



## **FULL COUNCIL REPORT**

Date Written	21 <sup>st</sup> September 2016
Report Author	Adele Lewis
Service Area	Accountancy
Exempt/Non Exempt	Non Exempt
Committee Date	28 <sup>th</sup> September 2016

*To: Mayor, Ladies and Gentlemen*

### **Statement of Accounts 2015/16**

#### **1.0 SUMMARY OF THE REPORT**

- 1.1 To present for approval by Council the Final Audited Statement of Accounts for the 2015/16 financial year.
- 1.2 The report details legislation governing the process for compilation of the Statement of Accounts, changes in Accounting Policies and practices for the 2015/16 financial year and a brief summary of revenue, capital and financial position as at the 31<sup>st</sup> March 2016.

#### **2.0 RECOMMENDATION(S) that**

- 2.1 The Audited Statement of Accounts for 2015/16, being the financial year ended 31<sup>st</sup> March 2016, be approved.

#### **3.0 INTRODUCTION AND BACKGROUND**

- 3.1 The Accounts and Audit (Wales) (Amendment) Regulations 2010 require final audited accounts to be reported to Council for approval prior to 30<sup>th</sup> September 2016, with best practice also recommending reporting to Audit Committee.
- 3.2 In accompanying the Audited Statement of Accounts this report is an Executive Summary of the financial performance of the Council during the financial year ended 31<sup>st</sup> March 2016 and its financial position at 31<sup>st</sup> March 2016.

- 3.3 The Provisional Statement of Accounts for 2015/16 was considered by Audit Committee on 18<sup>th</sup> July 2016 and amendments to the Provisional Statements of Accounts were presented by the External Auditors to the Audit Committee of 22<sup>nd</sup> September 2016.
- 3.4 On approval of the audited accounts by this Council, the External Auditor, will complete an opinion of the financial statements and certify completion of the audit of the approved accounts.

#### **4.0 INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- 4.1 The Statement of Accounts for 2015/16 is prepared under International Financial Reporting Standards (IFRS), incorporating the following financial statements:
- Movement in Reserves Statement
  - Comprehensive Income and Expenditure Statement
  - Balance Sheet
  - Cash Flow

#### **5.0 CHANGE OF ACCOUNTING POLICY**

- 5.1 Accounting policies are the specific principles, bases, conventions, rules and practices applied by an Authority in preparing and presenting statement of accounts. The 2015/16 statement of accounts includes the following changes to Accounting Policies:
- IFRS 13 Fair Value Measurement
  - Annual Improvements to IFRS 2011-13 cycle
  - IFIRIC 21 Levies
  - Minimum Revenue Provision Policy

The adoption of the above accounting policies per the code of practice are not changes of accounting policy that require restatement of prior year balances.

#### **6.0 JOINTLY CONTROLLED OPERATIONS**

- 6.1 Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers' that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.
- 6.2 For 2014/15 the Llwydcoed Crematorium Joint Committee was included within the Authority's financial statements. The Authority has reviewed all of its Jointly controlled operations to assess if any further operations need to be included within the Authority's Financial Statements. The result of this review is that for 2015/16 Central South Consortium has also been included. Therefore the Council has reflected its share, 46.6% of the transactions of the Llwydcoed Crematorium Joint

Committee and 6.68% of the transaction of the Central South Consortium Joint Committee into the Authority's Accounts on a line-by-line basis.

## 7.0 FINANCIAL IMPLICATION(s)

### 7.1 Revenue Outturn

A summary of the revenue outturn is shown in Table 1 and indicates an increase in General Fund Reserves in the year of £102,000.

