

AUDIT COMMITTEE

Date Written	23 rd July 2020
Report Author	Steve Jones/Adele Lewis
Service Area	Finance
Committee Date	3 rd August 2020

To: Chair, Ladies and Gentlemen

Statement of Accounts 2019-20

1.0 SUMMARY OF THE REPORT

- 1.1 This report is to present the Provisional Statement of Accounts for the 2019/20 financial year (refer to Appendix A).
- 1.2 The report details legislation governing the process for compilation of the Statement of Accounts for the 2019/20 financial year and a brief summary of revenue, capital and financial position as at the 31st March 2020.

2.0 RECOMMENDATIONS that

- 2.1 The Provisional Statement of Accounts 2019/20 be noted.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 The Accounts and Audit (Wales) Regulations 2014 were amended in 2018 to bring forward the timetable for publishing the statement of accounts. The Regulations now require the responsible financial officer, by the 15th June to sign and date an unaudited Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the end of 31st March 2020. Final audited accounts are to be reported to Council for approval prior to the 15th September 2020, with best practice also recommending reporting to Audit Committee.
- 3.2 The Accounts and Audit (Wales) Regulations 2014 make provision for an authority having to delay preparing and publishing their annual financial accounts. By virtue of

regulation 10(4) Welsh Government advised authorities to include a note on their website to say why they haven't prepared or published their accounts within existing deadlines. A note to this effect was placed on the Merthyr Tydfil County Borough Council website on the 2nd June 2020, therefore ensuring we had complied with legislation.

- 3.3 Welsh Government also stated that 'it remains important for all bodies to prepare their annual accounts on a timely basis. To provide some certainty and a framework for completion of the annual accounts, we recommend Welsh authorities adopt a timetable for the 2019-20 accounts in line with the revised English requirements. This will require preparation and certification of draft accounts by 31 August 2020 and publication of final audited accounts by 30 November 2020 for all local government bodies in Wales. We would encourage councils to approve earlier wherever possible and engage with their auditors to help manage overall pressure on Audit Wales.' The Statement of Accounts 2019/20 were authorised by the Chief Finance Officer on the 28th July 2020.
- 3.4 In accompanying the Draft Statement of Accounts (refer to Appendix A) this report is an Executive Summary of the financial performance of the Council during the financial year ended 31st March 2020.
- 3.5 The Appointed Auditor, the Wales Audit Office will be auditing the draft financial statements over the next three months and a 'sign-off' date after Council approval is still to be determined.

4.0 INTERNATIONAL FINANCIAL REPORTING STANDARDS

- 4.1 The Statement of Accounts for 2019/20 is prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and the Service Reporting code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS). The Statement of Accounts incorporates the following financial statements:

- Expenditure Funding Analysis
- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow

5.0 JOINTLY CONTROLLED OPERATIONS

- 5.1 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.
- 5.2 For the 2019/20 Statement of Accounts the Authority reflected its share, 46.60% of the transactions of the Llwydcoed Crematorium Joint Committee and 6.33% of the transaction of the Central South Consortium Joint Committee and 3.94% of the

transactions for the Cardiff Capital Region City Deal Joint Committee into the Authority's Accounts on a line-by-line basis.

6.0 PROVISIONAL STATEMENT OF ACCOUNTS

6.1 The Statement of Accounts is currently in draft format and will be audited over the next three months by the External Auditor, Wales Audit Office. The External Auditor will be reporting the audit findings to Audit Committee before Council approval, however dates are still to be confirmed.

