

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

29 JUNE 2017

REPORT OF THE HEAD OF FINANCE AND SECTION 151 OFFICER

STATEMENT OF ACCOUNTS 2016-17 (UNAUDITED)

1. Purpose of this report

- 1.1 The purpose of this Report is to present the unaudited Statement of Accounts for 2016-17 and the Harbour Authority Return for 2016-17 to Audit Committee for noting.

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).
- 3.2 The Statement of Accounts for 2016-17 have to be signed and dated by the responsible financial officer before the 30 June 2017, certifying that it presents a true and fair view of the financial position of the Council. The audited Accounts will be brought back to Audit Committee then for approval by 30 September 2017. The Code sets out the accounting principles and practices required to prepare a Statement of Accounts. However, it is the role of the responsible financial officer to make appropriate decisions in accordance with his/her professional judgement about the best and proper practices to be followed.

4. Current Situation / Proposal

- 4.1 The Council's Statement of Accounts for the financial year ended 31 March 2017 has been prepared and a copy is attached as **Appendix A**. The Statement of Accounts comprises a number of different statements relating to financial performance and reserves as well as a statement on corporate governance arrangements.
- 4.2 Also attached at **Appendix B** is the Annual Return for the Harbour Authority for approval.
- 4.3 Each year the Council prepares detailed revenue budgets for its activities and regularly reviews these budgets to take account of changes in plans, processes or assumptions and if necessary re-profile the original budgets. The following table provides a summary of the revenue budget against spend for 2016-17. The revised

budgets differ from those set at the beginning of the year as account has been taken of agreed transfers from contingencies. Overall there was a net under-spend on Directorates' budgets of £2.279 million. Details of the reasons why are provided on pages 6 to 19 in the Statement of Accounts 2016-17.

Directorate/Budget Area	Original Budget	Revised Budget	Actual Outturn	Actual Over / (Under) Spend
	2016-17 £'000	2016-17 £'000	2016-17 £'000	2016-17 £'000
Directorate Budgets				
Education and Family Support	108,034	108,238	107,653	(585)
Social Services and Wellbeing	59,697	61,383	62,560	1,177
Communities	24,644	24,871	24,517	(354)
Operational and Partnership Services	14,899	14,952	13,236	(1,716)
Chief Executives	4,333	4,268	3,467	(801)
Total Directorate Budgets	211,607	213,712	211,433	(2,279)
Council Wide Budgets				
Capital Financing	10,128	10,128	11,115	987
Precepts and Levies	6,959	6,879	6,881	2
Sleep Ins	800	264	0	(264)
Council Tax Reduction Scheme	14,304	14,304	13,358	(946)
Insurance Costs	1,559	1,559	1,316	(243)
Building Maintenance	900	729	413	(316)
Other Corporate Budgets	8,634	7,316	(1,516)	(8,832)
Total Council Wide Budgets	43,284	41,179	31,567	(9,612)
Accrued Council Tax Income			(974)	(974)
Appropriations to / from Earmarked Reserves			12,509	12,509
Transfer to Council Fund			356	356
Total	254,891	254,891	254,891	0

4.4 The net under-spend for the year after allowing for capital financing and contingency costs, transfers to and from Earmarked Reserves and additional Council Tax income is £0.356 million. This is transferred to the Council Fund which increases to £7.960 million as at 31 March 2017 (£7.604 million at 31 March 2016). This represents a 4.7% increase on the Council Fund from the balance at the 31 March 2016.

4.5 The reserves included in the accounts for 31 March 2017 are summarised in the table below (page 21):

Opening Balance 2016-17 £'000	Reserve	Movement during 2016-17		Closing Balance 2016-17 £'000
		Additions/ Re-classification £'000	Drawdown by Directorates £'000	
7,604	Council Fund Balance	356	-	7,960
2,154	Delegated Schools Balance	-	(1,288)	866
3,706	Maesteg School PFI Equalisation	243	-	3,949
39,053	Earmarked Reserves	13,754	(6,463)	46,344
52,517	TOTAL INCLUDING COUNCIL FUND	14,353	(7,751)	59,119

