

Public Document Pack



MEETING:	Audit Committee
DATE:	Wednesday, 5 June 2019
TIME:	4.00 pm
VENUE:	Reception Room, Barnsley Town Hall

SUPPLEMENTARY AGENDA

5. Draft 2018/19 Statement of Accounts (*Pages 3 - 16*)

Presentation slides on the Statement of Accounts

To: Chair and Members of Audit Committee:-

Councillors Richardson (Chair), Barnard, P. Birkinshaw and Lofts; together with Independent members Ms K Armitage, Ms D Brown, Mr S Gill, Mr P Johnson and Mr M Marks

Diana Terris, Chief Executive

All Executive Directors

Andrew Frosdick, Executive Director Core Services

Rob Winter, Head of Internal Audit

Neil Copley, Service Director Finance (Section 151 Officer)

Ian Rooth, Head of Financial Services

Adrian Hunt, Risk Management Manager

Michael Potter, Service Director Business Improvement and Communications

Louise Booth, Audit Manager

Council Governance Unit – 3 copies

Please contact William Ward on email governance@barnsley.gov.uk

5th June, 2019

This page is intentionally left blank

BMBC Statement of Accounts – Audit Committee 2018/19

5th June 2019



INTRODUCTION & AGENDA

- Introduction
- Agenda:
 - » The Statement of Accounts Process;
 - » The Role of Audit Committee;
 - » What Has Changed?
 - » The Statement of Accounts;
 - » Next Steps.



STATEMENT OF ACCOUNTS PROCESS

- **Legislative Drivers**
 - Local Government Act 2003
 - Accounts and Audit Regulations 2015
- **International Financial Reporting Standards (IFRS)**
 - CIPFA's Codes of Practice
 - CIPFA's Guidance Notes
- **Timeframes**
 - Draft Accounts – 31st May (previously 30th June)
 - Audited Accounts – 31st July (previously 30th September)



THE ROLE OF THE AUDIT COMMITTEE

- **Financial Reporting / Accounting Policies**
 - Review Financial Statements / ISA 260 Report;
 - Review the suitability of the Council's accounting policies.
- **Risk Management & Governance**
 - Consider the effectiveness of the Council's risk management arrangements & control environment;
 - Oversee the Council's risk management policy and strategy;
 - Consider the Annual Governance Statement.
- **Fraud**
 - Review the annual counter fraud plan of activity and resources and alignment to fraud risk profile;
 - Oversee any major areas of fraud identified and monitoring action plans to address control weaknesses.



STATEMENT OF ACCOUNTS – WHAT

HAS CHANGED?

- Code Changes:
 - 1. Changes to Accounting for Investments;
 - **BMBC Impact (Valuation) – No Impact to GF**
 - **BMBC Impact (Expected Credit Losses) – Additional Charge to General Fund of £326k**
 - 2. Changes to Accounting for Revenues from Contracts;
 - **BMBC Impact – No Impact**
- Other Changes:
 - The Introduction of Summary Accounts & Explanatory Notes;
 - The Introduction of Technical Annexes.



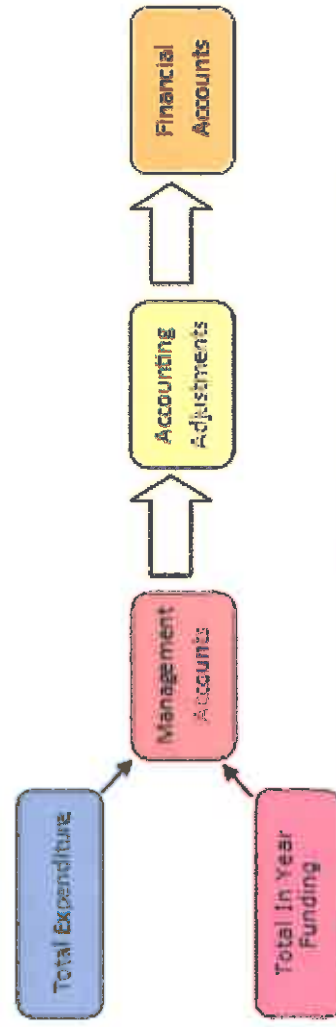
FUNDING BASIS VS ACCOUNTING BASIS



The management accounts financial position is as per statute in respect of what can and what cannot be charged to the Council Tax payer, bringing together **total expenditure** and **total in year funding**.

The financial accounts financial position is as per the accounting regulations / standards.

