

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO THE GOVERNANCE AND AUDIT COMMITTEE

28 JULY 2022

REPORT OF THE CHIEF OFFICER - FINANCE, PERFORMANCE AND CHANGE

STATEMENT OF ACCOUNTS 2021-22 (UNAUDITED)

1. Purpose of report

- 1.1 The purpose of this report is to present to the Governance and Audit Committee the unaudited Statement of Accounts for 2021-22 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** – 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 2021-22 requires approval and signature by the responsible finance officer by 31 May 2022, 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 2022 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, the significant amount of additional grant funding received and paid out by the Council during the 2021-22 financial year, with the corresponding reconciliation requirements that this brought with it, and the need to consolidate Bridgend County Borough Council's share of Cardiff City Regional City Deal accounts, the Council was unable to meet the 31 May 2022 deadline and therefore, in line with the requirements of the Regulations, issued a notice advising of this.

4. Current situation/proposal

- 4.1 The Council's unaudited Statement of Accounts for the financial year ended 31 March 2022 is attached at **Appendix A**. The Statement of Accounts comprise a number of different statements relating to financial performance and reserves. Whilst the final document will include the Annual Governance Statement, it is being presented as a separate report to this Committee. 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 2021-22 was signed by the responsible financial officer on 18 July 2022.
- 4.3 The Accounts include the following core Financial Statements (pages 16 to 20 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 accounting 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 £0.338 million. This is transferred to the Council Fund, increasing it to £10.110 million as at 31 March 2022 (£9.772 million at 31 March 2021). This represents a 3.46% increase on the Council Fund from the balance at 31 March 2021. The Expenditure and Funding Analysis (page 36) shows how this surplus on the Council Fund is adjusted to a surplus of £12.263 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 Usable Reserves at 31 March 2022 are summarised in the table below, with further details available on pages 58 to 60 of the Statement of Accounts:

Opening Balance 01 Apr 21 £'000	Reserve	Movement as at 31 March 2022		Closing Balance 31 Mar 22 £'000
		Net Additions/ Reclassification £'000	Draw-down/ unwound £'000	
(9,772)	Council Fund	(338)	-	(10,110)
(8,490)	Delegated Schools Balance	(4,004)	-	(12,494)
(6,315)	Equalisation & Grant Reserves:	(4,186)	2,492	(8,009)
(28,920)	Capital Programme Reserves	(11,122)	-	(40,042)
(39,123)	Earmarked Reserves	(13,539)	9,445	(43,217)
(92,620)	Total Corporate Reserves	(33,189)	11,937	(113,872)

- 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 2021-22 was £197.384 million, 5% of which is £9.869 million. The Council Fund is currently at 5.12% of the net budget excluding schools.
- 4.7 As can be seen above, net overall school balances totalled £8.490 million at the start of the financial year. During 2021-22 school balances increased by £4.004 million to £12.494 million at the end of the financial year, representing 11.98% of the total funding allocated in 2021-22. Out of a total of 59 schools, there were no schools with deficit budgets and 53 schools (42 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 Excluding the Council Fund and the increase in school balances, there have been additions to existing reserves or new reserves created of £28.846 million including £11.122 million increase in Capital reserves. The Capital Programme Reserves set aside include supporting investment in the economy, regeneration and recovery post Covid-19 and Band B Schools Programme. Drawdown by Directorates during the year was £11.937 million.
- 4.9 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 2021-22 was £29.741 million. Assets created, improved or under development as a result of this spend included:
- Coastal protection works at Porthcawl
 - Redevelopment of Maesteg Town Hall Cultural Hub
 - Provision of Disabled Facilities Grants
- 4.10 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.
- 4.11 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 September 2022, 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 the 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 2022. An unsigned draft Statement of Accounts was submitted to Audit Wales on 30 June 2022, signed by the responsible finance officer on 18 July 2022 and the signed draft submitted to Audit Wales on 19 July 2022

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 well-being 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 well-being 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 2021-22 at **Appendix A**.

Carys Lord
Chief Officer – Finance, Performance and Change
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Background Documents: None