

BARNSLEY MBC

SUMMARY ACCOUNTS & EXPLANATORY NOTES 2018/19



2018/19 SUMMARY ACCOUNTS & EXPLANATORY NOTES

Introduction

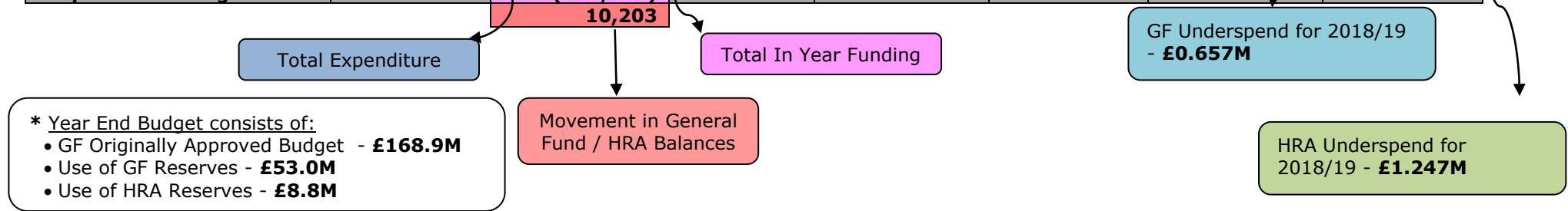
These summary accounts are intended to provide explanation and reconciliation of the Authority's actual spend charged to the Council Tax / Business Rates payers as prescribed by Law, to the Financial Accounts which are compiled as per accounting requirements. It also provides context and high level analysis of the Core Financial Statements included within the 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	(3,347)		
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)	2,898	(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	52,955	-	-	-		
Total Year End Position	221,943	174,747	(47,196)	39,739	(7,457)		6,800
Housing Revenue Account	8,847	4,444	(4,403)	3,156	(1,247)	-	(1,247)
Net Council Expenditure	230,790	179,191	(51,599)	42,895	(8,704)	6,800	(1,904)
Corporate Funding	-	(168,988)	-	-	-	-	-



SUMMARY ACCOUNTS & EXPLANATORY NOTES

Corporate Funding

The table below shows the level of corporate, non-specific funding received by the Authority in 2018/19:

	£000s
Revenue Support Grant	19,022
Business Rates Retained Share including Collection Fund Surplus	22,312
Business Rates Top Up	31,641
Council Tax including Collection Fund Surplus	92,426
Section 31 Grants	3,587
Total	168,988

General Fund / HRA Reserves Analysis

The table below shows the movement on both the General Fund and HRA Reserves in the 2018/19 financial year:

RESERVES POSITION	In Year GF Position	General Fund		HRA	Total
		General Reserves	Earmarked Reserves	HRA Reserves	Total
	£000s	£000s	£000s		£000s
Balance Brought Forward as at 1st April 2018	-	15,000	120,793	41,517	177,310
Actual Net Revenue Expenditure	(121,792)	-	(52,955)	(4,444) *	(179,191)
Corporate Funding	168,988	-	-	-	168,988
Earmarked Reserves into 2019/20	(46,539)	-	46,539	-	-
Surplus / Deficit	(657)	-	657	-	-
Balance Carried Forward as at 31st March 2019	-	15,000	115,034	37,073	167,107

* HRA Position for 18/19 is shown as a total amount to adhere to Statute

HRA Analysis (Shown Net):

- Use of Reserves - (£8.8M)
- Earmarked - £3.2M
- In Year Surplus - £1.2M

Total In Year Funding

Year End Reserves Position:

The year-end reserves and the expected profile of their use are shown in the table below:

