City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Governance & Audit to be held on Friday 28 June 2019

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Subject: 2018-19 Draft Statement of Accounts

Summary statement:

This report presents the Council's 2018-19 draft statement of accounts. These accounts are subject to approval from external audit.

This report also briefly details the salient financial implications from the accounts. A further report on the accounts will be presented at the meeting of Governance & Audit on 31 July 2019. It is also anticipated that the final 2018-19 accounts will be presented on this date.

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Portfolio:

Corporate Services

Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

This report presents the 2018-19 draft Statement of Accounts (Appendix A) and provides an update on the key financial points arising.

The recommendation contained in this report is to note the contents of this report.

2. BACKGROUND

In accordance with the 2015 Accounts & Audit Regulations, the Council prepared a draft statement of accounts for 31 May 2019.

These accounts are now available for public scrutiny on the Council's website and are in the process of being externally audited.

3. OTHER CONSIDERATIONS

Following public scrutiny and the external audit, it is anticipated that the audit statement of accounts will be presented to the Governance and Audit Committee on 31 July 2019 for approval.

4. FINANCIAL & RESOURCE APPRAISAL

The key financial implications as at 31 March 2019 from the draft 2018-19 statement of accounts are summarised below:

- The General Fund Balance ended the year at £15m and earmarked reserves on £166m. Both these amounts represent cash funds, but which can be spent once only. The General Fund Balance is held in accordance with statute; the purpose is as a safety net against unexpected variations in the Council's annual expenditure – which was £1.1 billion as shown in the cost of services in the Comprehensive Income and Expenditure Statement. The earmarked reserves are held to protect against specific risks and commitments. For example, this includes the increasing volatility of the Council's funding as Government grants reduce.

- The Council spent £84m on long term infrastructure, as part of its Capital Programme. £31m of this spend was financed by borrowing. £5m was financed by receipts from the sale of property. £43m was financed by grants, with the remainder from miscellaneous sources.

- At the end of the year, the Council also held £47m of grants provided by external public sector bodies, which will be used in the future to finance the Capital Programme.

- Working capital was positive with short-term debtors and available cash higher than short-term creditors.

- The Council has £700m of borrowing for infrastructure spend. £220m is temporarily borrowed from the Council's own cash held in earmarked reserves in order to reduce interest payments. £4m relates to miscellaneous

historical debt. £314m is actual borrowing from the Public Works Loan Board. £162m is in the form of contractual Private Finance Initiative liabilities. This last part of the borrowing is funded by an annual revenue grant from the Government, so currently there is no cost to the Council. However, this grant will be used up over a shorter period than is being used to repay the borrowing, so eventually there will be an annual cost arising from Private Finance Initiative Liabilities.

- Borrowing is in line with projections. Amounts previously set aside to pay for it were estimated at a higher proportion than outstanding usage on related land and buildings. As a result, the Council paid back to itself £23m in 2018-19 from these amounts set aside, transferring the cash amount into earmarked reserves. This follows a transfer for a similar amount in the 2017-18 financial year.

- Against the £700m of borrowing, the Council has £1,054m of land, buildings, equipment and other infrastructure. The value of the Council's long-term property is therefore significantly higher than the outstanding debt relating to it.

- Other considerations in any comparison between borrowing and infrastructure are that the Council's schools are converting to academies: accounting rules mean that as these academies are independent, their buildings can no longer be shown in the Council's accounts. For instance, 17 schools converted to academies in 2018-19, removing land and buildings to the value of £39m from the Council's balance sheet. Another consideration, though, is that borrowing would be expected to be lower than the Council's infrastructure because it has been partially financed by grants.

- The Council's estimated pension fund deficit has increased to £979m, based on an estimate made in accordance with accounting rules. However, this estimate is theoretical and is based on an extrapolation, looking into the future. It compares promised pension benefits to employees with the investments set aside to pay for them. Pension experts regard the assumptions used in the extrapolation as cautious. In reality, the actual cost of funding employees' pensions is determined by a different valuation, the results of which are already factored into the Council's Medium Term Financial Strategy. This separate valuation also suggests the current value of the balance between pension benefits and investments is nearer breakeven.

- The Council maintains a separate fund for Business Rates and Council Tax, from which it distributes pre-agreed shares to itself, the Government, West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner. Overall the fund ended 2018-19 close to a break even position for both Business Rates and Council Tax. However, the Council's own share was a £1.1m surplus on Business Rates, with the Government holding a £1.1m deficit. This arose due to differences in the ratios of the amounts to be distributed between the Council and the Government in previous years. The Council's surplus will help support the budget in future years.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

Recommendation is to note the 2018-2019 financial results only.

6. LEGAL APPRAISAL

No issues arising.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

No issues arising

7.2 SUSTAINABILITY IMPLICATIONS

No issues arising.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

No issues arising.

7.4 COMMUNITY SAFETY IMPLICATIONS

None

7.5 HUMAN RIGHTS ACT

None

7.6 TRADE UNION

None

7.7 WARD IMPLICATIONS

None

7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

None

7.9 IMPLICATIONS FOR CORPORATE PARENTING

None

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

No options

10. RECOMMENDATIONS

The financial results from the 2018-19 statement of accounts are noted.

11. APPENDICES

Appendix A: Draft (Unaudited) Statement of Accounts

12. BACKGROUND DOCUMENTS

None