

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

29 SEPTEMBER 2016

REPORT OF THE SECTION 151 OFFICER

FINAL STATEMENT OF ACCOUNTS 2015-16

1. Purpose of this report

- 1.1 The purpose of this report is to present the final Statement of Accounts for 2015-16 which is now due to be signed off by our external auditors, Wales Audit Office (WAO), the associated Letter of Representation of the Council and the final audited Annual Return for the Harbour Authority.
- 1.2 WAO will update Members on their main findings and summarise the audit work carried out in respect of the 2015-16 financial year and present their Audit of Financial Statements Report which requires the Appointed Auditor to report these key findings to those charged with governance.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

- 2.1 The Council's financial performance is an important element in determining the extent to which the Corporate Objectives can be delivered.

3. Background

- 3.1 The preparation of the Statement of Accounts is a requirement of the Accounts and Audit (Wales) Regulations 2014 and its content is defined by the 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code) and CIPFA's Service Reporting Code of Practice (SERCOP).
- 3.2 The unaudited Statement of Accounts for 2015-16 was presented to Audit Committee on 30 June 2016 for noting and had been signed by the responsible financial officer on 16 June 2016. During the intervening period, the external audit has taken place resulting in a number of amendments being made to the financial statements.
- 3.3 The audited Statement of Accounts 2015-16 is attached at **Appendix A** and is due to be signed off as presenting a true and fair view of the financial position of the Council as at 31 March 2016 by 30 September 2016.

4. Current Situation / Proposal

- 4.1 The Council Fund and earmarked reserves balances as at 31 March 2016 presented in the pre-audit Statement of Accounts are detailed in the below table:-

Opening Balance 2014-15 £'000	Movement 2014-15 £'000	Closing Balance 2014-15 £'000	Reserve	Drawdown 2015-16	Additions 2015-16	Closing Balance 2015-16 £'000
7,395	55	7,450	Council Fund Balance		154	7,604
2,467	(57)	2,410	Delegated Schools Balance	(256)		2,154
3,051	356	3,407	Maesteg School PFI Equalisation		299	3,706
32,381	3,256	35,637	Earmarked Reserves	(11,316)	10,990	35,311
45,294	3,610	48,904		(11,572)	11,443	48,775

There have been a number of adjustments that impacted on these year-end figures. These are explained below.

Bad Debt Provision

- 4.2 An analysis of the bad debt provision showed that the Council has actually over provided during the year for both Council Tax and NNDR. As a result, this will result in £403,000 being released back into the Comprehensive Income and Expenditure Statement. This has allowed two earmarked reserves to be increased, with the Capital Programme Contribution Reserve increasing by £300,000 and the Major Claims Reserve increasing by £103,000.

Debtors/Creditors Review

- 4.3 The Directorate Outturn position within the draft Statement of Accounts 2015-16 presented to Audit Committee in June was:-

	Original Budget 15-16 £'000	Budget Transfers In Year £'000	Revised Budget 15-16 £'000	Actual 15-16 £'000	Variance 15-16 £'000
Directorates					
Education and Transformation	105,775	220	105,995	105,667	(328)
Communities	24,913	315	25,228	25,014	(214)
Social Services and Wellbeing	62,056	(771)	61,285	61,099	(186)
Resources	14,672	(100)	14,572	14,058	(514)
Legal & Regulatory Services	6,053	29	6,082	5,685	(397)
Total Directorate Budgets	213,469	(307)	213,162	211,523	(1,639)

Table 1 : Directorate Outturn Position 2015-16 Pre-Audit

This showed an underspend on Directorate Budgets of £1.639 million with all Directorates in an underspend position. This resulted in some revenue grants and contributions for other sources not being drawn down into the revenue cost centres as income. If they had, the underspends would have increased. This income was left within the

Council's Balance Sheet within the Creditors figure. This was consistent with the approach taken over a number of previous financial years.

- 4.4 However, under proper accounting practice as detailed in CIPFA's Code of Practice on Local Authority Accounting, for any grants and contributions where there are no conditions attached to it or where the conditions are actually satisfied, the income should be released to the service revenue accounts regardless of how this affects the outturn position. It will only remain on the Balance Sheet if the grant monies need to be repaid to the awarding body or where there is reasonable assurance that the conditions will be met, but this has not yet occurred.
- 4.5 WAO has asked the Council to apply this treatment as one of the post audit reviews of Debtors/Creditors. The application means that each individual grant left on the balance sheet has to be assessed and only ones that are genuine repayments of amounts to awarding bodies can remain as creditors on the Balance Sheet.
- 4.6 As a result, a total of £3.238 million will be released back to the service revenue accounts. The following table details the amounts per directorate and the impact of this on the year end variances for each Directorate:-

