

TEWKESBURY BOROUGH COUNCIL

Report to:	Audit and Governance Committee
Date of Meeting:	24 July 2019
Subject:	Statement of Accounts 2018/19
Report of:	Head of Finance and Asset Management
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Finance and Asset Management
Number of Appendices:	1

Executive Summary:

The Statement of Accounts for 2018/19 shows the financial position of the Council as at 31 March 2019 as well as the performance during the year. This year the statutory deadline for producing the accounts was brought forward to 31 May 2019.

This year saw working balances increase by £250k to at £800k and a slight decrease in the net worth to £13.5m.

Recommendation:

To APPROVE the Statement of Accounts 2018/19

Reasons for Recommendation:

It is a statutory duty for the Council to adopt the Statement of Accounts.

Resource Implications:

Revenue and Capital balances as detailed within the report.

Legal Implications:

The process and schedule for approval of the Statement of Accounts are regulated by the "Accounts and Audit (England) Regulations 2015"

Risk Management Implications:

None

Performance Management Follow-up:

None

Environmental Implications:

None.

1.0 INTRODUCTION/BACKGROUND

- 1.1 This is the second year where the deadline for the production of the accounts was 31 May rather than 30 June and the audit deadline was brought forward two months to 31 July.
- 1.2 The Audit Findings Report shows any adjustments made to the accounts as a result of the audit.
- 1.3 The Committee is asked to review the content of the Statement of Accounts, in line with the information contained in the Audit Findings Report, and approve them for publication.

2.0 REVIEW OF THE STATEMENT OF ACCOUNTS

2.1 Income and Expenditure

- 2.1.1 Working balances have increased by £250k to £800k because of the following activity during the year (see table below). The Council managed a surplus of £2.7m against its net budget which can be shown below:

	Full Year Budget	Outturn Position	Savings / (deficit)
	£	£	£
Employees	9,319,411	9,159,512	159,899
Premises	610,297	533,937	76,360
Transport	165,777	135,772	30,005
Supplies & Services	1,913,446	2,003,907	-90,461
Payments to Third Parties	5,438,570	5,982,432	-543,862
Transfer Payments	4,382	-54,625	59,007
Income	-6,889,995	-8,370,713	1,480,718
Service Total	10,561,888	9,390,223	1,171,665
Treasury activity	117,260	46,502	70,758
Commercial activity	-1,928,859	-2,210,041	281,182
Corporate Savings Targets	-17,500	0	-17,500
New Homes Bonus	-3,179,723	-3,179,723	0
Business Rates Income	-2,694,620	-3,874,011	1,179,391
Other adjustments	-3,636,166	-3,636,167	1
Council Total / Transfer to reserves	-777,720	-3,463,217	2,685,497

2.1.2 The surplus can primarily be attributed to additional business rates retention income, substantial external grant funding being received and increased commercial investment income.

2.1.3 Direct service expenditure shows a positive variance of £1,171,665 against budget and is mainly attributable to the items outlined below:

- the employees' full year budget is underspent largely as a result of staff turnover and vacancies in most service groupings;
- premises is underspent as a result of savings on utilities and the release of New Homes Bonus monies to support the asset maintenance programme in future years;
- savings on transport have been generated across all service areas and result from reduced car allowance scheme costs plus reduced business mileage;
- payments to third parties is showing a significant overspend and is as a result of the overspend on the Ubico contract (see information in paragraphs below) as well as payments for work undertaken in areas such as the Community Infrastructure Levy and Joint Core Strategy where partner finance or reserves exist to cover the cost; and
- Council income is showing additional income levels of £1.48m over the budgeted provision. The majority of fees and charges budgets, with the exception of planning fees, have been delivered on budget during the year with a few areas, such as garden waste, being beyond expected levels. The large variance is therefore as a result of substantial external grant income being received during the year. The Council has received a number of new burdens grants from the government but has also attracted significant service specific grants particularly in relation to the delivery of the requirements for the Joint Core Strategy. In addition, the Council has attracted significant funding to support its housing and homeless activities.

