

Public Document Pack

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To: Cllr Chris Dolphin (Chairman)

Councillors: Janet Axworthy, Geoff Collett, Patrick Heesom, Joe Johnson,
Martin White and Arnold Woolley

Co-opted Members:

Sally Ellis and Allan Rainford

21 September 2021

Dear Sir/Madam

NOTICE OF REMOTE MEETING
GOVERNANCE AND AUDIT COMMITTEE
MONDAY, 27TH SEPTEMBER, 2021 at 10.00 AM

Yours faithfully

Robert Robins
Democratic Services Manager

Please note: This will be a remote meeting and 'attendance' will be restricted to Committee Members and those Members of Council who have asked the Head of Democratic Services for an invitation. Such attendees may only speak at the Chair's discretion.

The meeting will be live streamed onto the Council's website. A recording of the meeting will also be available, shortly after the meeting at <https://flintshire-public-i.tv/core/portal/home>

If you have any queries regarding this, please contact a member of the Democratic Services Team on 01352 702345.

A G E N D A

1 **APOLOGIES**

Purpose: To receive any apologies.

2 **DECLARATIONS OF INTEREST (INCLUDING WHIPPING DECLARATIONS)**

Purpose: To receive any Declarations and advise Members accordingly.

3 **MINUTES** (Pages 5 - 10)

Purpose: To confirm as a correct record the minutes of the meeting held on 28 July 2021.

4 **STATEMENT OF ACCOUNTS 2020/21** (Pages 11 - 168)

Report of Corporate Finance Manager - Cabinet Member for Finance, Social Value and Procurement

Purpose: To present the final audited version of the Statement of Accounts 2020/21 for approval.

5 **FLINTSHIRE FINANCIAL SUSTAINABILITY ASSESSMENT FINAL REPORT** (Pages 169 - 190)

Report of Chief Executive, Corporate Finance Manager - Cabinet Member for Finance, Social Value and Procurement

Purpose: To share with Members the financial sustainability assessment report from Audit Wales.

6 **SCHOOL RESERVE BALANCES YEAR ENDING 31ST MARCH 2021** (Pages 191 - 198)

Report of Chief Officer (Education and Youth) - Leader of the Council and Cabinet Member for Education

Purpose: To provide the Committee with details of the closing balances held by Flintshire schools at the end of the financial year.

7 **INTERNAL AUDIT PROGRESS REPORT** (Pages 199 - 236)

Report of Internal Audit, Performance and Risk Manager -

Purpose: To present to the Committee an update on the progress of the Internal Audit Department.

8 GOVERNANCE AND AUDIT COMMITTEE ACTION TRACKING (Pages 237 - 240)

Report of Internal Audit, Performance and Risk Manager -

Purpose: To inform the Committee of the actions resulting from points raised at previous Governance and Audit Committee meetings.

9 FORWARD WORK PROGRAMME (Pages 241 - 248)

Report of Internal Audit, Performance and Risk Manager -

Purpose: To consider the Forward Work Programme of the Internal Audit Department.

NOTE: Annual Meeting with Internal and External Auditors

In accordance with the agreed procedure, members of the Governance & Audit Committee will meet with the Internal and External Auditors immediately following the meeting.

Please note that there may be a 10 minute adjournment of this meeting if it lasts longer than two hours

Procedural Note on the conduct of meetings

The Chair will open the meeting and introduce themselves.

The meeting will be attended by a number of Councillors. Officers will also be in attendance to present reports, with Democratic Services officers acting as hosts of the meeting.

All attendees are asked to ensure their mobile phones are switched off and that any background noise is kept to a minimum.

All microphones are to be kept muted during the meeting and should only be unmuted when invited to speak by the Chair. When invitees have finished speaking they should go back on mute.

To indicate to speak, Councillors will use the chat facility or use the electronic raise hand function. The chat function may also be used for questions, relevant comments and officer advice and updates.

The Chair will call the speakers, with elected Members addressed as 'Councillor' and officers addressed by their job title e.g. Chief Executive' or name. From time to time, the officer advising the Chair will explain procedural points or suggest alternative wording for proposals, to assist the Committee.

If and when a vote is taken, the Chair will explain that only those who oppose the proposal(s), or who wish to abstain will need to indicate, using the chat function. The officer advising the Chair will indicate whether the proposals are carried.

If a more formal vote is needed, this will be by roll call – where each Councillor will be asked in turn (alphabetically) how s/he wishes to vote

At County Council and Planning Committee meetings speaker's times are limited. A bell will be sounded to alert that the speaker has one minute remaining

The meeting will be live streamed onto the Council's website. A recording of the meeting will also be available, shortly after the meeting at <https://flintshire.public-i.tv/core/portal/home>

GOVERNANCE AND AUDIT COMMITTEE **28 JULY 2021**

Minutes of the remote attendance meeting of the Governance and Audit Committee of Flintshire County Council held on Wednesday, 28 July 2021

PRESENT: Councillor Chris Dolphin (Chair)

Councillors: Janet Axworthy, Geoff Collett, Patrick Heesom, Joe Johnson, Martin White and Arnold Woolley

Co-opted members: Sally Ellis and Allan Rainford

IN ATTENDANCE:

Councillor Ian Roberts - Leader of the Council and Cabinet Member for Education, Councillor Billy Mullin - Deputy Leader (Governance) and Cabinet Member for Corporate Management and Assets, Councillor Paul Johnson - Cabinet Member for Finance, Social Value and Procurement, Chief Executive, Chief Officer (Governance), Internal Audit Manager, Corporate Finance Manager, Strategic Finance Managers, Principal Accountant, Civic & Member Services Officer and Democratic Services Officer

Gwilym Bury and Matt Edwards from Audit Wales

13. DECLARATIONS OF INTEREST

Councillor Janet Axworthy declared a personal interest on the Draft Statement of Accounts (agenda item 4) as a Board member of NEW Homes.

14. MINUTES

The minutes of the meeting held on 2 June 2021 were approved, as moved and seconded by Sally Ellis and Allan Rainford.

RESOLVED:

That the minutes be approved as a correct record.

15. DRAFT STATEMENT OF ACCOUNTS 2020/21

The Corporate Finance Manager presented the Draft Statement of Accounts 2020/21 (subject to audit) for information only at this stage. These comprised the Group accounts, including its wholly owned subsidiaries, and the Annual Governance Statement. Following a consultation period open to all Members, the Committee would receive the audited accounts for final approval in September prior to publication within the statutory deadline. An update was also provided on changes within the Finance team.

The Corporate Finance Manager and Strategic Finance Managers gave a joint presentation covering the following:

- Purpose and Background of the Accounts
- Contents and Overview
- Responsibility for the Accounts
- Links to Budget Monitoring
- Impact of COVID-19
- COVID-19 - Emergency Grant Funding
- Headlines - Council Fund (Revenue), Revenue Reserves, Capital and Housing Revenue Account (HRA)
- Changes to the Accounts for 2020/21
- Accounts Governance Group
- Timeline and Next Steps

The Chief Executive paid tribute to work undertaken by the Finance team in engaging with Welsh Government (WG) to maximise claims for Hardship grant funding throughout the emergency situation. The positive outturn on revenue reserves was partly due to a number of schemes deferred due to the emergency which would be carried forward into 2021/22 along with significant in-year risks such as unfunded national decisions on pay awards.

Councillor Ian Roberts thanked officers for their work on the accounts and for the support given to residents during an exceptionally challenging year.

In response to questions from Allan Rainford, Finance officers shared further information on accounting for Hardship grant funding claims including examples of hypothecated grants and claims for the Test, Trace & Protect scheme on behalf of the region. Clarification was also given on the process to estimate the accumulated absences account figure and the presentation of contributions from reserves transferred into Central & Corporate Finance within the accounts. Examples of contributions not yet recognised as income included Section 106 planning obligations.

Sally Ellis commended achievements on the Capital Programme despite disruption from the emergency. She noted the uncertainty around the Council's medium term financial outlook which was increased further by the emergency and highlighted rent arrears and Council Tax arrears as particular areas of risk. In response, officers said that carry-forward funding on the Capital Programme was reported in budget monitoring and that lost income from Council Tax collection levels was supplemented by additional grant funding from WG on which the balance would be added to reserves. On accounting for business support grants, note 32 in the accounts set out arrangements where the Council had acted as an agent on behalf of third parties.

In acknowledging the challenges from the emergency, Matt Edwards said that Council officers had maintained positive engagement with Audit Wales colleagues during the auditing process and that the Accounts Governance Group would be kept informed on progress to meet the timetable. In response to a question from Allan Rainford on Pension liabilities, he gave assurance that the audit team was working through the well-established process to seek assurance of the assumptions within the accounts.

Full responses to the questions raised during the item and throughout the consultation stage would be shared with the Committee and elected Members.

Councillor Paul Johnson took the opportunity to thank all those involved in producing the accounts for their contributions during this challenging period.

The recommendations were moved by Councillor Martin White and seconded by Allan Rainford.

RESOLVED:

- (a) That the draft Statement of Accounts 2020/21 (which includes the Annual Governance Statement) be noted; and
- (b) That Members note the opportunity to discuss any aspect of the Draft Statement of Accounts with officers or Audit Wales from July to August, prior to the final audited version being brought back to the Committee for final approval on 8 September 2021.

16. SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2020/21

The Strategic Finance Manager presented the supplementary financial information to accompany the draft Statement of Accounts 2020/21 as required by the Notice of Motion approved by the Council in 2013.

In providing background to the Notice of Motion, the Chief Executive gave examples of temporary roles reflected in the costs shown and confirmed that there were no concerns.

The recommendation was moved and seconded by Sally Ellis and Councillor Martin White.

RESOLVED:

That the report be noted.

17. TREASURY MANAGEMENT ANNUAL REPORT 2020/21 AND TREASURY MANAGEMENT UPDATE Q1 2021/22

The Strategic Finance Manager presented the draft Treasury Management Annual Report 2020/21 for review and recommendation to Cabinet. The Quarter 1 update on matters relating to the Treasury Management Policy, Strategy and Practices 2021/22 was also shared for information, along with the reporting cycle.

An overview was provided of key sections of the Annual Report including the impact of continued low interest rates. The first quarterly update for 2021/22 provided an update on investments and borrowing activity as detailed in the report. No breaches of the Treasury Management Strategy were reported. In line with

annual arrangements, all Members would be invited to a Treasury Management training session in December prior to approving the Strategy for 2021/22.

In response to questions from Allan Rainford, clarification was given on the approval of loans to NEW Homes in 2018 and assurance given of engagement with the Treasury Management advisors prior to taking out any new loans.

The recommendations were moved by Allan Rainford and seconded by Councillor Martin White.

RESOLVED:

- (a) That the draft Treasury Management Annual Report 2020/21 be noted, with no matters to be drawn to the attention of Cabinet in September; and
- (b) That the Treasury Management 2021/22 first quarter update be noted.

18. DEVELOPMENT OF A SELF-ASSESSMENT MODEL

The Chief Executive introduced the report on the development of a Corporate Self-Assessment Model to review the Council's effectiveness in exercising its functions, use of resources and governance. In support of the Council's track record on self-assessment, the report set out the proposed three-stage process for a 'trial' model to prepare for implementation of the statutory duty from April 2022.

The Chief Officer (Governance) spoke about the potential for the Committee to be involved in the second stage to test initial conclusions in addition to fulfilling its statutory role to review the Model prior to consideration by Cabinet in the third stage.

In welcoming the report, Sally Ellis spoke in support of the proposed arrangements including the monitoring of appropriate resources. On the second stage, she noted that targeted community engagement linked with objectives within the Annual Governance Statement.

The Chief Executive suggested that use of existing relevant consultation could inform the first stage of evidence-gathering to help identify areas of deficiency moving forward.

The recommendation was moved and seconded by Councillors Janet Axworthy and Martin White.

RESOLVED:

That the proposed model for the first and trial corporate self-assessment be endorsed.

19. COUNTER-FRAUD ARRANGEMENTS IN THE WELSH PUBLIC SECTOR

The Internal Audit Manager presented the report which summarised the outcome of the national review by Audit Wales on counter-fraud arrangements within the Welsh Public Sector.

In response to the recommendations for improvement across public sector organisations in Wales, the Council had developed an action plan on which progress was underway to enhance counter-fraud arrangements. A programme of work to engage with departments across the organisation would help to formulate a risk assessment on counter-fraud which could inform future audit work.

The Internal Audit Manager responded to a question from Sally Ellis on her perception of fraud within the organisation which was based on actual supporting evidence.

The recommendation was moved by Councillor Geoff Collett and seconded by Sally Ellis.

RESOLVED:

That the Committee is assured that the Council is taking appropriate steps to counter the risk of fraud.

20. ATTENDANCE BY MEMBERS OF THE PRESS

There were no members of the press in attendance.

The meeting commenced at 10am and finished at 11.30am

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Chairman

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GOVERNANCE AND AUDIT COMMITTEE

Date of Meeting	Monday 27 September 2021
Report Subject	Statement of Accounts 2020/21
Report Author	Corporate Finance Manager

EXECUTIVE SUMMARY

The report presents the:

- Final version of the Council's Statement of Accounts 2020/21, incorporating those changes agreed with Audit Wales during the course of the audit, for approval
- Audit Wales' presentation on the audit of the Statement of Accounts 2020/21
- Letter of Representation for the Council
- Summary of amendments made to the Statement of Accounts 2020/21

RECOMMENDATIONS

1	Members are requested to approve the final version of the Statement of Accounts 2020/21.
2	Members are requested to consider the Audit Wales presentation - Audit of the Group Financial Statements 2020/21 – Flintshire County Council.
3	Members are requested to approve the Letter of Representation.

REPORT DETAILS

1.00	EXPLAINING THE STATEMENT OF ACCOUNTS
1.01	The Governance and Audit Committee received the draft Statement of Accounts 2020/21 on 28 July, for information only at that stage. The Accounts and Audit (Wales) Regulations 2018 specify the statutory deadline for the approval of the Statement as 31 July, however the framework set by Welsh Government extends this to 30 November.
1.02	The audit of the Statement of Accounts 2020/21 is now substantially complete, although the audit continues up until the point at which the accounts are signed off by the auditors.
1.03	A copy of the Statement of Accounts 2020/21, incorporating those changes agreed with Audit Wales during the course of the audit and up to the point of writing this report, is attached at Appendix 1.
1.04	Various questions/queries were raised by Members in connection with the draft Statement of Accounts as presented at the Governance and Audit Committee on 28 July. A briefing note outlining the queries raised and the responses given has been circulated to all Members over the summer.
	<u>Audit Wales' audit of the Statement of Accounts</u>
1.05	Under the International Standards on Auditing (ISA) 260, Audit Wales is required to communicate relevant matters relating to the audit of the Statement of Accounts to those charged with governance, which for the Council is the Governance and Audit Committee.
1.06	Officers from Audit Wales will be in attendance at the meeting to present their findings. Last year, due to the impact of the COVID-19 pandemic, Audit Wales included a written report for the Committee, however this year they will be reverting to using a presentation. Slides for this presentation can be found at Appendix 2 to this report.
1.07	It is usual within the course of the audit of any organisation that items will be brought to the attention of the body being audited. Audit findings have been discussed in detail with Audit Wales and, where considered appropriate, adjustments have been made to the draft Statement of Accounts.
1.08	A summary of adjustments made to the draft Statement of Accounts can be found at Appendix 4 to this report.
1.09	A Letter of Representation is included at Appendix 3. This requires the Council to confirm the accuracy of the audit. In this letter, the Council confirms to Audit Wales that all the information contained within the Statement of Accounts is true and accurate and that all information has been disclosed.

	<u>Timscales and the impact of COVID-19</u>
1.10	The statutory deadline for producing the draft Statement of Accounts for 2020/21 was 31 May 2021, however, due to the challenges presented by the pandemic, Welsh Government made use of the flexibility within the regulations to extend the deadline to 31 August.
1.11	The pandemic had a significant impact on producing this year's Accounts, in particular, in ensuring the correct accounting treatment of the significant grants the Council has received and paid out during the year. Therefore, to ensure the quality of the Accounts was maintained, they were submitted for audit on 16 June and, to comply with the regulations, a notice was published explaining the reason for the delay.
1.12	The statutory deadline for publishing the final audited version was 31 July, this was extended to 30 November by Welsh Government.
	<u>Issues from the 2020/21 accounts</u>
1.13	There were no significant issues arising during the audit of the 2020/21 Accounts and it is reassuring that Audit Wales are reporting that the Council's Accounts were prepared to a good standard.
	<u>Progress on the Clwyd Pension Fund Accounts</u>
1.14	The draft Clwyd Pension Fund Statement of Accounts were included in the Clwyd Pension Fund Annual Report for 2020/21 which was submitted to the Clwyd Pension Fund Committee on 1 September 2021. Members of the Pension Fund Committee may continue to raise issues on any aspect of the Annual Report, including the accounts, during September and early October.
1.15	The timetable of the audit of the accounts was discussed at the Pension Fund Committee meeting. The deadline for Clwyd Pension Fund to approve and publish its Annual Report is 1 December each year. Audit Wales have indicated that they will commence the audit in mid-October. It is unlikely that the audit will be completed in time for formal sign off at the meeting of the Pension Fund Committee on 10 November, but a report on the latest position will be submitted to that meeting. If required, the Committee may need to be asked to delegate the agreement of any further minor changes with Audit Wales to the Chair of the Pension Fund Committee and Flintshire's Section 151 Officer prior to the end of November, so that the deadline can be met. Any changes to the final Audit Report would then be reported to the next meeting of the Pension Fund Committee.

2.00	RESOURCE IMPLICATIONS
2.01	There are no direct resource implications as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required and none undertaken.

4.00	RISK MANAGEMENT
4.01	Actions will be taken in year (2021/22) to address recommendations from Audit Wales' report as outlined within the body of the report.

5.00	APPENDICES
5.01	<ol style="list-style-type: none"> 1. Statement of Accounts 2020/21 2. Audit Wales presentation – Audit of Group Financial Statements 2020/21 3. Flintshire County Council Letter of Representation. 4. Summary of amendments to Statement of Accounts

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Chris Taylor – Strategic Finance Manager Telephone: 01352 703309 E-mail: christopher.taylor@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Audit Wales: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p> <p>Financial Audit: The annual external audit of the Council's Statement of Accounts.</p> <p>Financial Year: the period of 12 months commencing on 1 April.</p> <p>Materiality: A concept used to inform judgements regarding the accuracy of the Council's Statement of Accounts. The basis could be quantitative with an assigned value or qualitative and affected by issues that are legal, regulatory, or politically sensitive.</p> <p>Statement of Accounts / Final Accounts / Financial Accounts or Statements: The Council's annual finance report providing details of the Council's financial performance and position at the end of the financial year. The format is prescribed to enable external comparison with other public and private entities.</p>

STATEMENT OF ACCOUNTS

2020-21



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NARRATIVE REPORT

INTRODUCTION

This narrative report summarises Flintshire County Council's Statement of Accounts for 2020/21 and details income and expenditure on service provision for the financial year 1st April 2020 to 31st March 2021 and the value of the Council's assets and liabilities as at 31st March 2021. The Group Accounts included incorporate the Council's Financial Statements with those of its wholly owned subsidiaries North East Wales Homes Ltd (NEW Homes), Newydd Catering and Cleaning Ltd and Theatr Clwyd Productions Ltd.

The Accounts reflect the impact of a financial year in which the Council was continually responding to the national emergency situation arising from the global COVID-19 pandemic and reference will be made to the known financial impacts within the document. As required, the Accounts have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting which is based on International Financial Reporting Standards (IFRS).

As always the production of this comprehensive and complex set of Accounts has required an enormous effort from many people across the Council, both within finance and within service portfolio areas. The challenges arising from the global pandemic meant that the Council was unable to finalise the Accounts within the earlier legislative deadline of 31st May 2021. However, the Council has been able to prepare and submit the Accounts to the Council's External Auditors well in advance of the framework set out by Welsh Government of 31st August 2021.

The Council set its budget for the 2020/21 financial year just weeks in advance of the national emergency so it had to quickly adapt and respond to the significant financial risks that the emergency posed. A silver command Finance Tactical Group was set-up as part of the Council's emergency command structure to identify, monitor and mitigate financial risks where possible. Despite these significant challenges, the Council managed to achieve all of its budgeted efficiencies and was able to limit spending to £2,185k less than its approved budget, due to a combination of one-off savings and good financial management and control which included a specific in-year review of non-essential spend. The availability of the Welsh Government's COVID-19 Hardship Fund to meet the additional costs and lost income of the emergency situation was a major contributor to the Council being able to manage spend within the approved budget.

The revenue outturn position, explained below, is important to residents and rent payers as it records only those expenses which statute allows to be charged against the Council's annual budget and amounts collected from council tax and rents. Revenue outturn differs from the Comprehensive Income and Expenditure Statement (CIES) as the CIES includes charges for items such as depreciation, impairment, capital grants and pension charges which are accounting adjustments not included in the outturn.

The finance service aspires to develop a Statement of Accounts that is more accessible to users. Flintshire County Council is a large and diverse organisation and the information contained in these Accounts is technical and complex. The aim of this narrative statement is to provide a general guide to the items of interest and highlights some of the more significant matters that have contributed to the final position for the financial year ending 31st March 2021.

COUNCIL PERFORMANCE DURING THE YEAR

The Council Plan is the overarching document that helps the Council to focus its resources and drive improvement. Whilst the Council plan sets a vision and framework for a five year period, it is also updated each year with targets and actions for the next twelve months. Due to the pandemic the Council did not publish the draft Council plan for 2020/21 but replaced it with a Recovery Strategy which was agreed at a special meeting by Cabinet on 15th September 2020. The development of the Recovery Strategy was overseen by a cross-party Member Recovery Board. The corporate recovery aims for the organisation are: the stabilisation of the finances of the organisation; assuring the financial resilience of the organisation through medium-term financial planning; a managed transition to new ways of working as an organisation e.g. greater digitisation, and expansive home/remote working; and the protection of the health and well-being of the workforce in the resumption of services. During September's Cabinet meeting a set of performance reporting measures were also approved. These were reassessed by service portfolios due to the disruptions caused during the response phase of the pandemic. Public reports which measure our progress against this document are published half yearly, with the outturn for the year reported to Cabinet in July 2021.

NARRATIVE REPORT

FINANCIAL PERFORMANCE DURING THE YEAR

The revenue budget covers the Council's day-to-day expenditure and income on such items as salaries and wages, running costs of services and the financing costs of capital expenditure. The capital programme covers expenditure on the acquisition of significant assets which will be of use or benefit to the Council in providing its services beyond the year of account, such as the enhancement or replacement of roads, buildings and other structures.

The budget is monitored closely throughout the year and the revenue position reported monthly and the capital position reported quarterly. All reports are scrutinised by Corporate Resources Overview and Scrutiny Committee prior to being taken to the Council's Cabinet.

Approximately 70% of the budget requirement for Council services comes from Welsh Government through Aggregate External Funding (Revenue Support Grant and Non Domestic Rates). In 2020/21, there was an increase in funding of 3.7% (whilst the Welsh Average increased by 4.3%). Despite the increase the Council faced significant cost pressures from factors outside of the Council's control such as policy directions or new legislation from UK and Welsh Government. The impact of funding not keeping pace with increasing costs has significant consequences and is expected to do so in future years so will continue to be a key consideration in our Medium Term Financial Strategy (MTFS).

Despite this financial challenge, portfolio business plans and corporate financing options enabled us to plan for £5,206k of new efficiencies in our 2020/21 budget, enabling the Council to invest in priorities such as school budgets, social care and providing resources to re-shape services.

The overall final outturn position and the impact on levels of reserves is set out below.

Revenue outturn compared to budget

The Council Fund budget for 2020/21 was set at £285,987k and was approved by Council on 18th February 2020. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn reported on 13th July 2021.

The budget strategy for 2020/21 was based on an organisational strategy to reduce costs wherever possible to shield and protect local services. It included a package of measures and proposals which combined corporate financing options, portfolio level business plan proposals, review of pressures, as well as the maximisation of income generation and a review of reserves and balances.

NARRATIVE REPORT

	2020/21 Budget £000	2020/21 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,750	2,486	(264)
People and Resources	4,459	4,387	(72)
Governance	9,193	10,066	873
	<u>16,402</u>	<u>16,939</u>	<u>537</u>
Social Services	75,909	76,491	582
Housing and Assets	16,135	15,655	(480)
Streetscene and Transportation	30,650	31,154	504
Planning, Environment & Economy	5,789	5,821	32
Education and Youth	111,995	111,291	(704)
Strategic Programmes	4,943	4,558	(385)
Net expenditure on services	261,823	261,909	86
Central loans and investment account	12,727	12,696	(31)
Central and Corporate Finance	11,437	13,527	2,090
Total net expenditure	285,987	288,132	2,145
Contribution from reserves	0	0	0
	<u>285,987</u>	<u>288,132</u>	<u>2,145</u>
Budget requirement	285,987	288,132	2,145
Financed by			
Council tax (net of community council precepts expenditure)	86,600	87,060	(460)
General grants	146,307	154,850	(8,543)
Non-domestic rates redistribution	53,080	48,407	4,673
Total resources	285,987	290,317	(4,330)
Net variance - (underspend)	0	(2,185)	(2,185)

The net underspend of £2,185k, combined with other agreed funding transfers to produce year-end Council Fund revenue reserves of £14,061k.

COVID-19 Pandemic - Emergency Grant Funding

Throughout this financial year all Welsh councils have worked closely with Welsh Government and the Council has received significant grants to help fund the response and recovery phases of the pandemic. A summary of some of the key grants are detailed below:

Hardship Fund

The Council claimed £17,443k from the Welsh Governments COVID-19 Hardship Fund to fund the general increase in costs incurred in delivering services and includes services particularly affected such as adult social care, schools, and changes to how free schools meals have been provided. It also compensates the Council for lost income as a result of the pandemic. £14,747k is included within the Council's Comprehensive Income and Expenditure Statement (CIES). The remaining £2,696k represents various schemes where the Council has acted as an agent on behalf of a third party, the income and expenditure associated are not included within the Council's CIES. Examples include claiming for lost income on behalf of partner organisations such as Aura Leisure and Libraries and NEWydd Catering and Cleaning, and paying self-isolation payments to qualifying individuals on Welsh Government's behalf. Further detail is included within the Agency Services Note 32.

NARRATIVE REPORT

Business Support

The Council responded to support local businesses by ensuring any Retail Rate Reliefs and various Business Support Grants funded by Welsh Government were awarded quickly. In administering such schemes the Council acts as an agent of Welsh Government. Grants awarded during the year were as follows:

Business Support Grants	£53,073k
Business Support – Business Start Up Grant	£233k
Business Support – Cultural Recovery Fund – Freelancer Support	£378k

Other Grants

Bus Emergency Service – Flintshire proportion of regional funding	£1,528k
Test, Trace, Protect – Flintshire proportion of regional scheme	£945k
Local Authority Education Grant – Accelerated Learning	£2,751k
Additional Learning Needs – COVID Grant	£457k

The Council also acted as an agent on behalf of Welsh Government in distributing other funding including;

Financial Recognition of Social Care Workers Scheme	£1,850k
Childcare Assistance Scheme	£2,268k

The Council also acted as an agent on behalf of the North Wales region in administering services and other sources of funding across the region. Flintshire is the lead authority for the NHS Test, Trace, Protect programme with £2,181k of costs incurred and funded by Welsh Government. Similarly, Flintshire is the lead Council in administering the Bus Emergency Service grant of £6,674k provided from Welsh Government to support local bus operators during lockdown. The Agency Service Note 32 provides further information on such arrangements.

NARRATIVE REPORT

The table below shows the outturn position for the Housing Revenue Account (HRA) for the year:

	2020/21 Budget £000	2020/21 Actual £000	Variance £000
Estate Management	1,846	1,599	(247)
Landlord Services	1,434	1,364	(70)
Repairs & Maintenance	8,907	8,140	(767)
HRA Projects	122	136	14
Finance & Support	1,225	1,260	35
Revenue contributions to fund Capital Expenditure	12,928	11,955	(973)
Net expenditure on services	26,462	24,454	(2,008)
Central loans and investment account	9,027	7,797	(1,230)
Support Services	1,215	1,203	(12)
Total net expenditure	36,704	33,454	(3,250)
Contribution to reserves	247	4,018	3,771
Budget requirement	36,951	37,472	521
Financed by			
Rents	(35,948)	(36,214)	(266)
Grants and Other Income	(1,003)	(1,258)	(255)
Total resources	(36,951)	(37,472)	(521)
Net variance	0	0	0

2020/21 was the 6th and final year of the programme of capital schemes to improve the quality of the Council's housing stock and achieve the Welsh Housing Quality Standard (WHQS) which is in part funded by revenue contributions. The planned WHQS Capital Programme was reduced by 30% in 2020/21 due to restrictions imposed by the pandemic. Welsh Government have agreed with local authorities an extension to complete the WHQS Programme, where needed, until the end of 2021/22. Due to these delays, a larger than planned contribution of £4,018k was made to reserves, bringing the total HRA reserves at 31st March 2021 to £6,908k.

The Council continues to take a proactive approach to monitoring the impact of the COVID-19 pandemic on tenants' ability to pay rent on time and the potential loss of housing rent income. Early intervention and support offered to tenants have resulted in a decrease in net rent arrears of £43k to £1,543k at outturn compared with £1,586k the previous year. Generally a positive position, especially when contrasted to earlier forecasts of much higher levels of rent arrears. The 2020/21 financial year has been one of the most challenging for the service which will continue to take a proactive approach to supporting tenants, maximise rent collections and monitor the position. The HRA maintains a prudent level of reserves and a bad debt provision which should be sufficient to mitigate any losses in future years.

Capital Programme Budget, Outturn and Financing

Each year the Council approves a programme of capital works, which provides for investment in assets such as land, buildings and road improvements. The 2020/21 Capital Programme was approved in the sum of £73,046k (Housing Revenue Account £30,464k and Council Fund £42,582k); this figure changed during the course of the year to a final programme total of £66,236k, (Housing Revenue Account £17,028k and Council Fund £49,208k). Capital Programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn reported on 13th July 2021.

NARRATIVE REPORT

Expenditure incurred is set out in the table below, presented on the basis of the 'service blocks' used by Welsh Government in collecting capital data by way of the Capital Outturn Return (COR) forms, for its published Local Government Finance Statistics. Schemes and projects include; investment in the Council's housing stock as part of the plan to achieve the WHQS, the 21st Century Schools building programme which includes the development of the Queensferry Campus, and works to extend Marleyfield House Residential Care Home.

	2021
	£000
Education	11,519
Social services	9,808
Transport	7,395
Housing	22,000
Libraries, culture and heritage	1,893
Agriculture and fisheries *	55
Sport and recreation	525
Other environmental services	9,721
Outturn	<u>62,916</u>

* Incorporating land drainage and flood prevention/coast protection
(to which the Council's expenditure relates)

The programme was financed as follows -

	2021
	£000
Supported borrowing	4,073
Other borrowing (including Salix loans)	4,502
Capital receipts	5,126
Capital grants and contributions	36,147
Capital reserves/capital expenditure funded from revenue account	13,068
Core financing	<u>62,916</u>

The disruption of the pandemic has delayed a number of the Council's capital schemes due to contractors closing sites, supply chain limitations and UK Government restrictions on movement, this has led to schemes needing to be rephased into the 2021/22 capital programme. The Council will closely monitor and consider the impacts of the delays on expenditure and available financing throughout 2021/22 and beyond.

The Council will also monitor the potential for inflationary construction costs as a result of the pandemic, which could create new cost pressures in the programme. This, along with any potential loss in external funding, will mean the Council has to consider alternative funding such as prudential borrowing or the re-phasing or withdrawal of planned schemes.

The Council has a prudent policy of allocating its own capital receipts to fund capital projects only when receipts are actually received rather than when it is anticipated the receipt will be received. The pandemic may lead to a delay in obtaining capital receipts as the timing of these receipts are subject to market forces outside of the Council's control. This will not impact the funding position of the three year programme set in December 2020 running from 2021/22 – 2023/24 as no allowance has been made for receipts not yet received. It may impact by limiting funding for future schemes.

NARRATIVE REPORT

Capitalisation Direction – Mockingbird Family Model

The Council plans to transform its Fostering Service to meet the placement needs of looked after children and avoid the escalating costs of external care provision through a Mockingbird Family Model. The model replicates an 'extended family' around children and young people, promoting their sense of belonging and preventing placements breaking down. The costs of transforming the service gradually over a 3 year period will be funded by an interest free 'innovate to save loan' from Welsh Government which will be repaid from savings generated as a result. During the year £101k of revenue expenditure was incurred which was granted a capitalisation direction by Welsh Government as required under accounting practice for revenue expenditure to be funded by borrowing. The 'innovate to save' loan began to be drawn down in 2020/21.

Strategic Housing and Regeneration Programme (SHARP)

The Council has embarked on an ambitious house building programme as part of its Strategic Housing and Regeneration Programme (SHARP). Over a 5 year period 500 new homes will be built at a range of sites across the county, a mixture of new council houses and affordable homes, alongside commissioning a range of linked regeneration initiatives and community benefits.

During the year, the council house building programme continued, all funded through the HRA. 8 new homes were completed at the Maes Gwern site in Mold. Total costs during the year equated to £1,152k (included within the housing figure in the Capital Outturn above). Planned works for 2021/22 include; 41 properties at Nant Y Gro, 30 properties in Mostyn, 4 properties at Park Lane, Holywell and 2 properties at Duke Street, Flint. The last 2 sites are in receipt of Homelessness grant funding from Welsh Government.

Affordable homes are being developed through the Council's wholly owned subsidiary NEW Homes in partnership with the Council. NEW Homes currently owns and manages 169 units across Flintshire. These are made up of a combination of new build schemes delivered through the Council's SHARP and properties acquired from developers through Section 106 agreements.

During the year the NEW Homes Board approved the development and purchase of 4 new affordable homes for rent in Northop, with further schemes being considered. Following a thorough appraisal of capital funding options available, the Board's preferred option was to seek approval to borrow the capital finance required directly from the Council. The Council has approved loans of up to £30,000k, in addition to a previous loan of £7,530k granted, of which £3,029k was drawn down during the year.

The Council is working closely with NEW Homes to consider the financial impact of COVID-19 on the company. Whilst COVID-19 is expected to cause some delays on site, potentially resulting in delays to the handover of some of the planned schemes, the NEW Homes Business Plan will be reviewed to prudently forecast for the next 12 months and beyond.

Borrowing

The Council undertook £8,959k of long term borrowing from the Public Works Loan Board (PWLB) during 2020/21 to fund capital expenditure schemes including building new homes through the SHARP and the construction of a new solar farm. The balance sheet (long term) borrowing total of £283,934k includes the sum of £3,330k for interest free loans from Salix Finance Ltd, an independent company funded by the Carbon Trust to help improve energy efficiency in the public sector buildings, and loans totaling £1,322k from Welsh Government for regeneration initiatives in Deeside under the Vibrant and Viable Places Scheme within the Capital Programme and the loan for the Mockingbird Family Model.

The Council has a future borrowing requirement to fund the approved Capital Programme. This will need to be kept under continuous review during the next financial year and beyond as the impact of the pandemic becomes clearer. Factors influencing the level of borrowing will include the impact on the capital programme itself, and the affordability and sustainability of associated borrowing on the revenue budget.

NARRATIVE REPORT

Financial Position at 31st March 2021

Reserves and Provisions

The Council sets funding aside to meet future liabilities and service developments in provisions and reserves held on the Balance Sheet as at 31st March 2021.

Provisions are based on past events that place an obligation on the Council which is likely to result in a future financial liability, but there is uncertainty over the timing and precise value of the liability. Provisions are disclosed in Note 19.

The Council has established a number of revenue reserves, falling outside the definition of a provision, which are summarised in the table below. The Council Fund balance is a measure of the uncommitted reserves the Council holds prudently to meet cash flow requirements and unforeseen future events.

	2021	Net Underspend	Other	2020
	£000	£000	£000	£000
Council Fund (unearmarked) balance	14,061	2,185	851	11,025
Earmarked Council Fund reserves	17,536	0	4,355	13,181
Locally managed schools	6,902	0	6,790	112
Housing Revenue Account reserves	6,908	4,018	1	2,889
Total revenue reserves	45,407	6,203	11,997	27,207

The Council has a policy of maintaining a base level of reserves of £5,769k to protect the Council against unplanned and unforeseen circumstances, and this is included within the Council Fund (unearmarked) balance in the table above. Reserves above the £5,769k, known as the contingency reserve and arising from prior year underspends, are available for consideration through Cabinet.

At an early stage in the response phase to the pandemic, £3,000k was ring-fenced from the contingency reserve to provide for the potential impacts of additional costs and losses of income arising from the pandemic. At the end of the financial year £682k had been used with the a balance of £2,318k continuing to be ring-fenced to fund local decisions not eligible for national grant funding streams. At this stage the Welsh Government's Hardship Fund is only confirmed to the end of March 2022.

Cash Flow Management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on investments are set by reference to the Council's Medium Term Financial Plan and cash flow forecast in the Council's Treasury Management Strategy. The cash flow forecast is reviewed daily for investing purposes and weekly and monthly for borrowing purposes.

During the early part of the year, in the response phase of the pandemic, the Council anticipated a significant initial impact on the Council's cash flow position with additional high level volumes of government grants needing to be paid to businesses quickly, increased service costs from providing additional services and a reduction in income from Council Tax, Business Rates and from services.

Cash flow management was closely monitored throughout the year, with the Council working in partnership with other public sector organisations such as the Welsh Government, and Welsh Local Government Association, to ensure the stability of the Council's cash flow position. The work continues into the new financial year 2021/22.

NARRATIVE REPORT

Pension Liability

The pension deficit recorded in the balance sheet of £430,543k has increased by £31,255k during the year, as a result of changes to the financial assumptions used by the pension fund Actuary. The main changes in financial assumptions relate to a reduction in the discount rate assumption from last year, and an increase in the assumption of the level of CPI inflation; the combined effect of this is to increase the liability. These assumptions are determined by the Actuary and reflect their view of the market conditions at the balance sheet date.

The Council relies and places assurance on the professional judgement of the Clwyd Pension Fund's Actuary and the assumptions used to calculate the deficit. Disclosures in Note 43 are in accordance with International Accounting Standard 19 (IAS 19), accounting in full for the pension liability, that is the total projected deficit over the life of the fund. IAS 19 has no impact on Council tax levels or housing finance, but the liability does impact on the net worth of the Council as reflected in the balance sheet total of £95,116k (£56,362k as at 31st March 2020).

The potential impact of COVID-19 has been considered by the Fund's Actuary in their IAS 19 calculations. The most significant potential risk is around the accuracy of asset valuation. The Fund's Actuary has based their calculations on the most recent available valuations and consider that these valuations are as accurate as is possible given the time constraints involved in closing the accounts. There is a risk that the impact of COVID-19 on broader economic activity will affect the assumptions used to inform the calculation of assets and liabilities and therefore the pension deficit in the future.

Revaluation of Non-Current Assets

All non-current assets must be revalued every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year and during 2020/21 (the first year of a new cycle, commencing 1st April 2020) 12% of operational non-dwelling assets were revalued. The exception to this arrangement is Council Dwellings which were all revalued during the year.

The Council has considered the impact of the pandemic on various property markets and the valuation of its assets at the balance sheet date. The majority of the Council's non-current assets are operational assets used for service delivery which are valued at existing use and are therefore not particularly adversely affected. The value of the Council's industrial units classed as investment properties has reduced by 6.25% as a result to reflect increased uncertainty in rental income.

FINANCIAL OUTLOOK FOR THE COUNCIL

The Medium Term Financial Strategy forecasts the amount of resource that the Council is likely to have over the next 3 years and identifies any funding gap which enables specific actions to be identified to balance the budget and manage resources.

It is clear that the current financial outlook for the Council, in terms of Welsh Government funding and support for both revenue and capital expenditure, is uncertain in the medium term and the pandemic significantly increases this uncertainty. The Council also expects to see increasing demand for many of its services. The Council has been successful in accessing funding from the Welsh Government's Hardship Fund during the financial year, though this funding is time limited and uncertainty remains regarding the ongoing impact on services.

A revision of the Medium Term Financial Forecast from 2022/23 and beyond is due to be presented to Cabinet in the summer and published in the autumn. The revision aims to establish a robust baseline of cost pressures which will inform the budget requirement that will need to be met from national and local funding streams. The Council will continue to push for the annual financial settlement to meet the impacts of both inflationary and demand led increases on services. Medium Term settlements are also essential to enable the Council to financially plan with more certainty.

NARRATIVE REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

The Council has a comprehensive risk management framework. All the priority areas within the Recovery Strategy have identified the risks which may prevent or hinder successful delivery of our recovery aims. These risks are assessed and then tracked throughout the year. Risk management is also embedded within our ways of working – for example, through partnerships, business plan efficiency reports and within each report submitted to Cabinet or Overview and Scrutiny Committees.

The Council is currently undertaking detailed planning for the recovery phase of the pandemic and has a detailed recovery risk register which covers all key risks across the organisation.

Financial risks include the availability of funding to ensure the sustainability of the Council and its subsidiaries such as NEW Homes and Newydd and partner organisations such as Aura Leisure & Libraries and Community Asset Transfers.

CHANGES AND FUTURE CHANGES TO THE STATEMENT OF ACCOUNTS

During the year no significant changes have been introduced to the Council's Statement of Accounts.

CHANGE IN ACCOUNTING POLICIES

Minor changes to accounting policies have been made during 2020/21 to reflect changes in the Code of Practice.

FURTHER INFORMATION

The Statement of Accounts is available on the internet (www.flintshire.gov.uk); with further information available on accounts and budgets available on request from the Corporate Finance Manager, Flintshire County Council, County Hall, Mold, CH7 6NA.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

THE COUNCIL'S RESPONSIBILITIES

The Council is required to :-

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, this is the Corporate Finance Manager as Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Signed :

**Cllr Chris Dolphin
Chair of the Governance and Audit Committee**

Date :

THE CHIEF FINANCE OFFICER'S RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Chief Finance Officer has :-

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code.

The Chief Finance Officer has also :-

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The statement of accounts presents a true and fair view of the financial position of the Council at 31st March 2021, and its income and expenditure for the year then ended.

