

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

13 JUNE 2019

REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

STATEMENT OF ACCOUNTS 2018-19 (UNAUDITED)

1. Purpose of this report

1.1 The purpose of this report is to present to Audit Committee:

- the unaudited Statement of Accounts for 2018-19 for noting, and
- the Harbour Authority Annual Return for 2018-19 for approval.

2. Connections to Corporate Improvement Objectives / Other Corporate Priorities

2.1 This report assists in the achievement of the following corporate priority:

- Smarter use of resources – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

2.2 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 (as amended 2018) and its content is defined by the Chartered Institute of Public Finance and Accountancy's '*Code of Practice on Local Authority Accounting in the United Kingdom*' (the Code).

3.2 In accordance with these regulations, the Statement of Accounts for 2018-19 has to be signed and dated by the responsible financial officer, which is the Interim Head of Finance and Section 151 Officer, before the 15 June 2019, certifying that it presents a true and fair view of the financial position of the Council. The audited Statement of Accounts then has to be approved by 15 September 2019 by Audit Committee in accordance with the Committee's Terms of Reference. 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 their professional judgement about the best and proper practices to be followed.

4. Current Situation / Proposal

4.1 The Council's draft Statement of Accounts for the financial year ended 31 March 2019 is attached at **Appendix A**. The Statement of Accounts comprise of a number of different statements relating to financial performance and reserves as well as the

Annual Governance Statement signed by the Leader and Chief Executive. Attached at **Appendix B** is the Annual Return for the Harbour Authority which also requires Audit Committee approval by 15 June 2019.

4.2 The Statement of Accounts 2018-19 was signed by the responsible financial officer on 28 May 2019 and passed to Wales Audit Office on 31 May 2019, two weeks in advance of the requirement of the Regulations. The Regulations will require the draft Statement of Accounts to be approved and published by 31 May for the financial year 2020-21. The Council has been committed to achieving this deadline well in advance of the statutory changes and has achieved this for both the last two years.

4.3 The Accounts include the following Core Financial Statements (pages 12 to 15 of the Accounts):

- Comprehensive Income and Expenditure 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.

4.4 The net under-spend for the financial year, after allowing for capital financing and contingency costs, transfers to and from Earmarked Reserves and additional Council Tax income, is £0.429 million. This is transferred to the Council Fund which increases to £8.776 million as at 31 March 2019 (£8.347 million at 31 March 2018). This represents a 5% increase on the Council Fund from the balance at 31 March 2018. The Expenditure and Funding Statement (page 33) shows how this Surplus on the Council Fund is adjusted to a surplus of £0.616 million on the Comprehensive Income and Expenditure Statement as a result of technical adjustments between the funding and accounting basis and transfers to earmarked reserves.

4.5 The Council's Reserves for 31 March 2019 are summarised in the table below with further details available on pages 58 to 59 within the Statement of Accounts:

Opening Balance 2017-18 £'000	Reserve	Movement during 2017-18		Closing Balance 2017-18 £'000
		Additions/ Re-classification £'000	Drawdown by Directorates £'000	
8,347	Council Fund Balance	429	-	8,776
360	Delegated Schools Balance	254	-	614
2,907	Equalisation and Grant Reserves	805	(744)	2,968
44,808	Earmarked Reserves	16,711	(16,721)	44,798
56,422	TOTAL INCLUDING COUNCIL FUND	18,199	(17,465)	57,156

4.6 The balance on the Council Fund is in line with the Medium Term Financial Strategy (MTFS) Principle 8 that the balance “will be maintained at a minimum of £7 million over the MTFS period and reach 2.7% of the Gross Revenue Expenditure by 2019-20”. Though it is too earlier to calculate the percentage for 2018-19 as the Welsh Government's Revenue Outturn Return has not been

completed, the calculation for 2017-18 would result in a requirement for the Council Fund balance to be £9.108 million.

4.7 As can be seen above, School balances have increased by £254,000 to £614,000 at the end of the financial year, representing 1.0% of the funding available. Out of a total of 59 schools there are 22 schools (18 primary and 4 secondary) with deficit budgets and of these 8 schools (6 primary and 2 secondary) with balances in excess of the statutory limits (£50,000 primary, £100,000 secondary and special schools) in line with the School Funding (Wales) Regulations 2010. These balances will be analysed by the Corporate Director - Education and Family Support, in line with the agreed 'Guidance and procedures on managing surplus school balances'.

4.8 There has been a small net increase in Earmarked Reserves of £0.051 million to £47.766 million at 31 March 2019 (£47.715 million at 31 March 2018). There have been additions to existing reserves or new reserves created of £17.516 million and drawdown by Directorates from reserves to match expenditure of £17.465 million. The below table shows some of the more significant movements on reserves:

Opening Balance 2017-18 £'000	Reserve	Movement during 2018-19		Closing Balance 2018-19
		Additions/ Re-classification £'000	Drawdown £'000	
12,082	Capital Programme Contribution	950	(1,158)	11,874
1,362	Asset Management	953	(367)	1,948
	- Economic & Future Resilience	800	-	800
7,957	Service Reconfiguration	-	(2,383)	5,574
1,952	Directorate Issues	1,504	(1,084)	2,372
2,335	Insurance	2,320	(2,494)	2,161
975	IFRS Grants	1,046	(246)	1,775
800	MTFS Contingency Reserve	1,000	-	1,800
27,463		8,573	(7,732)	28,304

4.9 A new reserve has been created to prepare for pressures that may arise following the end of European Funding Programmes of £0.8 million. £1m has been reclassified from the Corporate Pressures Contingency Reserve into the MTFS Contingency Reserve. Also, there is £1 million for the carry forward of funding in relation to grants received. Drawdown of reserves have been made during the year including for service reconfiguration and contributions to the financing of the capital programme.

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 2018-19 was £27.614 million. Assets created, improved or under development as a result of this spend included:

- Extra Care Living Schemes development
- Completion of Betws and Pencoed Primary Schools and Ysgol Gynradd Gymraeg Calon Y Cymoedd

- Disabled Facilities Grants
- Sea defences at Porthcawl

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.

4.12 The Annual Governance Statement (AGS) on page 81 highlights the challenges the Council faces in the delivery of the £35 million savings identified in the Medium Term Financial Strategy. It also includes an Action Plan for 2019-20 which will be monitored by Corporate Management Board.

4.13 The unaudited Statement of Accounts is now being reviewed by Wales Audit Office. Again with the principle of faster closing of accounts, a fair amount of external audit work was actually done in advance of the date when the certified Accounts were passed to them. A final audited version of the Accounts will be brought back to Audit Committee in August which will need Audit Committee approval in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018) and to be signed by the Chair of Audit Committee.

4.14 The Annual Return 2018-19 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 so that it can be submitted to Wales Audit Office for review by the deadline of 15 June 2019.

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 15 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. Well-being of Future Generations (Wales) Act 2015 Implications

7.1 This report links to the Council's long-term well-being objectives. It presents a positive picture in respect of both the 2018-19 revenue position and the accumulated reserves position.

8. Financial implications

8.1 These are reflected in the body of the report.

9. Recommendation

9.1 It is recommended that Audit Committee:

- note the unaudited Statement of Accounts for 2018-19 (Appendix A);

- approve the Harbour Authority Annual Return 2018-19 (Appendix B).

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31 May 2019

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Background Documents:

Statement of Accounts 2018-19
Harbour Authority Annual Return 2018-19