



FULL COUNCIL REPORT

Date Written	9 th November 2020 *
Report Author	Steve Jones/Adele Lewis
Service Area	Accountancy
Exempt/Non Exempt	Non-Exempt
Committee Date	25 th November 2020

To: Mayor, Ladies and Gentlemen

Statement of Accounts 2019/20

1.0 SUMMARY OF THE REPORT

- 1.1 To present for approval by Council the Final Audited Statement of Accounts for the 2019/20 financial year (refer to Appendix 1).
- 1.2 The report details legislation governing the process for compilation of the Statement of Accounts, changes in Accounting Policies and practices for the 2019/20 financial year and a brief summary of revenue, capital and financial position as at the 31st March 2020.
- 1.3 For Councillors to receive and approve the Annual Governance Statement for 2019/20.

2.0 RECOMMENDATIONS that

- 2.1 The Audited Statement of Accounts for 2019/20, being the financial year ended 31st March 2020, be approved.
- 2.2 The Annual Governance Statement 2019/20 be approved.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 The Accounts and Audit (Wales) Regulations 2014 were amended in 2019 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

- 3.2 The amended Accounts and Audit (Wales) Regulations now require final audited accounts to be reported to Council for approval prior to 15th September 2020, with best practice also recommending reporting to Audit Committee.
- 3.3 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. Notices for the delay in the preparation and publishing of accounts have been placed on the Authority's website, along with the unaudited Statement of Accounts.
- 3.4 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.
- 3.5 Audit Committee of 23rd November 2020 considered and recommended the audited Statement of Accounts 2019/20 to this Council for approval. Any amendments to the Provisional Statement of Accounts were presented by the External Auditors.
- 3.6 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.
- 3.7 In accompanying the Final Audited Statement of Accounts this report is an Executive Summary of the financial performance of the Council during the financial year ended 31st March 2020.

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 JOINT OPERATIONS

5.1 Joint operations are activities undertaken by the Authority in conjunction with other joint operators that involve the use of the assets and resources of the joint operators rather than the establishment of a separate entity.

5.2 The Authority has reflected its share of the transactions of the following Joint Operations within the 2019/20 Statement of Accounts as follows:

- 46.60 % of the Llwydcoed Crematorium Joint Committee
- 6.33% of the Central South Consortium Joint Committee
- 3.94% of the Cardiff Capital Region City Deal Joint Committee

6.0 FINAL AUDITED STATEMENT OF ACCOUNTS

6.1 The Statement of Accounts has been audited over the last three months by the External Auditor, Wales Audit Office. Attached at Appendix 2 is the External Auditor report to the Audit Committee of the 23rd November 2020 in respect of findings during the audit of the Statement of Accounts 2019/20. The audit identified no material amendments to either the provisionally reported revenue or capital outturn position.

7.0 FINANCIAL IMPLICATION(S)

7.1 Revenue Outturn:

The General Fund Revenue to outturn budget for 2019/20 is as follows:

Summary	Revised Budget	Outturn	Variance	
	2019/20		£'000	%
	£'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 were presented to the Audit Committee on 3rd August 2020 and were reported to Cabinet on 15th July 2020.

7.2 Capital Outturn

The Capital Outturn to Budget for 2019/20 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	17,415	15,609	-1,806	-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	17,415	15,609	-1,806	-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.

7.2.2 The most significant movements from budget to outturn were presented to the Audit Committee on 3rd August 2020 and were reported to Cabinet on 15th July 2020.

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.

8.0 ANNUAL GOVERNANCE STATEMENT

8.1 The Accounts and Audit (Wales) regulations 2014 as amended 2019 require that Council annually approve a Statement on Internal Control (SIC) for each financial year and that the SIC accompanies the audited Statement of Accounts.

- 8.2 Guidance has been received which indicates that the inclusion of the Annual Governance Statement (AGS) with the Statement of Accounts instead of the SIC is regarded as best practice for Wales. The production of an AGS to accompany the accounts in respect of the 2019/20 financial year meets the requirement to produce a SIC. It is important to recognise that the AGS covers all significant corporate systems, processes and controls, spanning the whole range of the Council's activities
- 8.3 The draft version of the AGS was reported to Audit Committee, and shared with the Corporate Management Team, External Audit, the Leader of the Council, the Chief Executive and the Chief Finance Officer. The feedback obtained from these consultations has been incorporated into the AGS where applicable and has resulted in the production of the final version of the AGS.
- 8.4 The AGS should be approved at a meeting of the Council or delegated committee and signed by usually the Chief Executive and a Leading Member (usually the Leader of the Council).
- 8.5 The AGS for 2019/20 was considered by Audit Committee on 23rd November 2020. Audit Committee recommended to Full Council that the Annual Governance Statement 2019/20 be approved.
- 8.6 The Annual Governance Statement is included within the Statement of Accounts and can be seen on Pages 106-142 of the Accounts.

9.0 INTEGRATED IMPACT ASSESSMENT

9.1

	Positive Impacts	Negative Impacts	Not Applicable
1. Merthyr Tydfil Well-being Objectives	4 of 4	0 of 4	0 of 4
2. Sustainable Development Principles - How have you considered the five ways of working: <ul style="list-style-type: none"> • Long term • Prevention • Integration • Collaboration • Involvement 	5 of 5	0 of 5	0 of 5
3. Protected Characteristics <i>(including Welsh Language)</i>	0 of 10	0 of 10	10 of 10
4. Biodiversity	0 of 1	0 of 1	1 of 1

Summary:

The main positive impacts are that the Statement of Accounts contribute to the financial sustainability of the Council and therefore enables the continued delivery of essential Council services.

**ELLIS COOPER
INTERIM 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 November 2020	Accountancy
Does the report contain any issue that may impact the Council's Constitution?		No

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