Signed :

**Gary Ferguson CPFA
Corporate Finance Manager (Chief Finance Officer)**

Date :

EXPENDITURE AND FUNDING ANALYSIS

for the year ended 31st March 2021

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020/21	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,486	(25)	2,461	121	2,582
Education & Youth	111,291	(7,648)	103,643	10,619	114,262
Governance	8,555	(1,346)	7,209	2,898	10,107
Housing & Assets	15,197	187	15,384	(5,566)	9,818
People & Resources	4,387	(80)	4,307	357	4,664
Planning, Environment & Economy	5,821	(301)	5,520	601	6,121
Social Services	76,491	(272)	76,219	2,211	78,430
Strategic Programmes	4,558	134	4,692	3,909	8,601
Streetscene & Transportation	31,154	(898)	30,256	7,369	37,625
Central & Corporate Finance	23,862	(1,281)	22,581	(16,674)	5,907
Housing Revenue Account	(3,031)	(988)	(4,019)	(34,524)	(38,543)
Clwyd Theatr Cymru	0	(466)	(466)	217	(249)
Cost of services	280,771	(12,984)	267,787	(28,462)	239,325
Other Income and Expenditure	(285,987)	0	(285,987)	(4,440)	(290,427)
(Surplus)/deficit on the provision of services	(5,216)	(12,984)	(18,200)	(32,902)	(51,102)
Opening Council Fund / HRA Reserves			27,207		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			14,181		
Housing Revenue Account (HRA)			4,019		
Closing Council Fund / HRA Reserves			45,407		
2019/20	Net Portfolio Final Outturn Reported £000	Adjustments for Movements (to)/from Earmarked Reserves £000	Chargeable to C F / HRA Reserves £000	Adjustments between Funding & Accounting Basis £000	Net Expenditure - CI&ES £000
Chief Executive's	2,529	9	2,538	60	2,598
Education & Youth	103,210	1,524	104,734	25,293	130,027
Governance	8,595	(350)	8,245	1,424	9,669
Housing & Assets	15,217	278	15,495	(6,926)	8,569
People & Resources	4,475	11	4,486	211	4,697
Planning, Environment & Economy	5,929	(119)	5,810	699	6,509
Social Services	72,122	141	72,263	1,451	73,714
Strategic Programmes	4,678	2	4,680	3,338	8,018
Streetscene & Transportation	32,063	(189)	31,874	6,489	38,363
Central & Corporate Finance	21,073	2,218	23,291	(10,495)	12,796
Housing Revenue Account	(844)	176	(668)	11,653	10,985
Clwyd Theatr Cymru	0	(70)	(70)	91	21
Cost of services	269,047	3,631	272,678	33,288	305,966
Other Income and Expenditure	(271,350)	0	(271,350)	11,762	(259,588)
(Surplus)/deficit on the provision of services	(2,303)	3,631	1,328	45,050	46,378
Opening Council Fund / HRA Reserves			29,555		
In Year Revenue Surplus / Deficit					
Council Fund (CF)			(3,017)		
Housing Revenue Account (HRA)			669		
Closing Council Fund / HRA Reserves			27,207		

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2021

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation. Authorities raise local taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Note	2021			2020		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Service Expenditure Analysis							
Chief Executive's		2,721	(139)	2,582	2,847	(249)	2,598
Education & Youth		147,967	(33,705)	114,262	160,936	(30,909)	130,027
Governance		13,427	(3,320)	10,107	12,489	(2,820)	9,669
Housing & Assets		45,509	(35,691)	9,818	45,592	(37,023)	8,569
People & Resources		5,127	(463)	4,664	5,033	(336)	4,697
Planning, Environment & Economy		13,008	(6,887)	6,121	12,196	(5,687)	6,509
Social Services		109,356	(30,926)	78,430	95,963	(22,249)	73,714
Strategic Programmes		9,942	(1,341)	8,601	8,569	(551)	8,018
Streetscene & Transportation		70,443	(32,818)	37,625	59,142	(20,779)	38,363
Central & Corporate Finance		8,259	(2,352)	5,907	13,807	(1,011)	12,796
Housing Revenue Account		(564)	(37,979)	(38,543)	48,137	(37,152)	10,985
Clwyd Theatr Cymru		4,585	(4,834)	(249)	7,217	(7,196)	21
Cost of services		429,780	(190,455)	239,325	471,928	(165,962)	305,966
Other Operating Expenditure	4			29,493			28,603
Financing and Investment (Income) and Expenditure*	5			20,686			21,477
Taxation and Non-Specific Grant (Income)	6			(340,606)			(309,668)
(Surplus)/deficit on the provision of services	3			(51,102)			46,378
(Surplus)/deficit arising on revaluation of non-current assets				(4,141)			(19,333)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				16,489			(24,415)
Total comprehensive (income) and expenditure				(38,754)			2,630

* In 2019-20 the movement of £164k in expected credit loss on financial assets was charged to net cost of services, in line with IFRS9 is now charged to F&I I&E

MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2021

The movement in reserves statement shows the movement in the year on the different reserves held by the Council, analysed into Usable Reserves (those that can be applied to fund expenditure or reduce local taxation) and other (Unusable) Reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Increase / Decrease in the year shows the Statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves as shown in Note 21.

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2020		24,318	2,889	18,367	7,240	52,815	3,547	56,362
In Year Movement in Reserves								
Total comprehensive income and expenditure		13,218	37,885	0	0	51,102	(12,348)	38,754
Adjustments between accounting and funding basis under	7	963	(33,866)	(2,877)	7,186	(28,594)	28,594	0
Increase/(decrease) in year		14,181	4,019	(2,877)	7,186	22,508	16,246	38,754
At 31st March 2021		38,499	6,908	15,490	14,426	75,323	19,793	95,116

	Note	Council Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000
At 31st March 2019		27,334	2,221	15,945	6,663	52,163	6,828	58,992
In Year Movement in Reserves								
Total comprehensive income and expenditure*		(34,791)	(11,587)	0	0	(46,378)	43,748	(2,630)
Adjustments between accounting and funding basis under regulations*	7	31,775	12,255	2,422	577	47,029	(47,029)	0
Increase/(decrease) in year		(3,016)	668	2,422	577	652	(3,281)	(2,630)
At 31st March 2020		24,318	2,889	18,367	7,240	52,815	3,547	56,362

*Figures restated to allocate Major Repairs Allowance grant (£5,060k) to the Housing Revenue Account from the Council Fund

BALANCE SHEET

as at 31st March 2021

		2021		2020	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment	8				
Council dwellings		232,242		199,322	
Other land and buildings		331,240		337,275	
Vehicles, plant, furniture and equipment		18,159		12,124	
Surplus assets		5,938		6,037	
Infrastructure assets		157,494		157,021	
Community assets		4,902		4,789	
Assets under construction		21,082		7,002	
Total Property, Plant & Equipment			771,057		723,570
Investment properties and Agricultural Estate	9		25,189		24,956
Intangible assets			2		10
Long term investments	11		3,592		2,628
Long term debtors	12		11,816		9,065
NON-CURRENT ASSETS TOTAL			<u>811,656</u>		<u>760,229</u>
CURRENT ASSETS					
Inventories		486		888	
Short term debtors (net of impairment provision)	13	73,757		55,040	
Short term investments	14	10,000		0	
Cash and cash equivalents	15	37,083		29,127	
Assets held for sale	10	1,021		926	
CURRENT ASSETS TOTAL			<u>122,347</u>		<u>85,981</u>
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months	16	(65,960)		(67,593)	
Short term creditors	17	(41,712)		(31,733)	
Provision for accumulated absences	19	(5,226)		(3,178)	
Deferred liabilities	40	(587)		(552)	
Grants receipts in advance	18	(3,883)		(1,080)	
Provisions	19	(892)		(120)	
CURRENT LIABILITIES TOTAL			<u>(118,260)</u>		<u>(104,256)</u>
NON-CURRENT LIABILITIES					
Long term creditors	17	(1,034)		(1,052)	
Long term borrowing	20	(283,934)		(279,597)	
Deferred liabilities	40	(3,339)		(3,926)	
Provisions	19	(966)		(990)	
Other long term liabilities	43	(430,543)		(399,288)	
Grants receipts in advance	18	(811)		(739)	
NON-CURRENT LIABILITIES TOTAL			<u>(720,627)</u>		<u>(685,592)</u>
NET ASSETS			<u>95,116</u>		<u>56,362</u>

BALANCE SHEET

		2021		2020	
	Note	£000	£000	£000	£000
USABLE RESERVES	21				
Capital receipts reserve		15,490		18,367	
Capital grants unapplied		14,426		7,240	
Council fund		14,061		11,025	
Earmarked reserves		24,438		13,293	
Housing revenue account		6,908		2,889	
USABLE RESERVES TOTAL			75,323		52,815
UNUSABLE RESERVES	22				
Revaluation reserve		117,058		118,668	
Capital adjustment account		343,777		292,977	
Financial instruments adjustment account		(5,371)		(5,730)	
Pensions reserve		(430,543)		(399,288)	
Deferred capital receipts		98		98	
Accumulated absences account		(5,226)		(3,178)	
UNUSABLE RESERVES TOTAL			19,793		3,547
TOTAL RESERVES			95,116		56,362

The Balance Sheet shows the value at the balance sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories—

- Usable Reserves - those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- Unusable Reserves - those reserves that the Council is unable to use to provide services, including reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

CASH FLOW STATEMENT
for the year ended 31st March 2021

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

The cash flow statement is reported using the indirect method, whereby net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows.

	Note	2021		2020	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		51,102		(46,378)	
Adjustment to surplus or deficit on the provision of services for non-cash movements		23,235		75,791	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(45,558)</u>		<u>(33,694)</u>	
Net cash flows from operating activities	23		28,779		(4,281)
Net cash flows from investing activities	24	(23,000)		(23,856)	
Net cash flows from financing activities	25	<u>2,177</u>		<u>26,929</u>	
Net increase or decrease in cash and cash equivalents			<u>(20,823)</u> 7,956		<u>3,073</u> (1,208)
Cash and cash equivalents at the beginning of the reporting period	15		29,127		30,335
Cash and cash equivalents at the end of the reporting period	15		37,083		29,127

NOTES TO THE CORE FINANCIAL STATEMENTS

for the year ended 31st March 2021

INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and the Council's accounting policies. The notes that follow (1 to 43) set out supplementary information to assist readers of the accounts.

1. NOTE TO EXPENDITURE AND FUNDING ANALYSIS

The adjustments between the funding and accounting basis within the Expenditure and Funding Analysis is explained in more detail below:

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2020/21			Total Adjustments
	Adjustments for Capital Purposes	Adjustments for Employee Benefit Purposes	Other Adjustments	
	£000	£000	£000	
Note	a	b	c	
Chief Executive's	0	121	0	121
Education & Youth	9,970	1,194	(545)	10,619
Governance	1,162	410	1,326	2,898
Housing & Assets	4,603	298	(10,467)	(5,566)
People & Resources	0	357	0	357
Planning, Environment & Economy	1,551	482	(1,432)	601
Social Services	964	1,676	(429)	2,211
Strategic Programmes	4,182	2	(275)	3,909
Streetscene & Transportation	7,936	857	(1,424)	7,369
Central & Corporate Finance	997	825	(18,496)	(16,674)
Housing Revenue Account	(15,120)	412	(19,816)	(34,524)
Clwyd Theatr Cymru	0	219	(2)	217
Cost of services	16,245	6,853	(51,560)	(28,462)
Other Income and Expenditure from the EFA	(41,249)	9,963	26,846	(4,440)
Differences between CF / HRA surplus / deficit and CI&ES surplus / deficit	(25,004)	16,816	(24,714)	(32,902)

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2019/20			Total Adjustments
	Adjustments for Capital Purposes	Adjustments for Employee Benefit Purposes	Other Adjustments	
	£000	£000	£000	
Note	a	b	c	
Chief Executive's	0	60	0	60
Education & Youth	25,815	474	(996)	25,293
Governance	968	205	251	1,424
Housing & Assets	3,338	161	(10,425)	(6,926)
People & Resources	8	203	0	211
Planning, Environment & Economy	1,291	244	(836)	699
Social Services	711	1,005	(265)	1,451
Strategic Programmes	3,641	4	(307)	3,338
Streetscene & Transportation	6,835	475	(821)	6,489
Central & Corporate Finance	5,677	3,303	(19,475)	(10,495)
Housing Revenue Account	33,929	222	(22,498)	11,653
Clwyd Theatr Cymru	0	91	0	91
Cost of services	82,213	6,447	(55,372)	33,288
Other Income and Expenditure from the EFA	(28,675)	10,025	30,412	11,762
Differences between CF / HRA surplus / deficit and CI&ES surplus / deficit	53,538	16,472	(24,960)	45,050

NOTES TO THE CORE FINANCIAL STATEMENTS

a. Adjustments for Capital Purposes

This column adds in capital accounting adjustments that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; depreciation, impairments, revaluation losses, amortisation, and revenue expenditure funded from capital under statute (REFCUS).

Net gains and losses on the disposal of non-current assets (included within other operating expenditure) and capital grants and contributions (included within taxation and non-specific grant income and expenditure) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within capital accounting adjustments.

b. Adjustments for Employee Benefit Purposes

This column adds in accounting adjustments related to IAS 19 Employee Benefits that are not reported within a portfolio's final outturn but are required in the Comprehensive Income and Expenditure Statement by the Code of Practice and includes; pension adjustments – removing the employer pension contributions made to the pension funds during the year, and replacing with the current service and past service costs (being the calculated benefit earned during the year), and the movement on the accumulated absences provision (being the accounting cost of leave entitlements earned by employees but not taken before the year-end which is carried forward into the next financial year).

The administrative expenses and the net interest on the net defined benefit liability (included within other operating expenditure and financing and investment income and expenditure respectively) are reported in the Comprehensive Income and Expenditure Statement but not in the final outturn report and therefore are included within employee benefit accounting adjustments.

c. Other Adjustments

This column contains all other accounting adjustments required in the Comprehensive Income and Expenditure Statement by the Code of Practice that are not reported within a portfolio's final outturn and includes; Capital grants received to fund REFCUS, removal of charges to revenue to fund capital schemes, removal of statutory provision for the financing of capital expenditure (Minimum Revenue Provision) and debt rescheduling.

In addition, the column also includes adjustments for transactions reported within a portfolio's final outturn required by the Code of Practice to be reported below the Cost of Services line within the Comprehensive Income and Expenditure Statement and includes; income and expenditure related to investment properties (included within financing and investment income and expenditure), interest payable and interest and investment income (included within financing and investment income and expenditure).

NOTES TO THE CORE FINANCIAL STATEMENTS

2. SEGMENTAL INCOME AND EXPENDITURE

Income and expenditure reported on a segmental basis included within the column 'Net Portfolio Final Outturn' in the Expenditure and Funding Analysis as required by the Code of Practice is shown below:

2020/21	CE	E&Y	Gov	H&A	P&R	PE&E	SS	SP	S&T	Central and Corporate Finance	Theatr Clwyd	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenues from External Customers	(113)	(3,481)	(1,328)	(3,419)	(314)	(2,328)	(10,753)	(905)	(22,204)	(724)	(2,286)	(37,622)	(85,477)
Revenues from Transactions with other Operating Segments	0	(2,254)	(1,087)	(446)	(183)	(213)	(147)	0	(1,167)	0	(328)	0	(5,825)
Interest Revenues	0	0	0	0	0	0	0	0	0	(531)	0	0	(531)
Interest Expense	0	0	0	0	0	0	0	0	0	8,417	0	5,061	13,478

2019/20	CE	E&Y	Gov	H&A	P&R	PE&E	SS	SP	S&T	Central and Corporate Finance	Theatr Clwyd	HRA	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenues from External Customers	(248)	(6,226)	(2,447)	(3,618)	(284)	(2,933)	(11,393)	(166)	(18,799)	(1,011)	(5,113)	(36,958)	(89,196)
Revenues from Transactions with other Operating Segments	0	(2,370)	(1,122)	(489)	(174)	(235)	(165)	0	(974)	0	(586)	0	(6,115)
Interest Revenues	0	0	0	0	0	0	0	0	0	(551)	0	0	(551)
Interest Expense	0	0	0	0	0	0	0	0	0	8,294	0	5,095	13,389

3. INCOME AND EXPENDITURE ANALYSED BY NATURE

Income and Expenditure reported within the Comprehensive Income and Expenditure Statement is analysed as follows:

Nature of Expenses	2020/21 £000	2019/20 £000
Expenditure		
Employee Benefit Expenses	199,842	195,847
Other Service Expenses	224,943	205,458
Depreciation, Amortisation & Impairment	17,231	83,608
Interest Payments	13,852	13,812
Precept and Levies	29,778	28,607
(Gain) or loss on disposal of non-current assets	(1,013)	(680)
(Gain) or loss on disposal of investment property	(189)	(196)
Total Expenditure	484,444	526,456
Income		
Fees, Charges and Other Service Income*	(83,361)	(85,089)
Grants and Contributions*	(301,991)	(247,946)
Interest and Investment Income	(4,485)	(3,431)
Income from Council Tax and Non-Domestic Rates	(145,709)	(142,592)
Total Income	(535,546)	(479,058)
Surplus or Deficit on the Provision of Services	(51,102)	47,398

*2019/20 restated to include £1,303k in 'Grants and Contributions' as incorrectly classified as 'Fees, Charges and Other Service Income'

NOTES TO THE CORE FINANCIAL STATEMENTS

4. OTHER OPERATING EXPENDITURE

	2021	2020
	£000	£000
Precept - Office of North Wales Police and Crime Commissioner	18,760	17,887
Other preceptors - Community Councils	3,050	2,930
Levy - North Wales Fire and Rescue Authority	7,968	7,790
Net gain on the disposal of non-current assets	(1,013)	(680)
Admin. expenses on the net defined benefit liability	728	676
	<u>29,493</u>	<u>28,603</u>

5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

An aggregate net financing and investment income and expenditure total of £20,686k (£21,477k in 2019/20), incorporates the investment losses and investment expenditure detailed below:

	2021	2020
	£000	£000
Interest payable and similar charges	13,852	13,812
Investment losses and investment expenditure	1,822	1,943
Net interest on the net defined benefit liability (see note 43)	9,235	9,349
Interest and investment income	(4,485)	(3,431)
Net gain on the disposal of investment properties	(189)	(196)
Movement in expected credit loss on financial assets*	451	0
	<u>20,686</u>	<u>21,477</u>

* In 2019-20 the movement of £164k in expected credit loss on financial assets was charged to net cost of services, in line with IFRS9 is now charged to F&I I&E

6. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2021	2020
	£000	£000
	Note	
Council tax income	(97,300)	(92,887)
Non-domestic rates	(48,407)	(49,704)
Non-ringfenced government grants	18 (154,853)	(139,276)
Capital grants and contributions	18 (40,046)	(27,801)
	<u>(340,606)</u>	<u>(309,668)</u>

Council Tax

All domestic properties are included in the Council Tax Valuation List which is issued and maintained by the Valuation Office Agency, part of HMRC. Each property is placed in one of nine property bands (Band A to Band I) depending on the open market valuation of the dwelling at 1st April 2003 (otherwise known as the valuation date). A tenth band (A-) is only available to those taxpayers who live in band 'A' properties and are entitled to a disabled banding reduction.

Council Tax is payable based on the valuation band into which a property has been placed by the Valuation Office Agency. Gross charges are calculated by dividing the total income requirements of the County Council, Police and Crime Commissioner for North Wales and Town/Community Councils by the council tax base.

NOTES TO THE CORE FINANCIAL STATEMENTS

The tax base is the total of all the properties in each band expressed as Band 'D' equivalent numbers and adjusted for exemptions, discounts and disregards. Allowances are also made within the tax base for bad or doubtful debts. The tax base for 2020/21 was 64,554 band 'D' equivalent properties (64,317 in 2019/20).

The Flintshire County Council precept for a band 'D' property in 2020/21 was £1,341.51 (£1,280.68 in 2019/20). Council tax bills were based on the following multipliers for bands A- to I :

Band	A-	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
No. of equivalent Band 'D' dwellings	10.56	2,283.50	6,259.36	16,006.67	11,721.21	12,137.89	9,991.58	4,940.83	1,098.50	457.33

Other precepts added to 2020/21 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £18,760k (£17,887k in 2019/20) and 34 Town and Community Councils who collectively raised precepts totalling £3,050k (£2,930k in 2019/20).

Analysis of the net proceeds from Council tax:

	2021 £000	2020 £000
Council tax collected	109,436	104,023
(Increase)/Decrease in bad debts provision	(226)	(25)
Council Tax Reduction Scheme	(11,569)	(10,707)
Amounts written off to provision	(341)	(404)
	<u>97,300</u>	<u>92,887</u>
Less - Payable to North Wales Police and Crime Commissioner	(18,760)	(17,887)
	<u>78,540</u>	<u>75,000</u>

Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the multiplier which in 2020/21 was 53.5p for all properties (52.6p in 2019/20). The Council is responsible for collecting the rates in its area, which are paid into the NDR pool administered by the Welsh Government.

The Welsh Government distributes NDR pool receipts to local authorities on the basis of a fixed amount per head of population. 2020/21 NDR income paid into the pool was £62,075k after relief and provisions (£60,516k in 2019/20), based on a year end rateable value total of £145,865k (£145,838k in 2019/20).

Analysis of the net proceeds from non-domestic rates:

	2021 £000	2020 £000
Non-domestic rates collected	45,567	60,254
Less - Paid into NDR pool	(62,075)	(60,516)
Less - Cost of collection	(346)	(345)
(Increase)/Decrease in bad debts provision	(38)	(85)
Relief Schemes	16,892	692
	<u>0</u>	<u>0</u>
Receipts from pool	48,407	49,704
	<u>48,407</u>	<u>49,704</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The debit adjustment for the year is £28,594k (£47,029k in 2019/20)

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2020/21	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
Charges for depreciation and impairment of non current assets	24,430	(15,141)	0	0	(9,289)
Revaluation losses on Property, Plant and Equipment	1,641	21	0	0	(1,662)
Movements in the market value of Investment Properties	(887)	0	0	0	887
Amortisation of intangible assets	7	0	0	0	(7)
Capital grants and contributions applied	0	0	0	(36,147)	36,147
Revenue expenditure funded from capital under statute	5,287	0	0	0	(5,287)
Soft Loan Accounting Adjustments	(53)	0	0	0	53
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,017	0	0	0	(1,017)
Inclusion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(4,369)	(2,691)	0	0	7,060
Capital expenditure charged against the Council Fund and HRA balances	(1,112)	(11,955)	0	0	13,067
Adjustments involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES	(38,260)	(5,073)	0	43,333	0
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,219)	0	2,358	0	(139)
Use of the Capital Receipts Reserve to finance new capital expenditure or repay debt	0	0	(5,235)	0	5,235
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(359)	0	0	0	359
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	36,845	2,095	0	0	(38,940)
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,954)	(1,222)	0	0	24,176
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,949	100	0	0	(2,049)
Adjustments involving the Deferred Capital Receipts Account:					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations	963	(33,866)	(2,877)	7,186	28,594

NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000
2019/20					
Adjustments involving the Capital Adjustment Account:					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
Charges for depreciation and impairment of non current assets	18,485	33,929	0	0	(52,414)
Revaluation losses on Property, Plant and Equipment	24,460	0	0	0	(24,460)
Movements in the market value of Investment Properties	727	0	0	0	(727)
Amortisation of intangible assets	15	0	0	0	(15)
Capital grants and contributions applied	0	0	0	(30,603)	30,603
Revenue expenditure funded from capital under statute	4,302	0	0	0	(4,302)
Soft Loan Accounting Adjustments	(50)	0	0	0	50
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	1,629	0	0	0	(1,629)
Inclusion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(3,962)	(2,624)	0	0	6,586
Capital expenditure charged against the Council Fund and HRA balances	(530)	(14,776)	0	0	15,306
Adjustments involving the Capital Grants Unapplied Account:					
Capital grants and contributions unapplied credited to CIES*	(26,120)	(5,060)	0	31,180	0
Adjustments involving the Capital Receipts Reserve:					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,505)	0	2,739	0	(234)
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(317)	0	317
Adjustments involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(359)	(2)	0	0	361
Adjustments involving the Pensions Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES**	40,211	2,153	0	0	(42,364)
Employer's pensions contributions and direct payments to pensioners payable in the year**	(25,038)	(1,367)	0	0	26,405
Adjustment involving the Accumulated Absences Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	510	2	0	0	(512)
Adjustments involving the Deferred Capital Receipts Account:					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
Adjustments between accounting basis & funding basis under regulations					
	31,775	12,255	2,422	577	(47,029)

*Figures restated to allocate Major Repairs Allowance grant (£5,060k) to the Housing Revenue Account from the Council Fund

**Figures restated due to being transposed in 2019/20 accounts.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are made up of council dwellings, other land and buildings, vehicles, plant, furniture and equipment that are held, occupied, used or contracted to be used on behalf of the Council, or consumed in the direct delivery of services. Included are dwellings and other housing properties, office buildings, schools, libraries, sports centres and pools, residential homes/day centres, depots and workshops, cemetery buildings, off street car parks, vehicles, mechanical plant, fixtures and fittings and other equipment.

NOTES TO THE CORE FINANCIAL STATEMENTS

Infrastructure assets are inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Included are highways, footpaths, bridges, water and drainage facilities and coastal defences.

Community assets are assets that the Council intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect of sale and change of use. Included are parks and open spaces, recreation grounds, play areas and cemetery land.

Potential impact of COVID-19 on the valuation of the Council's Assets

The outbreak of COVID-19 continues to have an impact on global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value.

The Council's asset valuations are based on guidance from the RICS Red Book Global. Less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuation of Council Assets will be kept under frequent review.

Movements 2020/21

	Council Dwellings & Garages £000	Other Land & Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Surplus Assets £000	Infrastructure Assets £000	Community Assets £000	Assets under Construction £000	Total £000
Cost or Valuation								
At 1st April, 2020	355,577	385,673	26,167	6,320	249,320	4,789	7,002	1,034,848
Additions and Acquisitions	15,868	6,987	7,621	0	6,865	113	17,547	55,001
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	3,304	0	138	0	0	0	3,442
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(118,984)	(321)	0	(808)	0	0	0	(120,113)
Assets Derecognised	0	(1,086)	(2,257)	(389)	0	0	0	(3,732)
Reclassifications	0	(2,411)	242	2,022	0	0	0	(147)
Other movements in cost or valuation	1,792	37	1,367	0	0	0	(3,467)	(271)
At 31st March 2021	254,253	392,183	33,140	7,283	256,185	4,902	21,082	969,028
Accumulated Depreciation and Impairment								
As At 1st April, 2020	(156,255)	(48,398)	(14,043)	(283)	(92,299)	0	0	(311,278)
Depreciation charge	(5,073)	(12,585)	(3,195)	(48)	(6,392)	0	0	(27,293)
Depreciation written out to the Revaluation Reserve	0	4,174	0	54	0	0	0	4,228
Depreciation written out to the Surplus/Deficit on the Provision of Services	25,216	154	0	0	0	0	0	25,370
Impairments written out to the Revaluation Reserve	0	877	0	0	0	0	0	877
Impairments recognised in the Revaluation Reserve	0	(3,713)	0	(622)	0	0	0	(4,335)
Reversal of Impairments recognised in the Surplus/Deficit	15,047	771	0	0	0	0	0	15,818
Impairments written out to Surplus/Deficit on the Provision of Services	115,914	(114)	0	78	0	0	0	115,878
Impairments recognised in the Surplus/Deficit on the Provision of Services	(16,860)	(3,421)	0	(298)	0	0	0	(20,579)
Assets Derecognised	0	1,086	2,257	0	0	0	0	3,343
Assets reclassified (to)/from Held for Sale	0	226	0	(226)	0	0	0	0
At 31st March 2021	(22,011)	(60,943)	(14,981)	(1,345)	(98,691)	0	0	(197,971)
Balance Sheet at 31st March 2021	232,242	331,240	18,159	5,938	157,494	4,902	21,082	771,057
Balance Sheet at 1st April 2020	199,322	337,275	12,124	6,037	157,021	4,789	7,002	723,570
Nature of Asset Holding								
Owned	232,242	331,240	15,020	5,938	157,494	4,902	21,082	767,918
Finance Lease	0	0	3,139	0	0	0	0	3,139
At 31st March 2021	232,242	331,240	18,159	5,938	157,494	4,902	21,082	771,057

NOTES TO THE CORE FINANCIAL STATEMENTS

Movements 2019/20

	Council Dwellings & Garages	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April, 2019	325,538	356,395	27,582	8,101	242,850	4,721	24,281	989,468
Additions and Acquisitions	27,824	13,431	1,450	0	6,470	68	6,568	55,811
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	19,354	0	(550)	0	0	0	18,804
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(25,191)	0	(1)	0	0	0	(25,192)
Assets Derecognised	0	(402)	(2,865)	(930)	0	0	0	(4,197)
Reclassifications	0	454	0	(300)	0	0	0	154
Other movements in cost or valuation	2,215	21,632	0	0	0	0	(23,847)	0
At 31st March 2020	355,577	385,673	26,167	6,320	249,320	4,789	7,002	1,034,848
Accumulated Depreciation and Impairment								
As At 1st April, 2019	(122,367)	(41,018)	(13,626)	(1,019)	(86,068)	0	0	(264,098)
Depreciation charge	(5,060)	(12,831)	(3,282)	(72)	(6,231)	0	0	(27,476)
Depreciation written out to the Revaluation Reserve	0	3,505	0	13	0	0	0	3,518
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	3,776	0	10	0	0	0	3,786
Impairments written out to the Revaluation Reserve	0	(54)	0	0	0	0	0	(54)
Impairments recognised in the Revaluation Reserve	0	(3,059)	0	0	0	0	0	(3,059)
Reversal of Impairments recognised in the Surplus/Deficit	0	3,319	0	0	0	0	0	3,319
Impairments written out to Surplus/Deficit on the Provision of Services	0	264	0	0	0	0	0	264
Impairments recognised in the Surplus/Deficit on the Provision of Services	(28,828)	(2,705)	0	0	0	0	0	(31,533)
Assets Derecognised	0	402	2,865	785	0	0	0	4,052
Assets reclassified (to)/from Held for Sale	0	3	0	0	0	0	0	3
At 31st March 2020	(156,255)	(48,398)	(14,043)	(283)	(92,299)	0	0	(311,278)
Balance Sheet at 31st March 2020	199,322	337,275	12,124	6,037	157,021	4,789	7,002	723,570
Balance Sheet at 1st April 2019	203,171	315,377	13,956	7,082	156,782	4,721	24,281	725,370
Nature of Asset Holding								
Owned	199,322	337,275	8,439	6,037	157,021	4,789	7,002	719,885
Finance Lease	0	0	3,685	0	0	0	0	3,685
At 31st March 2020	199,322	337,275	12,124	6,037	157,021	4,789	7,002	723,570

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value Measurement of Surplus Assets

Details of the Council's surplus assets and information about the fair value hierarchy as at 31st March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2020/21 Surplus Assets	0	2,701	3,237	5,938
2019/20 Surplus Assets	0	2,843	3,195	6,038

There were no transfers between different levels of the fair value hierarchy during the year and there has been no change in the valuation techniques used during the year for surplus assets.

In estimating the fair value of the Council's surplus assets, the highest and best use of the properties has been taken into account.

The Council is required to disclose where the highest and best use differs from current use. In line with their treatment as surplus assets, a number of these assets are currently vacant; in these cases the current use is not the highest and best use.

The Council's valuers, in using appropriate valuation techniques, have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

The valuation techniques used to measure the fair value of surplus assets are the market approach and the income approach. The Council's valuers considered these bases to be appropriate because:

- (i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

NOTES TO THE CORE FINANCIAL STATEMENTS

9. INVESTMENT PROPERTIES AND AGRICULTURAL ESTATE

	2021 £000	2020 £000
Cost or Valuation		
At 1st April	24,979	27,075
Reclassifications	0	(139)
Additions	24	22
Revaluation increases/(decreases) to Surplus/Deficit	794	(700)
Other Adjustments	(584)	(1,279)
At 31st March	25,213	24,979
Depreciation and Impairments		
At 1st April	23	40
Reclassifications	0	3
Reversal of Impairments recognised in the Surplus/Deficit	(23)	0
Impairment / Depreciation	24	(20)
At 31st March	24	23
Balance Sheet at 31st March	25,189	24,956

Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2020/21				
Commercial and Industrial Estates	0	0	11,653	11,653
Agricultural Estate - Farms	0	11,195	0	11,195
Agricultural Estate - Grazing Land	0	0	2,341	2,341
Total	0	11,195	13,994	25,189
2019/20				
Commercial and Industrial Estates	0	0	12,566	12,566
Agricultural Estate - Farms	0	11,000	0	11,000
Agricultural Estate - Grazing Land	143	0	1,247	1,390
Total	143	11,000	13,813	24,956

Transfers between different levels of the fair value hierarchy during the year have occurred due to comparable information being available this year for similar assets in active markets or prices for similar assets in markets which are not active.

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is their current use.

The fair value of the Council's investment property is measured annually at each reporting date. In 2020/21 the Council's farms and smallholdings were valued by an external valuer, with the remainder of the valuations carried out by the Council's internal valuers.

NOTES TO THE CORE FINANCIAL STATEMENTS

All valuations are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The Council's valuation team work closely with finance officers regarding all valuation matters.

Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 2

The Council's farms and smallholdings were valued by an external independent valuer in accordance with IFRS 13 Fair Value requirements, using the market approach for such assets but reflecting the specific circumstances of each asset e.g. vacant or subject to an existing tenancy. The valuation hierarchy Level 2 was considered appropriate given details of the market comparators were provided as part of the valuation report. The valuation techniques also considered highest and best use reflecting what is physically possible or legally permissible.

Significant Unobservable Inputs – Level 3

The valuation techniques used to measure the fair value of the grazing and bare land are the market approach and the income approach. The Council's valuers considered these bases to be appropriate because:

- (i) Market approach – use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.
- (ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuers, in using appropriate valuation techniques in the circumstances and where sufficient data is available, have maximized the use of relevant known inputs and minimized the use of unobservable inputs. The grazing and bare land valuation techniques reflected Level 3 input due to the lack of market data obtainable by the Council's valuers.

The valuation techniques used to measure the fair value of the commercial and industrial estates are the income approach (for assets) and the market approach (for vacant land). The Council's valuers considered these bases to be appropriate because:-

- (i) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.
- (ii) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

However, predominately the approach to valuing the commercial and industrial units was done using the Council's own existing information and data reflecting such factors as rent growth, occupancy levels, bad debt levels, and costs for repair and maintenance obligations. Therefore, the Council's commercial and industrial unit's valuation hierarchy is Level 3 as the valuation approach uses unobservable inputs and that this is done on the same basis when valuing the asset as would be used by market participants.

NOTES TO THE CORE FINANCIAL STATEMENTS

10. ASSETS HELD FOR SALE

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2020	0	376	550	926
Additions	0	0	0	0
Assets newly classified as held for sale	0	147	0	147
Assets declassified as held for sale	0	(43)	0	(43)
Net Reclassifications	0	104	0	104
Impairments	0	0	0	0
Revaluation gains	0	0	0	0
Revaluation losses	0	(9)	0	(9)
Net Revaluations	0	(9)	0	(9)
Assets sold	0	0	0	0
At 31st March 2021	0	471	550	1,021

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
At 1st April 2019	0	528	585	1,113
Additions	0	0	0	0
Assets newly classified as held for sale	0	0	430	430
Assets declassified as held for sale	0	0	(445)	(445)
Net Reclassifications	0	0	(15)	(15)
Impairments	0	0	0	0
Revaluation gains	0	53	0	53
Revaluation losses	0	0	(20)	(20)
Net Revaluations	0	53	(20)	33
Assets sold	0	(205)	0	(205)
At 31st March 2020	0	376	550	926

Fair Value Measurement of Assets Held for Sale

Details of the Council's assets held for sale and information about the fair value hierarchy as at 31 March is as follows:

	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair Value as at 31 March £000
2020/21 Assets Held for Sale	0	65	956	1,021
2019/20 Assets Held for Sale	43	65	818	926

There were no transfers between different levels of the fair value hierarchy during the year and there has been no change in the valuation techniques used during the year for Assets Held for Sale.

NOTES TO THE CORE FINANCIAL STATEMENTS

In estimating the fair value of the Council's assets held for sale, the highest and best use of the properties has been taken into account.

The Council is required to disclose where the highest and best use differs from current use. A number of assets held for sale are currently vacant pending disposal; in these cases the current use is not the highest and best use.

Significant Unobservable Inputs – Level 3

The valuation techniques used to measure the fair value of assets held for sale are the market approach and income approach. The Council's valuers considered these bases to be appropriate because:

(i) Market approach - use of prices and other relevant information and data generated by market transactions reflects the value of the asset payable by the market.

(ii) Income approach – use of this approach reflects the market expectation of the future cash flows receivable from that asset.

The Council's valuers, in using appropriate valuation techniques have maximised the use of relevant known inputs and minimised the use of unobservable inputs.

11. LONG TERM INVESTMENTS

Long term investments are carried in the balance sheet at amortised cost:

	2021	2020
	£000	£000
Banks / Building Society Deposits	0	0
North East Wales Homes	3,592	2,628
Total	<u>3,592</u>	<u>2,628</u>

12. LONG TERM DEBTORS

	2021	2020
	£000	£000
Renewal and improvement loans	1,803	1,986
First time buyer loans	100	100
Affordable housing deposits	98	98
Private street works	47	46
Loan to NEW Homes	9,768	6,819
General Long Term Debtors	0	16
Total	<u>11,816</u>	<u>9,065</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

13. SHORT TERM DEBTORS

	2021	2020
	£000	£000
Housing Rents	1,987	1,918
Council Tax	4,867	3,265
Grants	29,832	16,729
Benefit Overpayments	2,074	2,219
Taxation	6,055	2,894
NNDR	4,367	5,844
Lending	126	1,026
Payments in advance	6,876	4,825
North Wales Economic Ambition Board	2,095	0
Other	12,736	16,029
NHS - Test, Trace, Protect	2,529	0
NHS	3,611	2,938
	77,155	57,687
Allowance for impairment losses and expected credit losses	(3,398)	(2,647)
Total	73,757	55,040

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1st April 2018 and adopted the expected credit loss model it prescribed. This is to calculate the risk that future cash flows may not take place as the counterparty could default on their obligations. This methodology is explained within the Council's Accounting Policies. The Council's existing process for calculating impairment losses on trade debtors, lease receivables and contract assets was in line with the new method of collective assessment and therefore there has been no change in methodology in calculating impairments of financial assets.

In compliance with the Council's financial management framework, the Council continues to make an impairment allowance outside the scope of the expected credit loss model for non-exchange transactions such as Council Tax debtors, and debtors with government.

Analysis of age of Council Tax debt:

	2021	2020
	£000	£000
0-1 years	2,977	1,937
1-2 years	1,038	610
2-3 years	384	286
3-4 years	188	162
4-5 years	104	99
5+ years	176	171
Total	4,867	3,265

NOTES TO THE CORE FINANCIAL STATEMENTS

14. SHORT TERM INVESTMENTS

The balance sheet total is recorded net of those sums invested for 3 months or less (including overnight/call account monies) which are treated as cash.

	2021	2020
	£000	£000
Investments (3 months – 365 days)	10,000	0
Accrued interest	0	0
Total	10,000	0

15. CASH AND CASH EQUIVALENTS

	2021		2020	
	£000	£000	£000	£000
Current Assets				
Temporary investments (call accounts)		26,300		0
Cash and cash equivalents	15,610		31,718	
Cash overdrawn	(4,827)		(2,591)	
		10,783		29,127
Total		37,083		29,127

16. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	2021	2020
	£000	£000
Accrued interest on long term external borrowing	2,875	2,855
Loans maturing	3,090	10,000
Annuity/EIP loan repayments	1,501	1,198
Energy Efficiency Loans (from Salix Finance Ltd.)	492	492
Short term external borrowing	58,000	53,000
Accrued interest on short term external borrowing	2	48
Total	65,960	67,593

17. CREDITORS

	2021	2020
	£000	£000
Short Term		
Rents received in advance	447	337
Council Tax received in advance and accounts in credit	1,415	1,292
Deposits	353	335
Receipts in advance	6,623	4,224
Receipts in advance - Bus Emergency Scheme	4,175	0
Employee Related	5,134	6,120
Other	23,565	19,425
Total	41,712	31,733
Long Term		
Deposits	412	413
Receipts in advance	622	489
Other	0	150
Total	1,034	1,052

NOTES TO THE CORE FINANCIAL STATEMENTS

18. GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement:

	2021 £000	2020 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	150,979	139,276
Digital Transformation Grant	1,182	0
Funding for impact on planned efficiencies	1,182	0
Funding for Council Tax collection shortfall	1,052	0
Funding for impact of increased uptake of Council Tax Reduction Scheme	458	0
Total Non Ringfenced Government Grants	154,853	139,276
Welsh Government (WG):		
Major Repairs Allowance	5,073	5,060
General Capital Grant	4,083	3,875
21st Century Schools	2,836	2,000
Local Transport Fund	8,616	1,537
Integrated Care Fund	2,253	2,045
School Improvement Grant	2,527	2,185
Infant Class Size	12	1,160
Innovative Housing Programme-SHARP	16	1,190
Innovative Housing Programme -Marleyfield	0	2,022
Hwb in Schools ICT Infrastructure Grant	1,323	1,367
Circular Economy Fund	2,878	0
Active Travel Fund	2,090	0
Other WG Grants	5,176	2,669
Arts Council Wales*	1,932	880
Other Capital Grants and Contributions	1,231	1,810
Total Capital Grants and Contributions	40,046	27,800
Total	194,899	167,076

*2020 Included in 'Other Capital Grants and Contributions'

Credited to Services

WG		
Housing Support Grant	5,951	5,920
Post 16	4,725	4,620
Education Improvement Grant	6,221	5,796
Children & Communities Grant	5,496	5,284
Pupil Deprivation	4,423	3,748
Concessionary Fares	1,681	1,712
Integrated Care Fund	3,868	4,008
Teachers Pension Grant	0	1,975
LA Education Grant	5,813	2,406
NWRWTP	5,620	1,588
Social Services Workforce & Sustainability*	1,733	1,303
COVID-19 Hardship Funding	14,747	0
Bus Emergency Scheme	1,449	0
Other**	11,431	6,770
Department of Work and Pensions	28,402	29,721
Arts Council Wales	2,426	1,909
Other Grants and Contributions	3,108	4,111
Total	107,094	80,871

*Excluded from grant income note in 2020 in error.

