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Cyngor Bwrdeistref Sirol  
**MERTHYR TUDFUL**  
**MERTHYR TYDFIL**  
County Borough Council

## **GOVERNANCE AND AUDIT COMMITTEE**

Date Written	2 <sup>nd</sup> August 2021
Report Author	Steve Jones/Adele Lewis
Service Area	Finance
Committee Date	6 <sup>th</sup> September 2021

*To: Chair, Ladies and Gentlemen*

# **Provisional Statement of Accounts including Draft Annual Governance Statement 2020-21**

## **1.0 SUMMARY OF THE REPORT**

- 1.1 This report is to present the Provisional Statement of Accounts for the 2020/21 financial year (refer to Appendix A).
- 1.2 The report details legislation governing the process for compilation of the Statement of Accounts for the 2020/21 financial year and a brief summary of revenue, capital and financial position as at the 31<sup>st</sup> March 2021.
- 1.3 The report also presents to the Governance and Audit Committee the Draft Annual Governance Statement for 2020/21 which is included within the Statement of Accounts.

## **2.0 RECOMMENDATIONS that**

- 2.1 The Provisional Statement of Accounts 2020/21 be noted.
- 2.2 The draft Annual Governance Statement for 2020/21 be recommended for adoption by the Leader and Chief Executive.

### **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 31<sup>st</sup> May 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 31<sup>st</sup> March 2021. Final audited accounts are to be reported to Council for approval prior to the 31<sup>st</sup> July 2021, with best practice also recommending reporting to Governance and 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 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, following the 2019-20 timetable will require preparation and certification of draft accounts by 31 August 2021 and publication of final audited accounts by 30 November 2021 for all local government bodies in Wales. As discussed with Society of Welsh Treasurers Executive Group where councils are able it is good practice to approve as early as possible and helpful to engage with auditors to help manage overall pressure on Audit Wales. If working towards this later timetable, bodies will need to ensure they publish the required notices as set out in the Regulations' The Statement of Accounts 2020/21 were authorised by the Chief Finance Officer on the 15<sup>th</sup> July 2021.
- 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 31<sup>st</sup> March 2021.
- 3.5 The Appointed Auditor, Audit Wales is intending 'sign-off' of the accounts after Council approval on 6<sup>th</sup> October 2021.

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

- 4.1 The Statement of Accounts for 2020/21 is prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and the Service Reporting code of Practice 2020/21, 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 2020/21 Statement of Accounts the Authority reflected its share, 46.60% of the transactions of the Llwydcoed Crematorium Joint Committee and 6.34% 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, Audit Wales. The External Auditor will be reporting the audit findings to the Governance and Audit Committee on the 4<sup>th</sup> October 2021 before Council approval.

## 7.0 FINANCIAL IMPLICATION(S)

7.1 Revenue Outturn: The General Fund Revenue outturn to budget for 2020/21 is as follows:

Summary	Revised Budget 2020/21 £'000	Outturn £'000	Variance	
			£'000	%
<b><u>People and Performance</u></b>				
Social Services	33,732	31,492	-2,240	-6.64
Learning	49,297	49,072	-225	-0.46
<b>Total</b>	<b>83,029</b>	<b>80,564</b>	<b>-2,465</b>	<b>-2.97</b>
<b><u>Place and Transformation</u></b>				
Community Regeneration	6,578	6,516	-62	-0.94
Neighbourhood Services	10,908	10,263	-645	-5.91
Corporate Services	1,533	1,433	-100	-6.52
Finance	3,109	2,987	-122	-3.92
Legal	1,348	1,335	-13	-0.96
Human Resources & Organisational Development	545	551	6	1.10
Corporate Communications	186	194	8	4.30
<b>Total</b>	<b>24,207</b>	<b>23,279</b>	<b>-928</b>	<b>-3.83</b>
<b><u>Corporate Costs</u></b>				
Corporate Management - Executive	1,326	1,252	-74	-5.58
Corporate Authority	17,916	17,920	4	0.02
<b>Total</b>	<b>19,242</b>	<b>19,172</b>	<b>-70</b>	<b>-0.36</b>
<b><u>Contributions / Recharges</u></b>				
Non General Fund Allocations	6	0	-6	0.00
Discretionary Non Domestic Rate Relief	94	40	-54	-57.45
Collection Fund Surplus	-850	-692	158	18.59
Corporate Vacancy Factor	681	0	-681	-100.00
Redundancy & EPP /slippage	706	706	0	0.00
Contribution to General Reserve	300	0	-300	-100.00
Provision for Further Commitments	118	0	-118	-100.00
<b>Total</b>	<b>1,055</b>	<b>54</b>	<b>-1,001</b>	<b>-94.88</b>
<b>Net Expenditure (before transfer to earmarked reserves)</b>	<b>127,533</b>	<b>123,069</b>	<b>-4,464</b>	<b>-3.50</b>
Transfer to Earmarked Reserves	0	3,830	3,830	n/a
<b>Net Expenditure (after transfer to earmarked reserves)</b>	<b>127,533</b>	<b>126,899</b>	<b>-634</b>	<b>-0.50</b>

The figures included within the table above are net expenditure figures, the figures included within the financial performance section of this narrative report are gross figures.