General Fund Reserves	As at 31 st March 2019	HRA Reserves	As at 31 st March 2019
	£000s		£000s
Minimum Working Balance	15,000	Minimum Working Balance	5,200
In Year Surplus	657	In Year Surplus	1,247
Total General Reserves	15,657	Total General Reserves	6,447
Glassworks Scheme	19,124	Capital Reserve	3,585
Future Council Priorities	22,371	Housing Growth	18,663
Future Demography / Social Care Pressures	10,000	Welfare Reform	3,000
School Balances	2,335	New Build Bungalows	1,422
Future Council – Downsizing Costs / KLOE Mitigation	9,608	Held Pending Review of 30 Year Business Plan	3,000
PFI / BSF Programme	5,647	Other	957
Public Health Grant	2,629		
Insurance Fund Reserve	6,200		
Other	36,462		
Total Earmarked Reserves	114,376	Total Earmarked Reserves	30,627
Total General Fund Reserves	130,032	Total HRA Reserves	37,074

SUMMARY ACCOUNTS & EXPLANATORY NOTES

The Management Accounts - Capital

Capital Expenditure 2018/19

The table below shows the total capital spend of the Council for 2018/19, displayed against the types of expenditure.

Asset Categories	2018/19 £000s
Property, Plant & Equipment	26,612
Council Dwellings	22,387
Vehicles, Plant, Furniture & Equipment	1,660
Assets Under Construction	25,467
Infrastructure Assets	13,337
Intangible Assets	293
Heritage Assets	-
Non BMBC Assets	3,650
Total	93,406

£35.5M on Glassworks – Including Metropolitan Centre, Public Realm, Market Gate Bridge, Library and Phase 2.

£1.3M on purchasing the Core Building, County Way

£22.4M on Maintaining the Council House Stock at Decency Standard

£3.1M on the Blenheim View Development, Longcar Lane

£7.1M on highways maintenance

£3.3M on purchase of dwelling stock

The table below shows how that capital expenditure was funded by the Council in 2018/19.

Funding Source	2018/19 £000s
Capital Grants	22,831
Third Party Contributions (Inc. S106)	3,097
Capital Receipts	5,805
Revenue Contributions	8,432
Reserves	30,015
Major Repairs Reserve	14,718
Prudential Borrowing	8,508
Leasing	-
Total	93,406

SUMMARY ACCOUNTS & EXPLANATORY NOTES

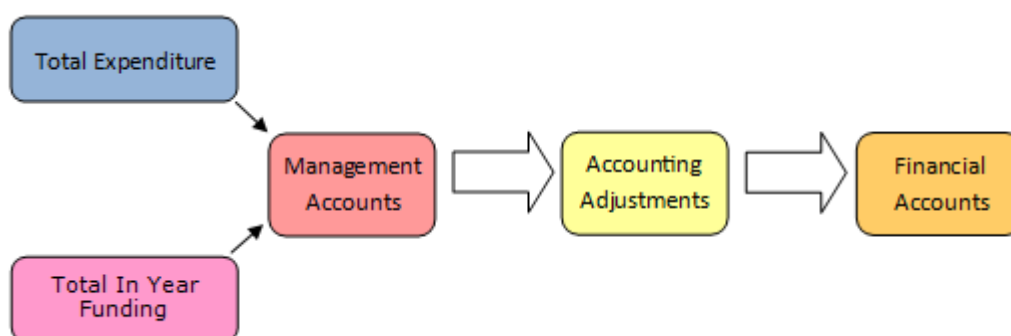
The Management Accounts To The Financial Accounts

These explanatory notes explain how the financial position reported to the Authority (**management accounts**) is different to the financial position as reported in the statement of accounts (**financial accounts**).

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.



A number of notes are included within the Statement of Accounts to assist the reader of the accounts in respect of explaining the relationship between the two.

The Expenditure and Funding Analysis (EFA) and Note 1 are key to this understanding, and are explained below.

