



Blackburn with Darwen Council Statement of Accounts 2019/20

**AUDIT & GOVERNANCE COMMITTEE
TUESDAY 12TH JANUARY 2021**

Why prepare a statement of accounts?

- ▶ A legal requirement
- ▶ Accountability - do the accounts show a true and fair view of the Councils current position?
- ▶ Did the Council end the year with more or less money in reserves than it started with?
- ▶ What was the cost of providing Council services during the year and how were they funded?

Core Financial Statements and Explanatory Notes

**Comprehensive Income and
Expenditure Statement**

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Reserves

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Comprehensive Income and Expenditure Statement (Page 29)

- Reports on how the Council performed during the year and whether its operations resulted in a surplus or a deficit
- Shows the accounting position of the Council based on accounting standards, which is different from the revenue outturn position, but it allows comparisons between councils and with other organisations
- As well as the operating deficit of £40.325 million, it includes other amounts which relate to re-assessments of the values of assets:
 - Increases of £15.474 million in the valuation of the Council's non-current assets
 - An increase of £42.461 million in the net assets which underpin the Council's pension commitments

Expenditure and Funding Analysis

Note 1 page 34

The Expenditure and Funding Analysis shows how the net expenditure that is chargeable to taxation *i.e. revenue outturn reported on the basis of statutorily defined charges to the General Fund*, reconciles to the Comprehensive Income and Expenditure Statement, which is prepared in accordance with generally accepted accounting practices.

	2019/20 (Extract)		
	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Adults & Prevention Services	49,523	2,604	52,127
Public Health & Wellbeing	1,829	(353)	1,476
Children, young people & education	34,615	12,589	47,204

Expenditure and Funding Analysis – Note 1, page 34

- The first column of the Expenditure and Funding Analysis (EFA) presents the same information as the Revenue Outturn table on page 12 of the Narrative Report / the revenue outturn report to Executive Board in June 2020
- Column 2 summarises the accounting adjustments required – expanded on in pages 35-36 and Note 3 (page 38)
- Column 3 matches the Comprehensive income and expenditure statement i.e. accounting practice

Note 1 cont. - Items we make accounting adjustments for

- **Capital adjustments** (£17.671m):
 - various technical accounting adjustments which reflect the impact of capital expenditure and financing on the CIES but do not impact on the Council's general fund balance
- **Pension costs** (£26.370m)
 - the difference between the actual amount charged for pension liabilities arising during the year and the actuary's estimate of the underlying cost
- **Other adjustments** (-£0.838m), including:
 - the requirement to estimate the value of staff entitlements for outstanding leave and flexitime at the end of the financial year
 - excluding internal recharges / presentational changes

Balance Sheet (Page 32)

- This shows the value as at 31 March of the assets and liabilities recognised by the Council.
- The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council, which are reported in two categories – usable and unusable reserves (described further in the following slides)

	Balance Sheet	
31 March 2018 £000		31 March 2019 £000
462,837	Long term assets	465,146
52,732	Current assets	86,497
(101,113)	Current liabilities	(133,306)
(482,916)	Long term liabilities	(469,187)
(68,460)	Net assets	(50,850)
(40,105)	Usable reserves	(41,647)
108,565	Unusable reserves	92,497
68,460	Total reserves	50,850

Movement in Reserves Statement (Page 31)

- Analyses the changes in each reserve from year to year (further detail in Note 3 – page 38)
- Reserves represent the Council's net worth and show its spending power - they are analysed into two categories: usable and unusable
- Usable Reserves (Note 30 – page 68):
 - Result from the Council's activities
 - Can be spent in the future
 - Include:
 - General Fund balance, which includes both unallocated and earmarked reserves
 - Capital Receipts Reserve - amounts from the sale of assets, which can (with some limited exceptions) only be used to finance future capital expenditure
 - Capital Grants Unapplied - unspent amounts in respect of money received to support capital projects. Typically received for specific projects and so not available for wider use.

Unusable Reserves – Note 30 (Pages 69-72)

Most significant are:

- Revaluation Reserve - holds gains arising from increases in the value of the Council's property, plant and equipment assets. Gains only become available for use (realised) if the assets are sold.
- Capital Adjustment Account (CAA) Page 70
 - Holds all the transactions in respect of financing actual capital expenditure and the accounting adjustments for capital and non-current assets
- Pensions Reserve. The difference between the Council's long-term commitment to pensions payments and the current value of the assets available to cover them. Based on information provided by the Council's actuary.

The background is a dark teal color. It features several abstract shapes: a large light teal circle on the left, a medium light teal circle on the right, a small light teal circle at the top center, a small light teal circle at the bottom center, and a small red rectangle in the top right corner.

Any questions?