7.1.1 For 2020/21 the Council is reporting a revenue surplus of £4.464 million before transfers to reserves. Consequently, £3.830 million is transferred to Earmarked Reserves and £634,000 to General Reserves as outlined below.

<b>Description</b>	<b>Value £'000</b>
Schools Surplus Account	779
Financing the Recovery, Transformation and Improvement (RTI) Plan	802
Social Services Commitments	770
Pay Award	696
Legacy Funded Community Groups	300
Apprenticeships Programme	200
Specific Service Commitments	283
General Reserves	634
<b>Total</b>	<b>4,464</b>

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 (£1.068 million), mainly offset by a budget surplus of £342,000 for Independent Fostering Agencies (IFA's) due to a shift towards in house foster carers rather than independent agencies.

**Independent External Care Provision** – net budget surplus of £2.519 million mainly in respect of lower than anticipated demand for total care hours within Independent Domiciliary Care (£426,000), changes in current packages of care and less service demand than anticipated within Supported Placements (£315,000), less service demand than anticipated for Direct Payments packages and less packages of care and customer fees in respect of property charges previously placed on client properties within Independent Residential Establishments (£1.025 million).

**Day Centres** – net budget surplus of £155,000 mainly in respect of reduced client capacity at the centres due to the pandemic, meaning all staff holiday and sickness cover was managed without using agency/overtime.

**Children with Disabilities** – budget surplus of £194,000 resulting from less packages accessed, lower childminding costs and additional grant income.

### **Place and Transformation**

**Neighbourhood Services** – net budget surplus of £645,000 resulting from additional Bereavement Services fees and charges than anticipated (£122,000), additional income and lower premises costs within Grounds Maintenance (£83,000), delay in the planned replacement of the recycling fleet within Recycling (£166,000) and reduced utility costs within Office Accommodation (£136,000).

**Finance** – net budget surplus of £122,000 mainly in respect of additional grant income from the Department for Work and Pensions (DWP) in respect of Housing Benefit administration and to undertake specific pieces of work within Benefits.

### Corporate Costs

**Capital Financing Costs** – budget surplus of £340,000 resulting from slippage in the Capital Programme leading to a reduced Minimum Revenue Provision (MRP) charge to revenue and short-term borrowing to support capital expenditure at lower interest rates than budgeted.

**Council Tax Benefit Payments** – budget deficit of £293,000 resulting from additional claims for financial assistance with Council Tax demands.

### Contributions and Recharges

**Corporate Vacancy Factor** – budget surplus of £681,000 reflecting greater staff savings than anticipated arising from the time elapsed between posts becoming vacant and subsequently re-filled.

**Contribution to General Reserves** – budget surplus of £300,000 reflecting change to presentation format in respect of increased contribution to General Reserves.

## 7.2 Capital Outturn

The Capital Outturn to Budget for 2020/21 is as follows:

Summary	Revised Budget £'000	Outturn 2020/21 £'000	Variance	
			£'000	%
<b>Expenditure:</b>				
21st Century Schools Programme	4,972	4,989	17	0.34
Education Other	2,870	2,740	-130	-4.53
Physical Regeneration Programme	14,503	12,616	-1,887	-13.01
Riverside	1,000	522	-478	-47.80
Engineering & Transport Infrastructure	4,609	3,946	-663	-14.38
Land, Buildings and Corporate	2,992	2,418	-574	-19.18
Leisure	387	385	-2	-0.52
<b>Totals</b>	<b>31,333</b>	<b>27,616</b>	<b>-3,717</b>	<b>-11.86</b>
<b>Financed by:</b>				
Borrowing	7,331	6,726	-605	-8.25
Capital Grants & Contributions	22,850	19,738	-3,112	-13.62
Own Resources	1,152	1,152	0	0.00
<b>Totals</b>	<b>31,333</b>	<b>27,616</b>	<b>-3,717</b>	<b>-11.86</b>

7.2.1 In 2020/21, the Authority spent £27.6 million on capital projects compared to the planned Capital Programme of £31.3 million.

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

### **Physical regeneration programme**

**Bus Station Re-development** – an underspend of £235,000 resulting from further grant monies received late in the financial year.

The remaining underspend relates to several grant schemes where grant can be carried forward into the following financial year. The schemes include covid recovery for Town Centres £233,000, Transforming Towns Phase 1 £892,000, Urban Centre Property Enhancement Grant / Living grant £209,000 and Regional Valleys Park Discovery Gateway £300,000

### **Riverside**

**Riverside Phase 3** – an underspend of £478,000 resulting from lower than expected demolition costs and unavoidable delays owing to the presence of bats

### **Engineering and Transport Infrastructure**

**Storm Damage** – an underspend of £590,000 since grant is carried forward to the following financial year

### **Land, Buildings and Corporate**

This relates to several grant schemes where grant can be carried forward into the following financial year. The schemes include CCTV Uplift £70,000, Valleys life dementia hub £21,000, Glynmill Works & Equipment £75,000 and On Street Recycling Bins £130,000.