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	Accounting Adjustments	Financial Accounts
	£000s	£000s	£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	76,252	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	(170,666)	(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	10,203	59,638	69,841

SUMMARY ACCOUNTS & EXPLANATORY NOTES

Accounting Adjustments:

The accounting adjustments applied are to take account of items that need to be included in the **Financial Accounts** that are not in the **Management Accounts**, and vice versa. The table below (**Note 2 in the Accounts**) shows the **Accounting Adjustments** between the Accounting Basis (**Financial Accounts**) and the Funding Basis (**Management Accounts**)

<u>Adjustments from General Fund / HRA to Arrive at the Comprehensive Income and Expenditure Statement Amounts</u>	2018/19			
	Adjustments for Capital Purposes	Net Change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000s	£000s	£000s	£000s
People	7,747	5,057	690	13,494
Place	30,179	1,302	(116)	31,365
HRA	22,012	-	-	22,012
Communities	3,267	858	(90)	4,035
Public Health	-	299	(10)	289
Core Services	2,101	823	(78)	2,846
Corporate Services	-	8	(151)	(143)
Net Cost of Services	65,306	8,347	245	73,898
Other Operating Income & Expenditure	69,503	-	-	69,503
Financing & Investment Income & Expenditure	-	9,454	-	9,454
Taxation & Non Specific Grant Income	(27,841)	-	(2,859)	(30,700)
Difference Between General Fund Surplus or Deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	106,968	17,801	(2,614)	122,155
Below the Line Items	(54,652)	(8,970)	1,105	(62,517)
TOTAL NET EXPENDITURE	52,316	8,831	(1,509)	59,638

The respective adjustments are explained below together with examples of the practice:

Adjustments for Capital Purposes:

These adjustments relate to the consumption and financing of the Council's assets. For example:

- Under the accounting basis, the cost of the depreciation (the consumption in providing services) of the Council's fixed assets needs to be presented in the CI&ES. Therefore, the depreciation charge is included in the net cost of services line of the CI&ES (**Financial Accounts**);
- Under the funding basis, statute says that the cost of depreciation is not to be charged to the taxpayer;
- Therefore, the depreciation charge is adjusted so that it is not included against the general fund position and therefore the Council Tax payer (**Management Accounts**)

Adjustments for Pensions:

These adjustments relate to the adjustments required to comply with the pensions accounting standard IAS 19. For example:

- Under the funding basis, statute determines that the annual cost of pensions to be recognised against the Council Tax / Rent payer. This amount is included in the **management accounts**;
- Under the accounting basis, the cost of the pension earned in year rather than what is paid, is required to be charged to the CI&ES;
- Therefore the actual cost of pensions is stripped out and replaced with the accrued pension cost, which is included in the CI&ES (**Financial Accounts**).

SUMMARY ACCOUNTS & EXPLANATORY NOTES

The Core Financial Statements

The core financial statements are made up of 4 key statements, which will be described and explained below, and represent the **financial accounts** of the Authority.

The layout and format of these statements are prescribed by the Accounting Code of Practice.

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	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Reserve	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s		£000s	£000s	£000s	£000s
Balance of Reserves at 1st April 2018	135,793	41,517	12,186	4,198	4,262	197,956	(140,439)	57,517
Total Comprehensive Expenditure & Income	(59,794)	(10,047)	-	-	-	(69,841)	4,505	(65,336)
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)	(65,336)
Balance of Reserves at 31st March 2019	130,033	37,074	15,071	10,807	5,796	198,781	(206,600)	(7,819)

Accounting Adjustments

Management Accounts

Capital Receipts Reserve:

- This reserve represents unspent capital receipts, received by the Council from sale of fixed assets

Major Repairs Reserve:

- This reserve represents unspent ringfenced HRA funding set aside for capital purposes.

Capital Grants Unapplied Reserve:

- This reserve represents unspent capital grants received by the Council

SUMMARY ACCOUNTS & EXPLANATORY NOTES

The Comprehensive Income & Expenditure Statement (CI&ES)

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 **CI&ES** also explains the movement between the Authority's balance sheet at the start of the period, and the end of the period.