Table 1 – Summary Revenue Outturn 2015/16

<b>Summary</b>	<b>Budget 2015/16 £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
<b><u>People and Performance</u></b>			
Social Services, Chief Officer Social Services	27,793	26,181	-1,612
Learning, Chief Officer Education	42,187	42,123	-64
Legal	1,441	1,418	-23
Human Resources & Organisational Development	715	701	-14
Performance	304	308	4
<b>Total</b>	<b>72,440</b>	<b>70,731</b>	<b>-1,709</b>
<b><u>Place and Transformation</u></b>			
Director of Place & Transformation	2,133	2,043	-90
Community Regeneration	3,630	3,319	-311
Neighbourhood Services	10,382	10,268	-114
Corporate Services	4,148	4,099	-49
Finance	1,280	1,153	-127
<b>Total</b>	<b>21,573</b>	<b>20,882</b>	<b>-691</b>
<b><u>Corporate Costs</u></b>			
Corporate Management - Executive	418	406	-12
Corporate Authority	19,509	19,026	-483
<b>Total</b>	<b>19,927</b>	<b>19,432</b>	<b>-495</b>
<b><u>Contributions / Recharges</u></b>			
Non General Fund Allocations	-1,342	-966	376
Collection Fund Surplus	-600	-910	-310
Corporate Vacancy Factor	822	0	-822
Net Severance Costs/Savings "Slippage"	757	359	-398
Contribution from Earmarked Reserves	-412	-412	0
In Year Efficiency Projects	100	0	-100
Transfer to Earmarked Reserves	0	4,047	4,047
<b>Total</b>	<b>-675</b>	<b>2,118</b>	<b>2,793</b>
<b>Net Expenditure</b>	<b>113,265</b>	<b>113,163</b>	<b>-102</b>

A £102,000 net revenue expenditure surplus is reported for the year. The surplus position results from the following initiatives:

- Moratorium on non-essential expenditure

- Improving departmental budget management
- Change Management Board and Steering Group challenge
- Budget Board challenge
- Amendment to the Minimum Revenue Provision policy
- Introduction of the principles of service outcome focused redesign

## 7.2 Capital Outturn

Capital expenditure of £26.3 million from available finance of £25.9 million was incurred during 2015/16, resulting in a deficit against budget of £390,000. The Authority experienced an overspend on the Taf Bargoed Regeneration Programme, which required unplanned unsupported borrowing, however no capital finance was lost or relinquished since un-utilised Capital Grants from external sources and Capital Receipts can be carried forward to future years, and unsupported borrowing through the Prudential Code framework is able to be deferred to the following financial year. The financing of the Capital Expenditure is outlined in Table 2.

Table 2 – Capital Financing 2015/16

Funding Source	£'000
Borrowing	8,983
Capital Grants and Contributions	15,517
Capital Receipts	1,784
Total	26,284

## 7.3 Financial Position

At 31<sup>st</sup> March 2016 the Council's General Reserves total £4.627 million, an increase of £102,000 from the balance at 31<sup>st</sup> March 2015 (refer to Table 1), which the Chief Finance Officer considers adequate for Merthyr Tydfil County Borough Council. General Reserves of £4.627 million equates to 4% of the net revenue budgeted expenditure in line with the budget board overarching aim "To maintain an adequate, healthy General Reserves balance of between 3.5% and 4% of the Council's annual budgeted Net Revenue Expenditure in ensuring the Council continues to remain financially viable."

A review of Balance Sheet codes specifically grant creditor and debtor balances was undertaken during 2015/16. The review resulted in £2.9 million being re-classified to Earmarked Reserves. A further review and rationalisation of Earmarked Reserves is to be carried out during the 2016/17 financial year.

## **8.0 SINGLE INTEGRATED PLAN AND SUSTAINABILITY IMPACT SUMMARY**

- 8.1 The Single Integrated Plan and Sustainability Impact Assessment has been completed and the proposals positively impact on the Financial Sustainability of Public Services.

## 9.0 EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has been found that a full assessment is not required at this time. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

**GARETH CHAPMAN**  
**CHIEF EXECUTIVE**

**COUNCILLOR PHIL WILLIAMS**  
**CABINET MEMBER FOR GOVERNANCE**  
**AND CORPORATE SERVICES**

<b>BACKGROUND PAPERS</b>		
<b>Title of Document(s)</b>	<b>Document(s) Date</b>	<b>Document Location</b>
Closure of Accounts working papers.	February 2016 to September 2016	Accountancy
<b>Does the report contain any issue that may impact the Council's Constitution?</b>		<b>No</b>

***Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.***