7.0 FINANCIAL IMPLICATION(S)

7.1 Revenue Outturn:

The General Fund Revenue to outturn budget for 2019/20 is as follows, as reported to Cabinet on 15th July 2020:

Summary	Revised Budget	Provisional Outturn	Variance	
	2019/20 £'000		£'000	£'000
<u>People and Performance</u>				
Social Services	32,859	32,483	-376	-1.14
Learning	47,413	47,337	-76	-0.16
Total	80,272	79,820	-452	-0.56
<u>Place and Transformation</u>				
Deputy Chief Executive Services	2,156	2,109	-47	-2.18
Community Regeneration	6,143	6,224	81	1.32
Neighbourhood Services	10,620	10,768	148	1.39
Corporate Services	1,540	1,449	-91	-5.91
Finance	1,249	1,185	-64	-5.12
Legal	1,478	1,415	-63	-4.26
Human Resources & Organisational Devt.	591	561	-30	-5.08
Total	23,777	23,711	-66	-0.28
<u>Corporate Costs</u>				
Corporate Management - Executive	1,394	1,345	-49	-3.52
Corporate Authority	18,201	17,218	-983	-5.40
Total	19,595	18,563	-1,032	-5.27
<u>Contributions / Recharges</u>				
Non General Fund Allocations	-16	0	16	-100.00
Discretionary Non Domestic Rate Relief	94	35	-59	-62.77
Collection Fund Surplus	-835	-992	-157	18.80
Corporate Vacancy Factor	383	0	-383	-100.00
Contribution from Budget Reserve	-1,295	-1,295	0	0.00
Contribution from Living Wage Reserve	-296	-296	0	0.00
Contribution from Corporate Investment Fund	-188	-188	0	0.00
Contribution from General Reserves	-483	-483	0	0.00
Centrally funded Teachers Pension	-715	-753	-38	5.31
Contribution from Llwydcoed Reserve	0	-720	-720	-100.00
Total	-3,351	-4,692	-1,341	40.02
Net Expenditure	120,293	117,402	-2,891	-2.40

7.1.1 For 2019/20 the Council is reporting a revenue surplus of £2.891 million. Consequently, the budgeted contributions from General Reserves of £483,000 and Budget Reserve of £1.295 million are no longer required and are retained within reserve balances. In addition, the remaining surplus of £1.113 million is transferred to the Budget Reserve and is available to support value for money investment opportunities.

7.1.2 The most significant movements from budget to outturn are detailed as follows:

People and Performance

Children Looked After – net budget deficit of £669,000 owing to additional residential placements, additional independent fostering agencies placements and increased costs in respect of court, legal and professional fees

Independent External Care Provision – net budget surplus of £511,000 mainly in respect of lower than anticipated demand for total care hours within Independent Domiciliary Care and additional Direct Payments packages, offset by an increased number of residential placements within Independent Residential Establishments.

Integrated Family Support Services – net budget surplus of £267,000 mainly in respect of the service being transferred back to Merthyr Tydfil CBC

Social Care Client Service Strategies – net budget surplus of £309,000 resulting from a grant received from Welsh Government via Health for winter resilience pressure within Social Services

Supported and Accommodation Services – net budget deficit of £122,000 resulting from increased staff cover and loss of income owing to under occupancy at the Council owned Homes for the Elderly offset by a reduction in staff hours at the Group Home (Llysfaen Fach) owing to needs and number of residents living in the Home.

Children with Disabilities – budget surplus of £105,000 resulting from lower childminding costs, additional grant income and higher than anticipated recovery of balances

Place and Transformation

Neighbourhood Services – net budget deficit of £148,000 resulting from less Bereavement Services fees and charges than anticipated and additional security costs at Taff and Crescent Street, Merthyr Vale, offset by savings in premises costs as Depot not yet fully operational and lower than planned repairs and maintenance at civic buildings.

Corporate Services – net budget surplus of £91,000 mainly in respect of additional grant income from the Department for Work and Pensions (DWP) to undertake specific pieces of work within Benefits.

Corporate Costs

Capital Financing Costs – budget surplus of £1.105 million resulting from the revision to the Minimum Revenue Provision (MRP) Policy approved by Council on 18th December 2019, slippage in capital expenditure and short-term borrowing to support capital expenditure at lower interest rates rather than long-term borrowing at higher interest rates.

Council Tax Benefit Payments – budget deficit of £194,000 resulting from additional claims for financial assistance with Council Tax demands.