2.1.4 Although the Council made a £2.7m surplus against its budget, the surplus on the provision of services shown in the Expenditure and Funding analysis (Note 5) is £4.078m. This is because it includes income and expenditure against earmarked reserves and planning obligations which we do not budget for.

2.1.5 To complicate things further, the surplus on provision of services in the Comprehensive Statement of Income and Expenditure (in accordance with accounting regulations) is £3.729m. This figure includes capital, IAS19 pension adjustments and other items that cannot be charged to Council Tax payers.

2.2 Balance Sheet

2.2.1 The total net worth of the Council, the aggregate value of all of the assets and liabilities in the balance sheet, has decreased slightly to £13.5m.

The change in net worth is summarised in the Movement in Reserves Statement and there are a number of movements which contribute to this, including;

- an increase of £8m on Investment Properties due to the purchase of two new properties this year;
- an increase of £14m in long term liabilities as the Council fixes some of the borrowing for property purchase due to the very low interest rates on offer at the moment; and
- the pension deficit has decreased by over £5m (18%) due to a fall in the corporate bond yields which has the effect of increasing the value of the liabilities despite higher investment returns this year.

2.3 Collection Fund Balances

2.3.1 The balance on the Collection Fund for Council Tax at the year-end was a surplus of £758k.

2.3.2 Any Balance on the Council Tax Fund will be redistributed amongst the precepting bodies of Gloucestershire County Council, Gloucestershire Police and ourselves, based on a proportion of the total precept demand from each body. £390k has already been allocated, based on an estimate of the outturn position in January 2019. The remaining balance of £368k will be incorporated in to the 2018/19 estimate of outturn in January 2020.

2.3.3 The balance on the Collection Fund for Business rates at the year-end was a surplus for the first time (£951k) which is £2.7m better than last year (£1.8m deficit). This is due to us being in a Gloucestershire-wide pilot and a positive position on the retained business rates scheme. The benefit of being in the pilot was £883k in 2018/19.

2.4 Capital Resources

2.4.1 The table below sets out the Council's capital resources at 31 March 2019. The total balance is £1.2m including capital grants; however, after allowing for commitments of £691K the unallocated budget available for new capital projects is £420k.

	Usable Capital Receipts (£'000)	Capital Grants (£'000)	Total (£'000)
Balance at 31/03/19	1,158	88	1,246
Capital Commitments - next 3 years	691	88	779
Balance Available	467	0	467

2.4.2 Expenditure on capital projects was £10.7m in 2018/19 and included £8.5m on two new investment properties, £1.1m on the refurbishment of the Public Service Centre and £486k on Disabled Facilities Grants.

2.4.3 The Council is financing the £8.5m for the new investment properties through borrowing. At the end of the financial year, the Council was borrowing £14m at rates between 0.8% and 0.9% pa (short term) and £14m long term over 40 years at 2.35% (£11m) and 2.47% (£3m) to balance out the risk of interest rate rises.

3.0 OTHER OPTIONS CONSIDERED

3.1 The Committee can amend the accounts if required, or not approve them (which would contravene the Accounts and Audit (England) Regulations 2015).

4.0 CONSULTATION

4.1 The accounts and supporting documents were available for inspection by any person interested between 3 June 2019 and 12 July 2019; however, (at the time of publication) no one had exercised these rights.

Between 3 June 2019 and 12 July 2019, the auditor has been available to receive questions and objections relating to the accounts from local electors.

Both these opportunities were placed on the Council's website.

5.0 RELEVANT COUNCIL POLICIES/STRATEGIES

5.1 The control and good management of financial resources is essential in order to effectively deliver the Council's priorities.

6.0 RELEVANT GOVERNMENT POLICIES

6.1 The Accounts and Audit (England) Regulations 2015

7.0 RESOURCE IMPLICATIONS (Human/Property)

7.1 None

8.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

8.1 None

9.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

9.1 The Statement of Accounts is available in a number of different formats depending on the users' needs.

10.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

10.1 Executive Committee on 12 June 2019 approved the inclusion of Earmarked Reserves and the financing of capital expenditure.

Background Papers: None

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Appendices: Appendix A – Statement of Accounts