**249k in 2020 separately disclosed as Childcare Offer Grant

NOTES TO THE CORE FINANCIAL STATEMENTS

Grants and Contributions Received in Advance

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them. The funding will be returned to the grantor if the conditions are not met. The balances at the year end are as follows:

	2021 £000	2020 £000
Short Term		
Revenue Grants	1,340	441
Capital Grants - North Wales Economic Ambition Board	2,000	0
Capital Contributions	347	369
Revenue Contributions	196	270
Total	3,883	1,080
Long Term		
Revenue Contributions	392	298
Capital Contributions	419	441
Total	811	739

19. PROVISIONS

The amounts recognised as provisions are the best estimates of expenditure required to settle present obligations.

	2021 £000	Additions £000	Expenditure Incurred £000	Amounts Reversed £000	Unwinding Discounting £000	2020 £000
Current Liabilities						
Aftercare of former landfill sites	65	0	15	0	0	50
Employee Termination Benefits	77	77	0	0	0	0
Employee Claims	0	0	(42)	(28)	0	70
Financial Assessment	750	750	0	0	0	0
Total	892	827	(27)	(28)	0	120
Non-Current Liabilities						
Aftercare of former landfill sites	966	0	(38)	0	19	985
Remediation works at former landfill sites	0	0	0	(5)	0	5
Total	966	0	(38)	(5)	19	990

- The aftercare of former landfill sites provides for the environmental aftercare costs for the former waste disposal sites at Standard and Brookhill, Buckley, split across a current liability and a non-current liability. The projected costs are embodied in performance deeds with Natural Resources Wales (formerly the Environment Agency). These deeds form the basis of the Council's legal obligation to make financial provision for aftercare for 60 years from the date the landfill site was closed. The provision is revised by way of indexation each year in line with RPI, and reviewed for adequacy. The provision matches the legal obligation contained in the performance deeds.
- The Council was sufficiently committed with some proposals at the balance sheet date to warrant the creation of a provision in 2020/21 for the termination benefits of employees leaving the Council's employment in 2021/22.

NOTES TO THE CORE FINANCIAL STATEMENTS

- The employee claims provision will fund the estimated costs of employee claims against the Council.
- Following a review of our Financial Assessment policy, the Council will reimburse non-residential care service users for the partial cost of charges for services dating back to 2016.
- In accordance with the requirements of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, sites across the County will be considered with the condition of each assessed as necessary in due course. The Council has set aside a provision to fund its liabilities for any remediation works deemed necessary on a best estimate basis at the balance sheet date.

Accumulated Absences

An additional provision on the balance sheet is the provision for accumulated absences of £5,226k (£3,178k in 2019/20). Short-term accumulating compensated absences refer to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is annual leave entitlement which employees build up as they work. The Code requires that the cost of providing holidays and similar benefits are recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31st March each year. The Government has issued regulations that mean local authorities are only required to fund annual leave entitlement and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the accumulated absences account until the benefits are used.

20. LONG TERM BORROWING

Analysis	Interest Rates		2021	2020
	Minimum %	Maximum %	£000	£000
By Loan Type (Fixed Rate)				
Salix Finance (Energy Efficiency)		Interest Free	3,330	3,822
Government (PWLb)	1.16	9.50	260,332	255,965
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	1,322	860
Total			<u>283,934</u>	<u>279,597</u>
By Maturity				
Between 1 and 2 years			4,398	4,783
Between 2 and 5 years			15,157	13,940
Between 5 and 10 years			27,929	24,939
More than 10 years			236,450	235,935
Total			<u>283,934</u>	<u>279,597</u>

21. USABLE RESERVES

The Council maintains a number of reserves on the Balance Sheet. Some are held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and in Note 7.

Council Fund

The Council Fund balance of £14,061k represents the value of unearmarked reserves available to the Council (£11,025k in 2019/20).

NOTES TO THE CORE FINANCIAL STATEMENTS

Housing Revenue Account

The housing revenue account reserve cumulative balance of £6,908k (£2,889k in 2019/20) includes the 2020/21 HRA surplus of £4,019k (£668k (surplus) in 2019/20), as detailed on page 73.

Capital Receipts Reserve

The capital receipts reserve contains receipts from the sale of assets which have yet to be used to finance capital or to repay debt.

Capital Grants Unapplied

Capital grants unapplied are amounts received but not yet applied to finance capital expenditure.

Earmarked Reserves

Total earmarked reserves of £24,438k (£13,293k in 2019/20) include:

- Service balances – represents service departments carrying forward unspent funding for use in the subsequent financial year and other relevant specific income / underspends one-off in nature that extend over more than one year for a specific purpose.
- School balances – this sum represents the element of balances released under the delegation of budgets to schools which remained unspent at the end of the financial year.
- Single status / equal pay – accumulated reserve to fund further one-off workforce costs along with the final phases of pay protection arising from implementation of the single status agreement.
- Investment in Organisational change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects.
- Benefits Equalisation – this reserve was introduced to mitigate against the potential volatility in Housing Benefit Subsidy.
- County Elections – reserve to fund the costs of future elections.
- Local Development Plan – funding for costs associated with finalising, and then implementing, the Local Development Plan.
- Waste Disposal – reserve used predominantly to fund Flintshire County Council's contribution to the North Wales Residual Waste Treatment Partnership.
- Design Fees - reserve created to mitigate a loss of income from the Capital Programme
- Winter Maintenance – reserve set up as a contingency in the event of severe weather conditions.
- Car Parking - apportionment of car park income ringfenced for works/improvements at Mold town centre as agreed with Mold Town Council.
- Insurance Reserves – various Insurance related reserves, including the Council's internal insurance fund, to meet the costs of self-insurance as not all risks are externally insured.
- Flintshire Trainees – reserve to fund the Flintshire Trainee programme.
- Rent Income Shortfall – reserve created to mitigate loss of income from industrial property rent.
- Customer Service Strategy – to enable the roll out of the Customer Services Strategy. This will include improvements to Connect Centres, improving self-service facilities and investment in new software.
- Capita One – a regional IT system holding management information for schools hosted by Flintshire. Any funds held at the end of the financial year in excess of costs incurred will be spent on delivering the service in future years.
- Supervision Fees – this reserve is used for work carried out by the Development Control Team in supervising works on housing developments in connection with the adoption of roads and/or other related work deemed necessary.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Transportation Review – to fund a review of the way transport services are delivered.
- LMS Curriculum – funding is used for transitional costs relating to school modernisation for schools.
- Organisational Change/ADM – to support initial set up costs and financial technical support for contingency against any financial issues arising as a result of implementing different service delivery methods.
- Employment Claims – to fund the estimated costs of employee claims against the Council.
- Community Benefit Fund - North Wales Residual Waste Treatment Project (NWRWTP) - Contributions from NWRWTP Partnership and Wheelabrator Technologies Inc to fund environmentally beneficial projects in the locality of Flintshire. In the interim it is being utilised as a 'Community Recovery Fund' to help local communities in the Deeside area from the impacts of the Covid-19 pandemic.
- Warm Homes Admin Fee Income – reserve to support and resource the demand for the services of the Warm Homes Energy Team in their work to deliver energy efficiency improvements to those in fuel poverty.
- North Wales Economic Ambition Board (NWEAB) - FCC's share of NWEAB joint committee reserves held by Gwynedd CC.
- Grants & Contributions – various grants and contributions from external providers that must be spent in accordance with restrictions on use.

Movement between earmarked reserves is summarised in the following table:

	Balance at 31 March 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
Service balances	855	(227)	1,201	1,829	(657)	2,968	4,140
School balances	1,335	(5,886)	4,663	112	(4,836)	11,626	6,902
Single status/equal pay	1,184	(63)	0	1,121	(78)	0	1,043
Investment in Organisational Change	1,039	(345)	1,000	1,694	(229)	0	1,465
Benefits equalisation	318	(185)	0	133	(133)	0	0
County elections	205	(13)	20	212	(10)	34	236
Local Development Plan (LDP)	180	0	0	180	0	62	242
Waste disposal	83	0	0	83	(63)	4	24
Enterprise Centres	53	(46)	0	7	(7)	0	0
Design fees	200	0	0	200	(30)	0	170
Winter maintenance	250	0	0	250	0	0	250
Car Parking	47	(16)	14	45	0	0	45
Insurance Reserves	2,113	(761)	851	2,203	(874)	895	2,224
Cash Receipting Review	1	0	2	3	0	1	4
Flintshire Trainees	541	(17)	0	524	(15)	104	613
Rent Income Shortfall	70	(39)	0	31	0	0	31
Customer Service Strategy	33	(11)	0	22	0	0	22
Capita One	19	0	0	19	0	0	19
Supervision Fees	49	0	0	49	0	0	49
Transportation Review	84	(84)	0	0	0	0	0
LMS Curriculum	383	(541)	579	421	(435)	441	427
Organisational Change/ADM	100	(104)	37	33	0	0	33
Employment Claims	150	(42)	0	108	(11)	28	125
Carbon Reduction	43	(17)	0	26	(26)	0	0
Property Claims	45	(9)	0	36	(36)	0	0
Community Benefit Fund NWRWTP	0	0	65	65	(65)	230	230
Warm Homes Admin Fee Income	0	0	0	0	(25)	347	322
NWEAB	0	0	0	0	0	92	92
Grants & Contributions	3,934	(1,504)	1,457	3,887	(1,120)	2,963	5,730
Total	13,314	(9,910)	8,889	13,293	(8,650)	19,795	24,438

NOTES TO THE CORE FINANCIAL STATEMENTS

22. UNUSABLE RESERVES

The balances on unusable reserves are as follows:

	2021	2020
Reserves	£000	£000
Revaluation reserve	117,058	118,668
Capital adjustment account	343,777	292,977
Financial instruments adjustment account	(5,371)	(5,730)
Pensions reserve	(430,543)	(399,288)
Deferred Capital Receipt	98	98
Accumulated absences account	(5,226)	(3,178)
Total Unusable Reserves	<u>19,793</u>	<u>3,547</u>

The details of movements on unusable reserves are as follows:

Revaluation Reserve

The revaluation reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The revaluation reserve records unrealised revaluation gains arising since 1st April 2007, the date that the Reserve was created. The reserve is matched by non-current assets within the balance sheet - the resources are not available for financing purposes.

	2021	2020
	£000	£000
Balance at 1st April	118,668	105,289
Upward revaluation of assets	8,751	26,120
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(4,609)</u>	<u>(6,788)</u>
Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services	4,142	19,332
Difference between fair value depreciation and historical cost depreciation	(5,578)	(5,625)
Accumulated gains on assets sold or scrapped	<u>(174)</u>	<u>(328)</u>
Amount written off to the capital adjustment account	(5,752)	(5,953)
Balance at 31st March	<u>117,058</u>	<u>118,668</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Reserve

The pensions reserve is an adjustment account that absorbs the timing differences arising from different arrangements for post employment benefits and for funding benefits in accordance with statutory provisions.

The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement - the benefits are earned by employees accruing years of service. The liabilities recognised in the accounts are updated to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

Statutory arrangements require those benefits earned to be financed as and when the Council makes the employer's contributions to the pension fund, or eventually pays any pensions for which it has direct responsibility. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2021	2020
	£000	£000
Balance at 1st April	(399,288)	(407,745)
Return on plan assets	124,337	(42,133)
Actuarial gains and (losses)	(140,826)	66,548
Net charges to surplus / deficit on provision of services	(38,940)	(42,363)
Employers' contributions payable to the scheme	24,174	26,405
Balance at 31st March	(430,543)	(399,288)

Financial Instruments Adjustment Account

The financial instruments adjustment account (FIAA) provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early payment of debt) are recognised under the Code and are required by statute to be met from the Council fund. Again, the reserve is matched by borrowings and investments within the balance sheet, and the resources are not available for financing purposes.

	2021		2020	
	£000	£000	£000	£000
Balance at 1st April		(5,730)		(6,091)
Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	359		361	
Amount by which finance costs charged to the Comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements		359		361
Balance at 31st March		(5,371)		(5,730)

NOTES TO THE CORE FINANCIAL STATEMENTS

Capital Adjustment Account

The capital adjustment account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under the statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserves to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

Note 7 provides details of the source of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2021		2020	
	£000	£000	£000	£000
Balance at 1st April		292,977		317,944
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement				
- Charges for depreciation and impairment of non-current assets		(9,290)		(52,415)
- Revaluation losses on PP&E		(1,662)		(24,460)
- Amortisation of intangible assets		(7)		(15)
- Revenue expenditure funded from capital under statute		(5,286)		(4,302)
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement		(1,017)		(1,629)
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		887		(727)
- Soft Loan Accounting Adjustments		53		50
		(16,322)		(83,498)
Adjusting amounts written out of the revaluation reserve		5,753		5,954
Net written out amount of the cost of non-current assets consumed in the year		(10,569)		(77,544)
Capital financing applied in the year:				
- Use of the capital receipts reserve to finance capital expenditure		5,126		317
- Use of the capital receipts reserve to repay debt		109		0
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing		36,147		30,603
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances		7,060		6,585
- Capital expenditure charged against the council fund and HRA balances		13,067		15,306
Long term debtors adjustments - Loan Repayments		(140)		(234)
		61,369		52,577
Balance at 31st March		343,777		292,977

NOTES TO THE CORE FINANCIAL STATEMENTS

Deferred Capital Receipts

Deferred capital receipts are loans that the Council has made to individuals on the affordable homes register. The loan is the individual's deposit to assist in the purchase of an affordable home in the county. The loan is repayable on the earlier of, when the house is sold or 25 years. The reserve holds the recognised future receipt.

	2021	2020
	£000	£000
Affordable homes deposits	98	98
	98	98

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the Council Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the Council Fund balance is neutralised by transfer to or from the account.

	2021		2020	
	£000	£000	£000	£000
Balance at 1st April		(3,178)		(2,666)
Settlement or cancellation of accrual made at the end of the preceding year	3,178		2,666	
Amounts accrued at the end of the current year	(5,226)		(3,178)	
Amount by which officer remuneration charged to the comprehensive income and expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2,049)		(512)
Balance at 31st March		(5,226)		(3,178)

NOTES TO THE CORE FINANCIAL STATEMENTS

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities of £28,779k inflow (£4,281k outflow in 2019/20) include the following interest elements:

	2021 £000	2020 £000
Interest received	406	428
Interest paid	(13,859)	(16,939)

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2021 £000	2020 £000
Purchase of property, plant & equipment, investment property and intangible assets	(54,754)	(55,833)
Purchase of short term and long term investments	(10,000)	0
Other payments for investing activities	(3,029)	(1,949)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,225	2,514
Proceeds from short term and long term investments	0	0
Other receipts from investing activities	42,558	31,412
Net cash flows from investing activities	(23,000)	(23,856)

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2021 £000	2020 £000
Cash receipts of short term and long term borrowing	67,420	72,449
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(553)	(555)
Repayment of short term and long term borrowing	(64,690)	(44,965)
Other payments for financing activities	0	0
Net cash flows from financing activities	2,177	26,930

NOTES TO THE CORE FINANCIAL STATEMENTS

26. OFFICERS' REMUNERATION

Senior Employee Emoluments

The Accounts and Audit (Wales) Regulations 2014 requires disclosure (in £5,000 bandings) of the number of employees whose remuneration - all sums paid to or receivable by the employee including payments on termination of employment, expense allowances chargeable to tax, and the money value of benefits - exceeded £60,000. The band values do not include employer pension contributions. Columns for schools include all maintained schools including Voluntary Aided and Foundation Schools.

Remuneration Band	2021		2020	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	8	23	1	25
£65,000 - £69,999	3	24	7	14
£70,000 - £74,999	3	6	0	4
£75,000 - £79,999	1	5	0	8
£80,000 - £84,999	0	6	0	4
£85,000 - £89,999	0	4	0	0
£90,000 - £94,999	0	0	0	1
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	0	0	0	0
£105,000 - £109,999	0	0	0	0
£110,000 - £114,999	0	0	0	1
£115,000 - £119,999	0	1	0	0
	15	69	8	57

Some posts occupied are paid in accordance with nationally agreed Soulbury terms and conditions. Governing Bodies have some discretion in setting the salaries of Head Teachers, within the parameters of the School Teacher's pay and conditions 2015.

The Accounts and Audit (Wales) Regulations 2014 also requires disclosure of the individual remuneration details for senior employees by post where the salary is between £60,000 and £150,000 and by name where the salary exceeds £150,000. Senior employees for the purpose of the disclosure are the Chief Executive, Chief Officers, Statutory Officers and persons for whom the Chief Executive is directly responsible.

The salaries of the Chief Executive and the Chief Officer team have been set by full Council in accordance with the Council's Pay Policy Statement (available on the Council's website). There has been no variation to pay rates during the year other than inflationary increases for implementation of nationally agreed annual pay awards to reflect the increased cost of living. No bonuses, taxable expense allowances, compensation payments or other taxable benefits were received by Chief Officers.

NOTES TO THE CORE FINANCIAL STATEMENTS

Post Title	Note	2020/21		2019/20	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
Chief Executive	1, 2 & 3	144,585	34,122	141,750	39,123
Chief Officer Governance	1 & 2	102,181	24,115	99,469	27,453
Chief Officer Education & Youth		98,997	23,363	92,017	25,397
Chief Officer Social Services	4	106,497	25,133	96,348	26,592
Chief Officer Planning, Environment & Economy		98,997	23,363	96,348	26,592
Chief Officer Streetscene & Transportation		98,997	23,363	96,348	26,592
Chief Officer Housing & Assets		98,997	23,363	96,348	26,592
Corporate Finance Manager (Section 151 Officer)		75,350	17,783	70,724	19,520
Senior Manager (HR & OD)		75,149	17,735	67,119	18,525
		899,750	212,340	856,471	236,386

Note 1 : Remuneration does not include any amounts received for Returning Officer and Deputy Returning Officer roles at elections (costs for national, regional, local elections and referenda reimbursed by respective Government based on a nationally set payment formula).

Note 2 : Remuneration includes amounts received for Clerk (£5,306) and Deputy Clerk (£3,184) roles to the North Wales Fire and Rescue Authority, an arrangement under a service contract which has been in place for a number of year (costs reimbursed). 2019/20 figures restated to include amounts received for Clerk (£5,202) and Deputy Clerk (£3,121) roles.

Note 3 : The Chief Executive, voluntarily waived his entitlement to a pay award in 2019 and has elected to receive only 2% of the 2.75% nationally agreed pay award for 2020 based on the budget provision the Council has made.

Note 4 : Remuneration includes an honoraria payment (£7,500) for a time-limited support role acting as Statutory Director of Social Services for Wrexham County Borough Council in response to a statutory inspection (costs reimbursed).

The Accounts and Audit (Wales) Regulations 2014 also require disclosure of the ratio of remuneration between the Chief Executive and the median full time equivalent earner (£20,092); for 20/21 this was 1:6.93 (for 2019/20 this was 1:6.98).

Exit Packages

The Council is required to disclose (in £20k bandings up to £100k with £50k bandings thereafter) the number of exit packages agreed and the cost of the packages to the Council in the financial year. Exit costs arising in 2020/21 which the Council is committed to incurring at the 31st March 2021, but paid after this date, are also included in the disclosure. Information is included for all maintained schools including Voluntary Aided and Foundation Schools.

The totals disclosed are made up of payments made to the individual and any payments made by the Council to the pension fund when an employee retires early without actuarial reduction in pension in accordance with the Council's Discretionary Compensation Policy.

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2020/21 No.	2019/20 No.	2020/21 No.	2019/20 No.	2020/21 No.	2019/20 No.	2020/21 £	2019/20 £
£0 - £20,000	13	13	3	2	16	15	87,852	105,993
£20,001 - £40,000	3	2	1	1	4	3	94,853	89,922
£40,001 - £60,000	1	2	1	0	2	2	112,204	110,579
£60,001 - £80,000	1	2	0	0	1	2	76,535	139,573
£80,001 - £100,000	0	0	1	0	1	0	84,876	0
	18	19	6	3	24	22	456,320	446,067

NOTES TO THE CORE FINANCIAL STATEMENTS

27. MEMBERS' ALLOWANCES

Allowances totaling £1,435k were paid directly to members of the Council, and on their behalf in 2020/21 (£1,470k in 2019/20). Further information is available on the Council's website

	2021	2020
	£000	£000
Salaries	1,418	1,431
Members' expenses	17	39
	<u>1,435</u>	<u>1,470</u>

Expenses include costs of travel, subsistence, telephones and refreshments.

28. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have the ability to limit another party's ability to bargain freely with the Council.

Welsh and Central Government

Welsh Government exerts significant influence through legislation and grant funding – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties such as council tax bills and housing benefits. Grants received from Welsh and other Government departments are set out in notes 6 and 18.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances paid in 2020/21 is shown in note 27.

The Council appoints Members to some external charitable and voluntary bodies, or Members have disclosed a link to organisations, public bodies and authorities. The total transactions with bodies under this heading during 2020/21 are as follows:

• Payments	£7,949k	(£7,612k in 2019/20)
• Receipts	£39k	(£18k in 2019/20)
• Amounts owed by the Council	£112k	(£50k in 2019/20)
• Amounts owed to the Council	£120k	(£148k in 2019/20)

2020/21 transactions greater than £100k are shown below:

- An Elected Member declared an interest in Wales and West Housing Association to which the Council paid £1.7m (£1.8m in 2019/20).
- An Elected Member declared an interest in Clwyd Alyn Housing Association / Pennaf to which the Council paid £4.2m (£4.3m in 2019/20).
- An Elected Member declared an interest in the Domestic Abuse Safety Unit to which the Council paid £260k (£242k in 2019/20).
- Two Elected Members declared an interest in the Citizens Advice Bureau (CAB) to which the Council paid £372k (£366k in 2019/20).

NOTES TO THE CORE FINANCIAL STATEMENTS

- Two Elected Members declared an interest in Welsh Border Community Transport (WBCT) to which the Council paid £169k (£218k in 2019/20).
- Two Elected Members declared an interest in Care and Repair to which the Council paid £230k (£435k in 2019/20)
- An Elected Member declared an interest in Flintshire Local Voluntary Council (FLVC) to which the Council paid £308k (£131k in 2019/20).
- An Elected Member declared an interest in the Flintshire District Scouts Association to which the Council paid £253k (£0k in 2019/20).

Members have declared an interest or relationship in companies or businesses which may have had dealings with the Council. The total payments made to companies under this heading during 2020/21 and amounts outstanding at 31st March are as follows:

• Payments	£658k	(£276k in 2019/20)
• Receipts	£7k	(£17k in 2019/20)
• Amounts owed by the Council	£14k	(£0k in 2019/20)
• Amounts owed to the Council	£1k	(£1k in 2019/20)

2020/21 transactions greater than £100k are shown below:

- An Elected Member declared ownership of a bus and coach company to which the Council paid £109k (£106k in 2019/20).
- An Elected Member declared an interest in a design and print company to which the Council paid £117k (£120k in 2019/20).

The personal interests of all Members are recorded in the Public Register of Members' Interests, in accordance with the law and the Council's Code of Conduct. The register is available on the Council's website.

Officers

Senior Officers have declared, as required and where appropriate, an interest or relationship in companies, voluntary, charitable, or public bodies which receive payments from the Council. The total transactions with such bodies during 2020/21 are as follows:

• Payments	£335k	(£374k in 2019/20)
• Amounts owed to the Council	£0k	(£8k in 2019/20)

2020/21 transactions greater than £100k are shown below:

- A senior officer declared an interest as they are married to a board member of Audit Wales, the Council's external auditor, to whom the Council paid £335k (£374k in 2019/20).

All declarations by Senior Officers are supported by entries in the register of interests for Senior Officers, which enables the Council to take appropriate steps to manage the interests.

Community Asset Transfer (CAT)

A number of Members and Senior Officers have an interest in local community groups involved in the Council's CAT scheme. The scheme involves leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The assets have remained on the Council's Balance Sheet and have a combined net book value of £9,461k (£9,255k in 2019/20).

NOTES TO THE CORE FINANCIAL STATEMENTS

In some circumstances the Council has, or plans to, issue capital grants for any necessary capital works. Transactions with these groups during 2020/21 are:

• Grants awarded	£328k	(£206k in 2019/20)
• Grants paid in advance	£0k	(£203k in 2019/20)
• Payments	£399k	(£47k in 2019/20)
• Amounts owed by the Council	£140k	(£11k in 2019/20)
• Receipts	£104k	(£4k in 2019/20)
• Amounts owed to the Council	£13k	(£3k in 2019/20)

A loan of £100k was granted and then repaid during the year for cashflow purposes to one community group.

2020/21 transactions greater than £100k are shown below:

- A senior officer declared an interest as they are married to a director of Cambrian Aquatics to which the Council paid £114k grant (£81k in 2019/20), £14k other payments (£22k in 2019/20) and owed £88k (£0k in 2019/20).

Associated Companies

The Council has three wholly owned subsidiaries, North East Wales Homes Ltd, Newydd Catering and Cleaning Ltd, and Theatr Clwyd Productions Ltd. These are companies limited by shares and are included in the Council's group accounting boundary. North East Wales Homes has a loan facility with the Council, and as at 31st March 2021 this amounted to £13,249k (£10,328k at 31st March 2020).

Other transactions with associated companies during 2020/21 are:

• Payments	£7,979k	(£9,354k in 2019/20)
• Receipts	£2,326k	(£1,586k in 2019/20)
• Amounts owed by the Council	£302k	(£153k in 2019/20)
• Amounts owed to the Council	£279k	(£483k in 2019/20)

Other Public Bodies

Clwyd Pension Fund

The Council is the administering authority for the Clwyd Pension Fund. Details of transactions with the Clwyd Pension Fund can be found within the Clwyd Pension Fund accounts which are available at www.clwydpensionfund.org.uk

Teachers Pensions Agency

The pension costs charged are the contribution rate set by the Department for Education on the basis of a notional fund. Teacher's pension details are set out in note 43.

North Wales Police and Crime Commissioner and North Wales Fire Authority

Police and Crime Commissioners and Fire and Rescue Authorities set their own charges to council tax payers which are then included in the council tax bill – these charges are known as the precept. Total precepts paid to the Office of the North Wales Police and Crime Commissioner amounted to £18,760k (£17,887k in 2019/20). Other transactions with North Wales Police and Crime Commissioner during 2020/21 are:

• Payments	£24k	(£23k in 2019/20)
• Receipts	£239k	(£230k in 2019/20)
• Amounts owed to the Council	£4k	(£17k in 2019/20)

Total levies paid to the North Wales Fire and Rescue Authority amounted to £7,968k (£7,790k in 2019/20).

Other transactions with North Wales Fire Authority during 2020/21 are:

• Payments	£14k	(£136k in 2019/20)
• Receipts	£24k	(£29k in 2019/20)

NOTES TO THE CORE FINANCIAL STATEMENTS

Community / Town Councils

Total precepts including cemetery precepts paid to the 34 Community/Town councils amounted to £3,059k (£2,939k in 2019/20). Other transactions with Community Councils during 2020/21 are:

• Payments	£57k	(£76k in 2019/20)
• Receipts	£387k	(£440k in 2019/20)
• Amounts owed by the Council	£13k	(£11k in 2019/20)
• Amounts owed to the Council	£100k	(£126k in 2019/20)

Transactions with the following bodies during 2020/21 were as follows:

Betsi Cadwaladr University Local Health Board (related healthcare activities):

• Payments	£1,247k	(£912k in 2019/20)
• Receipts	£9,561k	(£6,660k in 2019/20)
• Amounts owed by the Council	£1,625k	(£1,366k in 2019/20)
• Amounts owed to the Council	£7,310k	(£5,592k in 2019/20)

Welsh Joint Education Committee:

• Payments	£403k	(£152k in 2019/20)
• Amounts owed by the Council	£9k	(£5k in 2019/20)

Welsh Local Government Association:

• Payments	£102k	(£100k in 2019/20)
• Receipts	£145k	(£147k in 2019/20)
• Amounts owed to the Council	£452k	(£15k in 2019/20)

29. AUDIT FEES

Total audit and inspection fees due during the year amounted to £335k (£340k in 2019/20). External audit services were provided by Audit Wales.

	2021	2020
	£000	£000
Fees for the Statement of Accounts	197	197
Fees for the Local Government Measure	100	100
Fees for grants	38	43
	335	340

NOTES TO THE CORE FINANCIAL STATEMENTS

30. NATIONAL HEALTH SERVICES (WALES) ACT 2006

The Council has an agreement with Wrexham County Borough Council and the Betsi Cadwaladr University Health Board, pursuant to Section 33 of the National Health Service (Wales) Act 2006, for the provision of an integrated community equipment service under a pooled fund arrangement. The service is provided through staff of Flintshire County Council (as host partner) from Unit 3, Hawarden Industrial Park, Hawarden.

	2021 £000	2020 £000
Partnership		
Gross expenditure	1,075	1,209
Gross income	(1,166)	(1,230)
(Surplus) / deficit for year	(91)	(21)

Contribution to Budget

Flintshire County Council	302	300
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Unit 3, which is situated within Flintshire, is jointly owned by Flintshire County Council (50.25%) and Wrexham County Borough Council (49.75%), and has been valued at £1,139k; the premises are included in Flintshire County Council's balance sheet (as host partner):-

	Gross £000	Net £000	%
Flintshire County Council	572	563	50.25
Wrexham County Borough Council	567	558	49.75
	1,139	1,121	100.00

31. POOLED BUDGETS FOR HEALTH AND SOCIAL CARE

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between North Wales local authorities and the Betsi Cadwaladr University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2019. Denbighshire County Council is acting as host authority during the initial term of the agreement (2019/20 to 2021/22). The transactions for Flintshire County Council only, £9,397k (£6,870k 2019/20), are included in the Social Services line of the Comprehensive Income and Expenditure Statement.

Income and expenditure for these pooled budget arrangements are as follows; the contributions for Q4 are included for information only and have not been accrued in each partners' accounts. As per the Partnership Agreement, these payments will be made in arrears during 2021/22.

	2021 £000	2020 £000
Care Homes for Older People		
Expenditure		
Care Home costs	93,035	93,903
Total Expenditure	93,035	93,903
Funding		
Denbighshire County Council	(8,626)	(9,041)
Conwy County Borough Council	(13,106)	(13,417)
Flintshire County Council	(9,397)	(8,916)
Wrexham County Borough Council	(12,203)	(11,059)
Gwynedd Council	(8,641)	(7,839)
Isle of Anglesey County Council	(5,049)	(5,075)
Betsi Cadwaladr University Health Board	(36,013)	(38,556)
Total Funding	(93,035)	(93,903)
(Surplus) / Deficit transferred to Reserve	0	0

NOTES TO THE CORE FINANCIAL STATEMENTS

32. AGENCY SERVICES

Flintshire County Council is one of eight partners within the North and Mid Wales Trunk Road Agency (NMWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd, Wrexham, Powys and Ceredigion Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NMWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £3,895k (£3,530k in 2019/20).

Welsh Government has provided funding to Welsh Councils to provide recyclable loans under the Houses into Homes Schemes for the repair of properties which have been long term vacant, with the aim of bringing them back into use. They are treated as agency arrangements in the Council's Statement of Accounts. The first tranche of funding was given in perpetuity to the Council. The Council issued no further loans during the year (£40k in 2019/20) with £18k being repaid.

Welsh Government has also provided funding relating to Home Improvement and Empty Properties Loans for works in making residential properties safe, warm and/or secure, with the funding to be returned in between 10 and 14 years' time. £372k has been granted in loans in year (£489k in 2019/20) with £220k being repaid.

Welsh Government have also provided additional funding to support town centre regeneration in Flintshire. This funding is to be returned in 15 years' time. No loans have been issued in year.

Flintshire County Council acts as an agent on behalf of Welsh Government in receiving and distributing various grants for the North Wales region. Bus Services Support Grant is used to support bus and community transport services in the region. The total received in 2020/21 was £6,314k, of which £604k was Flintshire's share and is included in Flintshire's accounts (£6,526k in 2019/20, £605k in Flintshire's accounts). The Childcare Offer Grant is used to provide free childcare for working parents of 3-4 year olds. The total received in 2020/21 was £6,813k (£8,432k in 2019/20). The Coronavirus Childcare Assistance Scheme is used to provide pre-school childcare support for critical workers and vulnerable children during the COVID-19 pandemic. The total received in 2020/21 was £2,268k (£0k in 2019/20). Flintshire administers these grants on behalf of Flintshire, Wrexham and Denbighshire. £303k was received by Flintshire in the form of an admin grant for running these services and is included in Flintshire's accounts (£248k in 2019/20).

Flintshire County Council acts as agents on behalf of water companies collecting water and sewerage charges from tenants living in Council owned dwellings. In 2020/21 £2,949k was collected (£3,510k 2019/20). The Council also acts as agents in arranging and collecting household contents insurance for tenants' belongings on their behalf if they wish. In 2020/21 £70k was collected (£78k in 2019/20). The Council also collects heating charges from tenants living in Council owned communal buildings, and in 2020/21 £136k was collected (£158k in 2019/20).

In 2020/21 Flintshire County Council acted as agent on behalf of Welsh Government for a number of COVID-19 grants. These are summarised in the following table:

NOTES TO THE CORE FINANCIAL STATEMENTS

Grant title	Description	Funding received	Admin fee received
Financial Recognition of Social Care Worker Scheme	£500 payment to care workers employed in an eligible role between 15 March and 31 May 2020	£1,850k	£443
Funding to support care homes with enhanced testing	Funding to care homes to support physical adaptations and staff time required for enhanced COVID testing	£81k	n/a
Statutory Sick Pay (SSP) enhancement scheme	Top-up of SSP to full pay for care workers when they can't work due to COVID-19	£141k	n/a
Self-Isolation Support Payment Scheme	£500 payment to individuals who are self-isolating as a result of exposure / potential exposure to COVID	£245k	£36k
Flooding events hardship payments	£500 / £1,000 payment to households affected by flooding to their internal principle living space	£44k	n/a
Business Support Grants - various	Grants to support businesses during lockdown closures – amount based on rateable value	£53,260k	£537k
Business Support Business Start Up Grant	Grants of up to £2,500 for newly created businesses	£233k	n/a
Business Support Cultural Recovery Fund – Freelancer Support	£2,500 grants available to support freelancers in the cultural sector affected by COVID-19	£380k	n/a
Income loss	Income loss claimed on behalf of Cambrian Aquatics, Aura Leisure & Libraries, NEWydd Catering & Cleaning and Holywell Leisure Centre	£1,644k	n/a

Of the £53,260k funding received for the Business Support Grants, £186k was unspent in 2020/21. Of the £380k funding received for the Freelancer Support Grant, £2k was unspent in 2020/21. These amounts have been carried forward in the Council's accounts as receipts in advance.

The Council also granted 100% NDR rate relief to businesses in the retail, leisure and hospitality sectors. This rate relief was funded by Welsh Government and the Council's receipt from the NDR pool was not impacted. The Council's total receipt from the NDR pool was £48,407k, of which £16,892k was funding to reimburse the Council for this rate relief. The Council also received £19k from Welsh Government for administering this relief.

The Council also acted as agent on behalf of the North Wales region for the following grants. The portion of each grant relating to Flintshire County Council and included in the Council's Comprehensive Income and Expenditure Statement (CI&ES) is also shown. Of the £10,893k funding received for the Bus Emergency Scheme, £4,175k was unspent in 2020/21 and has been carried forward in the Council's Balance Sheet as a receipt in advance. Similarly, £489k of the Test, Trace, Protect funding was unspent at 31 March 2021 and has been carried forward in the Council's Balance Sheet as a receipt in advance.

Grant title	Description	Funding received	FCC share	Admin fee received
Bus Emergency Scheme	To keep local bus operators afloat by lost revenue due to the pandemic	£10,893k	£1,528k	£25k
Test, Trace, Protect	Ensure people can be tested quickly and tracing of recent contact of anyone who tests positive.	£3,630k	£945k	£115k

NOTES TO THE CORE FINANCIAL STATEMENT

33. OTHER FUNDS ADMINISTERED BY THE COUNCIL

The Council administers a trust fund on behalf of Optec D.D. (UK) Limited. The fund provides financial support to the youth exchange scheme between Flintshire County Council and Murata and Kuga Cho in Japan. The fund balance at 31st March 2021 was £16k (£13k in 2019/20) and is not included in the balance sheet.

In the Social Services portfolio the Social Services for Adults Section maintain individual bank accounts for service users living in the community who are unable to manage their own financial affairs; individual members of the Deputyship team are approved to act as corporate appointee with the Department for Work and Pensions for each service user. The total amount held by the Council at 31st March 2021 was £5,336k in 356 separate accounts (£5,126k in 368 accounts in 2019/20).

34. CONTINGENT LIABILITIES

In accordance with the provisions of Part 2A of the Environmental Protection Act 1990 and the Council's Contaminated Land Inspection Strategy, sites within the county will be considered and the condition of each assessed in due course. The assessments may conclude that liability for carrying out some or all of any necessary remediation works will be the Council's responsibility.

The Council recognises that any future payments made by Municipal Mutual Insurance (MMI) will be made at the reduced rate of 75% and has created an earmarked reserve to fund the 25% that the Council in any future claim settled will need to fund. The projection of future claims is uncertain because of the latent nature of many of the claims that MMI is still receiving. The levy is subject to review at least once every 12 months by the scheme administrator.

Flintshire is the legislative successor body in respect of all abuse claims relating to the former Clwyd County Council. A number of claims continue to be brought by former children in care or accessing youth services. In some cases the Council's insurers were not on cover and so the Council may need to fund any such claim that is successful.

A small number of former employees are claiming against the Council in employment tribunals which will be heard in the next financial year. Based on the outcomes of the cases the Council could have to pay all, some or none of the claims.

The Council has set up various alternative service delivery models which has involved the transfer of Council employees to the new service providers. The Council has given pension guarantees to Newydd Catering and Cleaning Ltd, Aura Leisure and Libraries Ltd and Holywell Leisure Centre. These guarantees mean that if these bodies are unable to meet their pension obligations at a future point in time then the Council will assume responsibility for them.

A small number of Council tenants are claiming against the Council for housing disrepair. Based on the outcome of the cases the Council could have to pay all, some or none of the claims.

At any point in time the Council and its insurers will be responding to a number of insurance claims. The Council may have to pay all, some or none of these claims. The Council has an earmarked reserve set aside to fund these costs as they fall due for payment.

35. CONTINGENT ASSETS

Section 106 of the Town and Country Planning Act 1990 allows legal agreements as part of planning approval that commits the developer to undertake works or in-kind contributions towards a variety of infrastructure or services. An affordable housing scheme called 'Shared Equity' is one such commitment, the developer makes a number of properties available for purchase by those on the affordable housing register at 70% of the market value. The remaining 30% share in the properties is transferred to the Council in the form of a legal charge against the property. At any point in the future the homeowner can redeem the Council's 30% share, or sell the property. The first call is a sale to others on the affordable housing register. If after a set period the property does not sell it can be sold on the open market. It is probable that the Council will benefit in the form of capital receipts in the future from these agreements, however the receipt must be used for the provision of affordable housing.

NOTES TO THE CORE FINANCIAL STATEMENT

36. CRITICAL JUDGEMENTS AND ASSUMPTIONS MADE

In preparing the Statement of Accounts, the Council has had to make judgements, estimates and assumptions for certain items that affect the application of its policies and reported levels of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience, current trends and other relevant factors that are considered to be reasonable and are used to inform the basis for judgements about the carrying values of assets and liabilities, where these are not readily available from other sources. However, because these cannot be determined with certainty, actual results could be materially different from those assumptions and estimates made.

The significant accounting estimates within the Statement of Accounts relate to non-current assets and the impairment of financial assets. Estimates and underlying assumptions are regularly reviewed. Changes in accounting estimates are adjustments of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities. Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical accounting judgements made by the Council which have a significant effect on the financial statements are:

- Future Levels of Government Funding and Levels of Reserves – The future levels of funding for local authorities has a high degree of uncertainty and in particular, the receipt of specific revenue and capital grants. Debtor accruals made in the 2020/21 accounts are higher than in an ordinary year, based on specific in year grants, and assumptions have been made that these will be paid. The Council has set aside amounts in provisions, working balances and reserves which it believes are appropriate based on local circumstances including its overall budget size, risks, robustness of budget estimates, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions and the Council's track record in financial management.
- Provisions – The Council is required to exercise judgement in assessing whether a potential liability should be accounted for as a provision or contingent liability. In calculating the level of provisions the Council also exercises judgement; they are measured at the Council's best estimate of the costs required to settle the obligation at the Balance Sheet date.
- Investment Properties – The Council classifies investment properties in accordance with the requirements of the Code of Practice, that being assets are held solely for rental income or capital appreciation. Assessment of such properties involves exercising judgement, which could be subject to a difference in interpretation.
- Asset Valuations – The Council values its Housing Stock by estimating the 'Existing Use Value – Social Housing'. The valuation methodology applied is the Adjusted Vacant Possession Value (known as the Beacon Approach). There is currently no guidance in Wales that specifically defines the components within the methodology, some of which rely on professional judgments particular to local circumstances.

The approach seeks to obtain a value for the asset, based on the Fair Value (market value) assuming 'vacant possession' of the asset which is then adjusted to reflect the asset's use for social housing with a sitting tenant. The underlying principles of this approach are:

- A representative asset is normally used as the basis for valuing a set of similar assets.
- The asset's Fair Value (market value) is determined from sales evidence relating to comparable properties. This provides a 'vacant possession' value.
- The market value is adjusted by a factor to reflect the difference between private sector rents / yields and social housing rents / yields. This is intended to reflect the differential cash flows that would arise between the two types of landlord given that there is a sitting tenant in the property and that any development value is to be ignored as continuation of the existing use is assumed.

NOTES TO THE CORE FINANCIAL STATEMENTS

- Accounting for arrangements containing a lease (embedded leases) – During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). The Council has reviewed the appropriate accounting guidance, sought professional advice, and concluded that this arrangement contains embedded operating leases.
- Community Asset Transfers (CATs) - involve leasehold transfer (at nominal value) of specific Council assets to organisations with a social purpose who plan to use the assets for the benefit of the local community. The lease agreements have been considered; whilst operational risk and reward transfers to the community group, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet.
- Leisure and Libraries Property Leases - involve leasehold transfer of specific Council assets to a charitable, not-for-profit, organisation which is responsible for managing the majority of leisure centres and libraries previously operated directly by the Council. The lease agreements have been considered; whilst operational risk and reward transfers to the charitable organisation, the Council's view is that the risk and reward of ownership remains with the Council and therefore the value of the assets have remained on the Council's Balance Sheet. The classification of the assets have also remained consistent with prior years' treatment. They are recognised as operational Property, Plant and Equipment, which aligns with the classification most suitable to the use of the assets when compared to other definitions of assets such as surplus or investment assets.