	2018/19		
	Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
Net Cost of Services	549,541	(399,391)	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	-	(201,366)	(201,366)
(Surplus) / Deficit on Provision of Services	688,908	(619,067)	69,841
Other Comprehensive Income & Expenditure	44,224	(48,729)	(4,505)
Total Comprehensive Income & Expenditure	733,132	(667,796)	65,336

Financial Accounts

Movement on Balance Sheet

An explanation of the key components is shown below:

- **Net Cost of Services** – The direct accounting cost of providing operational services to the public;
- **Other Operating Expenditure** – The accounting 'profit / loss' on the disposals of the Authority's fixed assets – including the transfer of maintained schools to academy status;
- **Financing & Investment Income & Expenditure** – The accounting cost of servicing the Authority's debt and interest payments in respect of the pension fund;
- **Taxation & Non Specific Grant Income** – The accounting income of the Authority's corporate funding, including Council Tax, NNDR and Government Grants;
- **(Surplus) / Deficit on Provision of Services** – The overall accounting cost of providing services to the public;
- **Other Comprehensive Income & Expenditure** – Accounting adjustments that relate directly to movement in unusable reserves that do not have any effect the general fund.

A breakdown of the CI&ES position in to subjective headings is shown below (**Note 6 in the accounts**):

	2018/19 £000s		2018/19 £000s	(Surplus) / Deficit on Provision of Services
Expenditure:		Income:		
Employee Benefits Expenses	182,361	Fees, Charges & Other Service Income	(137,463)	
Other Services Expenses	294,500	Interest & Investment Income	(1,772)	
Depreciation, Amortisation, Impairment	77,689	Income From Council Tax & Non-Domestic Rates	(118,028)	
Interest Payments	53,227	Government Grants & Contributions	(350,607)	
Precepts & Levies	431	Receipts from Disposal of Assets	(11,197)	
Payments to Housing Capital Receipts Pool	1,671			
Disposal of Fixed Assets	79,029			
Total	688,908		(619,067)	69,841

SUMMARY ACCOUNTS & EXPLANATORY NOTES

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		2018/19	Change
£000s		£000s	£000s
1,163,665	PROPERTY & EQUIPMENT	1,148,940	(14,725)
19,305	OTHER LONG TERM ASSETS	18,406	(899)
	CURRENT ASSETS		
4,918	Assets 'Held for Sale'	5,330	+412
35,059	Short Term Investments	156,926	+121,867
1,154	Inventories	1,069	(85)
39,300	Short Term Debtors	37,256	(2,044)
34,562	Cash & Cash Equivalents	35,391	+829
114,993	Total Current Assets	235,972	+120,979
1,297,963	TOTAL ASSETS	1,403,318	+105,355
	CURRENT LIABILITIES		
(45,567)	Short Term Borrowing	(94,707)	+49,140
(8,852)	Other Short Term Liabilities	(8,851)	(1)
(41,643)	Short Term Creditors	(54,362)	+12,719
(4,790)	Provisions	(7,184)	+2,394
(16,524)	Grant Receipts in Advance	(21,954)	+5,430
(117,376)	Total Current Liabilities	(187,058)	+69,682
	LONG TERM LIABILITIES		
(522,837)	Long Term Borrowing	(571,563)	+48,726
(219,788)	Other Long Term Liabilities	(210,922)	(8,866)
(4,348)	Long Term Provisions	(3,736)	(612)
(376,097)	Retirement Benefit Obligations	(437,858)	+61,761
(1,123,070)	Total Long Term Liabilities	(1,224,079)	+101,009
(1,240,446)	TOTAL LIABILITIES	(1,411,137)	+170,691
57,517	NET LIABILITIES	(7,819)	(65,336)

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 +£6.1M
- Disposals (£78.6M)

Short Term Investments +£121.9M
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

Movement
on Balance
Sheet

SUMMARY ACCOUNTS & EXPLANATORY NOTES

The Balance Sheet (Reserves & Balances)

The "Net Worth" of the balance sheet is matched / balanced by a number corresponding reserves, split between useable and unusable reserves. In the private sector, the financial health of any organisation would be the net worth along with the accumulated profits. This is slightly different in the public sector where the financial health of any Authority can be measured by the level of useable reserves at its disposal.