External Legal Fees – net budget surplus of £128,000 resulting from additional income from successful court proceedings.

Provision for Bad Debts – budget surplus of £127,000 reflecting a re-assessment of the required provision at 31st March 2020 based on current debt and trend data.

Storm Dennis – budget deficit of £248,000 reflecting additional unbudgeted costs relating to the flooding and storm damage caused by Storm Dennis during February 2020.

Contributions and Recharges

Collection Fund Surplus – budget surplus of £157,000 resulting from increased council tax income inclusive of that collected in respect of prior years.

Corporate Vacancy Factor – budget surplus of £383,000 reflecting greater staff savings than anticipated arising from the time elapsed between posts becoming vacant and subsequently re-filled.

Contribution from Llwydcoed Crematorium Reserves – a ‘one-off’ contribution of £720,000 from reserves was approved by the Llwydcoed Crematorium Joint Committee on 10th December 2019.

7.2 Capital Outturn

The Capital Outturn to Budget for 2018/19 is as follows:

Summary	Revised Budget £'000	Outturn 2019/20 £'000	Variance	
			£'000	%
Expenditure:				
21st Century Schools Programme	1,277	1,296	19	1.49
Education Other	2,968	2,900	-68	-2.29
Physical Regeneration Programme	6,889	6,038	-851	-12.35
Riverside	380	186	-194	-51.05
Engineering & Transport Infrastructure	1,885	1,848	-37	-1.96
Housing & Corporate	3,966	3,290	-676	-17.04
Leisure	50	51	1	2.00
Totals	17415	15609	-1806	-10.37
Financed by:				
Borrowing	3,910	3,371	-539	-13.79
Capital Grants & Contributions	12,905	11,614	-1,291	-10.00
Own Resources	600	624	24	4.00
Totals	17415	15609	-1806	-10.37

7.2.1 In 2019/20, the Authority spent £15.6 million on capital projects compared to the planned Capital Programme of £17.4 million. Although not all the planned capital funding was utilised, no funding is lost as the monies are carried over into the 2020/21 financial year.

The most significant movements from budget to outturn are detailed as follows:

Physical Regeneration Programme

Town Centre Regeneration – an underspend of £162,000 resulting from delays in the purchase of land for the Orbit Centre car park expansion and the impact of Covid-19 on several enterprise developments.

Bus Station Re-development – an underspend of £243,000 resulting from further grant monies received late in the financial year.

Regional Transport Authority (RTA) Metro Plus – an underspend of £150,000 resulting from further grant monies received late in the financial year.

Urban Centre PEG / LG – an underspend of £142,000 resulting from initial delays in administration of the grant by the lead Authority.

Pontmorlais Townscape Heritage Quarter – an underspend of £87,000 resulting from construction restrictions arising from Covid-19.

Riverside

Riverside Phase 3 – an underspend of £194,000 resulting from unavoidable delays owing to the presence of bats, Japanese Knotweed and asbestos.

Housing and Corporate

Disabled Facilities Grants – an underspend of £221,000 resulting from delays with the assessment of referrals process.

Costs of Supporting Capital Projects – an underspend of £185,000 representing a shortfall on the direct recharge of internal employee costs applied to capital schemes.

IT Switches and WiFi access points – an underspend of £90,000 resulting from delays in purchasing through the approved framework.

Waste Skips / Compactor – an underspend of £190,000 resulting from grant monies received late in the financial year.

7.3 Financial Position

7.3.1 At 31st March 2020 the Authority's general balances and reserves not earmarked for any specific purpose totals £4.700 million (31st March 2019 - £4.700 million), equating to 3.7% of the Council's Budgeted Net Revenue Expenditure for 2020/21, in compliance with the Council's Corporate Reserves Policy.

ELLIS COOPER
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
Closure of Accounts Working papers	March 2020 to July 2020	Accountancy
Does the report contain any issue that may impact the Council's Constitution?		No