The key sources of estimation uncertainty identified by the Council which have a significant effect on the financial statements are:

- Retirement Benefit Obligations – The Council recognises and discloses its retirement benefit obligation in accordance with the measurement and presentational requirements of IAS 19 “Employee Benefits”. The estimation of the net pension liability depends on a number of complex judgements and estimates relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Changes in these assumptions can have a significant effect on the value of the Council's retirement benefit obligation. Further detail assessing the sensitivities of estimates can be found in Note 43.
- Impairment of Financial Assets – The Council provides for the impairment of its receivables based on the age, type and recoverability of each debt. A reasonable estimate of impairment for doubtful debts and expected credit losses is provided for within the Council's accounts at the Balance Sheet date, however in the current economic climate it is not certain that such an allowance would be sufficient.
- Property, Plant and Equipment – Assets are depreciated over their useful life and reflect such matters as the level of repairs and maintenance that will be incurred in relation to individual types of asset, cost of replacement and assuming prudent maintenance, an estimate of the unexpired useful life of the asset.
- Valuation techniques are used to determine the fair value of surplus assets, assets held for sale and investment properties. This involves developing estimates and assumptions consistent with how market participants would value such assets. As far as possible, assumptions are based on observable data. If observable data is not available the best information available is used. Thus, estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.
- COVID-19 and Britain leaving the European Union - There continues to be high levels of uncertainty about the medium term implications of the COVID-19 pandemic and Britain's exit from the European Union. Both have potential to affect asset valuations and the pension liability on the Council's Balance Sheet. Currently there is not sufficient information to indicate that the assets of the Council might be impaired or that the discount rate used to calculate the pension liability might need amending. This will be regularly reviewed.

NOTES TO THE CORE FINANCIAL STATEMENTS

37. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

Section 22 of the Local Authorities (Capital Finance and Accounting) (Wales) (Amendment) Regulations 2008 requires the Council to set aside a minimum revenue provision (MRP) in respect of the financing of capital expenditure incurred in that year or in any financial year prior to that year. The amounts set aside in 2020/21 were as follows:-

	2021 £000	2020 £000
Council Fund	4,369	3,962
Housing Revenue Account	2,691	2,624
Set aside from Capital Receipts	109	81
	7,169	6,667

The presentation of the note has been amended to reflect amounts set aside from capital receipts to repay debt in accordance with the Council's MRP policy with the prior year comparator being restated.

38. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the following table (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2021 £000	2020 £000
Capital Investment		
Property, plant and equipment	55,025	55,832
Intangible assets	0	0
REFCUS	7,891	7,181
	62,916	63,013
Sources of Finance		
Capital receipts	(5,126)	(236)
Capital grants and contributions	(36,147)	(30,603)
Capital reserves / CERA	(13,068)	(15,306)
	(54,341)	(46,145)
Increase/(decrease) in capital financing requirement	8,575	16,868
Increase in supported borrowing	4,073	4,094
Increase in other (unsupported) borrowing	4,502	12,774
	8,575	16,868

NOTES TO THE CORE FINANCIAL STATEMENTS

39. FUTURE CAPITAL COMMITMENTS

As at 31st March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years. The major commitments, in excess of £1m, are shown below:

Contract Details	Contract Sum £000	Payments to 31/03/21 £000	Balance Outstanding £000
Council Fund			
Solar PV at Flint and Connah's Quay	3,169	2,057	1,112
Hope Castell Alun High School Development	7,042	3,898	3,144
Queensferry Learning Campus Development	9,534	2,570	6,964
Ysgol Glanrafon, Mold - Extension and Re-model	4,255	697	3,558
Provision of Early Years Childcare Facilities	7,118	460	6,658
B5129 - Shotton Bus Lanes Scheme	2,409	15	2,394
Total	<u>33,527</u>	<u>9,697</u>	<u>23,830</u>

Further to the commitments listed in the table above, the Council has the strategic aim of meeting the Welsh Government target for all social housing to be brought up to the Welsh Housing Quality Standard (WHQS) by 2022. The Council's in-year programmed WHQS work schemes in line with the Housing Asset Management Strategy have been tendered and have agreed price schedules with contractors. The Council is under no commitment to refurbish any number of houses contractually.

40. LEASING

Lessee Rentals

Finance Leases

The Council has acquired a number of items of vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

Asset Classification	2021 £000	2020 £000
Vehicles, plant and equipment	<u>3,139</u>	<u>3,685</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property, plant and equipment acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts of which £587k is due to be paid during the next 12 months (£552k in 2019/20).

NOTES TO THE CORE FINANCIAL STATEMENTS

	2021 £000	Repaid £000	New £000	2020 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	587	(35)	0	552
Non-current	3,339	587	0	3,926
	<u>3,926</u>	<u>552</u>	<u>0</u>	<u>4,478</u>
Finance costs payable in future years	1,123	375	0	1,498
Minimum lease payments	<u>5,049</u>	<u>927</u>	<u>0</u>	<u>5,976</u>

Minimum lease payments - the lowest amount that a lessee can expect to pay on a lease over its lifetime

Finance lease liabilities - the capital element of the minimum lease payments

Finance costs - the interest element of the minimum lease payments

The minimum lease payments and finance lease liabilities will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	2021	2020	2021	2020
	£000	£000	£000	£000
Not later than one year	911	927	587	552
Later than one year and not later than five years	3,342	3,435	2,581	2,453
Later than five years	796	1,614	758	1,474
	<u>5,049</u>	<u>5,976</u>	<u>3,926</u>	<u>4,479</u>

Operating Leases

In 2020/21, operating lease rentals paid amounted to £3,798k (£3,707k in 2019/20).

Asset Classification	2021	2020
	£000	£000
Land	59	82
Buildings	161	181
EFS Fleet Contract	3,024	3,029
Vehicles, plant and equipment	554	415
	<u>3,798</u>	<u>3,707</u>

The 2021 and 2020 figures for Vehicles, Plant and Equipment include additional leases identified during preparatory work for the adoption of a new accounting standard, IFRS16 Leases. Due to the coronavirus pandemic it has been impracticable to determine whether any of these contracts should be classified as finance leases.

The minimum lease payments due under operating leases in future years are:

	Land	Buildings	EFS Fleet Contract	Vehicles, Plant & Equipment	Total
	£000	£000	£000	£000	£000
Not later than one year	42	127	3,029	500	3,698
Later than one year and not later than five years	170	285	4,565	1,033	6,053
Later than five years *	1,282	1,046	0	892	3,220
	<u>1,494</u>	<u>1,458</u>	<u>7,594</u>	<u>2,425</u>	<u>12,971</u>

* Any open ended agreements are calculated to 2032/33 in line with the general average life of the longest leases

NOTES TO THE CORE FINANCIAL STATEMENTS

During 2016/17 the Council entered into an arrangement where supply and maintenance of all vehicles, along with fleet management, would be undertaken by Essential Fleet Services (EFS). This arrangement is considered to contain embedded leases, therefore payments to EFS are included in the figures above. It is not considered practical to split the payments into lease elements and non-lease elements, therefore the total payments are shown. The figures are adjusted to reflect the fact under this arrangement EFS are reimbursing the Council for existing vehicle leases until their expiry.

Lessor Rentals

Operating Leases

The Council leases out property under operating leases. In 2020/21, lease rentals receivable amounted to £2,042k (£2,085k in 2019/20).

The minimum lease payments receivable under operating leases in future years are:

	Land £000	Buildings £000	Total £000
Not later than one year	84	1,697	1,781
Later than one year and not later than five years	255	5,966	6,221
Later than five years *	605	10,281	10,886
	<u>944</u>	<u>17,944</u>	<u>18,888</u>

* Any open ended agreements are calculated to 2032/33 in line with the general average life of the longest leases

Finance Leases

The Council does not lease out any properties on finance leases.

41. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 has introduced the following changes, amendments and interpretations to existing standards. They are mandatory for the Council's accounting periods beginning on or after 1st April 2021 or later periods and may require changes to accounting policies in next year's accounts, but the Council has chosen not to adopt them early.

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- IFRS 16 Leases – will require local authorities that are lessees to recognise most leases on their balance sheet as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to April 2022.

These changes are not expected to have a material impact on the Council's financial statements.

NOTES TO THE CORE FINANCIAL STATEMENTS

42. FINANCIAL INSTRUMENTS

Financial instruments included in the balance sheet are made up of the following financial liabilities and assets:

Short term Creditors (note 17) includes a further £18,146k (2019/20 £12,308k) that does not meet the definition required for inclusion as a Financial Instrument. No long term Creditors meet the definition required for inclusion as a Financial Instrument.

Short term Debtors (note 13) includes a further £54,999k (2019/20 £37,970k) that does not meet the definition required for inclusion as a Financial Instrument.

	Long-Term		Current	
	2021	2020	2021	2020
	£000	£000	£000	£000
Financial liabilities at amortised cost				
Principal	283,934	279,597	63,083	64,690
Accrued Interest	0	0	2,877	2,903
Borrowing	283,934	279,597	65,960	67,593
Cash overdrawn	0	0	4,827	2,591
Cash & Cash Equivalents	0	0	4,827	2,591
Finance Leases	3,339	3,926	587	552
Deferred Liabilities	3,339	3,926	587	552
Landfill Aftercare costs	966	990	65	50
Employee Related	0	0	0	70
Termination Benefits	0	0	77	0
Financial Assessment	0	0	750	0
Provisions	966	990	892	120
Trade Payables	0	0	23,565	21,189
Within Creditors	0	0	23,565	21,189
Total financial liabilities	288,239	284,513	95,831	92,045
Financial assets at amortised cost				
Principal	3,592	2,628	0	0
Accrued Interest	0	0	0	0
Investments	3,592	2,628	0	0
Cash & Cash Equivalents	0	0	51,784	30,691
Accrued Interest	0	0	126	1,027
Cash & Cash Equivalents	0	0	51,910	31,718
Trade Receivables	47	46	18,759	18,834
Loans	11,769	9,019	0	0
Within Debtors	11,816	9,065	18,759	18,834
Total financial assets	15,408	11,693	70,669	50,552

NOTES TO THE CORE FINANCIAL STATEMENTS

Within the Cash and Cash Equivalent line on the Balance Sheet financial assets and liabilities are offset:-

	2021	2020
	Net	Net
	Total	Total
	£000	£000
Financial Assets - Bank Accounts in Credit	51,910	31,718
Financial Liabilities - Cash Overdraft	(4,827)	(2,591)
Net Position reported on Balance Sheet	47,083	29,127

Material Soft Loans

Soft loans are those advanced at below market rates in support of the Council's service priorities. The loans to NEW Homes to build affordable homes for rent in Flintshire are deemed to be material soft loans. Movements in material soft loan balances during the year are:

	2021	2020
	£000	£000
Opening carrying amount of soft loans	6,915	5,477
New loans made in year	3,959	1,949
Fair value adjustment on initial recognition	(964)	(485)
Interest Accrued	22	5
Amounts Repaid	(109)	(81)
Movement in discounted amount	70	50
	9,893	6,915

Soft loans have been valued by discounting the contractual payments at the estimated market rate of interest for a similar loan. The market interest rate has been derived using the European Commission's State Aid guidance.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2021			2020		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	Measured at Amortised			Measured at Amortised		
	Cost £000	£000	£000	Cost £000	£000	£000
Interest expense	(13,852)	0	(13,852)	(13,812)	0	(13,812)
Interest payable and similar charges	(13,852)	0	(13,852)	(13,812)	0	(13,812)
Interest income	0	469	469	0	492	492
Interest and investment income	0	469	469	0	492	492
Net gain/(loss) for the year	(13,852)	469		(13,812)	492	

NOTES TO THE CORE FINANCIAL STATEMENTS

Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial assets and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Fair values of financial liabilities in the table below have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- Discount rates for “Lender’s Option Borrower’s Option” (LOBO) loans have been reduced to reflect the value of the embedded options. The size of the reduction has been calculated using proprietary software.
- The fair values of finance lease liabilities have been calculated by discounting the contractual cash flows at the appropriate AA-rated corporate bond yield.
- No early repayment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

The fair values are calculated as follows, the fair value hierarchy is explained within the Council’s Accounting Policies.

	Fair Value Level	2021		2020	
		Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities					
PWLB	2	264,924	377,486	267,163	379,870
LOBOs	2	18,950	27,586	18,950	27,477
Lease payables	3	3,926	3,817	4,479	4,056
		287,800	408,889	290,592	411,403
Financial Assets					
Certificates of Deposits	2	0	0	0	0

The PWLB fair value is higher than the carrying amount because the Council’s portfolio of loans includes a number of fixed loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The same is the case for LOBOs, with the interest rates higher than the PWLB rates available at the balance sheet date, resulting in a higher fair value.

The Council is in receipt of Loans from the Salix Energy Efficiency scheme delivered by the Welsh Government in partnership with Salix Finance and The Carbon Trust to provide interest free loans. The Council does not account for these loans as soft loans because the fair value adjustment is not material. This approach has also been taken for other Welsh Government loans.

NOTES TO THE CORE FINANCIAL STATEMENTS

Disclosure of Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Welsh Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost. These practices include financial risks such as Credit Risk, Liquidity Risk and Market Risk.

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by Flintshire County Council in the Policy Statement and Strategy. Flintshire provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Risk - Liabilities

The Council has raised long term finance by either borrowing from the PWLB or the market via LOBOs.

- PWLB – This debt is fixed rate, hence there is interest rate risk. If rates fall in the future, the Council will be paying higher than the current market rate, however, it is considered more beneficial to have budget certainty on future payments of interest in a low interest rate environment. There is an option in the Treasury Management Strategy to have £100m variable debt if deemed appropriate. Liquidity risk is managed through the debt maturity profile and a prudential indicator which does not allow any more than 20% of debt to reach maturity in any one year.
- LOBOs - All LOBOs have a fixed rate of interest for a period of between 12 and 23 months followed by a further fixed rate for the period of the loan, however the loan can be recalled by the lender after a certain fixed period of time. LOBOs are used because they have an interest rate lower than PWLB and this is balanced against the risks of rates rising and the loan having to be repaid which results in re-financing risk at a time of higher interest rates. The amount of LOBOs is restricted to £100m of long term borrowing.

NOTES TO THE CORE FINANCIAL STATEMENTS

Risk - Loans and Receivables

Long Term Investments -

- Investments of more than 1 year are referred to as non-specified investments because of the additional interest rate risk. There is a limit of £5m for long term investments and additional procedures for authorisation by the Corporate Finance Manager.
- Deposits with banks and building societies do carry some credit risk and this is managed by using three rating agencies. The Council uses the following criteria, and investments are made subject to the monetary and time limits shown.

Minimum Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government			£ Unlimited 50 years		
AAA	£2m	£3m	£3m	£2m	£2m 10 years
AA+	5 years	5 years	25 years	5 years	
AA	£2m 4 years	£3m 4 years	£3m 15 years	£2m 4 years	
AA-	£2m 3 years	£3m 3 years	£3m 10 years	£2m 3 years	
A+	£2m 2 years	£3m 2 years	£3m 5 years	£2m 2 years	£2m 5 years
A	£2m 1 year	£3m 1 year		£2m 1 year	
A-	£2m 6 months	£3m 6 months		£2m 6 months	
Pooled Funds	£3m per fund				
BBB-	The Council is restricted to overnight deposits in its' own current account bank where the banks lowest credit rating is BBB+, BBB or BBB- (or equivalent)				
Unrated Local Authorities			£3m 2 years		
Unrated Other	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> an external credit assessment and specific advice from the Council's treasury management adviser (£1m each / 1 year limit) a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit) 				

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £513k. If rates fell by 1%, there would be a loss of income for the same amount.

Other Receivables –

Customers are required to make arrangements to pay outstanding monies due to the Council, based on their ability to pay. Customers are requested to complete a financial assessment form and are required to confirm in writing the amount agreed and the start date of the arrangement, and to make the Council fully aware of any circumstances surrounding their ability to pay which they wish to be taken into account in making the assessment.

Loans to Subsidiaries –

The Council has committed to provide new affordable homes throughout the County to address the identified housing shortage. Loans have been granted to NEW Homes to build affordable homes for rent across the County at below market rates of interest. The loans will be repaid from rents. The Council wholly owns NEW Homes and exerts a high level of control over its activities with Cabinet required to approve its business plan each year. All property assets owned by NEW Homes are provided as security against the loans, at the balance sheet date the value of assets was higher than the value of the loans. All of which serves to mitigate the credit risk posed by NEW Homes failing to meet its obligations to repay the loans.

43. PENSIONS

Pensions – Teachers

Teachers employed by the Council are members of the Teachers' Pension Scheme a multi-employer defined benefit scheme, providing teachers with specified benefits upon their retirement. For accounting purposes it is treated as a defined contribution scheme as the Council is unable to identify its share of assets and liabilities with sufficient reliability. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate.

The Council contributes to the scheme by making contributions based on a percentage of teachers' pensionable salaries. In 2020/21 the Council paid £12,771k (£10,822k in 2019/20), which represents 23.68% (average) of teachers' pensionable pay (20.75% in 2019/20). The contributions due in 2021/22 are estimated to be £12,531k, 23.73% of teachers' pensionable pay.

The Council is not liable to the scheme for any other entities' obligations under the plan.

In addition, the Council is responsible for all pension payments relating to the award of discretionary post-retirement benefits on early retirements (also known as added years) it has awarded, together with the related increases, outside of the terms of the teachers' scheme. These are accounted for on a defined benefit basis as detailed in the following section.

Pensions - Other Employees

As part of the terms and conditions of employment of its officers the Council makes contributions towards the costs of post-employment benefits. Officers employed by the Council are members of the Local Government Pension Scheme, the Clwyd Pension Fund, administered locally by Flintshire County Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

Discretionary post-retirement benefits awarded on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when payments are made. There are no plan assets built up to meet these pension liabilities.

NOTES TO THE CORE FINANCIAL STATEMENTS

The Clwyd Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Clwyd Pension Fund Committee. Policy is determined in accordance with the Pension Fund Regulations.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme.

Further information regarding the Clwyd Pension Fund accounts and the Clwyd Pension Fund Annual Report are available from www.clwydpensionfund.org.uk.

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the movement in reserves statement. The transactions that have been made in the comprehensive income and expenditure statement and the movement in reserves statement during the year are:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021	2020	2021	2020
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	28,518	28,929	0	0
Past service cost/(gain)	0	3,031	0	0
Curtailments/settlements	459	378	0	0
Other Operating Expenditure -				
Administration expenses	728	676	0	0
Financing and Investment Income and Expenditure				
Net interest expense	8,277	8,221	958	1,128
Net charge to surplus / deficit on the provision of services -	<u>37,982</u>	<u>41,235</u>	<u>958</u>	<u>1,128</u>
Other Comprehensive Income and Expenditure				
Remeasurement of the net defined benefit liability -				
Return on plan assets	124,337	(42,133)	0	0
Actuarial gains and (losses) - experience gain or (loss)	20,817	(3,363)	844	2,678
Actuarial gains and (losses) - demographic assumptions	0	42,293	0	1,797
Actuarial gains and (losses) - financial assumptions	(158,694)	22,500	(3,793)	643
Net charge to other comprehensive income and expenditure -	<u>(13,540)</u>	<u>19,297</u>	<u>(2,949)</u>	<u>5,118</u>
Net charge to Comprehensive Income and Expenditure -	<u>24,442</u>	<u>60,532</u>	<u>(1,991)</u>	<u>6,246</u>
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19	(37,982)	(41,235)	(958)	(1,128)
Actual amount charged against the Council fund balance for pensions in the year				
Employers' contributions payable to scheme	21,171	23,344	3,003	3,061
Net debit/(credit) to the movement in reserves statement	<u>(16,811)</u>	<u>(17,891)</u>	<u>2,045</u>	<u>1,933</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

Pensions Assets and Liabilities in Relation to Retirement Benefits Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021	2020	2021	2020
	£000	£000	£000	£000
Present value of liabilities	(1,117,797)	(950,686)	(42,352)	(41,448)
Fair value of assets	729,606	592,846	0	0
Surplus/deficit in the scheme	<u>(388,191)</u>	<u>(357,840)</u>	<u>(42,352)</u>	<u>(41,448)</u>

The liabilities total reflects the underlying long-term commitments that the Council has in respect of retirement benefits due. The net liability of £430,543k is included as part of the unusable reserves total on the Balance Sheet.

Reconciliation of present value of the scheme liabilities:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021	2020	2021	2020
	£000	£000	£000	£000
1st April	950,686	978,108	41,448	48,499
Current service cost	28,518	28,929	0	0
Interest cost	22,550	23,215	958	1,128
Contributions by scheme participants	5,621	5,202	0	0
Actuarial (gains) and losses - Experience gains or losses	(20,817)	3,363	(844)	(2,678)
Actuarial (gains) and losses - Demographic assumptions	0	(42,293)	0	(1,797)
Actuarial (gains) and losses - Financial assumptions	158,694	(22,500)	3,793	(643)
Benefits paid	(27,914)	(26,747)	(3,003)	(3,061)
Past service costs	0	3,031	0	0
Curtailments/settlements	459	378	0	0
31st March	<u>1,117,797</u>	<u>950,686</u>	<u>42,352</u>	<u>41,448</u>

Reconciliation of fair value of the Local Government Pension Scheme (LGPS) assets:-

	2021	2020
	£000	£000
1st April	592,846	618,862
Interest income	14,273	14,994
Administration Expenses	(728)	(676)
Return on plan assets	124,337	(42,133)
Employer contributions	21,171	23,344
Contributions by scheme participants	5,621	5,202
Benefits paid	(27,914)	(26,747)
31st March	<u>729,606</u>	<u>592,846</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

The Local Government Pension Scheme's assets consist of the following categories:-

	2021		2020	
	£000	£000	£000	£000
Equity investments:				
Global Quoted*	77,339		45,799	
Emerging Markets*	77,338		32,900	
		154,677		78,699
Bonds:				
Overseas Other	83,905		59,567	
LDI*	178,024		103,794	
		261,929		163,361
Property:				
UK*	36,480		39,421	
Overseas	7,296		2,585	
		43,776		42,006
Cash:				
Cash Instruments	12,403		0	
Cash Accounts*	0		7,921	
		12,403		7,921
Alternatives:				
Hedge Funds	48,884		46,082	
Private Equity	73,690		81,366	
Infrastructure	34,291		38,915	
Timber & Agriculture	5,837		6,828	
Private Credit	16,781		14,264	
DGF	77,338		113,404	
		256,821		300,859
		729,606		592,846

* Denotes classes of assets that have a quoted market price in an active market.

The scheme maintains positions in a variety of financial instruments which exposes it to a variety of financial risks including credit risk, counterparty risk, liquidity risk, market risk and exchange rate risk. Risk management procedures are annually reviewed and focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The current policy is to lower risk by diversifying investments across asset classes, investment regions and fund managers.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Human Resource Consulting Limited, an independent firm of actuaries; estimates for the County Council are based on the latest full valuation of the scheme as at 31st March 2019. The significant assumptions used by the actuary are:

NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021	2020	2021	2020
Mortality Assumptions				
Longevity at 65 for current pensioners -				
Men	22.6yrs	22.5yrs	22.6yrs	22.5yrs
Women	25.0yrs	24.9yrs	25.0yrs	24.9yrs
Longevity at 65 for future pensioners -				
Men	24.2yrs	24.1yrs	n/a	n/a
Women	27.0yrs	26.9yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	2.7%	2.1%	2.7%	2.1%
Rate of increase in salaries	4.0%	3.4%	n/a	n/a
Rate of increase in pensions	2.8%	2.2%	2.8%	2.2%
Rate for discounting scheme liabilities	2.1%	2.4%	2.1%	2.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below are calculated by altering relevant assumptions by the amount specified, whilst assuming that all other variables remain the same. This approach is not necessarily realistic, since some assumptions are related; for example, if the scenario is to show the effect of higher than expected inflation, it might be reasonable to expect that nominal yields on corporate bonds will be higher too. However, the analysis isolates one effect from another.

	Impact of Increase on Defined Benefit Obligation	Impact of Decrease on Defined Benefit Obligation
	£000	£000
Longevity (increase / decrease in 1 year)	(35,461)	35,461
Rate of inflation (increase / decrease by 0.1%)	(19,397)	19,397
Rate of increase in salaries (increase / decrease by 0.1%)	(1,783)	1,783
Discount Rate (increase / decrease by 0.1%)	19,074	(19,074)
Change in 20/21 Investment Returns (increase/decrease by 1%)	7,315	(7,315)

Increases in pensions are linked to increases to inflation (CPI) therefore the impact is the same for rate of inflation and rate of increases in pensions.

Impact on Cash Flows

Regulations governing the scheme require actuarial valuation to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the scheme's solvency, and the detailed provisions are set out in the Clwyd Pension Fund Funding Strategy Statement. The most recent valuation was carried out as at 31st March 2019, which showed a shortfall of assets against liabilities of £177million as at that date; equivalent to a funding level of 91%. The scheme's employers are paying additional contributions over a period of up to 13 years in order to meet the shortfall.

The total contributions expected to be made to the LGPS by the Council in the year to 31st March 2022 is £22.63m.

The duration of the defined benefit obligation for LGPS members is 17 years 2020/21 (17 years 2019/20).

NOTES TO THE CORE FINANCIAL STATEMENTS

Impact of 'McCloud' Judgement

A judgement in the Court of Appeal relating to Fire and Judiciary pension schemes has ruled that transitional protections offered to older members of the schemes, when they were reformed in 2015, constituted unlawful age discrimination. The judgements are commonly referred to as the McCloud Judgement. Whilst the judgements were only in relation to Fire and Judiciary pension schemes, all the main Public Service Schemes implemented some form of transitional protections. This included the LGPS in 2014, which increased levels of transitional protections to older scheme members in changing from a final salary to a career average pension scheme, which are now ruled unlawful by the McCloud judgement. The Supreme Court denied the Government's application for leave to appeal the decision.

The Government has accepted that remedies relating to the McCloud judgment are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. A full government response and further detail is expected later in 2021. The estimated impact of the McCloud judgement has been included in the Council's accounts in 2018/19 and 2019/20 in line with the Government's consultation. The Council and its actuary do not anticipate making further adjustment in relation to McCloud.

Guaranteed Minimum Pension (GMP)

GMP is the minimum pension that the pension scheme must provide its members who contracted out of the State Earnings Related Pension Scheme between 6th April 1978 and 5th April 1997. Following a judgement in May 1990 it is a legal requirement for men and women to receive equal benefits from that date, but it was not until a second legal judgement in October 2018 that further clarity was supplied on how this might be achieved. Indication from the Government suggests that they do not believe that this will affect benefits in public sector pension schemes. As a result there is no provision in the accounts specifically for GMP equalisation.

There is a second issue in relation to GMP which means that there is a possibility that all public sector schemes will be required to index link GMP benefits for members who reach their State Pension Age after April 2021. The potential impact on the Council has been estimated and included within the Comprehensive Income and Expenditure Statements as a past service cost which increased the Council's pension liability in 2019/20.

The ongoing impact of COVID-19

During the year the impact of the COVID-19 pandemic continued, causing substantial volatility in equity markets around the world. This gives rise to a risk that some asset valuations used in the IAS 19 disclosures (which produce the estimates of the pension deficit shown in the Balance Sheet, and the entries in the Comprehensive Income and Expenditure Statement relating to pension movements in year) might be misstated. This is because in some cases March valuations are unavailable when the IAS 19 disclosures are produced. Instead, valuations for earlier periods are used, adjusted for known differences. This is normal practice, but given the impact of COVID-19 the risk of significant difference between the valuations used for the IAS calculations and the finalised March valuations is considered to be higher. In addition, the nature of the asset holding of the Clwyd Pension Fund is such that around 24% of the assets attributed to the Council, £174m, are investments in private markets making them harder to value. The Clwyd Pension Fund continues to receive updated valuations as at 31st March 2021 for its Private Market Assets and the latest available asset valuations have been used for the completion of the IAS 19 calculations by the Fund's actuary.

HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2021

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Statement.

	2021		2020	
	£000	£000	£000	£000
Expenditure				
Repairs and maintenance		7,769		7,429
Management and supervision		4,863		4,685
Specialist Services		1,610		1,497
Rents, rates, taxes and other charges		62		67
Depreciation and impairment of non-current assets		(15,120)		33,929
Debt management costs		45		47
Increase in bad debt provision		207		483
Total expenditure		(564)		48,137
Income				
Dwelling rents (gross)	35,791		35,263	
Non-dwelling rents (gross)	425		418	
		36,216		35,681
Charges for services and facilities		1,377		1,229
Reimbursement of Costs		0		3
Contribution towards expenditure		386		239
Total income		37,979		37,152
Net cost of HRA services as included in the Council's Comprehensive Income and Expenditure Statement		(38,543)		10,985
Other Operating Expenditure				
Net (gain) / loss on the disposal of non-current assets		0		0
Admin. expenses on the net defined benefit liability		43		40
Financing and Investment Income and Expenditure				
Interest payable and similar charges		5,061		5,096
Net interest on the net defined benefit liability (see note 43)		519		526
Movement in expected credit losses on financial assets*		109		0
Taxation and Non-Specific Grant (Income)				
Capital Grants and Contributions Receivable - Major Repairs Allowance**		(5,073)		(5,060)
Total (surplus) / deficit for the year on HRA services		(37,884)		11,587

* In 2019/20 the movement of £173k in expected credit loss on financial assets was charged to net cost of services, in line with IFRS9 it is now charged to F&I I&E

**2019/20 Figures restated to allocate Major Repairs Allowance grant (£5,060k) to the Housing Revenue Account from the Council Fund

HOUSING REVENUE ACCOUNT - MOVEMENT IN RESERVES STATEMENT AND NOTES TO THE INCOME AND EXPENDITURE STATEMENT

This statement shows how the surplus/deficit on the Housing Revenue Account Income and Expenditure Statement for the year reconciles to the surplus/deficit for the year on the Statutory Housing Revenue Account.

	Note (from core notes)	2021 £000	2020 £000
At 1st April		2,889	2,221
Surplus/(deficit) on the HRA income and expenditure statement*		37,884	(11,587)
Total comprehensive income and expenditure *		<u>37,884</u>	<u>(11,587)</u>
Adjustments between accounting and funding basis under regulations*	7	(33,866)	12,255
Increase/(decrease) in year on the HRA		<u>4,019</u>	<u>668</u>
At 31st March		<u>6,908</u>	<u>2,889</u>

**2019/20 Figures restated to allocate Major Repairs Allowance grant (£5,060k) to the Housing Revenue Account from the Council Fund

1. LEGISLATION

The Housing Revenue Account (HRA), in accordance with the Local Government and Housing Act 1989, reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, rent rebates, administration - and capital financing costs, and how these are met by rents, subsidy and other income.

2. HOUSING STOCK

The type and number of dwellings at 31st March 2021 were:-

Type	2021 No.	2020 No.
Houses	4,103	4,098
Flats	1,402	1,376
Maisonettes	10	10
Bungalows	1,805	1,797
	<u>7,320</u>	<u>7,281</u>

3. RENT ARREARS

The rents total of £1,543k (£1,586k in 2019/20) includes, in addition to the basic rent element, amounts due in respect of water/sewerage rates, heating charges, household insurance, communal television licences and value added tax on some garage rentals. These individual rent elements cannot be separately identified from the whole.

Analysis of arrears	2021 £000	2020 £000
Rents		
Current tenants	1,543	1,570
Former tenants	0	16
	<u>1,543</u>	<u>1,586</u>
Provision for impairment losses (bad debts)	£000	£000
Opening provision	468	645
Written off in year	(195)	(625)
Increase in provision	305	448
	<u>578</u>	<u>468</u>

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

4. NON-CURRENT ASSET ACCOUNTING

Revaluations – Council Dwellings and Garages

During the year the Council's Housing Stock was revalued. The carrying net book value of the Council Dwellings increased from £199,322k at the last balance sheet date by £32,920k which is debited to the HRA line of the Comprehensive Income and Expenditure Account representing an upwards movement in the valuation of the Council's housing stock since the last revaluation on 1st April 2015.

Capital Expenditure and Financing

HRA capital expenditure of £17,028k was incurred as follows; £0k - Land, £15,868k - Council Dwellings, £227k - Assets Under Construction, £933k – equipment, (£29,782k in 2019/20). Financed as follows:-

	Capital Receipts £000	Capital Grants & Contributions £000	Revenue Contributions £000	Borrowing £000	Total £000
Capital financing	0	5,073	11,955	0	17,028
	0	5,073	11,955	0	17,028

Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,073k) is the 2020/21 MRA allocation figure of £5,073k (£5,060k in 2019/20). The MRA allocation figure is included within the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. This Welsh Government grant was fully used in 2020/21 in financing qualifying capital expenditure.

Capital Receipts

Gross capital receipts of £46k (£0k in 2019/20) were realised by way of the disposal of dwellings, land sales, and shared ownership sales:-

	2021 £000	2020 £000
Council dwellings	0	0
Shared Ownership Sales	0	0
Land sales	46	0
	46	0

Depreciation

Straight line depreciation is provided for on all HRA non-current assets with a finite useful life, other than for non-depreciable land. The charge of £5,353k (£5,368k in 2019/20) is based on the 2020/21 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2021 £000	2020 £000
Dwellings	5,053	5,040
Garages	20	20
Other Land & buildings	123	118
Plant and equipment	157	190
	5,353	5,368

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

Impairment Losses and Revenue Expenditure Funded from Capital Under Statute

A HRA impairment adjustment total of £16,861k was accounted for in 2020/21 (£28,560k in 2019/20). No revenue expenditure funded from capital under statute was accounted for in 2020/21 (£0k in 2019/20).

5. HRA SHARE OF CONTRIBUTIONS TO / FROM PENSIONS RESERVE

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to the HRA is based on the employers' contributions made in year, so the real cost of retirement benefits is reversed out in the movement in reserves statement.

The HRA transactions in the comprehensive income and expenditure statement and the movement in reserves statement during the year are:-

	2021		2020	
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Service Expenditure Analysis -				
Current service cost	1,533		1,587	
Other Operating Expenditure -		1,533		1,587
Administration expenses	43		40	
Financing and Investment Income and Expenditure		43		40
Net interest expense	519		526	
		519		526
Total HRA Charge		2,095		2,153
Movement in Reserves Statement				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(2,095)		(2,153)
Actual amount charged against the HRA balance for pensions in the year:				
Employers' contributions payable to scheme		1,221		1,367

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

The revenue and capital accounts of the Council are prepared on an accruals basis. Sums are included in the final accounts to cover income or expenditure attributable to the year of account for goods received or work done, but for which payment has not been received/made by 31st March 2021. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. In particular:-

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

Borrowing Costs

The Council has elected to adopt the adaptation by the Code in respect of IAS 23 which allows borrowing costs in respect of qualifying assets to be expensed rather than capitalised. Therefore, all borrowing costs are recognised as an expense as they are incurred.

Capital Receipts

Capital receipts arise from the disposal of property assets and the repayment of advances, and are accounted for on an accruals basis; amounts not exceeding £10k from any disposal are treated as revenue income, in accordance with capital regulations. The balance of receipts which has not been used for capital financing purposes is included in the Balance Sheet as usable capital receipts.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Charges to Revenue for Non Current Assets

Service Portfolios are charged with the following amounts to record the cost of holding fixed assets during the year:-

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

STATEMENT OF ACCOUNTING POLICIES

- The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are, therefore, replaced by the contribution in the Council Fund Balance – Minimum Revenue Provision (MRP) - by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's MRP is calculated in accordance with the 2016/17 MRP Policy Statement agreed by Council in February 2016, subsequently amended in June 2016, February 2017 and March 2018, set in accordance with Welsh Government Guidance on MRP. The Council's Policy is as follows:

- Charge 2% of debt outstanding to the Housing Revenue Account.
- Charge 2% of council fund debt outstanding fixed at 31st March 2017, on capital expenditure incurred before 1st April 2008 and capital expenditure funded by supported borrowing between 1st April 2008 and 31st March 2016 using the annuity method to the Council Fund.
- Capital expenditure incurred on or after 1st April 2008 funded by prudential borrowing, capital expenditure incurred on or after 1st April 2016 funded by supported borrowing, and all future debt funded capital expenditure will be repaid by an annual charge to the Council Fund based on the expected useful life of the asset using the annuity method.
- Capital receipts received from North East Wales Homes (NEW Homes) will be set aside to repay loans issued to NEW Homes in connection with affordable housing which have been classed as capital expenditure under statute.

In addition, the Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefit. A breakdown of MRP charged for the year is disclosed in Note 37.

Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi time, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

The accrual is charged to Surplus or Deficit on the Provision of Services, (but then reversed out through the Movement in Reserves Statement) so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructure.

When termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

STATEMENT OF ACCOUNTING POLICIES

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:-

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, Clwyd Pension Fund (administered by Flintshire County Council).

The schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is, therefore, accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Education and Youth's Portfolio Service line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:-

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit actuarial cost method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the market yields at the reporting date on high quality corporate bonds.
- The assets of Clwyd Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into eight components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Central and Corporate Finance Service Portfolio.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Central and Corporate Finance Service Portfolio.

STATEMENT OF ACCOUNTING POLICIES

- Net Interest on the net defined benefit liability – the net interest expense for the Council, the change during the period that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Calculated as interest on pension liabilities less the interest on assets. The value of liabilities is calculated by discounting the expected future benefit payments for the period between the expected payment date and the date at which they are being valued. Interest on assets is the interest on assets held at the start of the period and cashflows occurring during the period, calculated using the discount rate at the start of the year.
- Administration expenses – the costs of running the fund attributable to the Council, does not include investment management expenses – debited to Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- Return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve.
- Contributions paid to the Clwyd Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the Council Fund / HRA balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund / HRA of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any employee (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:-

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

STATEMENT OF ACCOUNTING POLICIES

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assuming that:

- Transactions take place in the principal market, or the most advantageous market
- Prices are set by market participants acting in their best economic interest
- Non-financial assets will be used in their highest and best use by both buyer and seller

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which the fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:-

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset or liability.

Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets with another entity that is potentially unfavourable to the Council.

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

STATEMENT OF ACCOUNTING POLICIES

When premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement regulations allow the impact on the Council Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual obligation to receive cash or another financial asset.

Financial assets are categorised based on a classification and measurement approach that reflects the Council's business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council has granted loans to a wholly owned subsidiary, North East Wales Homes (NEW Homes) at less than market rates (soft loans). When soft loans are made to subsidiaries, the difference is recorded as an additional Long Term Investment in the Council's single entity Balance Sheet for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a higher effective rate of interest than the rate receivable from NEW Homes, with the difference serving to increase the amortised cost of the loan in the Council's single entity Balance Sheet. Statutory provisions require the impact of soft loans on the Council Fund Balance be the interest receivable for the financial year. The reconciliation of amounts credited to the CIES (at the higher effective interest rate) to the contractual rate of interest receivable required against the Council Fund Balance is managed by a transfer through the Capital Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

STATEMENT OF ACCOUNTING POLICIES

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. The Council applies the expected credit losses model on all of its financial assets held at amortised cost. The expected credit loss model also applies to lease receivables. The Council's financial assets have shared risk characteristics. The basis for the collective assessment of expected credit losses for the portfolio of financial assets is based on a matrix that uses historical default data for the portfolio, adjusted with relevant local information to adjust loss rates and any further intelligence for specific classes of financial asset where credit risk could increase. The loss allowance is calculated as a cumulative product of this matrix.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:-

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential realised using the grant or contribution are required to be consumed by the recipient as specified or must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Grants Receipts in Advance).

When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Council Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Heritage Assets

Heritage assets are those assets that the Council intends to preserve in trust for future generations because of their cultural, environmental or historical associations. The Council's heritage assets include historical buildings, its archive (record office) collections, and museum collections.

Historical Buildings

The Council's historical buildings are located primarily in the Greenfield Valley Heritage Park. Historical buildings are classified as operational or non-operational.

Operational

If in addition to being held for their heritage characteristics, they are used for other activities or to provide other services; they are valued in the same way as other buildings of that general asset type, and accounted for as operational assets.

STATEMENT OF ACCOUNTING POLICIES

Non-Operational

If held for their heritage characteristics only; they are valued in accordance with FRS 30 (Heritage Assets). Consideration has been given to the categorisation and valuation of these assets on the basis of their existing and any potential alternative use. The majority of these do not command a market value and given their nature such value cannot be made on replacement cost basis; as such, historical cost measurement is considered appropriate where records are held. In accounting for these assets, it is recognised that the acquisition of the majority of them pre-date the existence of the current administrative authority (i.e. pre 1996 Local Government Re-organisation), and thereby prevents the collection of accurate/total historical cost information for accounting purposes.

Collections:-

County Archives

The archives, ranging from a single piece of paper to thousands of documents, are held under a variety of terms, the most common ones being deposit (long-term loan), gift or purchase.

The majority of archives are held on deposit. No attempt has been made to assign a cash or insurance value to this irreplaceable historical and cultural heritage, although in cases where the archives have been purchased, records of their saleroom value at the time may exist. Obtaining a valuation of all the owned assets would be a lengthy, resource intensive and costly exercise, and any market value placed on these assets would not be a true reflection of the value of the assets to the County's heritage; the assets, if lost, could not be replaced or reconstructed. Consequently, the Council does not recognise these assets on the Balance Sheet.

A small number of items are artefacts rather than documentary material which forms the large majority of the holdings, and as such are exceptions. The Council considers it appropriate to insure the artefacts even though it does not own them; their historical insurance value is £174,415 and is not considered material for reporting/disclosure purposes.

County Museum

The County's museum collection consists of about 6,800 items or groups of items. Of these approximately 260 are displayed at Mold Museum, 200 at Buckley Museum and a group of about 580 items are on loan to Greenfield Valley Trust. The remainder are held in an off-site store. The majority of the collection items have been donated. The vast majority of the collection cannot be valued because of its diverse and unique nature. Conventional valuation approaches lack sufficient reliability and the cost of obtaining the valuations for these items would be disproportionate in terms of the benefit derived. As with the County Archives collection, the Council does not recognise these assets on the Balance Sheet. The museum collections are managed by Aura Leisure & Libraries Ltd. under an SLA although remain under the ownership of FCC.