Where the two positions differ, a number of accounting adjustments are actioned to ensure that the two positions are respectively adhered to.



WE'LL BE GO
EXCELLENT

WE'RE
PROUD

WE'RE A
TEAM

WE'RE
HONEST



BARNSELEY
Metropolitan Borough Council

MANAGEMENT ACCOUNTS

The Management Accounts - Revenue

Net Revenue Expenditure 2018/19

The table below shows the total spend of the Council for 2018/19, displayed against the individual operational directorates, compared to the year-end budget, as per the Final Accounts Report.

Management Accounts	Year End Budget	Actual Income / Expenditure	(Under) / Over Spend	Earmarkings	Operational (Under) / Over Spend	Corporate Earmarkings	Final Position
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
People	81,593	71,257	(10,336)	6,989	(9,347)		
Place	39,448	36,836	(2,612)	2,610	(2)		
Communities	22,214	17,089	(5,125)	4,807	(318)		
Public Health	4,260	(369)	(4,629)	4,629	-		
Core Services	(11,218)	(14,594)	(3,376)	2,893	(478)		
Total Services	136,297	110,219	(26,078)	21,933	(4,145)		
Corporate Services	32,691	11,573	(21,118)	17,806	(3,312)		
Total General Fund	168,988	121,792	(47,196)	39,739	(7,457)		
Use of Reserves	52,955	32,955	-	-	-		
Total Year End Position	221,943	174,747	(47,196)	39,739	(7,457)	6,300	(657)
Housing Revenue Account	8,847	4,444	(4,403)	3,155	(1,247)	-	(1,247)
Net Council Expenditure	230,790	179,191	(51,599)	42,895	(6,704)	6,300	(1,904)
Corporate Funding		(160,986)					
		10,203					

Total Expenditure

• Year End Budget consists of:

- GF Originally Approved Budget - £168.9M
- Use of GF Reserves - £53.0M
- Use of HRA Reserves - £8.8M

Movement in General Fund / HRA Balances

Total In Year Funding

GF Underspend for 2018/19 - £0.657M

HRA Underspend for 2018/19 - £1.247M

ACCOUNTING ADJUSTMENTS

Management Accounts:

The table below (**The Expenditure & Funding Analysis in the Accounts**) then takes the management accounts (adjusted for the Code's presentation requirements – **Note 1 in the accounts**) and adds the accounting adjustments, resulting in the financial accounts position in the Comprehensive Income & Expenditure Statement.

	2018/19		
	Management Accounts £000s	Accounting Adjustments £000s	Financial Accounts £000s
People	71,265	13,494	84,759
Place	37,560	31,365	68,925
HRA	(22,830)	22,012	(818)
Communities	17,231	4,035	21,266
Public Health	(369)	289	(80)
Core Services	(14,499)	2,846	(11,653)
Corporate Services	(12,106)	(143)	(12,249)
Net Cost of Services	76,232	73,898	150,150
Other Operating Income & Expenditure	431	69,503	69,934
Financing & Investment Income & Expenditure	41,669	9,454	51,123
Taxation & Non Specific Grant Income	(170,566)	(30,700)	(201,366)
(Surplus) / Deficit on Provision of Services	(52,314)	122,155	69,841
Below the Line Items	62,517	(62,517)	-
TOTAL	13,812	59,638	60,841

STATEMENT OF ACCOUNTS

- Structure:
 - Narrative Report;
 - 4 Core Statements;
 - Disclosure Notes;
 - Technical Annexes.



FINANCIAL ACCOUNTS - THE MOVEMENT IN RESERVES STATEMENT (Page 37)

The Movement in Reserves Statement

This statement shows the movement on reserves that can be used to fund spend / reduce council tax (useable reserves) and the movement on reserves that represent accounting / timing differences (unusable reserves). Ordinarily, the accounting adjustments adjust the useable reserves with the unusable reserves.

This statement also provides reconciliation between the financial accounts and management accounts.