- 4.6 The Delegated Schools Balances represent amounts held by schools that are committed to be spent on schools and are not available to the Council for general use. Whilst the majority of schools have surplus balances, some are carrying deficits into 2017-18. In line with the the School Funding (Wales) Regulations 2010, and as part of the requirements of the Financial Scheme for Schools, schools have been asked to provide reasons for their balances. Reasons can include issues such as falling rolls, negative retrospective adjustments and planned initiatives.
- 4.7 The Maesteg School PFI Equalisation Fund has been set up to meet the future costs of the PFI contract, and as such is not available to the Council for general use.
- 4.8 There has been a net increase in Earmarked Reserves of £7.291 million to £46.344 million at 31 March 2017 (£39.053 million at 31 March 2016). However, there has been either expenditure funded from these reserves of £6.463 million and then new reserves created or enhancements to existing reserves of £13.754 million. The below table shows some of the more significant movements on reserves:-

Opening Balance	Reserve	Movement during 2016-17 Financial Year		Closing Balance
		Additions / Reclassification	Drawdown By Directorates	
2015-16				2016-17
£'000		£'000	£'000	£'000
5,833	Capital Programme Contribution	6,193	(646)	11,380
10,874	Major Claims Reserve	(2,080)	(343)	8,451
-	MTFS Budget Contingency	1,528	(528)	1,000
5,625	Service Reconfiguration	2,536	(58)	8,103
22,332		8,177	(1,575)	28,934

Further information can be found in note 27b of the main financial statements (page 96).

- 4.9 The Accounts include the following Core Financial Statements (pages 63 to 67):-
- Comprehensive Income and Expenditure Statement
 - Expenditure and Funding Statement
 - Movement in Reserves Statement
 - Balance Sheet
 - Cash Flow Statement

These are produced in accordance with International Financial Reporting Standards (IFRS) rather than the amount to be funded in cash terms when the budget is set. Therefore these statements include items such as depreciation on property, plant and equipment, the estimated cost of the shortfall on the pension scheme and other technical adjustments. The Expenditure and Funding Statement (page 64) is a new Statement for 2016-17 which shows how the Surplus on the Council Fund of £0.356 million is adjusted to a deficit of £9.914million on the Comprehensive Income and Expenditure Statement.

- 4.10 In addition to spending money providing services on a day to day basis, the Council also spends money providing new facilities, enhancing assets within the Council's

portfolio or providing capital grants to others. The total capital spending during 2016-17 was £18.356 million. Assets created, improved or under development as a result of this spend included:

- Vibrant and Viable developments – replacement of car park and new residential and retail accommodation at The Rhiw
- Garw Valley South, Pencoed and Brynmenyn Primary
- Civic Offices Refurbishment
- Disabled Facility Grants
- Carriage reconstruction and street lighting

- 4.11 There are various notes within the Accounts which detail how the capital expenditure is financed and what assets have been produced or enhanced (pages 89 to 94).
- 4.12 The Annual Governance Statement (AGS) on page 26 highlights the challenges the Council faces in the delivery of the £35.5 million savings identified in the Medium Term Financial Strategy. It also includes an Action Plan for 2017-18 which will focus on the promotion of the new Code of Corporate Governance and the Well-being of Future Generations (Wales) Act.
- 4.13 The unaudited Statement of Accounts is now passed to the External Auditors, Wales Audit Office, for review. A final audited version of the Accounts will be brought back to Audit Committee in September and it will be these that will need Committee Approval in accordance with the Accounts and Audit (Wales) Regulations 2014 and signed by the Chair of Audit Committee.
- 4.14 The Annual Return 2016-17 for the Harbour Authority is attached at Appendix B. This has been audited as correct by Internal Audit. It is now requested that Audit Committee approves this Return and submits it to Wales Audit Office for review.

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 by the 30 June following the end of the financial year.

6. Equality Impact Assessment

- 6.1 Whilst the production of the Statement of Accounts itself does not itself 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:-

- note the unaudited Statement of Accounts for 2016-17 (Appendix A);
- approve the Harbour Authority Annual Return 2016-17 (Appendix B).

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16 June 2017

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Background Documents:

Statement of Accounts 2016-17
Harbour Authority Annual Return 2016-17