Intangible Assets

Intangible assets are non-monetary assets without physical substance. Expenditure on intangible assets is capitalised only where it is expected that future economic benefits will flow to, or service potential be provided to, the Council and where the cost of the asset can be measured reliably.

Development expenditure, or purchased software licences may meet the definition of intangible assets when access to the future economic benefits that they represent is controlled by the Council, either through custody or legal protection; a de minimis expenditure level of £20k below which the requirements of capital accounting will not be applied is in place.

Intangible assets are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Amortisation commences the first full year following acquisition / addition.

STATEMENT OF ACCOUNTING POLICIES

The most common useful lives used in respect of amortisation are:-

	Years
Software licences	5
Development expenditure	7

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation charges are not permitted to have an impact on the Council Fund Balance, and are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Interest Charges

External interest payable is charged to the Comprehensive Income and Expenditure Statement together with the amortisation of gains and losses on the repurchase or early settlement of borrowing carried forward in the Balance Sheet.

Inventory

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of each type of inventory is measured in a different way; the measurements used in respect of the Council's main inventories are:-

- Alltami Depot (grounds & vehicle maintenance and rock salt) Weighted average
- Alltami Depot (fleet fuel) FIFO (first in first out)

All other stock is measured at cost.

Investments

Investments are shown in the balance sheet at fair value (market value) for each class of financial instrument.

Short term deposits and investments are included in the cash and cash equivalents rather than short term investments if they mature within 3 months of the acquisition date, under IAS 7.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use.

Properties are not depreciated but are revalued annually reflecting market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Council Fund Balance. The gains and losses are, therefore, reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account (and for any sale proceeds greater than £10k, the Capital Receipts Reserve).

STATEMENT OF ACCOUNTING POLICIES

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance.

Joint Committees

The Council recognises on the Balance Sheet the assets that it controls and the liabilities that it incurs from the activity of any service delivered in conjunction with other parties, and reflects within the Comprehensive Income and Expenditure Statement the expenditure it incurs, and the share of income it earns from such.

Leases

Finance Leases

For a lease to be classified as a finance lease substantially all risks and rewards of ownership need to be borne by the Council. There are five examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease. These are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (the Council have determined 'substantially all' to equate to 90% as advised by their independent lease consultants); and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Where substantially all risks and rewards of ownership of a leased asset are borne by the Council, the asset is recorded as property, plant and equipment and a corresponding liability is recognised.

The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The property, plant and equipment acquired under finance leases are depreciated over the life of the asset as per the depreciation accounting policy. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires.

The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Operating lease rentals are charged to revenue accounts, on an accruals basis, on a straight-line basis over the term of the lease.

Property leases are classified and accounted for as separate leases of land and buildings.

STATEMENT OF ACCOUNTING POLICIES

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment that is deemed to enhance the value of an asset is initially capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Such assets are subsequently revalued in-year and impaired or revalued as appropriate to ensure they are held at the correct carrying value.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis expenditure level of £20k below which the requirements of capital accounting will not be applied is in place.

Measurement

Assets are initially measured at cost, comprising:-

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Assets are then carried in the Balance Sheet using the following measurement bases:-

- Council dwellings – current value, determined using the existing use value for social housing (EUV – SH).
- Infrastructure assets – depreciated historical cost.
- Vehicles, plant, furniture and equipment – depreciated historical cost.
- All other operational assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- Community assets – historical cost and not depreciated.

STATEMENT OF ACCOUNTING POLICIES

- Surplus assets – current value measurement is based on fair value, estimated at highest and best use from a market participant's perspective.
- Assets under construction – historical cost.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Revaluation

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio as at 1st April each year; in 2020/21 approximately 12% of operational non-dwelling assets were revalued. Valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017: UK national supplement. Valuations are carried out by the Council's in-house RICS valuers wherever possible, but in some cases external valuers are used.

The valuation methodology used for the HRA Housing Stock is the Beacon Approach, an adjusted vacant possession value technique based on the value of the property assuming vacant possession, with an adjustment factor to reflect continued occupation by a secured tenant. This methodology - the most widely adopted amongst local authorities in Wales - is the methodology that is most likely to produce consistent valuations of similar HRA properties in different local authorities. The current value of council dwellings is measured using existing use value–social housing (EUV–SH) as defined by RICS Valuation Standards, being the estimated amount for which a property should exchange (on the date of valuation) between a willing buyer and a willing seller, in an arm's-length transaction.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are reviewed for impairment at the end of each reporting period to ensure that they are not carried at a value higher than their recoverable amount. Examples of impairment include a significant reduction in a specific assets value and evidence of physical damage (e.g. fire damage).

STATEMENT OF ACCOUNTING POLICIES

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as follows:-

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of any accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets with a finite useful life. An exception is made for assets without a determinable finite useful life and assets that are not yet available for use (i.e. assets under construction). Depreciation on new assets is charged from the first full year following addition in the case of all assets other than those acquired under finance leases, for which provision is made from the year of addition.

Depreciation is calculated on a straight line basis, assuming nil residual values for all property plant and equipment, with the most common useful lives being:-

	Years
Buildings	50
Vehicles, plant, furniture and equipment	3-10
Infrastructure assets	40

Council Dwellings are depreciated by a sum equivalent to the Major Repairs Allowance (MRA).

Assets capitalised under finance leases are depreciated over the life assigned to the asset by either the contract in place or, in the absence of this information being available, the Council's independent lease consultants as a result of their review of the lease.

Assets under Construction are not depreciated until the asset is brought into use.

Componentisation

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose estimated useful life is significantly different from the useful life of the main asset, the components are depreciated separately.

A de minimis materiality level of £2.5m for the asset value has been set, below which individual items of property, plant and equipment will not be considered for componentisation; significant components will be deemed as those whose current value is 20% or more of the total current value of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

STATEMENT OF ACCOUNTING POLICIES

Derecognition of Property, Plant and Equipment

An item of Property, Plant or Equipment is derecognised by disposal or when no future economic benefit or service potential is expected from its use.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale once all of the following criteria are met:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets.
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale) and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10k are categorised as Capital Receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Council Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax or rents, as the cost of non-current assets is fully provided for under separate capital financing arrangements. Amounts are appropriated to the Capital Adjustment Accounts from the Council Fund Balance in the Movement in Reserves Statement.

STATEMENT OF ACCOUNTING POLICIES

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Schools

All of the Council's maintained schools are considered to be entities controlled by the Council. In line with the requirements of the code the Council accounts for its maintained schools within its single entity financial statements. This includes school income, expenditure, assets, liabilities, reserves and cash flows.

Non-current Assets - Schools

Non-current assets of Community schools are owned by the Council and are included in the Balance Sheet.

STATEMENT OF ACCOUNTING POLICIES

Voluntary Aided and Voluntary Controlled school buildings are owned by religious bodies and therefore are not recognised on the Balance Sheet. Any land and/or playing fields that are owned by the Council at Voluntary Aided / Controlled schools is included on the Balance Sheet. The Council's single Foundation school is owned by the governors of the school and is therefore included in the Balance Sheet.

Subsidiaries

The Council wholly owns three companies called, North East Wales Homes and Property Management (NEW Homes), Newydd Catering & Cleaning Ltd, and Theatr Clwyd Productions Ltd.

As the Council controls these entities the Code requires that their accounts are consolidated into the Council's group accounts. In the Council's single entity accounts, the interests in subsidiaries is recorded at cost.

Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves. They represent either a planned set-aside of cash to resource unforeseen expenditure demands in the short term, resources to assist cash flow management or accumulated resources which have not been spent or earmarked at the end of the accounting period. Transfers to and from Reserves are shown as appropriations in the Movement In Reserves Statement.

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levels of council tax or rent.

Examples of REFCUS expenditure are Disabled Facilities grants, grants to businesses and private property enhancement schemes.

Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

GROUP ACCOUNTS

The Code requires that a local authority with material interests in subsidiaries, associates and joint ventures prepare Group Accounts in addition to its single entity accounts.

A subsidiary is an entity including an unincorporated entity such as a partnership that is controlled by another entity (the Council), known as the parent.

For Group Accounts purposes the Council has consolidated the accounts of three wholly owned subsidiaries of the Council;

- North East Wales Homes Limited (NEW Homes),
- Newydd Catering & Cleaning Ltd, and;
- Theatr Clwyd Productions Ltd

The Council's other collaborative working arrangements have been reviewed against the requirements of the Code, and it has been determined that none of these arrangements require inclusion in Group Accounts.

The Group Accounts include:

- Group Movement in Reserves Statement
- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Cash Flow Statement

NEW Homes

NEW Homes was established on 3rd April 2014 to own, lease and manage properties with the aim of increasing the quantity and quality of affordable housing across the county, whilst providing a professional service to landlords and tenants.

NEW Homes is a company limited by shares, wholly owned by the Council (1 at £1 par value), established under section 95 of the Local Government Act 2003. The Council has a high level of control over NEW Homes as the single shareholder approving:

- the issue of share capital
- the distribution of trading surplus
- annual business plan
- any asset disposals
- any borrowing against assets
- appointment of directors to the board

Further information on NEW Homes is available on its website www.northeastwaleshomes.co.uk,

NEW Homes currently owns and manages 169 units across Flintshire. These are made up of a combination of newly built properties developed through the Council's Strategic Housing and Regeneration Programme (SHARP) and properties negotiated with developers through Section 106 agreements. 61 properties have been donated by private developers under section 106 agreements to provide affordable housing. These agreements between developers and local planning authorities are negotiated as part of a condition of planning consent and enable local authorities to negotiate contributions towards a range of infrastructure and services, including affordable housing. The total value of these properties in the NEW Homes Balance Sheet is £9,841k. The remaining 108 properties are purchased (15 properties) and new build (93 properties) affordable homes for rent in Flintshire. The total value of these properties in the NEW Homes Balance Sheet is £15,742k.

The Council and NEW Homes enter into a nomination rights agreement in respect of each property, which entitles the Council to select every tenant, and uses this to house people on the Flintshire affordable housing register.

GROUP ACCOUNTS

The NEW Homes Business Plan proposes to expand the company over the next three years. This will bring the total number of properties managed by NEW Homes to 265 by 2023/24.

Newydd Catering & Cleaning Ltd

Newydd Catering & Cleaning Ltd a local authority trading company incorporated on 28th February 2017 as a company limited by shares with the Council owning all of the shares, 100 at £1 par value. The catering and cleaning service has been created with the objective to be more responsive to the demands of the market and be free to attract new customers outside of the Council.

The Council has a high level of control over Newydd as the single shareholder approving;

- any strategic objectives and decisions
- any transfer or transmission of shares in the Company
- the retention or distribution of any financial surplus
- the issue by the Company of any shares in the capital of the Company, and the rights and/or restrictions of any shares.
- any borrowing against assets

Further information on Newydd Ltd is available on its website www.newydd.wales

Theatr Clwyd Productions Ltd

Theatr Clwyd Productions was incorporated on 22nd Dec 2015 as a Company limited by shares with the Council owning all of the shares, 1 at £1 par value. The company was established for the Theatr to produce its own productions operating under the advantages available to theatrical production companies.

The Council has a high level of control over Theatr Clwyd Productions as the single shareholder approving;

- the business plan and any decision that the Company should undertake on any business other than in accordance with the business plan.
- any changes to the memorandum and/or articles of association
- the issue of any shares
- any borrowing (unsecured or secured by a legal charge against land or buildings owned by the company)

Risk Management

The relationship between the Council and its subsidiaries includes business plans which are developed by the subsidiaries being approved by the Council's Cabinet. This provides the Cabinet with the ability to understand the broad risk environment in which the subsidiaries operate, consider specific risks that the subsidiaries face and assess the way in which subsidiaries manage and mitigate those risks. This provides assurance to the Council that risks are appropriately managed and mitigated and that the Council's own exposure to risk is therefore minimised. The Council is currently working with subsidiaries to manage and mitigate specific risks arising from the impact of COVID-19.

The performance of New Homes and Newydd is scrutinised by the appropriate overview and scrutiny committee. The subsidiaries are subject to audit by the Council's internal audit team which also helps provide assurance that risk is being managed and that control mechanisms are in evidence and operating effectively.

Accounting Policies

The accounting policies for the Group follow those adopted by Flintshire County Council in the single entity statements, as detailed on pages 75 to 90. Where the subsidiaries accounting policies are different, adjustments have been made on consolidation to align any differences in accounting treatment.

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2021

	Council Fund Reserves £000	Other Usable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2020	24,319	29,567	53,886	3,548	57,433	3,471	60,904
Total comprehensive income and expenditure	19,110	37,884	56,994	(12,347)	44,647	4,444	49,091
Adjustments between group accounts and authority accounts	(5,892)	(1,071)	(6,963)	0	(6,963)	(2,498)	(9,461)
Net increase/(decrease) before transfers	13,218	36,813	50,031	(12,347)	37,684	1,946	39,630
Adjustments between accounting and funding basis under regulations	963	(29,557)	(28,594)	28,592	(2)	0	(2)
Increase/(decrease) in year	14,181	7,256	21,437	16,245	37,682	1,946	39,628
At 31st March 2021	38,500	36,823	75,323	19,792	95,115	5,417	100,532

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2020

	Council Fund Reserves £000	Other Usable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
At 31st March 2019	27,334	25,301	52,635	6,831	59,464	2,362	61,826
Total comprehensive income and expenditure*	(28,300)	(11,587)	(39,887)	43,748	3,861	7,033	10,894
Adjustments between group accounts and authority accounts	(6,491)	599	(5,892)	0	(5,892)	(5,924)	(11,816)
Net increase/(decrease) before transfers	(29,731)	(16,048)	(45,779)	43,748	(2,031)	1,109	(922)
Adjustments between accounting and funding basis under regulations*	31,776	15,254	47,030	(47,030)	0	0	0
Increase/(decrease) in year	(3,015)	4,266	1,251	(3,282)	(2,031)	1,109	(922)
At 31st March 2020	24,319	29,567	53,886	3,548	57,433	3,471	60,904

*Figures restated to allocate Major Repairs Allowance grant (£5,060k) to the Housing Revenue Account from the Council Fund

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

for the year ended 31st March 2021

	2021			2020		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
Service Expenditure Analysis						
Chief Executive's	2,721	(139)	2,582	2,847	(249)	2,598
Education & Youth	146,133	(33,698)	112,435	155,526	(30,909)	124,617
Governance	13,424	(3,288)	10,136	12,483	(2,820)	9,663
Housing & Assets	52,345	(38,668)	13,677	53,381	(37,593)	15,789
People & Resources	5,127	(232)	4,895	5,032	(336)	4,697
Planning, Environment & Economy	13,007	(6,883)	6,124	12,195	(5,687)	6,509
Social Services	108,376	(30,926)	77,450	95,034	(22,249)	72,785
Strategic Programmes	8,652	(1,341)	7,311	8,017	(551)	7,466
Streetscene & Transportation	70,393	(32,754)	37,639	59,097	(20,718)	38,379
Central & Corporate Finance	8,259	(2,352)	5,907	13,806	(1,011)	12,795
Housing Revenue Account	(565)	(37,978)	(38,543)	48,137	(37,152)	10,985
Clwyd Theatr Cymru	4,078	(4,204)	(126)	5,516	(5,335)	181
Cost of services	431,950	(192,463)	239,487	471,072	(164,608)	306,464
Other Operating Expenditure			29,517			28,630
Financing and Investment (Income) and Expenditure*			21,149			21,858
Taxation and Non-Specific Grant (Income)			(340,606)			(309,668)
(Surplus)/deficit on the provision of services			(50,453)			47,284
Tax expenses of subsidiary			(174)			(297)
Group (Surplus)/deficit			(50,627)			46,987
(Surplus)/deficit arising on revaluation of non-current assets			(4,141)			(19,333)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0			0
Tax relating to other comprehensive income			(114)			(132)
Actuarial (gains) or losses on pension assets and liabilities			17,089			(24,859)
Total comprehensive (income) and expenditure			(37,793)			2,663

* In 2019-20 the movement of £164k in expected credit loss on financial assets was charged to net cost of services, in line with IFRS9 is now charged to F&I I&E

GROUP BALANCE SHEET

as at 31st March 2021

		2021		2020	
	Note	£000	£000	£000	£000
NON-CURRENT ASSETS					
Property, Plant & Equipment					
Council dwellings		232,242		199,322	
Other land and buildings		355,484		353,055	
Vehicles, plant, furniture and equipment		18,292		12,208	
Surplus assets		5,938		6,037	
Infrastructure assets		157,494		157,021	
Community assets		4,902		4,789	
Assets under construction		21,082		9,872	
Total Property, Plant & Equipment	1	795,433		742,304	
Investment properties and Agricultural Estate		25,189		24,956	
Intangible assets		2		10	
Long term investments		0		(1)	
Long term debtors		3,394		3,253	
NON-CURRENT ASSETS TOTAL		824,018		770,522	
CURRENT ASSETS					
Inventories		616		985	
Short term debtors (net of impairment provision)		72,810		51,944	
Short term investments		10,062		60	
Cash and cash equivalents		39,242		31,692	
Assets held for sale		1,021		926	
CURRENT ASSETS TOTAL		123,751		85,607	
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months		(65,960)		(67,593)	
Short term creditors		(41,836)		(30,696)	
Provision for accumulated absences		(5,226)		(3,178)	
Deferred liabilities		(587)		(552)	
Grants receipts in advance		(3,883)		(1,080)	
Provisions		(3,165)		(1,716)	
CURRENT LIABILITIES TOTAL		(120,657)		(104,815)	
NON-CURRENT LIABILITIES					
Long term creditors		(1,034)		(1,052)	
Long term borrowing		(283,934)		(279,597)	
Deferred liabilities		(3,339)		(3,926)	
Provisions		(966)		(990)	
Other long term liabilities		(436,496)		(404,106)	
Grants receipts in advance		(811)		(739)	
NON-CURRENT LIABILITIES TOTAL		(726,580)		(690,410)	
NET ASSETS		100,532		60,904	

GROUP BALANCE SHEET

as at 31st March 2021

		2021		2020	
	Note	£000	£000	£000	£000
USABLE RESERVES					
Capital receipts reserve		15,490		18,367	
Capital grants unapplied		14,426		8,311	
Council fund		14,061		11,025	
Profit and Loss Reserve		(2,781)		(2,403)	
Earmarked reserves		24,438		13,294	
Housing revenue account		6,908		2,889	
USABLE RESERVES TOTAL			72,542		51,483
UNUSABLE RESERVES					
Revaluation reserve		125,255		124,542	
Capital adjustment account		343,777		292,977	
Financial instruments adjustment account		(5,371)		(5,730)	
Pensions reserve		(430,543)		(399,288)	
Deferred capital receipts		98		98	
Accumulated absences account		(5,226)		(3,178)	
UNUSABLE RESERVES TOTAL			27,990		9,421
TOTAL RESERVES			<u>100,532</u>		<u>60,904</u>

GROUP CASH FLOW STATEMENT
for the year ended 31st March 2021

	2021		2020	
	£000	£000	£000	£000
Net surplus or (deficit) on the provision of services	51,125		(46,529)	
Adjustment to surplus or deficit on the provision of services for non-cash movements	22,521		76,244	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(47,298)</u>		<u>(32,955)</u>	
Net cash flows from operating activities		26,348		(3,240)
Net cash flows from investing activities	(24,827)		(25,956)	
Net cash flows from financing activities	<u>6,027</u>		<u>28,878</u>	
Net increase or decrease in cash and cash equivalents		<u>(18,800)</u>		<u>2,922</u>
		7,548		(318)
Cash and cash equivalents at the beginning of the reporting period		31,692		32,010
Cash and cash equivalents at the end of the reporting period		39,240		31,692

NOTES TO THE GROUP ACCOUNTS

1. PROPERTY, PLANT AND EQUIPMENT

	Flintshire County Council £000	NEW Homes £000	NEWYDD £000	Theatr Clwyd Productions Ltd £000	Group £000
Net Book Value at 31st March 2021					
Council Dwellings	232,242	0	0	0	232,242
Other land and buildings	331,240	24,244	0	0	355,484
Vehicles, plant, furniture and equipment	18,159	0	133	0	18,292
Surplus assets	5,938	0	0	0	5,938
Infrastructure assets	157,494	0	0	0	157,494
Community assets	4,902	0	0	0	4,902
Assets under construction	21,082	0	0	0	21,082
	771,057	24,244	133	0	795,433

	Flintshire County Council £000	NEW Homes £000	NEWYDD £000	Theatr Clwyd Productions Ltd £000	Group £000
Net Book Value at 31st March 2020					
Council Dwellings	199,322	0	0	0	199,322
Other land and buildings	337,275	15,780	0	0	353,055
Vehicles, plant, furniture and equipment	12,124	0	84	0	12,208
Surplus assets	6,037	0	0	0	6,037
Infrastructure assets	157,021	0	0	0	157,021
Community assets	4,789	0	0	0	4,789
Assets under construction	7,002	2,870	0	0	9,872
	723,570	18,650	84	0	742,304

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

Opinion on financial statements

I have audited the financial statements of:

- Flintshire County Council; and
- Flintshire County Council's Group.

for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Flintshire County Council's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the accounting policies. Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

Flintshire County Council's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

In my opinion the financial statements:

- give a true and fair view of the financial position of Flintshire County Council Flintshire County Council's Group as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the [council [and its group] in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.
I have nothing to report in this regard.

Report on other requirements

Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 11, the responsible financial officer is responsible for the preparation of the statement of accounts, including Flintshire County Council's group financial statement, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error. In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Council and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLINTSHIRE COUNTY COUNCIL

My procedures included the following:

- Enquiring of management, the Council's Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Flintshire County Council's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: posting of unusual journals, reviewing accounting estimates for biases and evaluated the rationale for any significant transactions outside the normal course of business.
- Obtaining an understanding of Flintshire County Council's framework of authority as well as other legal and regulatory frameworks that the Council's operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Flintshire County Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Governance and Audit Committee and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Flintshire County Council's controls, and the nature, timing and extent of the audit procedures performed. A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of Flintshire County Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

Adrian Crompton
Auditor General for Wales
September 2021

24 Cathedral Road
Cardiff
CF11 9LJ

2020/21

Flintshire County Council
Our Approach to the Annual Governance Statement
Part 1

Final

What is the purpose of this document?

This document outlines our approach to the assessment of the Council's governance arrangements and the completion of the Annual Governance Statement. This document 'Our approach to Approach to the Annual Governance Statement' (Part one) explains:

- What Governance is;
- What is the Annual Governance Statement;
- How has the Annual Governance Statement been prepared;
- What are the key principles of the Corporate Governance Framework;
- Contributors to an effective Governance Framework; and
- How have we monitored and evaluated the effectiveness of our governance arrangements

The outcome of our assessment identifying areas of best practice and areas for further improvement is details within the document Annual Governance Statement 2020/21 – Part 2

What is Governance?

“Governance is at the heart of public services. It underpins how resources are managed, how decisions are made, how services are delivered and the impact they have, now and in the future. It also infuses how organisations are led and how they interact with the public. Governance needs to be robust but it must also be proportionate. Well-governed organisations are dynamic and take well-managed risks; they are not stagnant and bureaucratic.”¹

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Flintshire County Council acknowledges its responsibility for ensuring that there is a sound system of governance. We have developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on our website. A summary of the principles upon which it is based can be found later in this document.

Our governance framework supports our aim as a modern public body which has the **philosophy** of operating as a social business which refers to it:

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- being lean, modern, efficient and effective;
- being designed, organised and operated to meet the needs of communities and the customer; and
- working with our partners to achieve the highest possible standards of public service for the well-being of Flintshire as a County

To meet these aspirations, we have set the **standards** of:-

- achieving excellence in corporate governance and reputation;
- achieving excellence in performance against both our own targets and against those of high performing peer organisations;
- being modern and flexible, constantly adapting to provide the highest standards of public, customer, and client service and support;
- using its four resources - money, assets, people and information - strategically, effectively and efficiently; and
- embracing and operating the leanest, least bureaucratic, efficient and effective business systems and processes

¹ Wales Audit Office: “Discussion Paper: The governance challenges posed by indirectly provided, publicly funded services in Wales” 2017

ANNUAL GOVERNANCE STATEMENT

To achieve these standards, our **behaviours** are:-

- showing strategic leadership both of the organisation and our partnerships;
- continuously challenging, reviewing, changing and modernising the way we do things;
- being as lean and un-bureaucratic as possible;
- using new technology to its maximum advantage; and
- using flexible working to its maximum advantage

We are committed to the **principles** of being:-

- a modern, fair and caring employer;
- fair, equitable and inclusive in its policies and practices; and
- conscientious in planning and managing its activities, and making decisions, in a sustainable way

We are committed to specific values and principles in working with our key partners and partnerships. These cover strategic partnerships such as the Public Services Board and with the third sector such as agreeing a set of Voluntary Sector Funding principles.

ANNUAL GOVERNANCE STATEMENT

What is the Annual Governance Statement?

We are required by the Accounts and Audit (Wales) Regulations 2018 to prepare a statement on internal control. Alongside many authorities in Wales, we refer to this as the 'Annual Governance Statement'. This is a public document that reports on the extent to which we as the Council comply with our own code of governance.

In this document, we, the Council:

- Acknowledge our responsibility for ensuring that there is a sound system of governance;
- summarise the key elements of that governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describe how we have monitored and evaluated the effectiveness of our governance arrangements in year, and any planned changes in the coming period;
- provide details of how we have responded to any issue(s) identified in last year's governance statement; and
- report on any significant governance issues identified from this review and provide a commitment to addressing them.

Page 125

The Annual Governance Statement reports on the governance framework that has been in place at Flintshire County Council for the financial year 2020/21 and up to the date of approval of the Annual Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT

How has the Annual Governance Statement been prepared?

The initial review of our governance framework was carried out by the Corporate Governance Working Group. This group worked with each corporate Chief Officer and also for some specific governance functions such as finance, human resources and legal. Our approach was based on the seven principles that follow in the main part of this document and were assessed to identify any areas for improvement. Questionnaires were also completed by the Chairs of Overview and Scrutiny committees. Four Members of the Governance & Audit Committee attended a challenge workshop to contribute to the preparation of the Annual Governance Statement.

The preparation and content of this year's governance framework has been considered by the statutory officer's, with assurance support from Internal Audit, Governance & Audit Committee and Audit Wales. We recognise that our governance framework cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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In preparing the Annual Governance Statement, we have:

- reviewed the Council's existing governance arrangements against the Local Code of Corporate Governance.
- updated the Local Code of Corporate Governance where necessary, to reflect changes in the Council's governance arrangements and the requirements of the new CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities.
- assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period.

The Chief Officer Team, which is led by the Chief Executive, have also considered the significant governance issues and principles facing the Council. These are evidenced in the Annual Governance Statement (Part 2) pages 119-125 of the document. Principles assessed as needing further improvement are detailed in the Annual Governance Statement from Page 127.

Our Governance & Audit Committee provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Committee reviews and approves the Annual Governance Statement.

The five Overview & Scrutiny Chairs have also considered and commented on issues within the remit of their respective committees. They expressed general satisfaction with the Annual Governance Statement.

ANNUAL GOVERNANCE STATEMENT

What are the key principles of the Corporate Governance Framework?

We aim to achieve a good standard of governance by adhering to the seven key principles of the CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities, which form the basis of the Local Code of Corporate Governance. The seven key principles are:

Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Principle B	Ensuring openness and comprehensive stakeholder engagement
Principle C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
Principle D	Determining the interventions necessary to optimise the achievement of the intended outcomes
Principle E	Developing the our organisation's capacity, including the capability of its leadership and the individuals within it
Principle F	Managing risks and performance through robust internal control and strong public financial management
Principle G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Please note whilst the Code refers to an 'entity' for the purpose of greater clarity we have replaced this with 'our organisation'.

ANNUAL GOVERNANCE STATEMENT

Contributors to an effective Governance Framework

Council	<ul style="list-style-type: none"> • Approves the Council Plan • Endorses the Constitution
Cabinet	<ul style="list-style-type: none"> • Primary decision making body of the Council • Comprises of the Leader of the Council and Cabinet Members who have responsibility for specific portfolios
Governance & Audit Committee	<ul style="list-style-type: none"> • Help raise the profile of internal control, risk management and financial reporting issues within the Council, as well as providing a forum for the discussion of issues raised by internal and external auditors
Standards Committee	<ul style="list-style-type: none"> • Standards Committee promotes high standards of conduct by elected and co-opted Members and monitors the operation of the Members' Code of conduct • Constitution & Democratic Services Committee considers and proposes changes to the Constitution and the Code of Corporate Governance
Portfolio	<ul style="list-style-type: none"> • Track efficiencies, highlighting risk and mitigating actions to achievement • Consider the robustness of efficiency planning and forecasting and consider resourcing of planned delivery
Overview & Scrutiny Committees	<ul style="list-style-type: none"> • Review and scrutinise the decisions and performance of Council, Cabinet, and Committees • Review and scrutinise the decisions and performance of other public bodies including partnerships • Assists the Council and Cabinet in the development of the Budget and Policy framework by in-depth analysis of policy issues • Established the Chair/Vice Chair Liaison Group
Chief Officer Team & Service Managers	<ul style="list-style-type: none"> • Set governance standards • Lead and apply governance standards across portfolios • Undertake annual self-assessment
Internal Audit	<ul style="list-style-type: none"> • Provide an annual independent and objective opinion on the adequacy and effectiveness of internal control, risk management and governance arrangements • Investigates fraud and irregularity

ANNUAL GOVERNANCE STATEMENT

How we monitored and evaluated the effectiveness of our governance arrangements?

On an annual basis, we review the effectiveness of our governance framework including the system of internal control. The key elements of assurance that inform this governance review are detailed below:

Chief Officers Team	Monitoring Officer	Section 151 Officer	Information Governance	Internal Audit
<ul style="list-style-type: none"> • Corporate oversight and strategic planning • Annual Corporate Governance Assessment • Implement and monitor regulatory and other governance protocols 	<ul style="list-style-type: none"> • Legal and regulatory assurance • Monitors the operation of the Constitution • Ombudsman investigations • Designated Senior Information Risk Owner (SIRO) 	<ul style="list-style-type: none"> • Proper administration of the Council's financial affairs 	<ul style="list-style-type: none"> • The Monitoring Officer is designated as our Senior Information Risk Owner (SIRO) • The Information Governance manager is our Data Protection Officer (DPO) • Information Compliance including associate policies, procedures and systems (Data Protection, Freedom of Information) • Information Security, Information Standards & Records Management 	<ul style="list-style-type: none"> • Annual opinion report on adequacy of internal controls, risk management and governance arrangements • Internal Audit plan and report tracking / performance by Audit Committee • Provision of advice & consultancy
Overview & Scrutiny Committees	Governance & Audit Committee	Risk Management	External Audit / Inspections	Counter Fraud
<ul style="list-style-type: none"> • Policy review and challenge • Overview & scrutiny of topics • Corporate & Portfolio Performance & Risk monitoring 	<ul style="list-style-type: none"> • Self-assessment of Governance & Audit Committee • Review effectiveness of internal and external audit • Consider the adequacy of the internal control, risk management and Governance arrangements 	<ul style="list-style-type: none"> • Risk Management Policy and Strategy • Quarterly monitoring and reporting of Strategic Risks 	<ul style="list-style-type: none"> • Financial statements audit • Thematic & national reviews • Other external inspections 	<ul style="list-style-type: none"> • Anti-Fraud and Corruption & Whistleblowing arrangements • Codes of Conduct for Officers and Members • Financial and Contract Procedure Rules

ANNUAL GOVERNANCE STATEMENT

Flintshire County Council Corporate Governance Framework

Public Key Documents: Annual Review / Production

- Annual Governance Statement
- Annual Outturn Finance Report
- Annual Performance Report
- Annual Information Governance Statement
- Capital Strategy and Asset Management Plan
- Code of Corporate Governance
- Code of Ethical Practice on Procurement
- Contract Procedure Rules
- Digital Strategy
- Equal Pay Audit (Gender Pay Reporting)
- Financial Regulations
- Council Plan
- Medium Term Financial Strategy
- Members' Allowance Scheme
- Overview and Scrutiny Annual Report
- People Strategy
- Portfolio Business Plans
- Public Services Board Wellbeing Plan
- Statement of Accounts
- Strategic Equality Plan
- Strategic Risk Register
- Treasury Management Strategy
- Annual Audit Report
- Pay Policy Statement

Key Documents: Ad-hoc Review / Production

- Anti-Fraud Work plan
- Business Continuity Plans
- Communications Principles
- Constitution
- Digital Strategy
- Data Protection Policy
- Equality and Diversity Policies
- Employment Policies
- Health & Safety Policies
- Internal/External Audit Protocol
- IT Policies
- Members Code of Conduct
- Officers Code of Conduct
- Procurement Strategy
- Social Media Policy
- Welsh Language Standards
- Whistle Blowing Policy

Contributing Processes Regulatory Monitoring

- Appraisal and Supervision
- Attendance management
- Governance & Audit Committee
- Budget Monitoring Reports
- Comments, Complaints and Compliments
- Corporate Governance
- Corporate Health & Safety
- Council (Plan) Governance Framework
- Council Meetings
- Engagement and Consultation
- External Audit
- FCC Web site
- Inspectorate Reports
- Induction (Corporate and Service)
- Internal Audit
- Job Descriptions / Person Specifications
- Manager Toolkits
- Member Training
- Monitoring Officer
- Partnership Self Assessments
- Performance Management
- Risk Management
- Scrutiny Framework
- Your Council newsletter

2020/21

Flintshire County Council
Annual Governance Statement
Part 2

Final

What is the purpose of this document?

This document details our assessment against the Council's Corporate Governance Framework and identifies the areas of best practise and areas for further improvement. The document explains:

- What is the Annual Governance Statement
- Governance response to the COVID-19 Pandemic
- Comparison of the Effectiveness of the Council's Governance Framework
- Key principles of the Corporate Governance Framework and our statement:
 - Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law
 - Principle B - Ensuring openness and comprehensive stakeholder engagement
 - Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits
 - Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Principle E - Developing our organisations capacity, including the capability of our leadership and the individuals within it
 - Principle F - Managing risks and performance through robust internal control and strong public financial management
 - Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
- How have we addressed the governance and strategic issues from 2019/20 AGS
- What are the significant governance issues identified during 2020/21
- What are the significant strategic issues identified during 2020/21
- Certification of the Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT

What is the Annual Governance Statement?

The Accounts and Audit (Wales) Regulations 2018 require us to prepare a statement on internal control. Like many authorities in Wales, this is referred to as the 'Annual Governance Statement'. This is a public document that reports on the extent to which we as the Council comply with our own code of governance.

In this document, we, the Council:

- Acknowledge our responsibility for ensuring that there is a sound system of governance;
- summarise the key elements of that governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describe how we have monitored and evaluated the effectiveness of our governance arrangements in year, and any planned changes in the coming period;
- provide details of how we have responded to any issue(s) identified in last year's governance statement; and
- report on any significant governance issues identified from this review and provide a commitment to addressing them.

The Annual Governance Statement reports on the governance framework that has been in place at Flintshire County Council during the financial year 2020/21 and up to the date of approval of the Statement of Accounts.

ANNUAL GOVERNANCE STATEMENT

Governance response to the COVID-19 Pandemic

At the beginning of 2020/21 saw the emergence of an increasing impact of the Corona Virus/Covid 19 emergency. The 'lock down' period commenced on 23rd March. Successive lockdowns have characterised 2020/21. Our formal Council, Cabinet and Committee meetings were cancelled between April and June, resuming as 'Remote Attendance Meetings' utilising WebEx video technology at the start of July. The Council's response to the pandemic was through the Emergency Management Response Team (EMRT), led by the Chief Executive which worked through significant changes to our working lives and culture.

2020/21 has seen a step change for Flintshire, as for many other organisations. Necessity has been the mother of invention. We introduced Individual Cabinet Member decision making on a temporary basis for April and May, until Cabinet resumed. We held virtual planning Committee, using written submissions in April, before an actual Remote Attendance Meeting could be held.

Employees whose role allowed it were equipped to work from home. Essential services were resumed on a 'safe' basis as soon as possible. Our Members were kept informed and involved in a series of Member Bulletins, initially several times a week before settling down to weekly updates.

Whilst the pandemic severely impacted the delivery of projects within our digital strategy, the use of technology to facilitate the delivery of services from home has increased the appetite and engagement in digital delivery. The way that we were able to use our information to support vulnerable residents through the Shielding Programme has also highlighted the value of developing high quality data and the potential improvements that can be made by securely sharing information across the council and with our partners.

A politically balanced Member Recovery Board, supported by the statutory and specialist officers as necessary was set up. Working together, the Recovery Board operated between May and September, discharging elements of decision making as well as scrutiny. The terms of reference of the Board were tightly drawn:

- (1) to advise on, and keep under review, the aims and objectives to be set for recovery;
- (2) to advise on the priority actions required for both the Organisational Recovery Board and the Community Recovery Board;
- (3) to keep under review the Corporate Recovery Risk Register and assure the planned risk mitigation actions;
- (4) to advise on the adequacy of the internal control environment – governance, legal, financial, employment, systems and data management, other; and
- (5) to advise on the steps and actions required to return democratic governance to a fully functioning state

ANNUAL GOVERNANCE STATEMENT

The Recovery Board handed over responsibilities to the Cabinet and the five Overview & Scrutiny committees in mid-September.

Our Audit Manager from Audit Wales wrote to the Council at the end of August as follows: *From the work that Audit Wales has undertaken to date, I am assured that Flintshire County Council's (the council) recovery from the impact of the pandemic has benefitted from strong and consistent leadership, particularly in planning and decision making. There has been a drive to engage and lead regional groups which is positive. Internal and external communication has been very strong and it is to the Council's credit.*

I consider that the Council's approach to recovery is well structured and well thought through. The Council has taken the time to reflect on its response actions and learnt from them. As a result, should it be necessary to revert to response mode to manage any resurgence of the virus, the Council will be better placed to deal with the crisis than it was before.

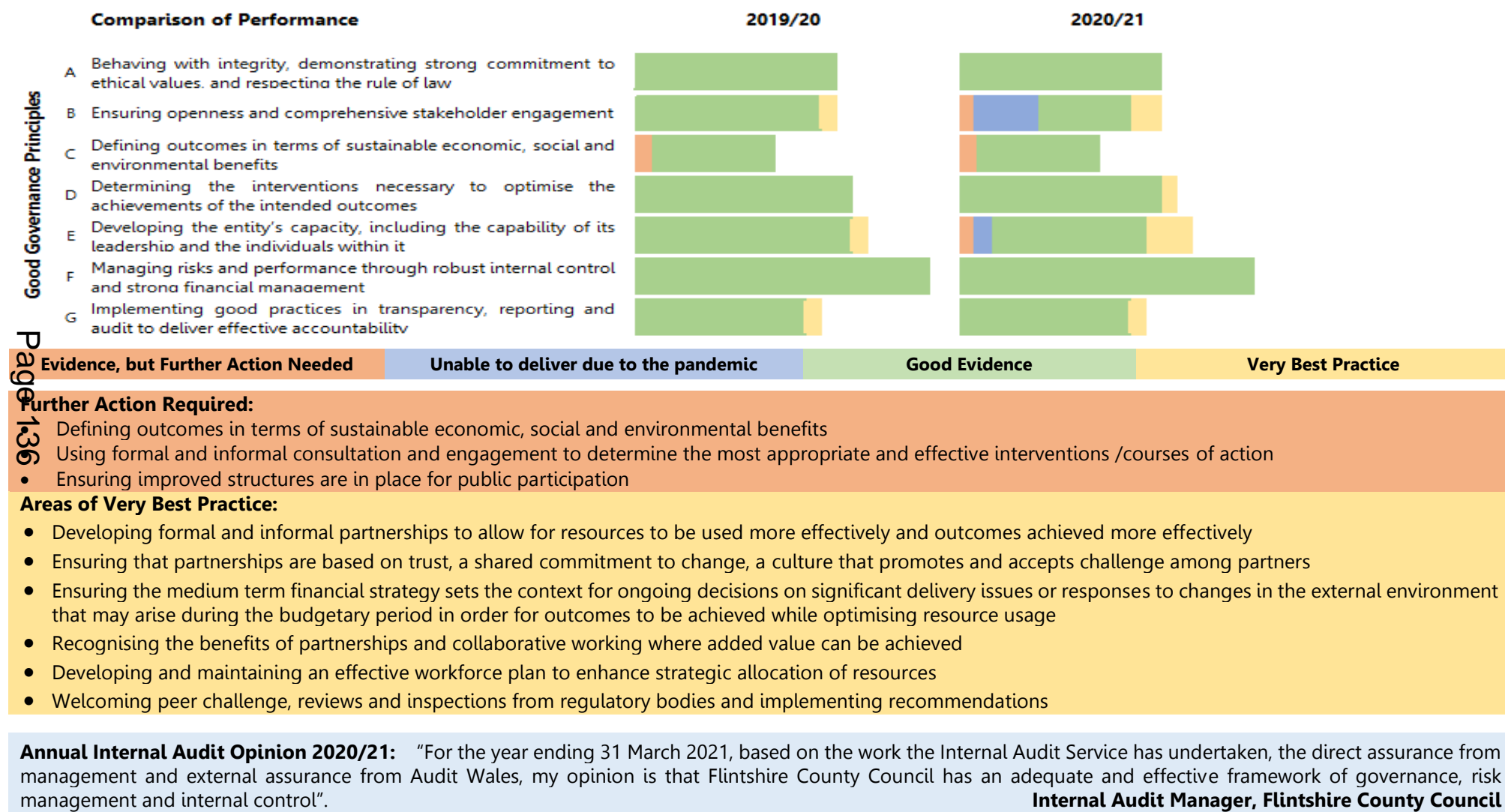
Our Annual Meeting of Council was held on 9th September, at which point the new five committee Overview & Scrutiny structure commenced.

For 2019/20, it had been our intention to have a formal contribution to the Annual Governance Statement (AGS) from the Members of the Governance & Audit Committee. However, the Covid 19 emergency and subsequent lock down meant this was not possible. The greater involvement of Governance & Audit Committee Members has been incorporated into the 2020/21 Annual Governance Statement process.

Reports on the implementation of the Local Government & Elections Act 2021 have been made to Governance & Audit Committee, Constitution & Democratic Services Committee and to Council. This has included preparations for the Audit Committee becoming the 'Governance & Audit Committee' from 1st April 2021.

