

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

8 AUGUST 2019

**REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151
OFFICER**

STATEMENT OF ACCOUNTS 2018-19

1. Purpose of this report

- 1.1 The purpose of this report is to present the final Statement of Accounts for 2018-19, which is now due to be certified by our external auditors, Wales Audit Office (WAO) and the associated Letter of Representation of the Council.
- 1.2 WAO will update Members on their main findings from the audit, summarise the audit work carried out in respect of the 2018-19 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 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 (CIPFA's) 'Code of Practice on Local Authority Accounting in the United Kingdom' (the Code).
- 3.2 The unaudited Statement of Accounts 2018-19 was signed by the responsible financial officer on 28 May 2019 and presented to Audit Committee on 13 June 2019 for noting. During the intervening period

the external audit has taken place, resulting in a number of amendments being made to the financial statements noted below.

- Pensions amendments as a result of the Supreme Court's decision to not allow the Government's application for leave to appeal the Court of Appeal's decision that transitional protection provisions contained in public sector pension reforms for judicial and firefighter pension schemes amounted to direct age discrimination and were therefore unlawful, otherwise known as the McCloud Judgement. This decision was made on 27 June 2019 and, as a result, a revised pensions actuary report was sought which required amendments to the cost of services within the Comprehensive Income and Expenditure Statement of £8.24 million along with an associated increase in the Pensions Liability and Pensions Reserve in the Balance sheet, which are also reflected through the Movement in Reserves, cash flow statement and associated notes to the accounts.
- Reclassification of Assets Held for Sale to Surplus Assets on the balance sheet of £1.761 million. This is a reclassification on the face of the Balance Sheet which does not affect the financial position of the Council
- Correction of 2 school valuations resulting in an adjustment of £0.656 million.
- Inclusion of a number of exit packages agreed prior to 31 March 2019 amounting to £0.272 million, which had not been paid until after 31 March 2019, however disclosure is required at the point at which the commitment to these packages is made.

3.3 A number of amendments were identified during the interim audit which were corrected prior to the completion of the pre-audit Statement of Accounts which were passed to the auditors on 29 May 2019.

- Amendments to the revaluation values for a number of assets to correct the basis of revaluation - £3.358 million
- Amendments between accounting for revaluation movements between revaluation reserve and income and expenditure - £0.848 million.

3.4 A number of notes were amended that did not affect the core financial statements or the financial position of the Council and these are detailed within the Auditor's Report. They include restating prior year figures in the Expenditure and Income Analysed by Nature note, inclusion of the total rateable value of properties in the Borough within the National Non-Domestic Rates (NNDR) note and amending the value of the PFI scheme for the provision of Maesteg Secondary School within the Critical Judgements in Applying Accounting Policies note.

3.5 The amended audited Statement of Accounts 2018-19 is attached at **Appendix A**. The detail of all the amendments are contained within the Auditor's Report at **Appendix B**.

3.6 The audited Statement of Accounts 2018-19 is required to be signed by the Chief Financial Officer and the Chair of the Committee that approves the Accounts by the 15 September as presenting a 'true and fair view' of the financial position of the Council as at 31 March 2019.

4. Current Situation / Proposal

4.1 The Wales Audit Office have substantially completed their audit work and the Statement of Accounts are due to be signed by the Auditor General for Wales on 13 August, subject to Audit Committee approval of the accounts.

4.2 The Council Fund and Earmarked Reserves balances as at 31 March 2019 as presented to the Committee in June 2019 have reduced by £273,000 as a result of exit packages agreed prior to 31 March 2019 as noted above. The revised position is summarised in the table below with further details available on pages 59 to 61 within the Statement of Accounts:

Opening Balance 2018-19 £'000	Reserve	Movement during 2018-19		Closing Balance 2018-19 £'000
		Additions/ Re- classification £'000	Drawdown by Directorates / Unwound £'000	
8,347	Council Fund Balance	429	-	8,776
360	Delegated Schools Balance	254	-	614
47,715	Earmarked Reserves	17,516	(17,738)	47,493
56,422	TOTAL INCLUDING COUNCIL FUND	18,199	(17,738)	56,883

4.3 In line with the International Standard on Auditing (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' at **Appendix B**. The appendix also contains the full list of all adjustments made to the accounts as a result of the audit as described in paragraph 3.2 to 3.4 together with management responses to the recommendations made.

4.4 A Final Letter of Representation from the Council is required by the Appointed Auditor to complete the process and enable the accounts to be approved. This is included as **Appendix C**.

4.5 The Statement of Accounts will be published on the Council's website no later than 15 September 2019.

5. Effect upon policy framework & procedural rules

5.1 There is a legal requirement for the Statement of Accounts to be signed by the responsible financial officer, approved by the relevant committee and published by 15 September following the end of the financial year.

6. Equality Impact Assessment

- 6.1 Whilst the production of the Statement of Accounts does not in 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 The well-being goals identified in the Act were considered in the preparation of this report, in particular the sustainability principle. It presents a positive long-term 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:-
- Approve the audited Statement of Accounts 2018-19 and amendments therein (**Appendix A**)
 - Note the appointed auditor's Audit of Financial Statements Report (**Appendix B**)
 - Note and agree the Final Letter of Representation to the Wales Audit Office (**Appendix C**)

Gill Lewis CPFA
Interim Head of Finance and Section 151 Officer
01 August 2019

Contact Officer : Gill Lewis, Interim Head of Finance
Nigel Smith, Interim Group Manager – Chief Accountant

Telephone : (01656) 643359

E-mail : Nigel.Smith@bridgend.gov.uk

Postal address: Raven's Court, Brewery Lane, Bridgend, CF314AP

Background Documents:

None