Directorates	Revised Budget 15-16 £'000	Actual (Pre-Audit) 15-16 £'000	Released Revenue Grants 15-16 £'000	Revised Actual (Post-Audit) 15-16 £'000	Revised Variance 15-16 £'000
Education and Transformation	105,995	105,667	(285)	105,382	(613)
Communities	25,228	25,014	(1,262)	23,752	(1,476)
Social Services and Wellbeing	61,285	61,099	(876)	60,223	(1,062)
Resources	14,572	14,058	(722)	13,336	(1,236)
Legal & Regulatory Serv	6,082	5,685	(93)	5,592	(490)
Total Directorate Budgets	213,162	211,523	(3,238)	208,285	(4,877)

Table 2 : Directorate Outturn Position 2015-16 Post-Audit

- 4.7 As a result of the increased income into the Income and Expenditure Statement a number of existing earmarked reserves were enhanced or new earmarked reserves were created to allow directorates to utilise the monies in subsequent years in accordance with the Council's Reserves and Balances Protocol.

- 4.8 There were a number of historic grant and contribution balances that were also released back to the non-Directorate accounts. The result was the Major Claims Earmarked Reserve could be further enhanced by £100,000.
- 4.9 In summary, as a result of the post audit adjustments of £403,000 for a reduction in the bad debt provision and £3.338 million following the Debtors and Creditors review, earmarked reserves increased by £3.742 million. This is shown in the below table:-

Earmarked Balances :-	Pre-Audit 31-03-16 £'000	Additional Reserves £'000	Post-Audit 31-03-16 £'000
Asset Management Plan	1,492		1,492
Building Control Reserve	12		12
Building Maintenance Reserve	356		356
Capital feasibility fund	631		631
Capital Programme Contribution	5,451	381	5,832
Car Parking Strategy	471	152	623
Change Management	1,950		1,950
Community Safety Reserve	-	31	31
Donations Reserves Account	-	48	48
DDA Emergency Works	103		103
Directorate Issues	1,367		1,367
Digital Transformation	2,500		2,500
School Projects Reserve	-	285	285
Election costs	201		201
Highways Reserve	-	692	692
ICT & Finance Systems	715		715
Insurance reserve	2,035		2,035
Partnership Reserves	-	66	66
Looked After Children	824		824
Major Claims Reserve	10,669	205	10,874
Porthcawl Regeneration	76		76
Property Disposal Strategy	-	234	234
Service Reconfiguration / Severance Costs	5,243	382	5,625
SRF Earmarked Reserve	149	164	313
Unitary Development Plan	141		141
Waste Management Contract	92		92
Webcasting Reserve	-	26	26
Welfare Reform Bill	300	200	500
Wellbeing Projects	533	876	1,409
Balance as at 31 March	35,311	3,742	39,053

4.10 The remaining post audit adjustments did not affect the Council Fund balance as they related to items reversed out through the Movement in Reserve Statement. There were also a number of amendments to the disclosure notes which included some presentational adjustments especially around the removal of internal recharges.

4.11 A Final Letter of Representation is required by the Appointed Auditor to complete the process and enable the accounts to be signed off. This is included as **Appendix B**.

4.12 Under International Auditing Standards (ISA) 260, the External Auditor is required to communicate relevant matters relating to the audit of the financial statements to “those charged with governance”. These matters are incorporated into the Audit of Financial Statements Report,

which is included as **Appendix C**. The appendix also includes the full list of all adjustments made to the accounts as a result of the audit.

- 4.13 **Appendix D** contains the Annual Return for the Porthcawl Harbour Authority. **Appendix E** contains the audit letter that confirms that there have been no adjustments to the draft return presented to Audit committee in June 2016. Audit Committee are required to approve the Annual Return.

5. Effect upon policy framework & procedural rules

- 5.1 There is legal requirement for the Statement of Accounts to be signed by the responsible financial officer and approved by the relevant committee by 30 September following the end of the financial year.

6. Equality Impact Assessment

- 6.1 Whilst the production of the Statement of Accounts itself does not raise any equality issues, it does summarise the financial consequences of the budget reductions and service reconfigurations identified in the Council's Medium Term Financial Strategy. When these proposals were being developed consideration was given to their potential impact on protected groups within the community.

7. Financial implications

- 7.1 These are reflected in the body of the report.

8. Recommendation

- 8.1 It is recommended that Audit Committee:-
- Approve the audited Statement of Accounts 2015-16 (**Appendix A**)
 - Note and agree the Final Letter of Representation to the Wales Audit Office (**Appendix B**)
 - Note the Appointed Auditors' Audit of Financial Statements Report (**Appendix C**)
 - Approve the Annual Return for the Harbour Authority (**Appendix D**) and note the audit opinion (**Appendix E**)

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22 September 2016

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Background Documents:

Statement of Accounts 2015-16
Harbour Authority Annual Return 2015-16