City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Governance & Audit to be held on 26 November 2020

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Subject: 2019-20 audited Statement of Accounts

Summary statement:

This report presents the Council's 2019-20 audited statement of accounts.

This report also briefly details the key financial points from the accounts.

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Portfolio:

Corporate Services

Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

This report presents the 2019-20 (updated draft) Statement of Accounts (Appendix A) and summarises the key financial points arising.

The recommendation contained in this report is to approve the (updated draft) 2019-20 statement of accounts.

2. BACKGROUND

The 2015 Accounts & Audit Regulations were amended by the Coronavirus (Covid-19): Letter to Councils about extending the statutory audit deadlines for 2019-20.

In compliance with these amended regulations, the Council prepared a statement of accounts for 3 July 2020.

3. OTHER CONSIDERATIONS

Following on from the 3 July 2020, the draft 2019-20 statement of accounts were externally audited. The process has been necessarily protracted as organisations have adjusted to new working methods and managed additional workloads.

4. (A) FINANCIAL & RESOURCE APPRAISAL

The key financial implications as at 31 March 2020 from the 2019-20 statement of accounts are summarised below:

- The General Fund Balance ended the year at £15m and earmarked reserves on £192m. 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 £81m on long term infrastructure, as part of its Capital Programme. £11m of this spend was financed by borrowing. £2m was financed by receipts from the sale of property. £45m was financed by grants, with the remainder from miscellaneous sources.

- At the end of the year, the Council also held £34m 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 £711m of borrowing for infrastructure spend. £210m is

temporarily borrowed from the Council's own cash held in earmarked reserves in order to reduce interest payments. £3m relates to miscellaneous historical debt. £336m 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. However, a reserve is earmarked to mitigate these future costs.

- Borrowing is slightly lower than estimated. 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 2019-20 from these amounts set aside, transferring £5m cash amount into earmarked reserves.

- Against the £711m of borrowing, the Council has £1,030m 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, 4 schools converted to academies in 2019-20, removing land and buildings to the value of £27.4m 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 £1,046m, based on an estimate made in accordance with accounting rules. This 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. The actual cost of funding employees' pensions over the short term is determined by a different valuation, the results of which are already factored into the Council's Medium Term Financial Strategy. This separate valuation gives a different result: which suggests the current value of the balance between pension benefits and investments is closer to 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 2019-20 close to a £1.5m surplus for Business Rates and Council Tax combined. However, the Council's own share was a £1.4m surplus on Business Rates, with the Government holding a £0.3m surplus. 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.

4 (B) Audit Completion Report

All misstatements in the draft accounts have been corrected. The most significant adjustment was in relation to the recalculation of the Council's pension liability. This arose due an actuarial adjustment, and was not related to the Council's internal processes.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

These are addressed in the body of the report.

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 2019-20 statement of accounts are approved by Governance and Audit Committee.

11. APPENDICES

Appendix A: 2019-20 Statement of Accounts

12. BACKGROUND DOCUMENTS

None