

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

18 JUNE 2021

### REPORT OF THE INTERIM CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

#### STATEMENT OF ACCOUNTS 2020-21 (UNAUDITED)

#### 1. Purpose of report

The purpose of this report is to present to the Governance and Audit Committee the unaudited Statement of Accounts for 2020-21 for noting.

#### 2. Connections 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**:

- **Smarter use of resources** – ensuring 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 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 2020-21 required approval and signature by the responsible finance officer by 31 May 2021, 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 31 July 2021 by the Governance and 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, and the significant amount of additional grant funding received and paid out by the Council during the 2020-21 financial year, with the corresponding reconciliation requirements that this brought with it, the Council was unable to meet the 31 May 2021 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 11 June 2021, 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 2021 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 2020-21 was signed by the responsible financial officer on 11 June 2021, and sent electronically to Audit Wales the same day.
- 4.3 The Accounts include the following core Financial Statements (pages 16 to 19 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 £0.432 million. This is transferred to the Council Fund, increasing it to £9.772 million as at 31 March 2021 (£9.340 million at 31 March 2020). This represents a 4.6% increase on the Council Fund from the balance at 31 March 2020. The Expenditure and Funding Analysis (page 35) shows how this surplus on the Council Fund is adjusted to a surplus of £9.065 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 2021 are summarised in the table below, with further details available on pages 57 to 59 of the Statement of Accounts:

Opening Balance 01 Apr 20 £'000	Reserve	Movement as at 31 March 2021		Closing Balance 31 Mar 21 £'000
		Net Additions/ Reclassification £'000	Draw-down/ unwound £'000	
(9,340)	Council Fund	(432)	-	(9,772)
(108)	Delegated Schools Balance	(8,382)	-	(8,490)
(3,696)	Equalisation & Grant Reserves:	(3,433)	1,110	(6,019)
(21,078)	Capital Programme Reserves	(8,530)	688	(28,920)
(30,340)	Earmarked Reserves	(11,655)	2,872	(39,123)
<b>(64,562)</b>	<b>Total Corporate Reserves</b>	<b>(32,432)</b>	<b>4,670</b>	<b>(92,324)</b>

- 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 2020-21 was £185.436 million, 5% of which is £9.271 million. The Council fund is currently at 5.27% of the net budget excluding schools.
- 4.7 As can be seen above, net overall school balances totalled £0.108 million at the start of the financial year. During 2020-21 school balances increased by £8.382 million to £8.490 million at the end of the financial year, representing 7.9% of the total funding allocated in 2020-21. Out of a total of 59 schools, there are 4 primary schools with deficit budgets and 46 schools (35 primary, 9 secondary, 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 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 £27.330 million to £82.552 million at 31 March 2021 (£55.222 million at 31 March 2020). There have been additions to existing reserves or new reserves created of £32 million (excluding Council Fund) including the increase in school balances of £8.382 million and an increase in Capital reserves of £8.53 million, offset by drawdown by Directorates of £4.670 million. The table below shows some of the more significant movements on reserves:

Opening Balance 01 Apr 20 £'000	Reserve	Movement as at 31 March 2021		Closing Balance 31 Mar 21 £'000
		Net Additions/ Reclassification £'000	Draw-down/ unwound £'000	
(21,078)	Capital Programme Reserves	(8,530)	688	(28,920)
(2,489)	City Deal	(2,899)	189	(5,199)
(571)	Feasibility Reserve	(225)	129	(667)
(500)	Revenue Maintenance Repairs	(500)	-	(1,000)
(1,130)	Digital Transformation	(500)	333	(1,297)
(2,000)	Investing in Communities	-	302	(1,698)
(3,696)	Equalisation & Grant Reserves	(3,433)	1,110	(6,019)

- 4.9 The Capital Programme Reserves have increased by £8.530 million to support investment in the economy, regeneration and recovery post Covid-19, and to improve public realm infrastructure across the County Borough. Alongside this there has been an increase to the Feasibility Reserve to support increased feasibility reviews. The City Deal reserve has been increased to enable the Council to fund its original contribution without the need to resort to borrowing, enabling earlier release of MTFS savings and minimising the cost of borrowing. The Revenue Maintenance Repairs Reserve has been increased to meet the needs of future works including asbestos removal works. The Equalisation and Grant Reserves relates mainly to grant income received this year that will be utilised during 2021-22, including grant support in relation to additional cost pressures and loss of income as a result of the Covid-19 pandemic. There has been drawdown on reserves during the year for City Deal, Digital Transformation, Investing in Communities and Equalisation and Grant 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 2020-21 was £23.461 million. Assets created, improved or under development as a result of this spend included:

- East Hub at Brynteg School
- New mobile classrooms at Mynydd Cynffig Primary School
- Maesteg Town Hall Cultural Hub

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 77 highlights the legislative changes covering electoral reform, public participation, governance and performance and regional working implemented by the Local Government and Elections (Wales) Act 2021, and the significant challenges the Council has faced as a result of the Covid-19 Pandemic. It also includes an Action Plan for 2021-22 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 Governance and Audit Committee in July 2021, which will need Governance and Audit Committee approval in accordance with the Accounts and Audit (Wales) Regulations 2014 (as amended 2018), and to be signed by the Chair of Governance and 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 31 May 2021, as a result of the Coronavirus pandemic. However, the Accounts were submitted as soon as possible and passed to Audit Wales on 11 June 2021.

## **6. Equality Act 2010 implications**

6.1 The protected characteristics identified within the Equality Act, Socio-economic Duty and the impact on the use of the Welsh Language have been considered in the preparation of this report. As a public body in Wales the Council must consider the impact of strategic decisions, such as the development or the review of policies, strategies, services and functions. This is an information report, therefore it is not necessary to carry out an Equality Impact assessment in the production of this report. It is considered that there will be no significant or unacceptable equality impacts as a result of this report.

## **7. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The wellbeing goals identified in the Act were considered in the preparation of this report. 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**

9.1 It is recommended that the Committee notes the unaudited Statement of Accounts 2020-21 at **Appendix A**.

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June 2021

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**Background Documents:** None