2017/18 £000s		2018/19 £000s	Change £000s
	USABLE RESERVES:		
135,793	- General Fund	130,033	(5,760)
41,517	- Housing Revenue Account	37,074	(4,443)
12,186	- Useable Capital Receipts Reserve	15,071	+2,885
4,198	- Major Repairs Reserve	10,807	+6,609
4,262	- Capital Grant Unapplied Reserve	5,796	+1,534
197,956	TOTAL USABLE RESERVES	198,781	+825
	UNUSABLE RESERVES:		
54,750	- Capital Adjustment Account	(2,714)	(57,464)
62	- Deferred Capital Receipts Reserve	61	(1)
(11,588)	- Financial Instruments Adjustment Account	(12,693)	(1,105)
(393,603)	- Pensions Reserve	(446,392)	(52,789)
-	- Financial Instrument Revaluation Reserve	(263)	(263)
197,637	- Revaluation Reserve	240,484	+42,847
(2,900)	- Accumulated Absences Account	(3,145)	(245)
15,203	- Collection Fund Adjustment Account	18,062	+2,859
(140,439)	TOTAL UNUSABLE RESERVES	(206,600)	(66,161)
57,517	TOTAL RESERVES	(7,819)	(65,336)

Management
Accounts

Movement
on Balance
Sheet

Usable Reserves – these reserves can be used to fund the expenditure of the Authority on a funding basis. Each of them is briefly explained on the Movement in Reserves section of this paper.

Unusable Reserves – these reserves hold the Authority's gains and losses incurred in accordance with generally accepted accounting practices, representing a timing difference with that and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. Each of them is explained below:

Reserve	Description
Capital Adjustment Account	Holds the timing differences between when assets are consumed in service delivery and when they are financed.
Deferred Capital Receipts Reserve	Holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.
Financial Instrument Adjustment Account	Holds the timing differences arising from the different arrangements for accounting for income (discounts) and expenses (premiums) relating to certain financial instruments, in accordance with statutory provisions.
Pensions Reserve	Holds timing differences between pensions being accrued and they are actually settled, in accordance with statutory provisions.
Financial Instrument Revaluation Reserve	Holds timing differences between unrealised gains / losses in value on the Authority's financial instruments and when they are actually sold.
Revaluation Reserve	Holds timing differences between unrealised gains in value on the Authority's assets and when they are actually sold.
Accumulated Absences Account	Holds the differences relating to the accruing of absences, earned but not taken in year e.g. leave entitlement carried forward. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfer to or from the Account.
Collection Fund Adjustment Account	Holds the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Note 5 in the accounts provides further analysis of these reserves.

SUMMARY ACCOUNTS & EXPLANATORY NOTES

The Cash Flow Statement

The cash flow statement details the movement in the Authority's cash and cash equivalents during the period. The accounting cost of providing services as per the **financial accounts** is adjusted by the non-cash items e.g. depreciation. The cash flows are then analysed based on the type, between operating, investing and financing activities respectively.

	2018/19
	£000s
Net (Surplus) / Deficit on Provision of Services	69,841
Adjustments to Financial Accounts for Non-Cash Movements:	(188,546)
Adjustments for Non-Operating Activities:	36,962
Net Cash (Inflow) / Outflow From Operating Activities	(81,743)
Net Cash (Inflow) / Outflow From Investing Activities	172,029
Net Cash (Inflow) / Outflow From Financing Activities	(91,115)
Net (Increase) / Decrease in Cash & Cash Equivalents	(829)

Financial
Accounts

Non Cash Adjustments:

All non-cash transactions are removed e.g. depreciation, adjustments to pensions accounting etc. to equate to a cash position in terms of operating activities

Non-Operating Activities:

This adjustment removes any cash flows within the financial accounts that relate to non-operating activities. E.g. capital receipts / capital grants received.

Operating Activities: £81.7M Inflow

The Authority saw an inflow of cash from its day to day operations of providing services to the public.

Investing Activities: £172M Outflow

The Authority saw an outflow of cash from its investing activities. This was due to spending £86.0M on fixed assets and investing £124M of cash into investments. This was offset by receiving £11.2M capital receipts and capital grants received of £26.8M

Financing Activities: £91.1M Outflow

The Authority saw an outflow of cash from its financing activities. This was predominately due to new net borrowing undertaken.

Disclosure Notes

The Statement of Accounts provides substantial disclosure notes which corroborate the key figures within the 4 main financial statements which are prescribed by the Code.