ANNUAL GOVERNANCE STATEMENT

Comparison of the Effectiveness of the Council's Governance Framework



ANNUAL GOVERNANCE STATEMENT

Key principles of the Corporate Governance Framework

We aim to achieve a good standard of governance by adhering to the seven key principles of the CIPFA/Solace 2016 – Guidance Notes for Welsh Authorities, which form the basis of the Local Code of Corporate Governance. In the following section we have defined how we achieve the standard against the seven key principles which are:

Principle A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
Principle B	Ensuring openness and comprehensive stakeholder engagement
Principle C	Defining outcomes in terms of sustainable economic, social, and environmental benefits
Principle D	Determining the interventions necessary to optimise the achievement of the intended outcomes
Principle E	Developing the entity's capacity, including the capability of its leadership and the individuals within it
Principle F	Managing risks and performance through robust internal control and strong public financial management
Principle G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability

ANNUAL GOVERNANCE STATEMENT

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law

Sub Principles	How we do this / How we achieve this
Behaving with Integrity	<ul style="list-style-type: none"> • The behaviour and expectations of Members and Officers are set out in our Codes of Conduct, Constitution, and a suite of policies and procedures • Codes of Conduct for Members and Officers specify the requirements around declarations of interests formally and at the beginning of meetings, gifts and hospitality etc • We take fraud seriously. Key policies are in place to prevent, minimise and manage such occurrences • Compliance with policies and protocols e.g. Contract Procedure Rules • Enhanced profile of Internal Audit
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • A set of leadership competencies are deployed in each Portfolio and led by each Chief Officer • Our recruitment policy, training and competencies based appraisal processes underpin personal behaviours with ethical values • Robust policies and procedures are in place, subject to formal approval prior to adoption by formal committees • All contracts and external service providers, including partnerships are engaged through the robust procurement process and follow the Contract Procedure rules regulations • Application of the corporate operating model; working internally to promote high standards of professional performance and ethical behaviour to achieve organisational priorities and objectives
Respecting the rule of law	<ul style="list-style-type: none"> • We ensure that our Members and Officers fulfil legislative and regulatory • We ensure that the full use of the Council powers are optimised by regular challenge and keeping abreast of new legislation to achieve corporate priorities have an Effective Anti-Fraud and Corruption framework • Our Monitoring Officer is responsible for ensuring the Council complies with the law and avoids maladministration. Our Constitution & Democratic Services Committee promotes high standards of conduct which are monitored by the Standards Committee

What has worked well during 2020/21

- Open decision making on the basis of evidence and principle is at the heart of the standard form of reporting to Council, Cabinet and committees

ANNUAL GOVERNANCE STATEMENT

Principle B – Ensuring openness and comprehensive stakeholder engagement

Sub Principles	How we do this/how we achieve this
Openness	<ul style="list-style-type: none"> • Committed to having an open culture, demonstrated through accessible website, policies and procedures and open environment meetings. <ul style="list-style-type: none"> ○ The most appropriate and effective interventions / courses of action are determined using formal and informal consultation and engagement. Consultation principles ○ Formal and informal engagement models with employees and communities e.g. alternative delivery models Member workshops ○ County Forum (Town and Community Councils) ○ Positive engagement with Trade Unions both formally and informally
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • We engage effectively with stakeholders to ensure successful and sustainable outcomes by: <ul style="list-style-type: none"> ○ Effective application and delivery of communication strategies to support delivery ○ Targeting communications and effective use of Social Media ○ Effective stakeholder engagement on strategic issues ○ Service led feedback questionnaires and events • Effective use of resources and achievement of outcomes is undertaken by the Council both through informal and formal partnerships: <ul style="list-style-type: none"> ○ Extensive range of partnerships to support the delivery of the Council's strategic priorities, including the Public Services Board ○ Open and productive partnership arrangements supported by an effective governance framework ○ Trust and good relations lead to delivery of intended outcomes e.g. community asset transfers
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> • The achievement of intended outcomes by services is supported by a range of meaningful guidance on consultation engagement and feedback techniques with individual citizens, service users and other stakeholders • We have structures in place to encourage public participation governed through the Communication and Social Media Policies. These include the following (but not all have been possible during the last year because of Covid restrictions; E-newsletters, The Council's website, Tenants Forums, Service user groups, Quality circles, Use of infographics

What has worked well during 2020/21	During 20/21 what was affected by the Pandemic
<ul style="list-style-type: none"> • Formal and informal partnerships from strategic levels (PSB) to operational partnerships (Community Endowment Fund / Regional Armed Forces Partnership) • Good relationship management with partners • Partnership working based on trust and commitment has increased and evidenced strongly during this year in response to the pandemic. 	<ul style="list-style-type: none"> • The response to the pandemic has impacted on our ability to consult. Due to the pandemic there was need for a directive approach to communication • Feedback from key consultations; providing information on views taken into account
	<p>Areas identified for Further Improvement</p> <ul style="list-style-type: none"> • Circumstances have curtailed our ability to consult and engage, but not the willingness so to do. Further planning required following the legislation on Local Government & Elections (Wales) Act 2021

ANNUAL GOVERNANCE STATEMENT

Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub Principles	How we do this/how we achieve this
Defining outcomes	<ul style="list-style-type: none"> • We have a clear vision describing the organisation’s purpose and intended outcomes which is achieved through: <ul style="list-style-type: none"> ○ Linking of vision and intent to the MTFS ○ Service Planning consideration including sustainability of service delivery • Risk Management is applied consistently at all levels ensuring consistent application of risk process and terminology • The development of the County’s Well-being Plan and delivery of the Public Services Board’s priorities ensure that public services work effectively together to add value • Annual Performance Report contains recommendations of improvements or area of priority working for the following year
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • When deciding future service provision we take a longer term view, balancing the economic, social, environmental impact along with the wider public interest. This is supported by: <ul style="list-style-type: none"> ○ Longer term business planning and budgeting using effective forecasting models ○ Multi-disciplinary approach to policy development delivering defined outcomes and ensuring fair access to services ○ Procurement strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts ○ Communication plans for public and community engagement

What has worked well during 2020/21	During 20/21 what was affected by the Pandemic
<ul style="list-style-type: none"> • Early development of Portfolio Business Recovery Plans with a risk based approach ensured effective planning • Member workshops/briefing sessions • In addition to the normal budget management process significant monitoring took place to manage the additional expenses / funding received / reallocation of resources to address the pandemic 	<ul style="list-style-type: none"> • Corporate Planning was halted and replaced with response and recovery strategy
	<p>Areas identified for Further Improvement</p> <ul style="list-style-type: none"> • Although the financial sustainability of the Council has largely remained unchanged, the long term financial impact on the Council from COVID19 is currently unknown

ANNUAL GOVERNANCE STATEMENT

Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principles	How we do this/how we achieve this
Determining interventions	<ul style="list-style-type: none"> • Full engagement with Members on a longer term basis e.g. MTFS, Recovery Strategy, Business Planning and other key workforce strategies e.g. digital and procurement • The MTFS and budget setting process provides opportunities for all public, stakeholders to be engaged in considering options. • Active engagement of key decision making in the development of initial ideas, options and potential outcomes and risks e.g. ADM Programme, Gateways • Clear option appraisals, including the use of forecasting models, to ensure best value is achieved • Regular budget monitoring for each Portfolio • Application of Integrated Impact Assessments
Planning interventions	<ul style="list-style-type: none"> • We established and implemented robust planning and control cycles covering response and recovery through Emergency Management Response Team • We applied the risk management principles when developing the Recovery Strategy and Portfolio Business Recovery Plans • Regular monitoring of business planning, efficiency and reliability including feedback • Service performance is measured by establishing a range of local indicators, which are regularly monitored, reported and used for recovery monitoring
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Resource requirements are identified through the business planning process, including any projected shortfall in those requirements. • Regular engagement and ownership of the budget process is undertaken through the Chief Officer Team and in consultation with Members through workshops and the scrutiny process • Social values are achieved through the effective commissioning of services and compliance with Council procedures • Consultation and engagement events, particularly relating to ongoing decisions on significant service delivery issues or to changes in the external environment set the context for the MTFS for both residents and employees

What has worked well during 2020/21

- Early development of Portfolio Business Recovery Plans with a risk based approach ensured effective planning

ANNUAL GOVERNANCE STATEMENT

Principle E – Developing our organisations capacity, including the capability of our leadership and the individuals within it

Sub Principles	How we do this/how we achieve this
Developing our organisation's capacity	<ul style="list-style-type: none"> • We review our operations, performance, and use of assets on a regular basis to ensure their continuing effectiveness through service delivery reviews, performance and risk management and Programme Boards' development and monitoring • We review the sufficiency and appropriateness of resource allocation through techniques such as benchmarking internally against previous performances and to support internal challenge, and normally externally to identify improvement opportunities • Benefits of collaborative and partnership working both regionally and nationally to ensure added value is achieved by linking services and organisation priorities to partnership working • Develop and maintain the workforce plan to enhance the strategic allocation of resources and future workforce and succession planning
Developing the capability of our organisation's leadership and other individuals	<ul style="list-style-type: none"> • Effective shared leadership which enables us to respond successfully to changing external demands and risks is supported by a range of management and leadership development programme, run in partnership with Coleg Cambria <ul style="list-style-type: none"> ○ The Leader of the Council and the Chief Executive have clearly defined and distinct leadership roles • Individual and organisational requirements are supported through: <ul style="list-style-type: none"> ○ Corporate induction for new employees to the Council and service specific inductions for employees in new jobs ○ Opportunities for continued learning and development for employees ○ A comprehensive range of learning and development opportunities available ○ Feedback and shared learning to the organisations both through reports and interactive sessions such as the Senior leaders 'Academi' • Support and maintain physical and mental wellbeing of the workforce, via our in-house Occupational Health Service, Care First (Employee Assistance Programme) and a range of internal training and awareness sessions to support mental, financial and physical health related issues.

What has worked well during 2020/21	During 20/21 what was affected by the Pandemic
<ul style="list-style-type: none"> • Partnership and collaborative working – regional and nationally • Lead on regional partnerships e.g. residual waste project • Successful local partnerships e.g. Public Services Board • Service specific inductions have taken place. New methods have been used to recruit and induct new starters through the pandemic which will be retained • Responded well to the challenges of the pandemic through the deployment of employees e.g. TTP, environmental Health • Increased workforce comms, introduction of wellbeing appraisals, strong recognition of mental health impacts and support networks provided 	<ul style="list-style-type: none"> • Benchmarking against peers due to lack of need to submit nationally • The modernisation of a corporate induction has been compromised due to the pandemic

Principle F – Managing risks and performance through robust internal control and strong public financial management

ANNUAL GOVERNANCE STATEMENT

Sub Principles	How we do this/how we achieve this
Managing risk	<ul style="list-style-type: none"> The Council has clear and concise risk management framework. There are a number of risk registers which are reported regularly which outline the risks faced by the Council and its service areas. These all include, current risk ratings and target risk ratings supported by mitigation comments
Managing performance	<ul style="list-style-type: none"> Members and senior management are provided with regular reports on service performance against key performance indicators and milestones against recovery objectives Members are clearly and regularly informed of the financial position and implications including environmental and resource impacts
Robust internal control	<ul style="list-style-type: none"> Internal Audit provides the Council, through the Governance & Audit Committee, with an annual independent and objective opinion on the adequacy and effectiveness of the Council's internal control, risk management, governance arrangements and associated policies. We are dedicated to tackling fraud as detailed within the Anti-Fraud and Corruption Strategy, Fraud Response Plan, and Whistleblowing Policy
Managing data	<ul style="list-style-type: none"> We have effective strategic direction, advice and monitoring of information management with clear policies and procedures on personal data and provide regular training to ensure compliance with these We have appropriate Information Sharing Protocols in place in respect of all information shared with other bodies The quality and accuracy of data used for decision making and performance monitoring is supported by guidance from a range of professional bodies Internal Audit review and audit regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	<ul style="list-style-type: none"> Our Financial management arrangements support both the long term achievement of outcome and short term financial performance through the delivery of the MTFS Setting a prudent Minimum Revenue Provision for the repayment of debt The integration of all financial management and control was reviewed as part of the finance modernisation project

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What has worked well during 2020/21

- Implemented a revised risk management framework at the early stages of response to the pandemic.
- Maintained performance monitoring at mid and end of year

ANNUAL GOVERNANCE STATEMENT

Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub Principles	How we do this/how we achieve this
Implementing good practice in transparency	<ul style="list-style-type: none"> • We recently improved the layout and presentation of our reports in order to improve the presentation of key information to decision-makers and monitor this regularly • We are mindful of providing the right amount of information to ensure transparency • A review of information sharing protocols has been undertaken and new principles adopted
Implementing good practices in reporting	<ul style="list-style-type: none"> • We report at least annual on the achievement and progress of our intended outcome and financial position. This is delivered through the Annual Performance report assessing performance against the Council Plan • Progress against the Well-being Plan • Annual Statement of Accounts • Our Annual Governance Statement is published following robust and rigorous challenge to assess and demonstrate good governance
Assurance and effective accountability	<ul style="list-style-type: none"> • Through robust assurance mechanism, we can demonstrate effective accountability. These mechanisms include: <ul style="list-style-type: none"> ○ Internal Audit undertakes independent reviews to provide an annual assurance opinion of the Council's control, risk management, and governance framework. To allow this Internal Audit has direct access to Chief Officer and Members of the Council ○ All agreed actions from Internal Audit reviews are monitored regularly through monthly reports to Chief Officers and each Governance & Audit Committee ○ Any 'limited/red' assurance opinions are reported to Governance & Audit Committee in full and progress monitored closely ○ Peer challenge and inspection from regulatory bodies and external compliance reviews. The outcomes from these inspections are used to inform and improve service delivery ○ Through effective commissioning and monitoring arrangements and compliance with Council's procedures, we gain assurance on risk associated with delivering services through third parties and any transitional risks ○ Reports are presented to Cabinet and an annual report to Governance & Audit Committee of external feedback from regulatory work and peer reviews along with the Council's responses

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During 2020/21 what worked well

- Open and embracing attitude / good evidence. Increased working through the workshops for all regulatory bodies in early 2020 to give an overview of suggested plans and areas of work. Despite the pandemic inspections and external reviews have continued with Audit Wales reviewing how the Council managed the impact of the pandemic. Best practice was shared with other LAs

ANNUAL GOVERNANCE STATEMENT

How have we addressed the governance and strategic issues from 2019/20 AGS?

The 2019/20 Annual Governance Statement contained 12 key improvement areas. Of these areas:

- One Internal Governance issue remains open and this is included within the 2020/21 actions;
- Three Strategic issues remain open and included within the 2020/21 actions; and
- Eight strategic issues were closed and detailed within the table below

Ref	Closed Internal Governance & Strategic Issues detailed in 2019/20 AGS	Reason for Closure
1	Debt levels will rise if tenants are unable to afford to pay their rent or council tax	Risk closed, reclassified and included within the Corporate Recovery Risk Register
2	Demand outstrips supply for residential and nursing home care bed availability	Risk closed, reclassified and included within the Social Services Risk Register
3	Homelessness will remain a growing area of demand due to the current economic climate	Risk closed, reclassified and included within the Housing & Assets Risk Register
4	Meeting Internal Targets	Risk closed, reclassified and included within the Corporate Recovery Risk Register
5	Increasing costs of service delivery and rising demand for some services	Risk closed, reclassified and included within the Corporate Recovery Risk Register
6	Insufficient supply and escalating cost of placements for children with complex needs	Risk closed, reclassified and included within the Social Services Risk Register
7	Insufficient reserves level	Risk Rating has reduced and included within Corporate Recovery Risk Register
8	Insufficient reserves level impacts financial resilience	Risk Rating has reduced and included within Corporate Recovery Risk Register

ANNUAL GOVERNANCE STATEMENT

What are the significant governance issues identified during 2020/21?

The review of the effectiveness of the Council's governance framework identified two significant internal governance issue during 2020/21. Details of how the issue has been addressed and if it remains open is provided below:

Internal Council Governance issues for 2020/21	Mitigation Actions	Current Status
Defining outcomes in terms of sustainable economic, social and environmental benefits. Also carried forward from 2019/20.	<ul style="list-style-type: none"> The financial sustainability of the Council has largely remained unchanged Furthermore the financial impact on the Council from COVID19 is currently unknown 	<ul style="list-style-type: none"> Open
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions courses of action	<ul style="list-style-type: none"> Circumstances has curtailed the council's ability to consult and engage, but not the willingness so to do. Further planning required following the legislation on LG & Elections (Wales) Act 	<ul style="list-style-type: none"> Open
Structures for public participations have still been in place, but ability to deliver has been curtailed due to the pandemic and could be strengthened	<ul style="list-style-type: none"> As part of the digital strategy, exploring alternative ways to manage public participation digitally. 	<ul style="list-style-type: none"> Open

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ANNUAL GOVERNANCE STATEMENT

What are the significant strategic issues identified during 2020/21

The review of the effectiveness of the Council's governance framework identified 20 significant strategic issues from during 2020/21. Details of how the issue has been addressed and if it remains open is provided below:

Strategic Issues for 2020/21	Mitigating Actions
PE03 - Unable to regenerate Town Centres through implementation of the Town Centre Strategy due to insufficient resources and the compound economic consequences of the emergency situation	<ul style="list-style-type: none"> • A review is to be undertaken of Town Centre Strategy
CF08 - A reduction in Council Tax collection impacts on (1) cash-flow and (2) annual budget	<ul style="list-style-type: none"> • Regular monitoring of the financial impact by the revenues team to track in-year collection levels and compare to previous years • Reporting impacts to Financial TCG on a weekly basis • Regular liaison with WLGA contacts re escalation with Welsh Government • Incorporation of impact on monthly monitoring reports in 20/21
CF14 - Increase in rent arrears impacts on the stability of the Housing Revenue Account (HRA) Business Plan	<ul style="list-style-type: none"> • Regular weekly monitoring of the financial impact by the Housing Rents team to track in-year rent collection levels and compare to previous year • Continued use of Mobysoft 'Rent Sense' to identify early arrears cases to allow the team to engage with and support these tenants by signposting to the support that may be available for the payment of Housing Rents • Reporting impacts to Financial TCG on a regular basis
CF19 - A reduction in Business Rates collection impacts on (1) cash-flow and (2) the stability of the National Collection Pool	<ul style="list-style-type: none"> • Regular weekly tracking of the risk and interventions implemented such as advice and support to businesses by extending payments and ensuring entitlement to grants and rate reliefs • Carry out 'soft' enforcement for businesses who are falling into debt and who have not made any contact with us have been completed • Recommencement of formal debt processes for businesses who have not paid nor engaged with the Council and who owe several months of unpaid Non-Domestic Rates (NDR)
CF20 - Insufficient capacity to deliver grants and rate relief whilst also recovering lost income/debts may impact debt recovery capacity	<ul style="list-style-type: none"> • Delivery of grants and rate relief to support businesses • Aim to recoup income lost during the response phase • Additional resource has been allocated to the service to compensate for the extra workload and cover staff absences • Levels of grant delivery will be monitored weekly to ensure that local businesses maximize their entitlement to WG support and financial aid

ANNUAL GOVERNANCE STATEMENT

Strategic Issues for 2020/21	Mitigating Actions
CG04 - Diversion of resource to emergency management delays implementation of key digital and infrastructure projects	<ul style="list-style-type: none"> • Realignment of resources to areas of high demand to support the change of the support model for the IT Service Desk. • Reprioritisation of activities in the IT Business plan to reflect the immediate needs of the organisation
CG20 - Council Tax Collections rate reduce and Impacts on cash-flow, annual budget and Medium Term Financial Strategy (MTFS) due to suspension of debt recovery	<ul style="list-style-type: none"> • Regular monitoring of the financial impact by the revenues team • Interventions through advice regarding delaying payments, accessing support for residents through signposting to revenues and benefits team • Reporting impact to Financial TCG on a weekly basis • Regular liaison with WLGA contacts re escalation with Welsh Government • Incorporation of impact on monthly monitoring reports in 20/21 • Revised collection rate applied to MTFS forecast
EY01 - Secondary schools are not financially viable due to insufficient base funding	<ul style="list-style-type: none"> • Licensed deficit policy revised and issued to schools • Challenge and support meetings with Headteacher/School Business Manager • Financial Performance Monitoring Group • Formula review • Local Authority approval mechanisms for recruitment
CE05 - An increase in the level of debt owed to the Council.	<ul style="list-style-type: none"> • Collection of income and only make flexibilities where tax-payers, tenants, customers and businesses approach us to request support • 'Soft' enforcement has begun for tax-payers and tenants who are falling into debt and not made any contact with us • Full enforcement action cannot resume until it is sensitive to do so
HA04 - Increased financial risk due to business failures and ability to anticipate Council Tax Refund Scheme (CTRS) due to business closure, unemployment, reduced hours of work	<ul style="list-style-type: none"> • Regular monitoring of the number of claims and financial awards by the Benefits Team • Reporting impact to Financial Tactical command group on a weekly basis • Regular liaison with Welsh Local Government Association contacts re escalation with Welsh Government to raise awareness of potential budget impacts of rising levels of CTRS awards • Incorporation of impact on monthly monitoring reports in 20/21 • Revised Council Tax Reduction Scheme awards and potential budget pressures applied to MTFS forecast
HA06 - Impacts on income stream based on delayed/non recovery of housing benefit overpayment	<ul style="list-style-type: none"> • Financial monitoring – Budget and Income • Contacting customers to arrange to repayment plans at a level which suits their new income • Offering customers support and advice to claim available benefits
PE12 - The implications of Ash Die back on finances and reputation of the Council due to the scale of the	<ul style="list-style-type: none"> • Revise the timetable for planned surveys that could not be carried out whilst in lockdown • Established sites that will require further investigation and this will be built into future work programmes • Prioritised surveys on Highway Routes and other FCC land with public access and school grounds as areas that have the highest risk rating for injury or damage

ANNUAL GOVERNANCE STATEMENT

Strategic Issues for 2020/21	Mitigating Actions
problem and the ability to make safe Highways and Council amenity land	<ul style="list-style-type: none"> Engage with external Legal Counsel to advise on Ash Die Back plan, Risk Assessments and inspection regime, to test for appropriateness and reasonableness
ST10 - Increased expenditure on contract, labour, plant, vehicles and materials due to changing work patterns in response to pandemic	<ul style="list-style-type: none"> Regular SMT review for the most appropriate methods of delivering service in an effective and cost-effective manner following guidance Ensure social distancing is maintained to prevent contamination amongst crews Monitor all additional expenditure as a result of service changes related to COVID-19 are being collated and monitored
ST17a - Increased risk of ill health due to mental health and well-being, personal and/or family issues	<ul style="list-style-type: none"> All Managers/supervisors maintain contact with staff Members whom are on sick leave or have identified themselves are suffering from personal issues (bereavement; relationship separations; isolation) to ensure support and reassurance is given Managers have and continue to facilitate opportunities for employees who need to work in office environment to support their personal wellbeing Occupational Health referrals are made by managers for employees who might need additional support. Employees can self-refer if they prefer
ST28a - Unable to gain regulatory approval (planning; Drainage; environmental permitting) to progress key infrastructure projects in a timely manner due to delays in processing applications	<ul style="list-style-type: none"> The project teams are working with regulatory bodies to ensure that all aspects are progressed within a timely manner External partners (WRAP) have been providing industry related expertise to assist with progress
ST35 - Lack of preparedness to respond to multiple emergencies or major incidents during pandemic (severe weather event, fire, major transport accident) due to resource focused on delivering key services	<ul style="list-style-type: none"> Ensure the availability of key personnel and equipment in the case of an emergency or major incident Plan for adequate contingency within the operational teams and staffing structure Consider how resources could be redirected in the event of an emergency or major incident
SS01 - Expenditure on out of county placements increases as placement costs increase in a demand led market	<ul style="list-style-type: none"> Implement Multiagency Support Team to work with families of young people on the edge of care and prevent placement breakdown Combat exploitation through the Strategic and Operational MET (Missing, Exploitation, Trafficking) group Develop policies and models to attract new foster carers and expand the type of placements offered Working with local providers to reshape the residential market Maximising local housing options

ANNUAL GOVERNANCE STATEMENT

Strategic Issues for 2020/21	Mitigating Actions
<p>PE07 - Impact on service delivery due to the resilience of staff and succession planning</p>	<ul style="list-style-type: none"> • Implement a robust communication plan that delivers timely and consistent messages and manages expectations of service performance/delivery during recovery • Early Identification of the most impacted areas to allow robust monitoring and early intervention • Minimise staff impact through various actions including the re-prioritisation of work streams enabling officers to concentrate on key tasks, workforce support, and absence management • Redeployment of staff within the Portfolio to support those services most under pressure • Supplement capacity as needed e.g. agency workers when required
<p>Funding will not be secured for priority flood alleviation schemes – Carried forward from 2019/20</p>	<ul style="list-style-type: none"> • At present Flintshire Council have no active schemes in the national programme. Several local sites have been identified with potential for viable flood alleviation schemes
<p>The scale of the financial challenge – Carried forward from 2019/20</p>	<ul style="list-style-type: none"> • The COVID-19 Pandemic emerged towards the end of the financial year and will have a significant impact on public finances including local government • Even prior to the pandemic, the medium term was forecast to be challenging with an initial high level forecast for 2021/22 of a gap of £10m
<p>Fully funding demand led services and inflationary pressures – Carried forward from 2019/20</p>	<ul style="list-style-type: none"> • The Council successfully developed its case through a Cross Party Working Group of Members and supporting officers to align with the work the Welsh Local Government Association (WLGA) • The Council will continue to press for fully funded demand led services and inflationary pressures as it progresses and updates its Medium Term Financial Strategy

ANNUAL GOVERNANCE STATEMENT

Certification

The review provides good overall assurance that Flintshire County Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework requirements for Local Authorities within Wales.

Opportunities to maintain and develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Flintshire County Council

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Colin Everett – Chief Executive

Cllr. Ian B Roberts – Leader of the Council

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Audit of the Group Financial Statements 2020-21

Flintshire County Council

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STATEMENT OF ACCOUNTS

2020-21



FLINTSHIRE COUNTY COUNCIL

Auditor General's responsibilities



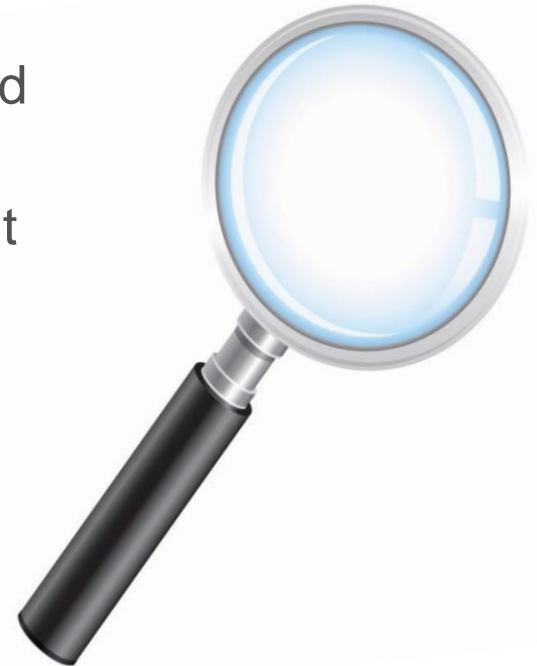
Responsibility - the Auditor General (Appointed Auditor) is responsible for providing an opinion on the financial statements:

- Give a **true and fair view** of the financial position.
- Are **prepared in accordance** with the CIPFA Code of Practice.

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Materiality - we adopt a concept of materiality, and are not giving absolute assurance:

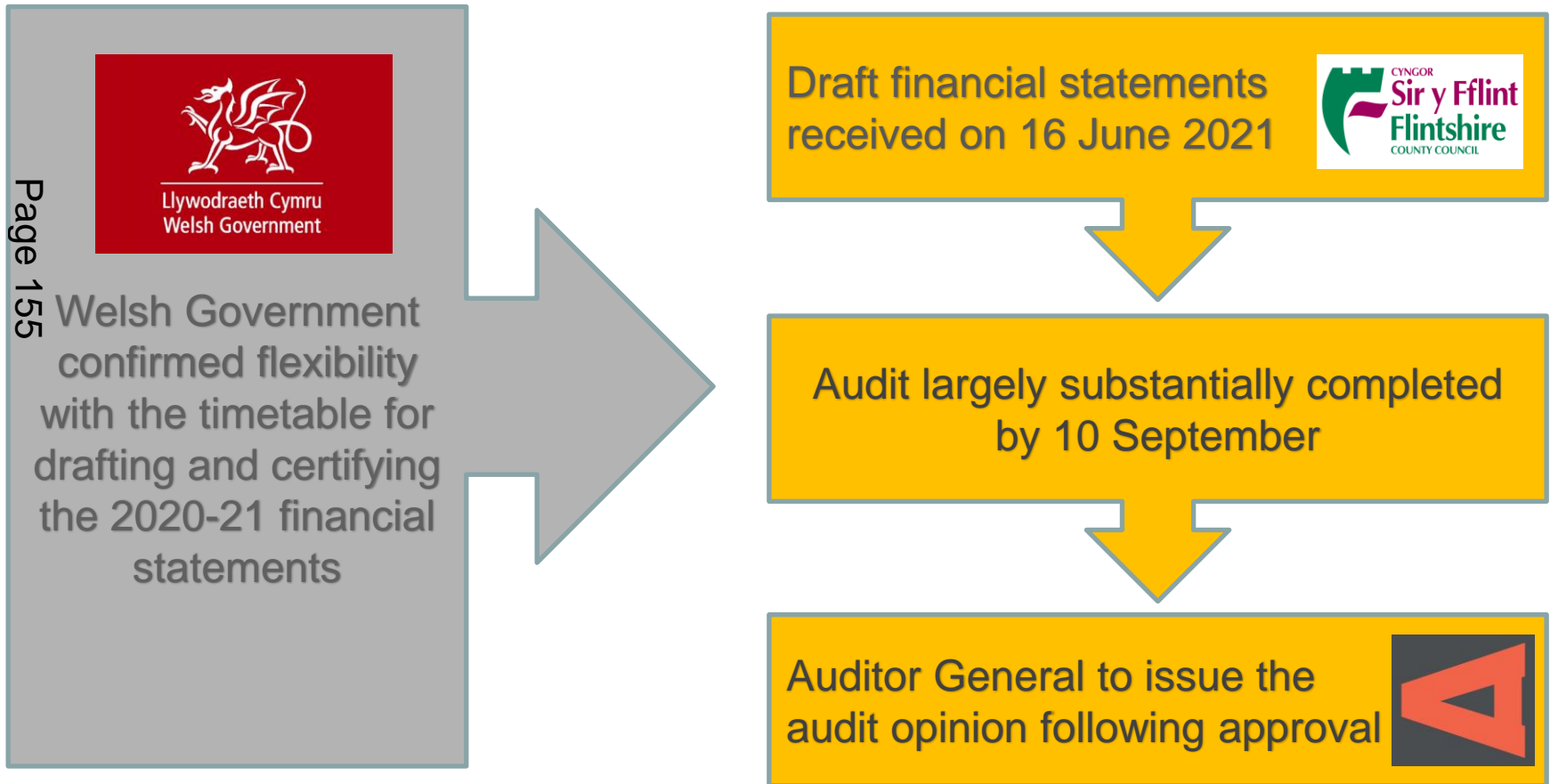
- The quantitative materiality determined for audit of the group financial statement is **£4.8 million**.
- A lower threshold is applied for **Senior Officer remuneration** and **related parties** transactions with individuals.



Audit Position



Status of the audit – flexibility due to the ongoing pandemic



Overall findings

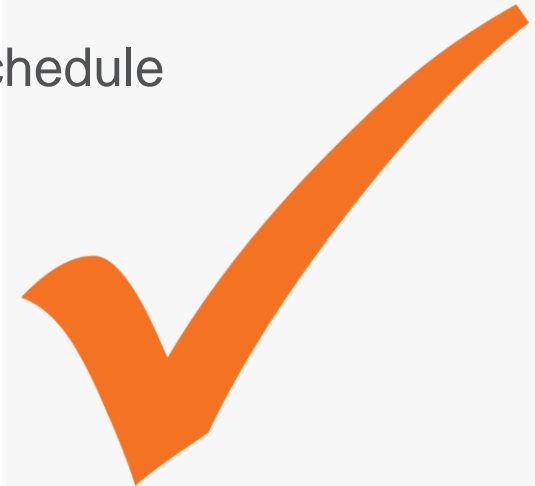


The Auditor General intends to issue an **unqualified audit report** on the 2020-21 group financial statements of Flintshire County Council

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We concluded that:

- The financial statements were produced to a good standard and were supported by comprehensive working papers.
- There are no uncorrected misstatements.
- Corrected misstatements are summarised in the schedule accompanying this item.
- There are no issues to report to you, as those charged with governance, prior to the approval of your financial statements.



Impact of COVID-19 on this year's audit



Adapted to the challenges from remote working:

- **Timetable** – taking advantage of flexibility from of Welsh Government.
- **Electronic signatures** accepted for signing and certification.
- **Building on our experience last year, we audited and obtained evidence remotely:**
 - ✓ Clarified working paper requirements.
 - ✓ Weekly Microsoft Teams meeting with officers.
 - ✓ Access to the Council's systems and shared drive for efficient secure and safe data transfer.



We have mitigated the known threats to the independence of the Auditor General and his staff:

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Our audit plan highlighted that one member of the audit team had a family member employed as a teacher at the Council.

- We confirm the team member has not been involved at any work relating to the school or any specific examination of the education service and its payroll transactions.



2021-22 and beyond...

- Continue to adapt and respond with the Council to challenges posed by the Covid-19 pandemic.
- Joint post-project learning of the accounts preparation and audit.
- Engaging with Welsh Government and the Council on opportunities for working flexibly to address accounts timetabling risks for 2020-21.

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Gary Ferguson
Corporate Finance Manager
Rheolwr Cyllid Corfforaethol



Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

27 September 2021

Your Ref/Eich Cyf

Our Ref/Ein Cyf

Date/Dyddiad

Ask for/Gofynner am

Direct Dial/Rhif Union

Fax/Ffacs

Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of Flintshire County Council and its group for the year ended 31 March 2021 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our] knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

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Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Flintshire County Council and its group and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by Flintshire County Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Governance and Audit Committee on 27 September 2021.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Gary Ferguson
Corporate Finance Manager

27 September 2021

Signed by:

Councillor Chris Dolphin
Chair of the Governance and
Audit Committee

27 September 2021

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STATEMENT OF ACCOUNTS 2020-21 – SCHEDULE OF AMENDMENTS

The table below summarises the issues arising during the audit of the 2020-21 draft Statement of Accounts and corrections and amendments made as a result, which under ISA 260 should be drawn to the attention of Members. The changes have been made to the final version of the Statement of Accounts.

Amendment / Correction	Reason	Impact on Statement of Accounts
'Group Comprehensive Income and Expenditure Account - Actuarial (gains) or losses on pension assets and liabilities' was amended from £(15,889,000) to £17,089,000.	An actuarial loss on pension assets and liabilities was misstated as a gain when consolidating the Group accounts.	The adjustment had no other impact on the financial statements. Presentation disclosure only.
'Group Balance Sheet' was amended: <ul style="list-style-type: none"> • 'Short term debtors (net of impairment provision)' from £72,139,000 to £72,810,000. • 'Short term creditors' from £(41,165,000) to £(41,836,000). 	Short term debtors and creditors in the group Balance Sheet were understated by £671,000 as incorrect figures were used when consolidating the Group accounts.	The adjustment had no other impact on the financial statements. Presentation disclosure only.
'Housing Revenue Account – Income and Expenditure Account' was amended to include Capital Grants and Contributions Receivable - Major Repairs Allowance grant of £5,073,000.	The major repairs allowances grant receivable was credited to the Council Fund in error as it related to the Housing Revenue Account.	The adjustment increased the Total surplus for the year on HRA services by a corresponding amount to £37,884,000. Corresponding adjustments were also included in Note 7 'Adjustments between accounting basis and funding basis under regulations' and the Movement in Reserves Statement for the Council and Group.
Note 7 'Adjustments between accounting basis and funding basis under regulations - Adjustments involving the Pensions Reserve' was amended to address transposition errors between the following two lines for usable and unusable reserves:	To address transposition error between the two lines.	The adjustment had no other impact on the financial statements.

<ul style="list-style-type: none"> • 'Reversal of items relating to retirement benefits debited and credited to the CIES'. • 'Employer's pension contributions and direct payments to pensioners payable in the year'. 		
<p>Note 8 'Property, Plant and Equipment – Vehicles, Plant Furniture and Equipment' was amended:</p> <ul style="list-style-type: none"> • 'Additions and Acquisitions' from £8,988,000 to £7,621,000. • 'Revaluations increases/(decreases) recognised in the revaluation reserve from (£1,367,000) to £nil. 	<p>The Authority identified that a duplicate asset under construction reclassification was incorrectly included within additions.</p>	<p>The adjustment had no other impact on the financial statements.</p> <p>Presentation disclosure only.</p>
<p>Note 15 'Cash and cash equivalents – Current assets – Cash and cash equivalents' was amended from £25,610,000 to £15,610,000.</p>	<p>Short-term investments of £10,000,000 were misclassified as cash and cash equivalents.</p>	<p>Note 14 'Short-term investments' was updated for the reclassification. Corresponding adjustments were included in the Balance Sheet, the Cash Flow Statement and Note 24 'Cash Flow Statement – Investing Activities'.</p>
<p>Note 22 'Unusable Reserves – Accumulated absences account' was amended from £(4,894,000) to £(5,226,000).</p>	<p>The estimate calculation excluded National and Insurance and Superannuation costs for school term-time non-teaching staff employed by the Council, contrary to CIPFA guidance.</p>	<p>Corresponding adjustments were made to the 'Balance Sheet', 'Comprehensive Income and Expenditure Account', 'Cash Flow Statement', 'Expenditure and Funding Analysis', Note 1 'Note to the Expenditure and Funding Analysis', 'Movement in Reserves Statement' and Note 7 'Adjustments between Accounting and Funding Basis Under Regulations'. Corresponding adjustments were also made to the 'Group Accounts'.</p>
<p>Note 26 'Officers' remuneration' was amended to include the remuneration and employer's pension contributions for the Clerk and Deputy roles of</p>	<p>To ensure full compliance with the Paragraph I117 of CIPFA's Code Guidance on amounts received under a contract of</p>	<p>The adjustment had no other impact on the financial statements.</p> <p>Presentation disclosure only.</p>

the Chief Executive and Chief Officer Governance to the North Wales Fire Authority.	employment for services rendered.	
Note 42 ‘Financial Instruments – Fair Value of Assets and Liabilities Carried at Amortised Cost – Financial liabilities – PWLB’ was amended from £427,630,000 to £377,486,000.	The fair value of PWLB borrowings in Note 42 did not reflect the values derived the Council’s Treasury Management advisors.	The adjustment had no other impact on the financial statements. Presentation disclosure only

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GOVERNANCE AND AUDIT COMMITTEE

Date of Meeting	Monday, 27 th September 2021
Report Subject	Flintshire Financial Sustainability Report
Report Author	Chief Executive and Corporate Finance Manager

EXECUTIVE SUMMARY

A Financial Sustainability Assessment across all Welsh Councils has been undertaken by Audit Wales and the report for Flintshire is appended to the attached Cabinet report which was presented on 21st September.

RECOMMENDATIONS

1	Members are asked to note and comment on the report and to bring any relevant matters to the attention of Cabinet.
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REPORT DETAILS

1.00	EXPLAINING THE FINANCIAL SUSTAINABILITY ASSESSMENT
1.01	The background to the project and the Audit Wales report is included in the attached Cabinet Report. A representative from Audit Wales will be in attendance at the meeting.

2.00	RESOURCE IMPLICATIONS
2.01	No additional resource implications arising directly from the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	As set out in the report

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	The report was shared with Corporate Resources Overview and Scrutiny Committee on 16 th September and with Cabinet on 21 st September.

5.00	APPENDICES
5.01	Appendix 1 – Cabinet Report 21 September Appendix 2 – Audit Wales Report

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<i>None</i>

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
	See attached report

CABINET

Date of Meeting	Tuesday, 21 September 2021
Report Subject	Flintshire Financial Sustainability Assessment Final Report
Cabinet Member	Cabinet Member for Finance, Social Value and Procurement
Report Author	Chief Executive and Corporate Finance Manager
Type of Report	Operational

EXECUTIVE SUMMARY

A Financial Sustainability Assessment across all Welsh Councils has been undertaken by Audit Wales and the report for Flintshire is attached as Appendix 1.

Audit Wales worked with Welsh Government, Welsh Local Government Association and the Society of Welsh Treasurers in planning the review. The project is the second part (Phase 2) of their review into financial sustainability in Welsh Councils - Phase 1 was a baseline assessment of the initial impact of COVID-19 on local Councils' financial position.

The summary and findings in the report outlines a fair reflection of the Council's financial position and there are no new issues to report. Therefore, a formal response has not been prepared as per usual practice.

The report will also be presented to Corporate Resources Overview and Scrutiny Committee on 16 September and Governance and Audit Committee on 27 September.

RECOMMENDATIONS

1	That Cabinet note the report from Audit Wales.
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REPORT DETAILS

1.00	EXPLAINING THE FINANCIAL SUSTAINABILITY ASSESSMENT
------	---

1.01	A Financial Sustainability Assessment across all Welsh Councils has been undertaken by Audit Wales and the report for Flintshire is attached as Appendix 1.
1.02	Audit Wales worked with Welsh Government, Welsh Local Government Association and the Society of Welsh Treasurers in planning the review. The project is the second part (Phase 2) of their review into financial sustainability in Welsh councils - Phase 1 was a baseline assessment of the initial impact of COVID-19 on local Councils' financial position.
1.03	The aims of the project were: <ul style="list-style-type: none"> • to explain from an independent perspective the initial impact of COVID-19 on local authorities' financial position and anticipated impact going forward (including identifying key risks to financial sustainability over the short and medium term). • to gain assurance that local authorities are putting in place proper arrangements to maintain financial sustainability in view of the ongoing COVID-19 pandemic. • to identify notable practice in meeting the financial challenges associated with COVID-19 both from within Wales and elsewhere that may be replicable in other local authorities in Wales.
1.04	A local report has been prepared for each Council and a national summary report is also being prepared and will be issued later in the year.
1.05	The summary and findings in the report outlines a fair reflection of the Council's financial position and there are no new issues to report. Therefore, a formal response has not been prepared as per usual practice.
1.06	The report will also be presented to Corporate Resources Overview and Scrutiny Committee on 16 September and Governance and Audit Committee on 27 September.

