Inverclyde
Gary Robinson	SNP	North Lanarkshire
Peter Smaill	Conservative	Midlothian
Paul Steele	Independent	Comhairle nan Eilean Siar

6. The Audit Group also received at the relevant meetings quarterly reports relating to financial performance for the year ending 31 March 2023, 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.
7. 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.
8. The four-year budget modelled the following net positions in order to cope with the financial pressures caused by the Covid pandemic, with the aim of returning reserves to the same level at the end of the four years:
 - Year 1 (FY2021-22) a Deficit of £133k
 - Year 2 (FY2022-23) a Deficit of £44k
 - Year 3 (FY2023-24) a Surplus of £45k
 - Year 4 (FY2024-25) a Surplus of £134k
9. The Financial Statements for Year 1 showed a Surplus of £414k, most of which was then planned to be spent in Year 2, as revisions to Year 2's budget, approved by Convention in March 2022, meant that the budgeted Deficit increased to £266k.

Detail – Draft Financial Statements for Year Ending 31 March 2023 (Appendix A)

10. The draft Financial Statements for Year Ending 31 March 2023 show a Surplus of £91k.
11. This is a strong result, given the challenges to COSLA's finances during the year to 31 March 2023, mostly arising from the impact of the Coronavirus pandemic, which led to 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, meaning the year under review is the first full year of Conference Centre activity since Year Ending 31 March 2019.
12. The key drivers behind the successful results compared to the budget include:
 - Extra income from the myjobscotland recruitment website of £154k
 - Additional Deposit Interest on bank balances due to increased interest rates of £63k
 - Additional revenue from Conference Centre Room Bookings of £23k
13. These higher-than-expected income levels were offset to some extent by greater than expected levels of expenditure, which include:
 - Additional spend on the myjobscotland recruitment website of £100k, largely caused by contractual inflationary increases which had not been recognised in the budget, but also reflecting investment in the service provided to member Councils;

- Additional spend on catering staff for the Conference Centre of £22k, reflecting both the higher-than-expected levels of activity, and higher wage costs;
 - Additional spend on 'Other' Conference Centre costs of £52k, mostly accounted for by costs relating to the Annual Conference in September 2023 being recognised in Year Ending 31 March 2023; and
 - Additional Spend on Operational Costs of £42k, driven by the redirecting of the previous IT Officer staff costs to a comprehensive IT Support Contract with a third party provider, 'Consider IT', along with additional Professional Fees, due largely to the increase in legal opinions being sought on behalf of members.
 - Lower spend on staff costs of £90k, partly relating to the redirecting of the IT Officer costs, but mostly connected to the allocation of some Core staff costs to a specific Scottish Government grant, following its relatively late confirmation. The grant was aimed at allowing providers of Adult Social Care to advertise for free on the recruitment website, 'myjobscotland'.
14. With some costs absorbed by specific reserves set up for designated purposes, the General Reserve increased by almost £170k to £1,018,913 at 31 March 2023.
 15. 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 use of £465k has been incorporated into the Budget for Year 3 (FY2023-24), and there are a number of liabilities being considered by the Senior Management Team, and work is underway to establish a prudent approach to addressing these.
 16. Other important areas to note within the Financial Statements are:
 - The healthy position of cash and short-term investment balances. At the year end, these totalled £5.4m, up from £4.8m at the previous year end.
 - Deferred Income (Note 13) of £3.8m (a decrease of £450k on the prior year). This represents funding actually received, but to be used in future years.
 - The movement on the pension liability. At last year end, the pension scheme was in deficit by £6.4m, so this was recognised as a liability. The most recent valuation found the COSLA scheme to be in a surplus position, but accounting rules mean this is not recognised, unlike liabilities.

Detail – Letter of Representation (Appendix B)

17. 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 directly to the Auditors.

Recommendations

18. Convention is asked to:

- Approve and adopt the Financial Statements for the Year Ending 31 March 2023;
- Approve the associated Letter of Representation; and
- Confirm the Chief Executive should sign both documents on behalf of Convention.

Next Steps

19. If the recommendations are agreed by Convention:
 - two sets of the Financial Statements will be prepared for signing by COSLA's Chief Executive and the Auditors, with each retaining one copy for their records, including making them publicly available on the COSLA website; and
 - One copy of the Letter of Representation will be prepared for signing by COSLA's Chief Executive and sent to the Auditors as the final piece of Audit evidence.