Movement in Reserves During 2018/19									
Financial Accounts	General Fund Balance	Trading Account	Capital Receipts	Capital Expenditure	Reserve Fund	Capital Grants	Unusable Reserves	Total Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance of Reserves at 1st April 2018	135,793	41,517	12,195	4,198	4,262	197,956	(140,439)	57,517	57,517
Total Comprehensive Expenditure & Income	(59,784)	(10,047)	-	-	-	(69,841)	4,503	(65,338)	(65,338)
Adjustments Between Accounting Basis & Funding Basis Under Regulations	54,034	5,604	2,885	6,609	1,534	70,666	(70,666)	-	-
Net Increase / (Decrease) in 2018/19	(5,760)	(4,443)	2,885	6,609	1,534	825	(66,161)	(65,338)	(65,338)
Balance of Reserves at 31st March 2019	130,033	37,074	15,071	10,807	5,796	198,781	(206,600)	(7,819)	(7,819)

Accounting Adjustments

Management Accounts

Capital Receipts Reserves:
• This reserve represents unspent capital receipts received by the Council from sale of fixed assets

Major Reserve Reserves:
• This reserve represents unspent HRA funding set aside for capital purposes.

Capital Grants Unavailable Reserves:
• This reserve represents unspent capital grants received by the Council

FINANCIAL ACCOUNTS - THE COMPREHENSIVE INCOME STATEMENT (Page 27)

The Comprehensive Income & Expenditure Statement (CIES)

This statement shows the net accounting cost of providing services to the public for the year. In the private sector, the equivalent statement would be a profit and loss account. This statement represents the management accounts position as per statute plus accounting adjustments.

The CIES also explains the movement between the Authority's balance sheet at the start of the period, and the end of the period.

	2019/20		
	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Net Cost of Services	549,541	(392,391)	150,150
Other Operating Expenditure	81,131	(11,197)	69,934
Financing & Investment Income & Expenditure	58,236	(7,113)	51,123
Taxation & Non Specific Grant Income	-	(201,369)	(201,369)
(Surplus) / Deficit on Provision of Services	688,908	(619,067)	69,841
Other Comprehensive Income & Expenditure	44,224	(53,722)	(4,508)
Total Comprehensive Income & Expenditure	733,132	(667,796)	65,336

Financial Accounts

Movement on Balance Sheet

FINANCIAL ACCOUNTS - THE BALANCE SHEET (Page 24)

The Balance Sheet (The Net Worth)

This statement shows the financial position as at the 31st March, compared to the position as at 1st April the preceding year. The top half of the balance sheet shows the Authority's "Net Worth" which presents the net position in terms of what the Authority owns and what the Authority owes.

Below shows the Authority's balance sheet with high level analysis of movements in the year:

2017/18 £000s	2016/17 £000s	Change £000s
1,163,665	1,248,940	(84,275)
19,305	18,400	(899)
4,919	5,330	+412
35,039	156,926	+121,887
1,154	1,069	(85)
29,200	37,256	(2,044)
34,362	35,381	+829
114,293	235,972	+120,979
1,297,963	1,403,318	+105,355
(45,567)	(94,707)	+49,140
(8,832)	(8,851)	(1)
(41,643)	(54,342)	+12,719
(4,790)	(7,184)	+2,394
(16,324)	(21,834)	+5,430
(117,376)	(187,058)	+69,682
(322,837)	(571,353)	+248,516
(219,786)	(210,922)	(8,866)
(4,349)	(3,736)	(612)
(376,097)	(437,859)	+61,761
(1,123,070)	(1,224,078)	+101,009
(1,240,446)	(1,411,137)	+170,691
55,897	(62,826)	(118,723)
55,897	(62,826)	(118,723)

Movement
on Balance
Sheet

Property & Equipment +£14.7M
Assets held by the Council that assist in service delivery e.g. Land & Buildings, Vehicles, Equipment.
• Additions +£89.5M
• Depreciation (-£31.7M)
• Revaluations +£5.1M
• Disposals (-£70.5M)

Short Term Investments +£121.8M
Total amounts of investment balances due to the Authority.
• Increase in cash as a result of increase in borrowing - as per below. Invested until used on future capital expenditure.

Cash & Cash Equivalents +£0.829M
The Council's bank and cash balances & on call investments.
• See Cash Flow Statement

Total Borrowing +£97.9M
Total amounts of loans owed by the Council.
• Increase in borrowing as per Treasury Strategy of providing budgetary certainty by fixing interest payments at relatively low levels.

Retirement Benefit Obligations +£61.8M
The pension deficit of the Council's pension fund, as determined on an accounting basis.
NB: The ongoing contributions due to be made to the fund from the Authority addresses the pension position on a funding basis, which is measured using a different set of assumptions.
• Actuarial Gains / Losses -£44.0M
• Increase in Value of Assets (£6.0M)
• Increase in Value of Liabilities -£23.7M

NEXT STEPS

- Debate on the Accounts;
- External Audit Process – June - July;
- ISA 260 – Audit Findings – Late July.