2.00	RESOURCE IMPLICATIONS
2.01	None directly arising from the report.

3.00	IMPACT ASSESSMENT AND RISK MANAGEMENT
3.01	As set out in the reports.

4.00	CONSULTATIONS REQUIRED/CARRIED OUT
4.01	The report will be shared with Corporate Resources Overview and Scrutiny Committee on 16 September and Governance and Audit Committee on 27 September.

5.00	APPENDICES
5.01	Appendix 1 – Audit Wales Financial Sustainability Assessment

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None

7.00	CONTACT OFFICER DETAILS
7.01	<p>Contact Officer: Gary Ferguson, Corporate Finance Manager Telephone: 01352 702271 E-mail: gary.ferguson@flintshire.gov.uk</p>

8.00	GLOSSARY OF TERMS
	<p>Medium Term Financial Strategy (MTFS): a written strategy which gives a forecast of the financial resources which will be available to a Council for a given period, and sets out plans for how best to deploy those resources to meet its priorities, duties and obligations.</p> <p>Revenue: a term used to describe the day to day costs of running Council services and income deriving from those services. It also includes charges for the repayment of debt, including interest, and may include direct financing of capital expenditure.</p> <p>Budget: a statement expressing the Council’s policies and service levels in financial terms for a particular financial year. In its broadest sense it includes both the revenue budget and capital programme and any authorised amendments to them.</p> <p>Capital: Expenditure on the acquisition of non-current assets or expenditure which extends the useful life of an existing asset.</p> <p>Revenue Support Grant: the annual amount of money the Council receives from Welsh Government to fund what it does alongside the Council Tax and other income the Council raises locally. Councils can decide how to use this grant across services although their freedom to allocate according to local choice can be limited by guidelines set by Government.</p> <p>Specific Grants: An award of funding from a grant provider (e.g. Welsh Government) which must be used for a pre-defined purpose.</p> <p>Welsh Local Government Association: the representative body for unitary councils, fire and rescue authorities and national parks authorities in Wales.</p>

Financial Year: the period of 12 months commencing on 1 April.

Local Government Funding Formula: The system through which the annual funding needs of each council is assessed at a national level and under which each council's Aggregate External Finance (AEF) is set. The revenue support grant is distributed according to that formula.

Aggregate External Finance (AEF): The support for local revenue spending from the Welsh Government and is made up of formula grant including the revenue support grant and the distributable part of non-domestic rates.

Financial Sustainability Assessment – Flintshire County Council

Audit year: 2020-21

Month/Year issued: July 2021

Document reference: 2448A2021-22

This document has been prepared as part of work performed in accordance with section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 18 of the Local Government (Wales) Measure 2009. It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Wellbeing of Future Generations Act (Wales) 2015.

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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The Council's liquidity ratio has been at the same level for the last three years 13

Summary report

What we looked at and why

- 1 We undertook this assessment as financial sustainability continues to be a risk to councils putting in place proper arrangements to secure value for money in the use of resources. In part, this was informed by experiences of some councils in England, our knowledge of the financial situation in councils in Wales, and the general trend of decreasing resources for local government combined with rising demand for some services. We undertook a similar project in 2019-20, before the COVID-19 pandemic.
- 2 Our 2020-21 assessment on councils' financial sustainability was in two phases. Phase 1 was a baseline assessment of the initial impact of COVID-19 on local councils' financial position. Phase 1 drew on: the year-end position for 2019-20; the position at the end of quarter 1 for 2020-21; and projections for quarter 2 for 2020-21. Following Phase 1, in October 2020 we published a national summary report – **Financial Sustainability of Local Government as a result of the COVID-19 Pandemic**¹. We found that councils and the Welsh Government have worked well together to mitigate the impact of the pandemic to date, but the future sustainability of the sector is an ongoing challenge.
- 3 The pandemic has had an immediate and profound effect on public sector finances as a whole and, as a consequence, on councils' financial position. The summary report set a high-level baseline position, including the reserves position of local councils before the pandemic. It also set out the initial financial implications of the pandemic for local councils and the scale of the anticipated challenge going forward.
- 4 This report concludes phase 2 of our financial sustainability assessment work during 2020-21. As part of this we are producing a local report for each of the 22 principal councils in Wales.
- 5 We undertook this assessment during March 2021.

¹ Audit Wales, [Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic](#), October 2020.

Detailed report

The Council's focus is on improving its financial resilience by addressing budgetary pressures in key demand-led service areas

The immediate impact of COVID-19 on the Council's financial sustainability has been mitigated by additional Welsh Government funding

6 This section sets out the impact that COVID-19 has had to date on the Council's financial position and the extent to which this has been mitigated by additional funding from the Welsh Government.

7 We found that:

- the Council estimates that most of its COVID-19 related expenditure and lost income in 2020-21 is covered by Welsh Government funding.
- the Council has estimated that about £0.6 million of additional COVID-19 related expenditure and £0.3 million of income loss during 2020-21 will not be covered by the additional funding from the Welsh Government.
- the Council recognises there will be a continued impact of the pandemic on specific service areas during 2021-22.
- the Council anticipates a fall in council tax collection rates (98.7% in 2021-22) due to the decreasing numbers of furloughed and an increase in newly unemployed residents as a direct result of the pandemic. The Council has budgeted for a reduction of 0.2% in its council tax collection rate for 2021-22, which equates to £0.180 million in cash terms to recognise the anticipated impact.

Exhibit 1: the cost to the Council of COVID-19 in 2020-21²

The table below shows the Council's estimated additional expenditure and lost income in 2020-21 as a result of COVID-19 and how much of this was mitigated by extra funding from the Welsh Government³.

The additional amount the Council estimates it will have spent as a result of COVID-19 over 2020-21.	£14 million
The amount of income the Council estimates it will have lost as a result of COVID-19 over 2020-21.	£4.5 million
The amount of additional funding the Council estimates it will receive from the Welsh Government over 2020-21 to mitigate the impact of COVID-19.	£18.1 million
Additional funding from Welsh Government to cover "savings not achieved" and "digital transformation.	£2.4 million
The cost to the Council of COVID-19 over 2020-21 after extra funding from the Welsh Government is taken into account.	£0.9 million

The Council has a clear, well communicated financial strategy; it is focused on improving its resilience by addressing budgetary pressures in key demand-led service areas

Why strategic financial planning is important

- 8 A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils it is also important to identify how it intends to respond to those pressures, and particularly how they will meet projected funding gaps.
- 9 Public services have been significantly impacted by the pandemic and, in this context, mitigating the impact on councils will not only depend on the actions that

² Source: Flintshire County Council self-assessment to Audit Wales. March 2021

³ In July 2021 the Council still has a number of claims not confirmed by the Welsh Government.

they are able to take, but also to a large degree on the amount of resources allocated by governments. We recognise that a key issue for councils in trying to financially plan over the medium term remains uncertainty around both the level of funding they will receive from government, and their own income streams, such as council tax and fees and charges.

10 We found that:

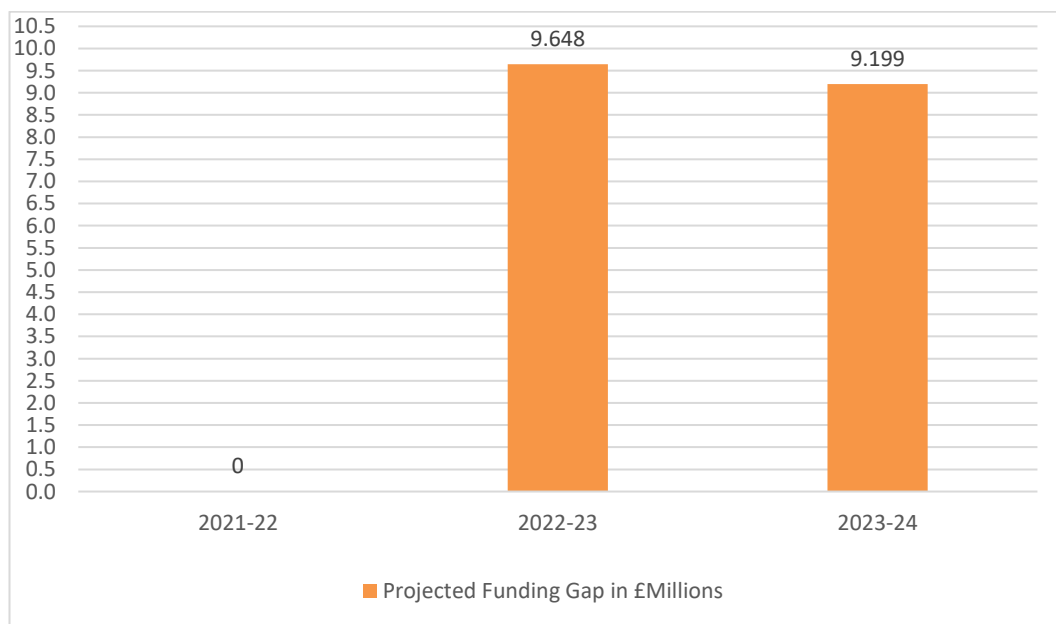
- the Council has a clear and well-articulated medium term financial strategy for the period 2021-2024 but its reliance on lobbying Welsh Government for improved funding in order to set a balanced budget remains a high risk approach. The Council's stated policy remains that it is not prepared to compromise the range, quality, or safety of services to deliver a balanced budget. The Council contends that the options to cut budgets whilst maintaining services at a level acceptable to communities and both safe and compliant with statute are now largely exhausted.
- the Council has not made any major changes to its approach to developing the Medium-Term Financial Strategy (MTFS) in 2021 as it has been focussed on managing the pandemic. The current MTFS clearly set out a funding gap, relative to its 2019-20 net cost of services, of £16.75 million. The combined forecast for the next two years is just under £19 million. The Council recognises that longer-term projections would be useful in helping it to plan further ahead and is in the process of refreshing its MTFS.
- the Council is focused on improving its resilience by addressing budgetary pressures in key demand-led service areas such as education and out of county placements. In the 2021-22 budget the Council plans to make a significant investment in education and schools with a funding increase of 3.6%. To address the cost of out of county placements and improve its service, the Council is planning to develop its own residential care home provision for children and young people over the next three financial years through the delivery of a range of projects. These included new emergency provision to enable an effective response to crisis situations and small group homes to enable children to live within their local community.
- the Council has a good track record of collecting council tax but performance declined from 98.2% in 2018-19 to 97.9% in 2019-20 although it remains in the top quartile for performance in Wales⁴. Council tax income in Flintshire has increased from 23% of net revenue sources in 2010-11 to 31% in 2019-20.

⁴ Source: Statistics for Wales – council tax collection rates in Wales 2019-20

- the Council has undertaken other significant service transformation to improve productivity in several areas by implementing new service delivery models (leisure, libraries and facilities) and has realised some additional income. During the period 2021-24 the Council plans to continue to take a multistrand approach through the following initiatives:
 - further reshaping of services/modernisation programmes;
 - exploring benefits arising from regional/collaboration programmes;
 - making changes to fees, charges and income generation; and
 - considering alternative delivery models.

Exhibit 2: the Council projected funding gap for the years 2021-24

This graph shows the funding gap that the Council has identified for the following years.



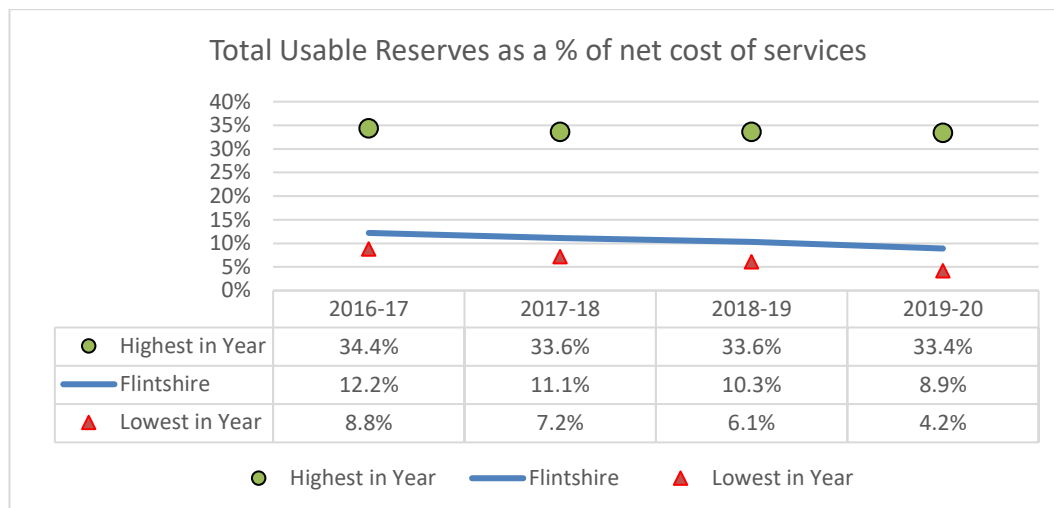
The Council's usable reserves have increased in 2020-21 but in the previous years the use of reserves to help balance the budget has decreased their levels which the Council recognises significantly limit its resilience to service risk

Why sustainable management of reserves is important

- 11 Healthy levels of useable reserves are an important safety net to support financial sustainability. As well as being available to fund unexpected funding pressures, useable reserves can also be an important funding source to support 'invest to save' initiatives designed to reduce the ongoing cost of providing services. Councils that show a pattern of unplanned use of reserves to plug gaps in their revenue budget that result in reductions of reserve balances reduce their resilience to fund unforeseen budget pressures in future years.
- 12 We found that:
- the Council's policy on reserves sets out how the Council manages and reviews its reserves position. Cabinet and Overview and Scrutiny receive information via the regular budget monitoring reports.
 - over the three years 2016-18 to 2018-19 the planned use of £6.5 million of reserves has been used to help set a balanced budget.
 - the Council's useable reserves have increased to around £38.5 million in March 2021 from £24.3 million in March 2020.
 - the Council acknowledges that using reserves in setting a balanced budget will 'significantly limit the Council's resilience to service risk' and its overall sustainability.

Exhibit 3: amount of reserves vs annual budget

This exhibit shows the amount of usable reserves the Council had during 2020-21 and the previous four years as a proportion of the net cost of the services the Council delivers.



	2016-17	2017-18	2018-19	2019-20	2020-21
Net Cost of Services in £ millions ⁵	258.2	258	265.5	273.3	
Total Useable Reserves in £ millions ⁶	31.5	28.6	27.3	24.3	
Total Useable Reserves as a % of net cost of services ⁷	12.2	11.1	10.3	8.9	
Comparison with the other councils of Wales	16	17	16	21	not available

⁵ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

⁶ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

⁷ Audit Wales calculation.

The Council has a track record of keeping closely to its planned budgets in most areas

Why accurately forecasting expenditure is important

- 13 It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities
- 14 We found that:
- in the two years from 2018-19 to 2019-20, the Council has kept closely to its planned budgets in most areas, delivering 98% of its planned savings in both years.
 - although in December 2020 the Council was anticipating an overall revenue overspend in 2020-21 due to the impact of the pandemic, additional Welsh Government support in the Spring 2021 allowed the Council to keep to its planned budget. The Council does not anticipate an overall overspend in 2020-21 once final payments are received from the Welsh Government.
 - in 2021-22 the Council foresees possible areas of risk for potential overspends due to unknown pay rises, social care pressures, and demand-led services. In 2021-22 a total of £2.363 million budget efficiencies reduction is planned for all services, except schools, and the Council recognise the need for regular specific monitoring and reporting of budget delivery.

Exhibit 4: amount of overspend/underspend relative to total net revenue budget

The following exhibit shows the amount of overspend or underspend for the Council's overall net revenue budget for the last four years and also the year to date as at 4 March 2021.

	2016-17	2017-18	2018-19	2019-20	2020-21
Original Net revenue budget £ millions ⁸	251.99	255.16	264.39	271.35	285.98
Actual Net Revenue Outturn ⁹	249.95	253.05	263.72	270.91	285.06
Amount of overall underspend ¹⁰	2.04	2.11	0.67	0.44	0.92
Percentage difference from net revenue budget	0.81%	0.83%	0.25%	0.16%	0.32%

The Council has a track record of delivering planned savings: however, identifying and delivering savings will be more challenging going forward

Why the ability to identify and deliver savings plans is important

15 The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability against a backdrop of increasing financial pressures. Where savings plans are not delivered this can result in overspends that require the use of limited reserves whilst increasing the level of savings required in future years to compensate for this. Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.

We found that:

- the Council has an improving track record in delivering the specific savings it has identified. In 2015-16 the Council reported that it achieved 83% of its planned savings. Over successive years the Council has improved its position, delivering 98.1% of its planned savings in 2019-20.

⁸ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

⁹ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

¹⁰ Audit Wales calculation.

- this improvement has been reflected in the performance targets the Council sets itself within its MTFS.

Exhibit 5: savings delivered during 2019-20 to 2020-21 as a percentage of planned savings

The following exhibit sets how much money the Council intended to save from its savings plans during 2018-19 and 2019-20 and how much of this it actually saved as well as estimated figures for 2020-21.

	2018-19	2019-20	2020-21 estimate
Total planned savings in £ millions ¹¹	5.51	6.82	5.21
Planned savings achieved in £ millions ¹²	5.41	6.13	5.36
Planned savings not achieved in £ millions	0.10	0.69	(0.15) above target
Percentage of savings achieved	98%	90.0%	103%

The Council's liquidity ratio has been at the same level for the last three years

Why the Council's liquidity position is important

- 16 Why gauging current assets to current liabilities (liquidity) is important:
- an indicator of how a council manages its short-term finances.
 - while it is commonly used to examine whether organisations are able to pay their debts in the short term, this is unlikely to be a risk for councils given their ability to take short-term borrowing. It does also, however, act as an indicator of how a council manages its short-term finances.
 - councils with low liquidity ratios should ensure they have arrangements in place to meet their liabilities.

¹¹ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest. Source: Statement of Accounts

¹² By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose. Source: Statement of Accounts

- there may be additional costs for councils that rely on short-term borrowing to pay debts.
- councils with very high liquidity ratios should consider whether they are managing their current assets in the most effective way.

17 We found that:

- the Council has maintained the same liquidity ratio over the last three years.
- the Council has a Treasury management strategy in place that sets out arrangements to meet liabilities. The strategy is reviewed annually and is subject to scrutiny by the Audit Committee.

Exhibit 6: working capital ratio 2015-16 to 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 estimate
Current Assets ¹³	65	52.5	78.8	76.3	86	N/A
Current Liabilities ¹⁴	36.8	51.9	94.1	91.6	104.3	N/A
Working Capital Ratio	1.8	1.0	0.8	0.8	0.8	N/A

¹³ Current Assets, includes: Short Term Investments; Assets held for sale; Inventories; Short Term Debtors; and Cash and equivalent

¹⁴ Current Liabilities, includes Short Term Borrowing; Short Term Creditors; and Provisions due in one year.



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



GOVERNANCE AND AUDIT COMMITTEE

Date of Meeting	Monday, 27 th September 2021
Report Subject	School Reserves Year Ending 31 March 2021
Report Author	Chief Officer (Education and Youth)

EXECUTIVE SUMMARY

The overall level of reserves held by Flintshire schools was £6.902m at 31 March 2021, an increase of £6.790m compared with the previous year.

The uncertainties associated with the pandemic made financial management during the 2020/21 financial year challenging for Headteachers and Governors.

A summary of the position at the end of March 2021 is shown in table 1 below.

Table 1

Sector	B/f Balance 2019/20 (£)	% of Budget	C/f Balance 2020/21 (£)	% of Budget	Change Between Years (£)
Primary	1,919,956	4.0%	6,025,937	11.4%	4,105,981
Secondary	-2,094,302	-5.0%	472,112	1.1%	2,566,414
Special	286,303	7.5%	404,402	9.4%	118,100
Grand Total	111,957	0.1%	6,902,451	6.8%	6,790,494

The level of school reserves has increased across all sectors and is in part due to a number of additional grants being awarded to schools in recognition of the issues caused by the pandemic. These grants were awarded at a late stage during the financial year and inflate the level of school reserves.

RECOMMENDATIONS

1	Note the level of school reserves as at the 31 March 2021.
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REPORT DETAILS

1.00	EXPLAINING SCHOOL BALANCES																														
1.01	<p>The analysis of reserve balances for each school in Flintshire at the end of March 2021 is shown at appendix 1 along with the total amount of additional grant funding each school received during March 2021.</p> <p>Overall, the total level of primary schools reserves increased by £4.106m, the total level of secondary schools reserves increased by £2.566m and the total level of special schools reserves increased by £0.118m. This is a reversal of trends seen in recent years, however the position as at 31st March 2021 is unusual and must be viewed in the wider context.</p>																														
1.02	<p>Additional Grants</p> <p>A number of additional grants totalling £3.851m were awarded to schools in March 2021 and are listed below in Table 2.</p> <p>Table 2</p> <table border="1" data-bbox="320 846 1345 1305"> <thead> <tr> <th colspan="5">Additional Grants - 2020/21</th> </tr> <tr> <th>Sector</th> <th>WLGA - Return to School Covid Grant (£)</th> <th>Covid Response – RRRS ALP (£)</th> <th>Revenue Maintenance Grant (£)</th> <th>TOTAL (£)</th> </tr> </thead> <tbody> <tr> <td>Primary</td> <td>91,740</td> <td>949,708</td> <td>1,416,791</td> <td>2,458,239</td> </tr> <tr> <td>Secondary</td> <td>68,904</td> <td>466,181</td> <td>816,216</td> <td>1,351,301</td> </tr> <tr> <td>Special</td> <td>1,586</td> <td>13,297</td> <td>26,404</td> <td>41,287</td> </tr> <tr> <td>Grand Total</td> <td>162,230</td> <td>1,429,186</td> <td>2,259,411</td> <td>3,850,827</td> </tr> </tbody> </table> <p>All grants in table 2 are 2020/21 grants which, due to their notification dates of March 2021, displace expenditure already incurred in 2020/21 and act to release school allocations in 2020/21. This inflates the level of school reserves as at 31st March 2021, as the school allocations are carried forward into 2021/22 financial year to fund spending in 2021/22.</p> <p>The Recruit, Recover, Raise Standards: Accelerating Learning Programme (RRRS ALP) is additional funding to augment support already in place. Pre-existing Accelerating Learning Programme proposals should be updated and reporting should be combined on this additional funding with the pre-existing arrangements. School Governing Bodies must receive a report by end of the academic year 2020/21 on the use of the full RRRS fund including this additional allocation.</p> <p>The Revenue Maintenance Grant is to fund school revenue repair and maintenance costs.</p> <p>During the financial year the Welsh Government also announced that both the annual Pupil Deprivation Grant (PDG) and the Education Improvement Grant (EIG) can be spent over a longer time period from 1st April 2020 to 31st August 2021. There will therefore be an unknown element of both these</p>	Additional Grants - 2020/21					Sector	WLGA - Return to School Covid Grant (£)	Covid Response – RRRS ALP (£)	Revenue Maintenance Grant (£)	TOTAL (£)	Primary	91,740	949,708	1,416,791	2,458,239	Secondary	68,904	466,181	816,216	1,351,301	Special	1,586	13,297	26,404	41,287	Grand Total	162,230	1,429,186	2,259,411	3,850,827
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	<p>grants within the school reserves as at 31st March 2021. If expenditure were incurred equally across this 17 month period then the funding carried forward in school balances on a pro rata basis would equate to a further £2.666m on top of the £3.851m shown in table 2.</p>
.1.03	<p>Secondary Schools</p> <p>Despite a general increase across the secondary sector there were still 4 schools out of 11 in a deficit position compared with 6 the previous year. Deficits amounted to £1.912m and ranged from £0.120m to £0.814m. One schools deficit increased during the financial year despite the additional grant funding received.</p> <p>In line with the Protocol for Schools in Financial Difficulty school support and challenge meetings will be held and schools will be invited to a Financial Performance Monitoring Group (FPMG) meeting with senior members and officers and GwE representatives as necessary.</p> <p>Secondary school budgets continue to be under significant pressure. In general, the financial resilience of the secondary school sector in Flintshire is of concern. Despite the additional grant funding, the total level of reserves across the sector amounted to £0.472m which equates to 1.1% of secondary budgets.</p> <p>There are a number of factors which have contributed to the current financial position.</p> <ul style="list-style-type: none"> • The ongoing austerity measures over recent years have resulted in schools having to absorb inflationary increases in pay, pension and NI increases. • Demographic changes in the distribution of pupils across the primary and secondary sectors. In recent years, secondary pupil numbers have been declining whilst primary pupil numbers have been increasing and this has resulted in a redistribution of funding between sectors. However, this trend is now reversing and pupil numbers in the secondary sector are now increasing which will have a positive financial impact on the secondary sector going forward. • Smaller secondary schools with increasing deficits elicits the question as to whether the funding formula provides sufficient resource for schools to operate sustainably. • As part of the response to the Estyn recommendation initial work was conducted with secondary schools to review the funding formula. However, without additional funding for schools a revision to the current formula would not be feasible.
1.04	<p>Primary Schools</p> <p>The level of school reserves within the primary sector increased by £4.106m during the year.</p> <p>At the end of the financial year there was 1 primary schools in deficit compared with 9 in the previous year.</p>

	There were 43 primary schools with balances greater than £50k, compared with 16 schools in the previous year. 29 primary schools had balances over £100,000 compared with 2 schools in the previous year.
1.05	<p>Surplus Balances</p> <p>The School Funding (Wales) Regulations 2010 require Authorities to have the following provisions in their Scheme for Financing Schools:</p> <p>The use that a governing body proposes to make of a surplus in the school balance which exceeds 5% of the school budget share or £100,000, whichever is the greater.</p> <p>A provision under which–</p> <p>(a) the authority may direct the governing body as to how to spend a surplus in the school balance for a funding period, if–</p> <ul style="list-style-type: none"> (i) in the case of a primary school the surplus is £50,000 or more, and (ii) in the case of a secondary school or a special school the surplus is £100,000 or more; <p>(b) the authority may, if the governing body do not comply with such a direction, require the governing body to pay all or part of that surplus to the authority to be applied as part of their schools budget for the funding period in question.</p> <p>In accordance with the Regulations, the Authority's Scheme for Financing Schools requires a spending plan from schools as to the use that the governing body proposes to make of a school balance which exceeds the limits specified.</p> <p>Given the challenging circumstances that schools are operating within, and the complexity surrounding the analysis of school reserves that additional grants in March has caused, the Council will not be asking schools to complete the annual return on their planned use of school balances exceeding the limits specified this year.</p>

2.00	RESOURCE IMPLICATIONS
2.01	The impact of continuing austerity measures on the financial resilience of schools is an area of concern.

3.00	RISK MANAGEMENT
3.01	As funding levels to schools decrease as a consequence of the austerity measures facing local government, there is a risk that more schools will slip into a deficit position. The Schools Accounting Team have developed a risk rating process to identify schools where the financial position is a cause for concern so that they can target their support.

3.02	To balance budgets schools may need to review their employment structures which may result in redundancies.
3.03	Continued pressure on school finances may result in increased class sizes, a reduced curriculum and falling standards.
3.04	There may be an adverse financial impact arising due the Covid-19 pandemic and schools attention will be focused on delivery of education during this crisis.

4.00	CONSULTATIONS REQUIRED / CARRIED OUT
4.01	This report has been circulated to all Headteachers and the School Budget Forum in June 2021. It will also be reviewed by the Education, Youth and Culture Overview and Scrutiny Committee in September.

5.00	APPENDICES
5.01	Appendix 1 - Final School Balances 2020-21

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	None.

7.00	CONTACT OFFICER DETAILS
7.01	Contact Officer: Liz Thomas, Strategic Finance Manager - Schools Telephone: 01352 702289 E-mail: liz.thomas@flintshire.gov.uk

8.00	GLOSSARY OF TERMS
8.01	School Reserves – Reserves are sums of money that schools carry forward from one year to the next. They arise from underspends and overspends against school allocations over time. Schools are responsible for managing their own finances. The level of reserves held by an individual school will depend on a number of factors. These will include the timing of receipt of income and of payments, and the level of contingency fund the school governing body considers appropriate and the particular plans each school has for expenditure.
	Flintshire County Council's Scheme for Financing Schools – The Scheme defines the financial relationship between Flintshire County Council and its maintained schools. The Scheme details the financial management arrangements to which the Authority and its schools are

	required to adhere. The framework for this Scheme is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act, 1998 and as further detailed in The School Funding (Wales) Regulations 2010.
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School Reserves Analysis March 2021

Primary School		Reserves 31st March 2020	% of budget	Reserves 31st March 2021	% of budget	Total value of late grants	Reserves 31st March 2021 less late grants	% of budget
123	Brynford	5,342	1.6%	45,659	11.7%	17,255	28,404	7.3%
125	Westwood	7,775	1.0%	60,235	6.9%	42,949	17,286	2.0%
127	Southdown	37,155	3.0%	117,788	8.3%	68,409	49,379	3.5%
129	Mountain Lane	41,372	3.0%	169,246	11.0%	75,681	93,565	6.1%
134	Ysgol Yr Esgob	22,144	8.0%	9,944	3.3%	13,960	-4,016	-1.4%
135	Carmel	18,157	2.8%	46,608	6.9%	33,914	12,694	1.9%
145	Ysgol Y Foel	4,061	1.7%	22,804	8.9%	10,659	12,145	4.7%
151	Ysgol Parc Y Llan	28,668	6.4%	55,790	10.9%	21,089	34,701	6.8%
156	Bryn Deva	53,136	5.2%	100,021	8.8%	51,331	48,690	4.3%
159	Golftyn	49,242	3.6%	251,125	16.7%	73,302	177,823	11.8%
161	Wepre	72,831	6.6%	117,734	9.5%	56,100	61,634	5.0%
162	Cae'r Nant	62,729	5.2%	208,913	15.3%	67,041	141,872	10.4%
175	Drury	-17,971	-3.3%	32,385	5.7%	28,965	3,420	0.6%
181	Ewloe Green	111,815	9.3%	192,916	13.7%	64,606	128,310	9.1%
185	Bryn Garth	18,214	4.6%	30,395	7.2%	19,904	10,491	2.5%
186	Cornist Park	33,631	3.3%	107,937	9.8%	52,198	55,739	5.1%
187	Ysgol Croes Atti	3,315	0.5%	161,684	21.8%	47,395	114,288	15.4%
188	Gwynedd	69,321	4.1%	242,830	12.7%	90,416	152,414	8.0%
189	St Mary's	141,306	15.6%	175,425	16.6%	44,776	130,649	12.4%
201	Greenfield (MaesGlas)	59,085	6.2%	190,301	17.5%	43,367	146,934	13.5%
202	Gronant	52,834	17.8%	53,813	15.1%	13,332	40,481	11.4%
203	Gwernaffield	68,820	17.8%	100,301	20.4%	20,373	79,928	16.3%
204	Gwernymynydd	31,971	10.0%	47,123	12.5%	15,693	31,430	8.3%
209	Ysgol Gymraeg Mornant	17,681	7.6%	29,356	11.0%	12,750	16,606	6.2%
215	Hawarden Village	30,005	2.2%	129,418	8.7%	74,632	54,786	3.7%
218	Penarlwg	7,889	1.2%	39,311	5.4%	37,385	1,926	0.3%
221	Derwen Foundation	43,928	6.7%	108,462	15.1%	37,257	71,205	9.9%
225	St Winefride's	-16,366	-2.6%	30,638	4.4%	31,663	-1,025	-0.1%
226	Ysgol Gwenffrwd	83,127	12.9%	153,956	20.6%	34,726	119,230	16.0%
227	Ysgol Estyn	21,984	2.9%	120,355	14.3%	40,493	79,862	9.5%
245	Leeswood	-10,377	-2.1%	19,576	4.0%	22,298	-2,722	-0.6%
246	Lixwm	14,248	5.1%	36,155	11.6%	12,875	23,280	7.4%
287	Ysgol Glanrafon	24,741	2.3%	155,827	12.5%	60,436	95,390	7.6%
288	Bryn Coch	-89,691	-4.2%	94,101	4.1%	105,713	-11,612	-0.5%
289	Bryn Gwalia	83,502	12.6%	112,191	14.8%	33,966	78,225	10.3%
291	St David's	14,312	4.2%	69,354	17.3%	19,289	50,065	12.5%
292	Ysgol Bryn Pennant	30,743	6.1%	89,337	16.1%	24,174	65,163	11.7%
301	Nannerch	-17,638	-7.3%	-24,215	-9.6%	12,351	-36,566	-14.5%
302	Nercwys	17,808	8.5%	52,339	21.1%	10,091	42,248	17.1%
305	Ysgol Owen Jones	2,694	0.6%	22,928	4.6%	25,079	-2,151	-0.4%
306	Northop Hall	69,603	10.3%	143,782	18.8%	35,320	108,462	14.2%
327	Penyffordd	97,465	10.2%	170,474	14.1%	53,828	116,645	9.6%
331	St John the Baptist	-375	-0.1%	43,749	8.9%	21,866	21,882	4.4%
344	Queensferry	35,926	5.7%	120,175	16.9%	31,351	88,824	12.5%
355	Ysgol Rhos Helyg	54,168	10.1%	87,410	14.6%	26,879	60,531	10.1%
381	St Anthony's	16,115	3.4%	67,224	13.8%	22,829	44,395	9.1%
382	Saltney Ferry	18,072	3.4%	66,956	11.3%	23,216	43,740	7.4%
383	Wood Memorial	16,506	2.6%	66,915	9.6%	30,939	35,976	5.2%
384	Sandycroft	18,074	1.5%	116,432	9.0%	61,486	54,946	4.2%
385	Sealand	42,688	5.9%	151,004	19.4%	36,073	114,931	14.7%
386	St Ethelwold's	13,412	3.3%	47,085	10.5%	20,510	26,575	5.9%
389	Venerable Edward Morgan	91,883	10.4%	127,404	13.3%	44,278	83,126	8.7%
391	Ty Ffynon	35,806	3.2%	130,148	10.4%	49,806	80,342	6.4%
394	Sychdyn	27,901	4.5%	47,228	7.0%	31,848	15,380	2.3%
406	Trelawnyd	60,823	18.1%	72,709	17.9%	17,448	55,261	13.6%
407	Trelogan	42,316	12.6%	86,040	21.3%	16,653	69,387	17.2%
409	Ysgol Terrig	-8,057	-3.0%	12,702	4.3%	15,810	-3,108	-1.1%
421	Whitford	4,961	1.2%	48,028	11.0%	19,734	28,294	6.5%
422	Abermorddu	-2,201	-0.3%	43,317	5.6%	38,091	5,226	0.7%
423	Glan Aber	44,756	8.8%	94,677	16.6%	25,823	68,854	12.1%
424	Ysgol Merllyn	-63,933	-10.9%	3,860	0.7%	29,326	-25,466	-4.5%
425	Broughton Primary	21,495	1.2%	118,340	6.2%	90,511	27,829	1.5%
426	Ysgol Mynydd Isa	24,116	1.2%	221,898	10.3%	91,379	130,519	6.1%
428	Maes Y Felin	24,895	2.3%	158,317	12.7%	55,341	102,976	8.3%
	Deficits	-226,608		-24,215			-86,667	
	Surplus	2,146,564		6,050,152			3,654,365	
	Totals	1,919,956	4.0%	6,025,937	11.4%	2,458,239	3,567,698	6.7%

Secondary School		Reserves 31st March 2020	% of budget	Reserves 31st March 2021	% of budget	Total value of late grants	Reserves 31st March 2021 less late grants	% of budget
503	Buckley (Eifed High School)	-43,187	-1.1%	274,801	6.5%	132,094	142,708	3.4%
509	Connah's Quay High School	124,042	2.8%	428,538	8.4%	150,427	278,111	5.5%
515	Flint High School	32,031	0.9%	406,604	9.8%	118,452	288,153	7.0%
517	St.Richard Gwyn R.C. High School	-542,265	-16.7%	-303,921	-9.7%	112,268	-416,189	-13.3%
521	Hawarden High School	45,408	0.9%	274,905	5.3%	153,355	121,550	2.3%
523	Treffynnon	-761,298	-32.2%	-674,218	-38.5%	75,513	-749,731	-42.8%
525	Hope (Castell Alun High School)	1,072	0.0%	445,446	7.5%	179,329	266,118	4.5%
529	Mold (Alun School)	18,624	0.3%	255,359	3.7%	209,193	46,166	0.7%
531	Mold (Ysgol Maes Garmon)	-180,110	-6.6%	-120,234	-4.4%	83,529	-203,764	-7.5%
533	Mynydd Isa (Argoed High School)	-12,974	-0.5%	298,424	9.5%	82,319	216,106	6.9%
551	Saltney (St. David's High School)	-775,645	-40.8%	-813,594	-67.3%	54,823	-868,417	-71.9%
	Deficits	-2,315,478		-1,911,967			-2,238,101	
	Surplus	221,176		2,384,079			1,358,911	
	Totals	-2,094,302	-5.0%	472,112	1.1%	1,351,301	-879,190	-2.0%

Specialist School		Reserves 31st March 2020	% of budget	Reserves 31st March 2021	% of budget	Total value of late grants	Reserves 31st March 2021 less late grants	% of budget
601	Pen Coch	148,408	7.9%	170,836	8.1%	21,446	149,390	7.1%
602	Maes Hyfryd	137,894	7.0%	233,567	10.7%	19,842	213,725	9.8%
All	Totals	286,303	7.5%	404,403	9.4%	41,288	363,115	8.5%

All schools total		Reserves 31st March 2020	% of budget	Reserves 31st March 2021	% of budget	Total value of late grants	Reserves 31st March 2021 less late grants	% of budget
	All schools total	111,957	0.1%	6,902,451	6.8%	3,850,827	3,051,624	3.0%

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GOVERNANCE AND AUDIT COMMITTEE

Date of Meeting	Monday, 27 th September 2021
Report Subject	Internal Audit Progress Report
Report Author	Internal Audit, Performance and Risk Manager
Type of Report	Assurance

EXECUTIVE SUMMARY

Internal Audit produces a progress report for the Governance and Audit Committee every quarter. This shows the position of the team against the plan, changes to the plan, final reports issued, action tracking, performance indicators and current investigations. This meets the requirements of the Public Sector Internal Audit Standards, and also enables the Committee to fulfil the Terms of Reference with regards to Internal Audit. The current progress report is attached.

RECOMMENDATIONS

1	To consider and accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE INTERNAL AUDIT PROGRESS REPORT
1.01	Internal Audit gives a progress report to the Governance and Audit Committee every quarter as part of the usual reporting process. The report is divided into several parts.
1.02	The level of audit assurance for standard audit reviews is detailed within Appendix A. All reports finalised since the last committee meeting are shown in Appendix B.
1.03	Appendix C provides an oversight to Audit Committee on the cumulative assurance throughout the year; however, it should be noted this will be fluid. A footnote has been included to list those reports issued with a Red / Amber Red assurance.

1.04	Since the last report on progress to committee in March, there have been no Red / Limited assurance reports issued. Appendix D shows two reports with an Amber Red / Some assurance given. Copies of all final reports are available for members if they wish to see them.															
1.05	<p>The automated tracking of actions is completed through the use of the integrated audit software. All actions are tracked automatically and the system allows Managers and Chief Officers to monitor their own teams' outstanding actions and confirm they are being implemented.</p> <p>At the last committee June, 8 actions were overdue. This has increased to 44 for this reporting period. Overall 40% of live actions are overdue of which there is one High priority action and 26 Medium priority actions. Overall 110 actions are live.</p> <p>As agreed, only those High or Medium priority actions are to be reported to Committee, of which there are 27. Actions overdue are listed in Appendix E. Appendix F lists 15 actions that are six months and older from the original due date.</p>															
1.06	Appendix G shows the status of current investigations into alleged fraud or irregularities. There are no ongoing investigations.															
1.07	Appendix H shows the range of performance indicators for the department. Overall performance remains good and meets target or has improved from the quarter before.															
1.08	<p>Appendix I shows the current position of the carry forward work on the 2020/21 audit plan and Appendix J shows the current position against the 21/22 audit plan. The plan will continue to be reviewed on a regular basis and reprioritised to accommodate any new requests for work, or to respond to emerging issues. Since the last committee in June, there has been no request for additional work however there have been some movement within the plan as three audits are deemed no longer relevant and one has been deferred until 2022/22 at the request of the service. These are:</p> <table border="1"> <thead> <tr> <th>Audit</th> <th>Action</th> <th>Reason</th> </tr> </thead> <tbody> <tr> <td>Procurement & Contract Management / Monitoring</td> <td>No Longer Relevant</td> <td>Identified as no longer relevant by the new Chief Officer following a review of their Audit Plan</td> </tr> <tr> <td>Education Grants – Professional Development Grant (PDG)</td> <td>No Longer Relevant</td> <td>No longer required by Welsh Government</td> </tr> <tr> <td>Theatre Clwyd</td> <td>No Longer Relevant</td> <td>Not part of the new contract, to be reviewed in the future</td> </tr> <tr> <td>Houses of Multiple Occupancy</td> <td>Deferred to 22/23</td> <td>Due to staff resources within the service</td> </tr> </tbody> </table>	Audit	Action	Reason	Procurement & Contract Management / Monitoring	No Longer Relevant	Identified as no longer relevant by the new Chief Officer following a review of their Audit Plan	Education Grants – Professional Development Grant (PDG)	No Longer Relevant	No longer required by Welsh Government	Theatre Clwyd	No Longer Relevant	Not part of the new contract, to be reviewed in the future	Houses of Multiple Occupancy	Deferred to 22/23	Due to staff resources within the service
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Houses of Multiple Occupancy	Deferred to 22/23	Due to staff resources within the service														

2.00	RESOURCE IMPLICATIONS
2.01	None

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None required.

4.00	RISK MANAGEMENT
4.01	The work of Internal Audit provides assurance to the Council that adequate and effective controls are in place to mitigate risks.

