

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO AUDIT COMMITTEE

16 JULY 2020

REPORT OF THE INTERIM CHIEF OFFICER – FINANCE, PERFORMANCE AND CHANGE

STATEMENT OF ACCOUNTS 2019-20 (UNAUDITED)

1. Purpose of report

- 1.1 The purpose of this report is to present to Audit Committee the unaudited Statement of Accounts for 2019-20 for noting.

2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015:-**

1. **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

- 2.2 The Council's financial performance is an important element in determining the extent to which the Corporate well-being 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 unaudited Statement of Accounts for 2019-20 required approval and signature by the responsible finance officer by 15 June 2020, 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 2020 by the Audit Committee in accordance with the Committee's Terms of Reference. If the accounts are not able to be signed and published by this date then the Council must publish a Regulation 10 notice setting out the reasons why.

- 3.3 As a result of the Coronavirus pandemic, the Council was unable to meet the 15 June 2020 deadline and therefore, in line with the requirements of the Regulations, issued a notice advising of this. The unaudited accounts were signed by the responsible finance officer on 30 June 2020, and sent to Audit Wales the same day.

4. Current situation/proposal

- 4.1 The Council's unaudited Statement of Accounts for the financial year ended 31 March 2020 is attached at **Appendix A**. The Statement of Accounts comprise a number of different statements relating to financial performance and reserves, as well as the Annual Governance Statement. The Annual Governance Statement will be signed by the Leader of the Council and Chief Executive once the audit has been completed.
- 4.2 The unaudited Statement of Accounts 2019-20 was signed by the responsible financial officer on 30 June 2020, and sent electronically to Audit Wales the same day.
- 4.3 The Accounts include the following core Financial Statements (pages 15 to 18 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 £0.564 million. This is transferred to the Council Fund, increasing it to £9.340 million as at 31 March 2020 (£8.776 million at 31 March 2019). This represents a 6.4% increase on the Council Fund from the balance at 31 March 2019. The Expenditure and Funding Analysis (page 36) shows how this surplus on the Council Fund is adjusted to a deficit of £13.512 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 as at 31 March 2020 are summarised in the table below, with further details available on pages 61 to 63 of the Statement of Accounts:

Opening Balance 01-Apr-19	Reserve	Movement during year		Closing Balance 31-Mar-20
		Net Additions/ Reclassification	Drawdown by Directorates	
£'000		£'000	£'000	£'000
(8,776)	Council Fund	(564)	-	(9,340)
(614)	Delegated Schools Balance	-	506	(108)
(2,968)	Equalisation and Grant Reserves	(1,758)	1,030	(3,696)
(44,525)	Earmarked Reserves	(13,655)	6,762	(51,418)
(56,883)	TOTAL INCLUDING COUNCIL FUND	(15,977)	8,298	(64,562)

- 4.6 The balance on the Council Fund is in line with the Medium Term Financial Strategy (MTFS) Principle 9 that the balance "will normally be maintained at a level of 5% of the Council's net budget, excluding schools". The net budget excluding schools for

2019-20 was £177.133 million, 5% thereof being £8.857 million. The Council fund is currently at 5.27% of the net budget excluding schools.

4.7 As can be seen above, School balances have decreased by £506,000 to £108,000 at the end of the financial year, representing 0.17% of the funding available. Out of a total of 59 schools there are 28 schools (25 primary and 3 secondary) with deficit balances and of these 8 schools (5 primary, 1 secondary and 2 special) 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 net increase to Earmarked and Equalisation and Grant Reserves of £7.621 million to £55.114 million at 31 March 2020 (£47.493 million at 31 March 2019). There have been additions to existing reserves or new reserves created of £15,413 million and drawdown by Directorates of £8.298 million. The table below shows some of the more significant movements on reserves:

Opening Balance 01-Apr-19 Reserve		Movement as at Quarter 4		Closing Balance 31-Mar-20
		Net Additions/Re classification	Draw-down	
£'000		£'000	£'000	£'000
13,872	Capital Programme Contribution	7,339	(333)	20,878
1,587	IFRS Grants	1,678	(865)	2,400
875	Building Maintenance Reserve	1,338	(189)	2,024
443	Capital Asset Management & Asbestos Fund	1,024	(367)	1,100
2,108	Digital Transformation, ICT & Finance Systems	-	(788)	1,320
1,600	MTFS Budget Contingency	-	(694)	906

4.9 The Capital Programme reserve has been increased to meet future pressures and schemes within the Capital Programme 2020-2030, including Band B school developments. The IFRS grants relates to grant income received this year that will be utilised during 2020-21. The Building Maintenance Reserve has been increased to meet the needs of future schemes including the required works to Brackla 1 Car Park. Additions have been made to the Capital Asset Management and Asbestos Fund to meet survey costs and any necessary works necessary for the removal of asbestos in buildings if necessary. There has been drawdown on these reserves during the year, as well as against the Digital Transformation, ICT & Finance Systems and MTFS Budget Contingency reserves.

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 2019-20 was £22.822 million. Assets created, improved or under development as a result of this spend included:

- Supporting people’s independence at home via Disabled Facilities Grants
- Highways and carriageway maintenance and improvement works
- Bridge Strengthening – A4061 Ogmore Valley
- Porthcawl Resort Investment
- ICT infrastructure developments funded via the Welsh Government HWB Grant

- 4.11 There are various notes within the Accounts that detail how the capital expenditure is financed and the nature of assets have been developed or enhanced.
- 4.12 The Annual Governance Statement (AGS) from page 84 highlights the challenges the Council faces in the delivery of the £29 million savings identified in the Medium Term Financial Strategy. It also includes an Action Plan for 2020-21 which will be monitored by Corporate Management Board.
- 4.13 The unaudited Statement of Accounts is now being reviewed by Audit Wales. A reasonable amount of audit work had already been completed prior to passing the certified Accounts to Audit Wales. A final version of the Accounts will be brought back to the Audit Committee in September 2020, 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.

5. Effect upon policy framework and procedure rules

- 5.1 There is a legal requirement for the Statement of Accounts to be signed by the responsible financial officer prior to submission to Audit Wales. In the current year a Regulation 10 notice has been issued which has set out why the Accounts were not certified by 15 June 2020, as a result of the Coronavirus pandemic. However, the Accounts were submitted as soon as possible and passed to Audit Wales on 30 June 2020.

6. Equality Impact Assessment

- 6.1 Whilst the production of the Statement of Accounts 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 The well-being goals identified in the Act were considered in the preparation of this report. As the report is for information it is considered that there will be no significant or unacceptable impacts upon the achievement of wellbeing goals/objectives as a result of this report.

8. Financial implications

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

9. Recommendation(s)

- 9.1 That members:

- note the unaudited Statement of Accounts 2019-20 (**Appendix A**).

Gill Lewis CPFA
Interim Chief Officer – Finance, Performance and Change
July 2020

Contact officer: Nigel Smith
Interim Group Manager – Chief Accountant

Telephone: 01656 643605

Email: nigel.smith@bridgend.gov.uk

Postal address: Raven's Court
Brewery Lane
Bridgend CBC
CF31 4AP

Background documents: None