## 7.3 **Financial Position**

7.3.1 At 31<sup>st</sup> March 2021 the Authority's general balances and reserves not earmarked for any specific purpose totals £5.334 million (31<sup>st</sup> March 2020 - £4.700 million), equating to 4.0% of the Council's Budgeted Net Revenue Expenditure for 2021/22, 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 from time to time, requires each Local Authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and the governance arrangements with its Annual Statement of Accounts.
- 8.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Recommended Practice (the code) states that the preparation and publication of an Annual Governance Statement in accordance with "Delivering Good Governance in Local Government" fulfils the statutory requirement regarding the production of a statement of internal control in England, Wales and Northern Ireland.
- 8.3 In 2016, CIPFA published its new "Delivering Good Governance in Local Government Framework", which positions the attainment of sustainable economic, social and environmental outcomes as a key focus of governance processes and structures. The Guidance has considered the requirements of the Well-being of Future Generations (Wales) Act 2015 and embedded the five ways of working into the CIPFA framework.
- 8.4 As with all the work undertaken by the Council, the AGS reflects the Council's responsibilities under the Well-being of Future Generations (Wales) Act 2015. The Council recognises the need to ensure that in line with the sustainable development principle account of how our decisions may impact on future generations is taken. The Council has embedded the five ways of working across its activities and in delivering our priorities we will maximise or contribution to the seven national Well-being Goals.
- 8.5 In November 2019, CIPFA launched the Financial Management Code of Practice (FM Code). Full compliance is expected for the 2021/22 financial year with the 2020/21 financial year acting as a shadow year. Within the "Application of the Good Governance Framework 2020/21 CIPFA Guidance Bulletin 06", it stated that the Annual Governance Statement for 2020/21 should include the overall conclusion of an assessment of the organisation's compliance with the principles and standards set out in the FM Code. It has been reported in the AGS 2020/21 that the assessment identified that the Council can demonstrate compliance with all 17 Standards, but it is recognised that further improvements can be made to enhance compliance during 2021-22.
- 8.6 Good corporate governance requires the active participation of Members and Officers across the Council. These arrangements are reviewed on an annual basis and the findings used to update the AGS. This helps to ensure the continuous improvement of the Council's corporate governance culture. The inclusion of the AGS within the Statement of Accounts provides an overall assessment of the Council's corporate governance arrangements and an appraisal of the controls in place to manage the Council's key risks and identifies where improvements need to be made.



- 8.7 The draft AGS for the 2020/21 financial year is attached at Appendix A, within the Statement of Accounts (pages 106-150). This Annual Governance Statement explains how the Council has complied with the terms of the CIPFA/SOLACE Framework (2016) for the year ended 31st March 2021.
- 8.8 One of the main issues raised and highlighted over the last few years has been the ability of the Council to carry on meeting service objectives and delivering positive outcomes for its customers and clients whilst meeting the continuing challenges of year on year reductions in Council funding and the impact this has on the services delivered.
- 8.9 Following setting a balanced budget for 2019/2020, the Council took a proactive step and asked Welsh Government (WG) to support MCTBC in these challenging times. The Minister for Housing and Local Government appointed an Improvement and Assurance Board to carry out a rapid assessment exercise. To respond to the outcomes of this assessment, the Council developed a Recovery, Transformation and Improvement (RTI) Plan. The RTI Plan is also being developed to align with the Wellbeing of Future Generation (Wales) Act 2015.
- 8.10 The increased Settlements for both 2020/21 (+4.85%) and 2021/22 (+4.64%) have enabled the Council to address some of the financial and services pressures experienced over the previous number of years. Future Revenue Settlements received from the Welsh Government are impossible to predict owing to the damaging impact on the UK economy of Covid-19. The Council has set out a number of principles which align to the Council's RTI Plan and will be built upon as the Council recovers from the pandemic and continues its transformation and improvement journey.
- 8.11 From the review, assessment and on-going monitoring work undertaken the opinion reached is that there is general compliance with existing governance arrangements, but there are a number of improvements identified that need to be implemented to strengthen arrangements.
- 8.12 The AGS will be reviewed as part of the external audit on the Statement of Accounts and should reflect any governance issues right up to the date that the Auditor General for Wales signs off the Statement of Accounts for 2020/21.

**ELLIS COOPER**  
**CHIEF EXECUTIVE**

**COUNCILLOR ANDREW BARRY**  
**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	March 2021 to July 2021	Accountancy
<b>Does the report contain any issue that may impact the Council's Constitution?</b>		<b>No</b>