5.00	APPENDICES
5.01	<p>Appendix A Levels of Audit Assurance</p> <p>Appendix B Final Reports Issued Since June 2021</p> <p>Appendix C Audit Assurance Summary</p> <p>Appendix D Amber Red Assurance Provided</p> <p>Appendix E Action Tracking – Portfolio Statistics</p> <p>Appendix F High & Medium Overdue Actions (including actions older than 6 months if overdue)</p> <p>Appendix G Actions older than six months from original due date and not overdue</p> <p>Appendix H Investigation Update</p> <p>Appendix I Performance Indicators</p> <p>Appendix J Operational Plan 2020/21</p> <p>Appendix K Operational Plan 2021/22</p>

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>Contact Officer: Lisa Brownbill, Internal Audit, Performance and Risk Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: Lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Internal Audit:</p> <p>Audit Wales: works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

<p>Corporate Governance: the system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p>

<p>Operational Plan: the annual plan of work for the Internal Audit team.</p>
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Flintshire Internal Audit

Progress Report



September
2021

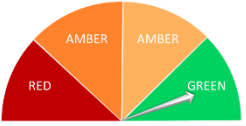
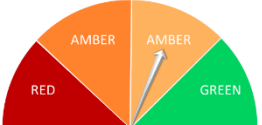
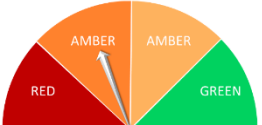
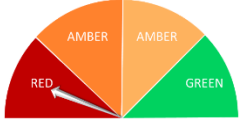
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Levels of Assurance – Standard Audit Reports

Appendix A

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Red** assurance audits, and summary findings from Amber Red audits will be reported to the Governance and Audit Committee.

Level of Assurance	Explanation
<p style="text-align: center;">Green – Substantial</p> 	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p> <p>Follow Up Audit: 85%+ of actions have been implemented. All high priority actions have been implemented.</p>
<p style="text-align: center;">Amber Green – Reasonable</p> 	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p> <p>Follow Up Audit: 51-85% of actions have been implemented. All high priority actions have been implemented.</p>
<p style="text-align: center;">Amber Red – Some</p> 	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p> <p>Follow Up Audits - 30-50% of actions have been implemented. Any outstanding high priority actions are in the process of being implemented.</p>
<p style="text-align: center;">Red – Limited</p> 	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p> <p>Follow Up Audit - <30% of actions have been implemented. Unsatisfactory progress has been made on the implementation of high priority actions.</p>
<p>Categorisation of Actions</p>	<p>Actions are prioritised as High, Medium or Low to reflect our assessment of risk associated with the control weaknesses</p>
<p>Value for Money</p>	<p>The definition of Internal Audit within the Audit Charter includes ‘It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper economic, efficient and effective use of resources.’ These value for money findings and recommendations are included within audit reports.</p>

Final Reports Issued Since June 2021

Appendix B

The following reports and advisory work have been finalised since the last Governance and Audit Committee. Action plans are in place to address the weaknesses identified.

Project Reference	Portfolio	Project Description	Audit Type	Level of Assurance	New Actions		
					High	Med	Low
39-2021/22	S&T	Parc Adfer – Governance Arrangements		G	0	0	0
05-2020/21	SS	Direct Payments – Financial Control		AG	0	2	2
25-2021/22	SS	Monitoring Placements, Care Orders and Actions		AG	1	2	3
36-2021/22	E&Y	Capital Grant Childcare Offer		AG	0	3	0
15-2021/22	P&R	Insurance		AG	0	2	3
35-2021/22	P&R	Notification of Payroll Leavers to Clwyd Pension Fund		AR	2	2	1
18-2021/22	Cross Cutting	CCTV		AR	0	4	1
22-2021/22	H&A	HSG / Supporting People Grant		Advisory	0	0	0

Audit Assurance Summary

Appendix C

Portfolio	Number of Reports & Assurance						Priority & Number of Agreed Actions			
	Red	Amber Red	Amber Green	Green	Advisory / Grant - No Opinion Given	In Total	High	Medium	Low	In Total
Corporate						0				0
Education & Youth			1			1		3		3
Governance						0				0
Housing & Assets					1	1				0
People & Resources		1	1			2	2	4	4	10
Planning, Environment & Economy						0				0
Social Services			2			2	1	4	5	10
Streetscene & Transportation				1		1				0
Cross Cutting Portfolio's		1				1		4	1	5
External						0				0
Total	0	2	4	1	1	8	3	15	10	28

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Footnote:	
Red Assurance:	
Amber Red Assurance:	CCTV (cross cutting) and Notification of Leavers to CPF

People and Resources: Notification of Payroll Leavers to Clwyd Pension Fund– 35-2021/22

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<i>Areas Managed Well</i>	<i>Areas Identified for Further Improvement</i>
<ul style="list-style-type: none"> The Organisational Change and Redundancy Policy (April/May 2020) is adequate in outlining the process to be followed and defining roles and responsibilities. The Policy is currently under review and once approved the refreshed policy will be uploaded to the Council's Infonet. The Discretionary Compensations Payment Policy (September 2020) which sets out the discretionary payments to be made to employees for redundancy (compulsory or voluntary), early retirement on the grounds of voluntary redundancy and in the interest of efficiency of the service is up to date and available on the Council's Infonet for reference. Established processes and documented procedures 	<p>Opportunities for improvement to the control environment have been identified to ensure compliance is maximised. The service area has provided a comprehensive action plan which contains the agreed actions, responsible officer and individual due dates to address the areas listed below.</p> <ul style="list-style-type: none"> The current SLA agreements between the Council and CPF (CPF Employer Liaison Agreement and the Service Level Agreement Clwyd Pension Fund) are not sufficiently clear in defining requirements from the Council as well as assigning roles and responsibilities to facilitate the correct payment of pension benefits. Agreed Management Action: KPIs will be reviewed and agreed periodically between the parties. Consideration to be given to introducing additional controls as part of the Employer Liaison Agreement to oversee and manage the accuracy of the work being delivered through the employer liaison team. Monthly/Quarterly reporting to be provided by CPF and reviewed by the Council in line with contract management procedures. Due date for this action: October 2021 HR forms guidance and quality assurance over the keying of the forms on the HR system is not in place. Agreed Management Action: A quality assurance process to be devised to ensure information keyed which has an impact on pension benefits payment is checked for accuracy against supporting information. A set of information buttons (pop-ups) be added to the HR Forms Database to help educate and assist managers on the completion of the respective HR form. Due date for this action: October 2021 An investigation was started but was not completed to understand the failures which resulted in the recent payment of incorrect pension benefits and to ensure no further incorrect payments were made. Agreed Management Action: A review of the last 3 years will be undertaken by HR & OD in order to assure themselves all notifications of redundancy to CPF relate to actual redundancy terminations and all required authorisations have been obtained. Once this work has been completed it is to be shared with CPF for them to check and confirm to FCC that benefits have been paid in each case. Due date for this action: October 2021 Leaver codes utilised on the Council's HR forms and CPF termination forms are not aligned and there is a lack of understanding from both parties (CPF and FCC) on the implication of utilising specific codes on the payment of pension benefits. Agreed Management Action: A review will be completed by CPF and the Council to map the current reason for leaving codes on the HR leaver form to the termination codes utilised in CPF ensuring an awareness in HR of the implication of

<i>Areas Managed Well</i>	<i>Areas Identified for Further Improvement</i>
<p>are in place in both the Council's Employee Service Team as well as the Payroll and Systems Team to assist with the processing of leaver requests due to retirement or redundancy.</p>	<p>utilising a specific reason for leaving code from the HR form on the payment of pension benefits. New reasons for leaving will be added to Trent and the HR Forms Database as/when new situations arise rather than using existing ones which may have unintended consequences. Due date for this action: October 2021</p> <ul style="list-style-type: none"> • The process map which accompanies the Organisational Change and Redundancy Policy does not include who is responsible for completion of each step and associated timescales for delivery of the various steps. <p>Agreed Management Action: Develop a Standard Operating Procedure (SOP) or process flow document for HR/CPF which provides indicative timescales and identifies what role is responsible for each stage. Due date for this action: October 2021</p>

Cross Cutting: CCTV – 18-2021/22

<i>Areas Managed Well</i>	<i>Areas Identified for Further Improvement</i>
<ul style="list-style-type: none"> The Flintshire CCTV Policy (2018-2021) signposts to the completion of Privacy Impact Assessments and also the good practice of consultation being undertaken prior to any CCTV being installed. The CCTV Policy includes a checklist which covers key points of the policy to encourage compliance. 	<p>Opportunities for improvement to the control environment have been identified to ensure compliance is maximised. The service area has provided a comprehensive action plan which contains the agreed actions, responsible officer and individual due dates to address the areas listed below.</p> <ul style="list-style-type: none"> There is no centrally coordinated approach to the management and governance of CCTV across the Council. There is no single point of contact (SPOC) as recommended by the CCTV Commissioner. <p>Agreed Management Action: Chief Officer, Housing & Assets to table a COT report to facilitate discussion around oversight and control of CCTV. Consideration to be given to: Overarching responsibility for CCTV camera systems; Development of a live asset register of all CCTV cameras to be used as a basis for ensuring Council wide regulatory compliance); Oversight and reporting of cross Council compliance with the Surveillance Camera Code; Oversight and reporting of cross Council completion of Data Protection Impact Assessments (DPIA); Appropriateness of protocols in place (contracts / SLA's, etc.) to support partnership arrangements with third parties; Control around the purchasing of CCTV cameras. Due date for this action: September 2021.</p> There is inconsistency across services in the completion of the Surveillance Camera Commissioner Self-Assessment Tool (SAT). Completion of the SAT signposts any barriers to meeting the 12 guiding principles in the Surveillance Camera Code and supports lawful operation of CCTV systems. <p>Agreed Management Action: In addition to the agreed actions at bullet point one (above), the Public Realm CCTV Manager will continue to provide cross portfolio operational support to officers responsible for CCTV to ensure compliance with the Protection of Freedoms Act 2012. Due date for this action: September 2021.</p> There is inconsistency across services in completion of Data Protection Impact Assessments (DPIA). The requirement to complete the DPIA is signposted in the principle 2 of the Code and the Flintshire CCTV Policy (2018-2021). <p>Agreed Management Action: In addition to the agreed actions at bullet point one (above), the Public Realm CCTV Manager will continue to provide cross portfolio operational support to officers responsible for CCTV to ensure compliance with the Protection of Freedoms Act 2012. Due date for this action: September 2021.</p> Questionnaire responses indicated at least one partnership arrangement with a third party operator. No written protocol / SLA was provided to support this arrangement. <p>Agreed Management Action: In addition to the agreed actions at bullet point one (above), the Public Realm CCTV Manager will continue to provide cross portfolio operational support to officers responsible for CCTV to ensure compliance with the Protection of Freedoms Act 2012. Due date for this action: September 2021.</p> The Flintshire CCTV Policy (2018 – 2021) was due for review in March 2021. The Policy document has not yet been reviewed.

<i>Areas Managed Well</i>	<i>Areas Identified for Further Improvement</i>
	Agreed Management Action: The Flintshire CCTV Policy will be updated to reflect proposed changes to the oversight of CCTV across the Council and to ensure appropriate references to best practice, processes and procedures, etc. Due date for this action: November 2021.

Action Tracking – Portfolio Performance Statistics

Appendix E

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Portfolio	Sept 2021 Statistics		
	Number of Actions Raised Since January 2016	Actions Implemented since Jan 2016 <i>(including Actions No Longer Valid)</i>	% of Actions Cleared To Date
Chief Executives *	69	63	92%
Education & Youth	94	87	
Governance *	163	136	
Housing & Assets *	161	153	
People & Resources	268	250	
Planning, Environment & Economy *	110	104	
Social Services	131	120	
Streetscene & Transportation	112	104	
External *	81	81	
Individual Schools	248	229	
Total	1437	1327	

Live Actions – Sept 2021				
Live Actions	Actions Beyond Due Date <i>(excludes Actions with revised due date)</i>			Actions with a Revised Due Date
	H	M	L	
6	0	3	2	4
7	0	5	0	1
27	0	2	1	9
8	0	0	1	8
18	0	7	0	12
6	0	2	1	4
11	0	2	4	8
8	0	1	0	7
0	0	0	0	0
19	0	3	6	15
110	0	25	15	66
	40			

Actions beyond <u>Original</u> due date	
Actions between 6 & 12 months	Actions Greater than 12 Months (13+)
<i>See Appendix F & G</i>	
0	3
0	1
0	6
1	0
0	2
0	2
0	0
0	1
0	0
6	1
7	16

* Actions removed and relocated within External e.g. Clwyd Pension Fund

* Actions removed from Community & Enterprise and reallocated between Governance, Housing & Assets and Strategic Programmes & Planning, Environment & Economy

High and Medium Actions Overdue

Appendix F

Audit	Ref	Action	Priority	Original Due Date	Revised Due Date	Age of Action from Original Due Date (Months)	Last Update Provided	Reason for Revised Due Date and Current Position	How Risk is Being Managed
Chief Executives									

Procurement Contract Management 2018/19	2771	<p>Chief Officers to review contract management within their portfolios to ensure;</p> <p>Staff have appropriate skills and experience, and have received appropriate training where required.</p> <p>All contracts over £25k are recorded on the Proactis Contract Register / all contracts on Proactis e-sourcing have been closed down and 'pushed through' to the Proactis Contract Register.</p> <p>Signed contracts are in place to support all contracts on the Proactis Contract Register.</p> <p>Contract Management activity is recorded in the Proactis Contract Management module where appropriate.</p> <p>The evidence retained to support contract management activity is appropriate and robust.</p> <p>Delivery of Community Benefits / Social Value is appropriately monitored.</p> <p>Compliance with contract clauses around the use of sub-contractors is appropriately monitored.</p> <p>Appropriate inclusion of performance indicators / performance data requirements within contract terms and conditions, and appropriate monitoring of contractor performance data.</p> <p>Chief Officers will develop Action Plans for each of their portfolios to ensure any issues identified in the reviews carried out (above) are appropriately addressed.</p>	M	31/12/2019	31/03/2020	20	08/09/2021	<p>At the meeting on 20.12.19 it was recognised that due to the late date of the meeting the due date of 31.12.19 was unachievable. It was asked for the due date to be extended to the end of February 2020. Managers will be required to completed 'as is' spreadsheets by the end of January, with a full meeting to be scheduled for early February to address issues arising and to pull together the required Action Plan.</p> <p>No impact on risk from a short extension to the due date.</p>	<p>Each portfolio agreed to review contract management arrangements across their services and develop an action plan to address issues identified (if any).</p> <p>Contract management action plans are now in place across a number of portfolios (Social Services; Housing & Assets; Planning, Environment & Economy; Streetscene & Transportation).</p> <p>It is unclear if these action plans are being actively monitored and updated within portfolios to drive implementation of the agreed actions / drive compliance with contract management best practice. This has been highlighted within New Audit Findings at Section 3 (URN 03028).</p> <p>Contract Management Action Plans are not yet in place for Education; Governance or Corporate Services (it is recognised however that work has recently recommenced on ascertaining the 'as is' position within these portfolios) with the intention that Action Plans will now be</p>
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									developed.
Voluntary Sector Grants - 2019/20	2765	A formal signed agreement will be put in place between the Council and the relevant third party organisation which defines the roles and responsibilities of all parties in		31/03/2020	31/07/2021	17	12/05/2021	This was delayed because of the capacity issues created by Covid-19.	Formal signed agreements to be put in place with CFIW re the Welsh Church Act Fund and Flintshire Endowment Fund.
Voluntary Sector Grants - 2019/20	2807	Invoices or equivalent documentation will be requested to support the fees and charges levied by the CFIW.		31/03/2020	31/07/2021	17	12/05/2021	This was delayed because of the capacity issues created by Covid-19.	Formal signed agreements to be put in place with CFIW re the Welsh Church Act Fund and Flintshire Endowment Fund.
Education and Youth									
20/21 School Attendance & Exclusions	3101	DP training to be updated on iTrent. ISPs to be put in place, with appropriate awareness sessions to ensure staff within the team are aware of, and comply with the protocols. Privacy notices will be reviewed and updated following changes to the service delivery model.	M	31/08/2021	-	0	-	No update provided	No update provided
20/21 School Attendance & Exclusion	3105	Periodic exception reporting will be undertaken from the CAPITA ONE system to identify all children with a recent end date – these records will be reviewed to ensure new in-county educational settings have been updated where appropriate.	M	31/08/2021	-	0	-	No update provided	No update provided
20/21 School Attendance & Exclusions	3110	Detailed action plan will be developed to support the roll out of the new service model.	M	31/08/2021	-	0	-	No update provided	No update provided

21/22 Capital Grant Childcare Offer	3197	A Project risk register incorporating strategic and operational risks to be compiled and reviewed monthly to assess impact on project deliverables. Risks outside of appetite to be reflected in the Corporate Education and Youth Risk register with detailed mitigating actions. Alignment between the Corporate Education and Youth Risk register and it's supporting method statement.	M	31/08/2021	-	0	-	No update provided	No update provided
21/22 Capital Grant Childcare Offer	3216	A detailed and approved project plan to be utilised going forward when delivering programmes of this nature.	M	31/08/2021	-	0	-	No update provided	No update provided
Governance									
Contract Management Follow Up 2020/21	3022	The Chief Officer Governance, will raise the issues identified within the findings and implications and will consider enhanced controls in future processes at COT in 2021. These will include:- <ul style="list-style-type: none"> • Data from the P2P and Proactis systems to be analysed to provide a more detailed understanding of the extent to which contractors are used across services / portfolios (to understand the extent of the risk). • Alternative controls to enhance Contractor performance across the Council to be considered. • Performance expectations (and impact of failing to meet expectations) to be clear in all contract documentation. • Contractor performance (and available remedies) to be highlighted in Contract Management training events. 	M	31/03/2021	30/06/2021	5	-	No update provided	No update provided
20/21 Right of Access	3072	Potentially there is a lack of resource within the Portfolios to deal with IRR. This will be discussed at COT and their potential lack of resource will be highlighted.	M	30/06/2021	-	2	-	No update provided	No update provided

People and Resources									
Payroll 2017/18	2218	Midland have advised functionality is in place to allow for the removal of all required information to comply with GDPR requirements. Internal testing will be completed to provide assurance over this anticipated functionality.	M	30/09/2018	31/01/2020	35	28/05/2021	The functionality still requires testing, further issues/defects may be found during testing and would need reporting to MHR for their investigation. I have requested 30.04.18 to take into account that possibility.	The implementation of Electric theme within iTrent is ongoing and prevents progression of testing of the GDPR functionality due to not having an available a test environment required to undertake further review of MHRs changes.
Corporate Grants 19/20	2802	The necessary training will be provided with the new alternative CGD solution. e.g. Manager Grants Database workshops. Communication and awareness to be provided to relevant officers in the Portfolios to ensure the requirements for grant funding/bids are known and shared with Finance. Consideration of grant funding streams already forms part of the normal budget monitoring process involving finance and the service lead.	M	30/06/2020	30/06/2021	14	14/05/2021	Training is still outstanding for the schools finance team and Social Services Finance Team. Hoping	-
20/21 Health & Safety and Wellbeing of Employees	3026	Quarterly reports to be tabled at COT highlighting excessive credit balances on Etarmis / average working hours exceeding Working Time Policy. Caveat to be included highlighting potential data inaccuracies within reports. Individual Chief Officers to determine action to be taken following consideration of reports.	M	30/06/2021	-	2	-	No update provided	No update provided
20/21 Health & Safety and Wellbeing of Employees	3027	HR to be included in the working group for the roll out of a new time management system. Management to liaise with Social Services Business Support to establish timetable for roll out. Commitment to be sought for use of a single time recording system across the council.	M	30/06/2021	-	2	-	No update provided	No update provided

20/21 Collaborative Planning	3038	<p>Management is confident that other controls are in place and there is no wider risk to the Council's budget monitoring processes</p> <p>In relation to this specific scope and review: Finance will produced a formal procedure to compliment the already available CP user guide and advice from accounts.</p> <p>A reminder of roles and responsibilities will be communicated to budget holders and will be made available on the Finance infonet page</p>	M	30/06/2021	-	2	-	No update provided	No update provided
20/21 Collaborative Planning	3043	<p>Management is confident that other controls are in place and there is no wider risk to the Council's budget monitoring processes</p> <p>In relation to this specific scope and review The roll out of the CP self-service was intended to continue to all but the most high risk budgets. Recently a System User Group has been set up to look at the use of financial systems across the Council and provide suggestions on improvements of use to Chief Officers and Chief Executive.</p> <p>As a result of this audit and feedback from accountants and budget managers, a review of the roll out plan will take place, and an action plan will be presented to Chief Officers.</p>	M	30/06/2021	-	2	-	No update provided	No update provided
20/21 Collaborative Planning	3061	<p>A Financial Systems User group has been set up, to allow those with responsibility for how financial systems are used to be able to recommend improvements of use and share concerns of lack of discipline of use. These will be shared with COT.</p>	M	30/06/2021	-	2	-	No update provided	No update provided
Planning, Environment & Economy									
Corporate	2468	Job specific training requirements are	M	31/12/2019	01/04/2020	20	19/08/2021	The agreed action of	-

Health and Safety-Use of Plant, Machinery and Equipment 2018/19		clearly shown on the safe method of work document for each Streetscene task to ensure that operatives only undertake roles for which they are trained. HAV's awareness training attendance has now been recorded on the current skills matrix and documented on the individuals training file. Implement the migration of all training records to itrent to ensure data security and prompt reporting.						migrating all training records to itrent seemed feasible at the time of this audit however due to unforeseen difficulties it has been discussed and realised that the itrent system may not be suitable solution to supersede the current master training record to satisfy the needs of the service. Further discussions have taken place with internal audit in the meantime as part of a separate internal audit for Statutory Training which is currently ongoing and this action will be picked up as part of this audit with an appropriate and efficient system to be implemented for additional control. Statutory Training Audit to Supersede this action as the action to implement training into itrent is no longer a feasible solution and has not been possible to move forward despite efforts.	
Houses to Homes 2019	2815	A quarterly reconciliation to take place between service area Houses to Homes tracker, the information available on the CIVICA system for the Houses to Homes Loans and the	M	30/06/2020	30/06/2021	17		No updated provided	No updated provided
Social Services									
20/21 Adoption Services	3092	The PARIS team will have designed a new PARIS information system to capture and produce key information. Relevant social work teams and managers will receive an internal communique (known as a Practice	M	30/04/2021	31/07/2021	4	30/04/2021	Practice Directive in place, information being collected in PARIS currently and will be available for first reporting	-

		Directive) setting out the requirements and timeframes to meet Measure 20a. This measure will be complete by the time the child and their potential adopters are presented at the Matching Panel.						at quarter end (July). Discussed lack of assurance currently that the development to PARIS sufficiently mitigates risk.	
20/21 Adoption Services	3095	The performance management team have devised a system to capture key activities to ensure Measure 20 is compliant. The PARIS team will have designed a new PARIS information system to capture and produce key information. Relevant social work teams and managers will receive an internal communique (known as a Practice Directive) setting out the requirements and timeframes to Measure 20. This measure will be complete by the time the child is subject to their second Looked After / Adoption Review, with the Independent Reviewing Officer ensure compliance has been achieved.	M	30/04/2021	31/07/2021	4	30/04/2021	Discussed lack of assurance currently that the development to PARIS sufficiently mitigates risk.	-
Streetscene & Transport									
ITU Procurement of Contracts 2017/18	2287	Submissions from new suppliers can be sent at any time during the six year DPS project. There is an obligation to evaluate these responses within 10 working days. If a company is successful they are added into the contract and will automatically receive notifications of mini competitions or RFQ's going forward. The respective service area will be notified of all suppliers who have been approved and it will be their responsibility to ensure that the suppliers have been added to the contract.	M	30/06/2019	-	26	28/04/2021	All evaluators for this project receive an email alert from Proactis stating that there has been a new response and that they have a task to score the new response. This is monitored and communications are sent to the bidder accepting / rejecting their application . If there is a need for clarification of the bid from any evaluators then these are communicated via Proactis and responses received are sent to the evaluators to enable them to complete the scores. Clarifications can delay	-

								the scoring of the response and on occasions can result in the notification to bidders being sent outside of the ten day period. Evidence outstanding in order to close action down.	
Schools									
Risk Based Thematic Review 2018/19 - Ysgol Merllyn	2524	The school will ensure that an appropriate person is appointed to the role of Data Protection Officer in line with the Act.	M	31/07/2019	-	25	29/01/2020	The school is trying to contact a DP specialist	No DPO in place
Schools Audit 2019/20 - Maes Garmon	2947	The school will arrange for an Information Asset Register to be in place as soon as possible.	M	30/09/2020	31/08/2021	11	?	Clarification requested re GDBR on the document required. No Information Asset Register in place whilst waiting for DB to provide support.	-
20/21 School Review- St. Richard Gwyn	3142	A process to be devised to ensure the School Development Plan is reviewed and approved by the Governing Body in readiness of the school academic year. School Development Plan to be updated to reflect areas identified as requiring improvement.	M	28/05/2021	31/08/2021	3	?	Action implemented, just awaiting copy of GB mins to be able to evidence implementation and close down the agreed action.	-

Actions with a Revised Due Date Six Months Beyond Original Due Date and Not Overdue

Appendix G

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Education & Youth									
Youth Justice 2016/17 Page 222	2045	Devise a contingency business case to identify and mitigate risks against statutory and non statutory grants to assist with the business continuity. Review opportunities identified by the external review to develop a succession plan. Approval to be obtained for both of these initiatives from the Chief Executive.	M	31/08/2018	29/10/2021	09/09/2021	Restructuring of Integrated Youth Services Senior Management completed with realignment of Youth Services and Youth Justice Service into two separate elements. Appointment of Senior Manager Youth Justice completed. Posts below Senior Manager position now in process of review and restructuring to appropriately manage the service and identified risks. Expected final completion date 31.3.21.	No Update Provided	No Update Provided
Governance									
Joint Corporate Procurement Unit 2017/18	2253	Our review of Governance arrangements identified; <ul style="list-style-type: none"> There is inadequate scrutiny of JCPU objectives and outcomes by Joint Procurement Board (JPB) and by relevant Council committees to address lack of progress with achieving the 	M	31/10/2018	31/12/2021	11/03/2021	Due to the unprecedented events occurring as are result of CIOVID19 this will have to be put back as priority of future work is currently unknown. See comments above, CPR's are in the	Due to interim management arrangements in place the timescale for updating CPR's will definitely need to be extended, to the end of this year by the time a new manager is appointed and the have opportunity to review CPR's.	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		<p>primary objectives of the JCPU business case around Efficiency, Capacity and Markets (1.1).</p> <ul style="list-style-type: none"> • Delays in the alignment of procurement strategy and procurement activity across the two Councils. Recent changes, e.g. board membership and corporate priorities, means that the strategy contains out of date information (1.2). • Limited processes in place for measuring and recording efficiency savings achieved through collaborative procurement. There is no evidence that efficiency savings and benefits have been reported to the JPB (1.3). • Limited evidence of reporting of KPI's to the JPB / no robust targets in place for KPI's (1.4). • Insufficient systems for recording and monitoring the split of procurement staff time across the two Councils (1.5). • Meetings of the JPB not taking place on a regular basis, agendas for the JPB meetings not prepared and circulated in advance of meetings and JPB minutes not available for all meetings / minutes not circulated on a timely basis (1.6). 					<p>process of being revised, currently out for consultation but there may be further changes required as a result of Brexit. No immediate risk to be managed as existing CPR's will remain in place whilst the revision is ongoing.</p>		

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed	
Page 224		<ul style="list-style-type: none"> Limited monitoring and evaluation of expenditure by category and aggregated spend (across services and/or Councils) by the JCPU to ensure opportunities for efficiency savings through collaborative procurement exercises are identified (1.7). Due to limited availability of data, monitoring of contract end dates by the JCPU cannot take place to ensure opportunities for efficiency savings through collaborative procurement or alternative procurement models are appropriately explored (1.8). 								
	Deferred Charges on Properties 2018/19	2412	A spreadsheet will be set up which records all legal charges that relate to the Council.	M	31/07/2019	30/11/2021	17/05/2021	Refer to Update	This needs to be prioritised. In the meantime notification of completed charges are retained on the legal file and also client departments as notified.	Refer to Update
	Procurement Contract Management 2018/19	2726	<p>"In addition to delivery of the Action Plans developed by Chief Officers following the portfolio reviews agreed at finding (1);</p> <p>Development of a formal training programme for contract managers to ensure;</p> <p>Appropriate awareness of the issues to be considered in ensuring effective delivery of Community Benefits / Social Value.</p> <p>Appropriate awareness of the risks around the use of sub-</p>	M	31/03/2020	31/03/2022	09/03/2021	<p>Organisational capacity to train all the contract managers does not exist due to the pandemic, and this will take a long time to complete based on reduced availability of employees</p> <p>Legal has been tasked with providing training and this was to commence in March but due to Covid has been delayed.</p>	The COG has started to complete a training programme for the delivery of Contract Management training across FCC.	Audit and Legal met in Sept and went through in some detail the package or training to deliver and this has altered somewhat as he will be delivering this over the internet, Web Ex currently.

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		<p>contractors in the delivery of contracts & understanding of the activity which should be carried out as part of the contract management process to ensure terms and conditions around the use of sub-contractors are being complied with.</p> <p>Appropriate awareness of the use of performance indicators / performance data requirements within contract terms and conditions & the robustness of processes in place for the validation and monitoring of performance data.</p> <p>Appropriate awareness of the requirement to include all contracts on the Proactis Contract Register and to ensure a robust understanding of the processes for uploading signed contracts onto Proactis.</p> <p>Use of the Proactis Contract Management module."</p>							
Legal Case Management System	2212	<p>Procedural guidance specific to the way the system operates for the Section in 2018 should be compiled and issued to the users of the system.</p> <p>These procedures should state which specific areas of the system officers are supposed to be using and which areas are mandatory i.e. all chargeable time should be recorded on the lken system. Consideration should also be given to getting users to confirm that they have</p>	M	31/03/2019	30/09/2021	17/05/2021	Refer to follow up note	There are multiple new training guides and manuals including full guides, crib sheets, training videos covering basic, super user and specific functions which are available to access by all members of the team in a shared administrative folder containing over 60 separate documents/videos. Documentation in relation to complex and specific user journeys not covered	Refer to follow up note

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		received the procedural guidance and agree to comply with it.						is underway (i.e. new starters, troubleshooting) and will be added to the shared matter as they are completed. Collaborative data-cleansing is not an option –work is underway to perform a data-cleanse to “clean-up” existing data, following which a FCC specific manual covering procedural guidance will be circulated including what matter types we will use, references, naming conventions, case reviews, retention schedules etc.	
Data Protection Act Compliance 2018/19	2594	<p>Guidance on drafting a Privacy Notice is available to all staff via the Infonet. When requested and as part of the Data Protection Impact Assessment process, the Information Governance Team review Privacy Notices.</p> <p>The Phase 2 GDPR Action Plan includes the following task:</p> <p>Update system to allow copies of privacy notices to be held against information assets.</p> <p>The Denbighshire privacy notice is a compliance issue for Denbighshire as the data controller and not Flintshire as the data processor.</p>	M	31/12/2019	31/12/2021	12/05/2021	Agreed at GDPR Project Board. All forms available for printing/downloading on the FCC website and Infonet to be identified and privacy notice reviewed. This review will be jointly conducted by web team to remove obsolete forms and develop electronic versions of the forms.	This is part of a wider programme of work looking at digital transformation. Before the privacy notices will be amended each service will need to confirm whether the form is still required. Once confirmation has been received the form is still required, advice will be given on the adequacy of the privacy notice and it will be for each service to amend the form.	Project to review all PDF forms on website and Infonet continues. Reliant on service areas confirming that each form is still required and then updating the privacy notice to be compliant
Procurement Contract Management 2018/19	2772	<p>Chief Officers to review contract management within their portfolios to ensure;</p> <p>Staff have appropriate skills and experience, and have received</p>	M	31/12/2021	31/12/2021	09/03/2021	No Update Provided	Organisational capacity does not exist to complete this work across the council due to the ongoing response to the pandemic	No Update Provided

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		<p>appropriate training where required.</p> <p>All contracts over £25k are recorded on the Proactis Contract Register / all contracts on Proactis e-sourcing have been closed down and 'pushed through' to the Proactis Contract Register.</p> <p>Signed contracts are in place to support all contracts on the Proactis Contract Register.</p> <p>Contract Management activity is recorded in the Proactis Contract Management module where appropriate.</p> <p>The evidence retained to support contract management activity is appropriate and robust.</p> <p>Delivery of Community Benefits / Social Value is appropriately monitored.</p> <p>Compliance with contract clauses around the use of sub-contractors is appropriately monitored.</p> <p>Appropriate inclusion of performance indicators / performance data requirements within contract terms and conditions, and appropriate monitoring of contractor performance data.</p> <p>Chief Officers will develop Action Plans for each of their portfolios to ensure any issues identified in the reviews carried out (above) are appropriately addressed.</p>							

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
Housing & Assets									
Travellers 2018/19	2352	Significant work is being undertaken by the Council to bring forward transit sites following the endorsement of this work by the Community and Housing Scrutiny Committee in December 2017. The Council has identified a number of sites for detailed appraisal and at the time of the audit, was awaiting comments from Arc4 who had been commissioned on their suitability. It should be noted that no local authority in Wales has a Transit Site.	M	30/09/2020	30/11/2021	19/08/2021	Delays caused by Covid, however the local development plan review is expected to be completed in October. Due date set to end of November to ensure the service has the	No update provided	No update provided
People & Resources									
Main Accounting - AP / P2P 201718	2621	Council no longer publish this data but it is available and from 2019/20 it will be included in the Key Performance Indicators reported as part of the MTFS.	M	30/09/2019	30/09/2021	17/05/2021	Refer to current status	The Council has implemented its 'Fast Track' Programme from 1st April which provides available discounts for early payment to suppliers. The implementation has resulted in to changes in the way payment terms are calculated. Consideration will now be given to relevant Performance Indicators that will be incorporated into the current MTFS suite of indicators.	
Main Accounting – Account Receivable	2734	Write offs will be recommended and actioned on a quarterly basis to ensure the Council can track BDP and adjust provision where necessary. To ensure there are adequate management controls	M	31/02/2020	30/09/2021	17/05/2021	Refer to current status	As part of the pandemic response a detailed review of all bad debt provision has been undertaken and adjustments made where necessary. Finance and	

Audit	Ref:	Action	Priority	Original Action Due Date	Revised Due Date	Date of Last Update Provided by Service	Reason for Revised Due Date	Current Status	How Risk is Being Managed
		and separation of duties, responsibility for recommending the write offs will remain in the Corporate Debt Team but carrying out the write off transactions will revert back to Corporate Finance.						Revenues teams continue to work closely on all aspects of the process but write off are still actioned within Revenues. This will be reviewed in the first half of 2021/22.	
Schools									
Schools Audit 2019/20 - Croes Atti	2837	The school will ensure that a suitable Data Protection Officer is appointed as soon as possible to comply with the regulations.	M	31/12/2020	30/09/2021	08/09/2021	Refer to current status	Risk remains that the school is failing to adhere to the Data Protection Regulations. No mitigating actions.	
Schools Audit 2019/20 - Croes Atti Primary	2839	The school will ensure that an Information Asset Register is created for the school in line with Data Protection regulations as soon as possible.	M	31/12/2020	30/09/2021	08/09/2021	Refer to current status	No mitigating actions. Issue with service provider.	
Schools Audit 2019/20 - Connahs Quay High	2877	The school will ensure that a formal Scheme of Delegation is created in line with working practices and approved by the governing body.	M	23/10/2020	30/09/2021	08/09/2021	Refer to current status	This has not yet been actioned,. The next meeting of the Board of Governors is 29 Sept 21	
Schools Audit 2019/20 - Connahs Quay High	2928	The School will introduce and adopt the revised School Fund Procedures and a School Fund Constitution following training provided by the authority.	M	23/10/2020	16/12/2021	12/07/2021	Refer to current status	The documents were adopted on 8 June by the Finance sub-committee. However, a constitution is not in place yet. Proposed drafts will be circulated and reviewed for the 15 December board meeting.	
Schools Audit 2019/20 - Maes Garmon	2953	The school will review how fundraising events are managed and how the income is controlled.	M	30/11/2020	15/10/2021	05/05/2021	Refer to current status	Limited risk as no fundraising activity since March 2020 and the account is currently inactive.	

Investigation Update

Appendix H

Ref	Date Referred	Investigation Details
1. New Referrals		
1.1		Nil received
2. Reported to Previous Committees and still being Investigated		
2.1		N/A
3. Investigation Completed		
3.1	N/A	

Internal Audit Performance Indicators

Appendix I

Performance Measure	20/21	Qtr 1 21/22	Qtr 2 21/22 <small>(as at 13/9)</small>	Qtr 3 21/22	Qtr 4 21/22	Target	RAG Rating	
Audits completed within planned time	84%	88%	86%	-	-	80%	G	↑
Average number of days from end of fieldwork to debrief meeting	8	6	9	-	-	20	G	↓
Average number of days from debrief meeting to the issue of draft report	7	3	4	-	-	5	G	↓
Days for departments to return draft reports	7	4	9	-	-	7	G	↓
Average number of days from response to issue of final report	2	1	2	-	-	2	G	↓
Total days from end of fieldwork to issue of final report	26	12	29	-	-	34	G	↓
Productive audit days	76%	61%	65%	-	-	75%	A	→
Client questionnaires responses as satisfied	97%	100%	100%	-	-	95%	G	→
Return of Client Satisfaction Questionnaires to date	47%	33%	67%	-	-	80%	A	↑

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-Key					
R	Target Not Achieved	A	With-in 20% of Target	G	Target Achieved
↑	Improving Trend	→	-No Change	↓	Worsening Trend

Audit – 2020/21	Priority	Status of Work	Supporting Narrative
Social Services			
Direct Payment - Financial control	M	Complete	
Streetscene & Transportation			
Procurement & Contract Management / Monitoring	H	No Longer Relevant	

Audit – 2020/21	Priority	Status of Work	Supporting Narrative
Corporate			
Organisational Ethics (with HR)	H	In Progress	
Income from Fees & Charges	H	In Progress	
Risk Management	H	Not Started	Quarter 4
Education & Youth			
Schools Risk Based Thematic Reviews	H	Not Started	Quarter 3
Drury CP	H	In Progress	
Schools Budgeted Licensed Deficit	H	Not Started	
Capital Grant Childcare Offer (Governance)	H	Complete	
Repairs & Maintenance to School Estate	H	Not Started	Quarter 4
Education Grants – Professional Development Grant (PDG)	Annual	No Longer Required	
Governance			
Protection against Ransomware Attack	H	Not Started	Quarter 4
Contact Management - Maes Gwern Residential Development	H	Complete	
CCTV (Cross Cutting)	M	Complete	
Implementation of the Local Government and Elections (Wales) Act 2021	M	In Progress	
Data Protection (GDPR)	Annual	In Progress	
Council Tax and NNDR (including grant)	Biennial	In Progress	
Housing & Assets			
Landlord Health & Safety Obligations	H	In Progress	
Homelessness & Temporary Accommodation	H	In Progress	
Rent Income / Arrears Management - Industrial Units	M	Not Started	Quarter 4
Tenancy Enforcement	M	Not Started	Quarter 3
Housing Benefits (including Subsidy Grant)	Annual	In Progress	
Supporting People Grant	Annual	Complete	
People & Resources			
MFTS & supporting Method Statements / Budget Challenge	H	In Progress	
Insurance	M	Complete	
Main Accounting – Accounts payable (AP) & P2P	Biennial	In Progress	

Audit – 2020/21	Priority	Status of Work	Supporting Narrative
Corporate Grants (replacement of AW work)	Annual	Not Started	Quarter 4
Use of Agency, Relief, Self-Employed & Supply Teachers (including IR35 Compliance)	H	Not Started	Quarter 3
Notification of Leavers to CPF	H	Complete	
Planning, Environment & Economy			
Ash Die Back	H	In progress	
House of Multiple Occupancy	H	Deferred	Deferred until 2022/23
Planning Enforcement	H	In Progress	
Environmental Health Strategy	M	Not Started	Quarter 4
Social Services			
Extra Care Facility : Llys Eleanor	H	Not Started	Quarter 3
Micro Care	H	Not Started	Quarter 4
Legal Status of a Child in care	H	Complete	
Employment Support Allowance	M	Not Started	Quarter 4
Single Point of Access (SPOA)	M	Not Started	Quarter 3
Streetscene & Transportation			
Highways Structures (Bridges) (2 nd Stage review)	H	Not Started	Quarter 4
North and Mid Wales Trunk Road Agent (NMWTRA) Income Collection	M	In Progress	
Environmental Permits	M	Not Started	Quarter 4
Statutory Training	M	In Progress	
Parc Adfer - Contract Management and Associated Risks	Annual	Complete	
External			
Clwyd Pension Fund – Pension Administration & Contributions	Biennial	In Progress	
SLA - Aura - 10 days per annum	Annual	Not Started	Quarter 4
SLA - NEWydd - 10 days per annum	Annual	Not Started	Quarter 4
Clwyd Theatre Trust - 10 days per annum	Annual	No Longer Required	
Advisory / Project Groups			
GDPR Project Board	Ongoing	Ongoing	
Corporate Governance Working Group	Ongoing	Ongoing	
Accounts Governance Group	Ongoing	Ongoing	
Council's Constitution	Ongoing	Ongoing	
Financial Procedures Rules	Ongoing	Ongoing	

Audit – 2020/21	Priority	Status of Work	Supporting Narrative
Programme Coordinating Group	Ongoing	Ongoing	
Corporate Health & Safety Group	Ongoing	Ongoing	
Corporate Data Protection Group	Ongoing	Ongoing	
Financial System	Ongoing	Ongoing	
Regional Anti-Fraud and Corruption Network	Ongoing	Ongoing	
Electronic Court Bundling Project Group	Ongoing	Ongoing	
COVID19 - TTP Regional Tracing, Operation and Performance Group	Ongoing	Ongoing	
COVID19 - TTP Regional Oversight Group	Ongoing	Ongoing	
COVID19 – TTP Flintshire Project Group	Ongoing	Ongoing	
COVID19 – TTP FCC Oversight Group	Ongoing	Ongoing	
COVID19 – Emergency Management Response Team	Ongoing	Ongoing	
COVID19 – Governance and Legal Silver Tactical Group	Ongoing	Ongoing	
COVID19 – Logging at Tactical Group	Ongoing	Ongoing	

Glossary	
Risk Based Audits	Work based on strategic and operational risks identified by the organisation in the Improvement Plan and Service Plans. Risks are linked to the organisation's objectives and represent the possibility that the objectives will not be achieved.
Annual (System Based) Audits	Work in which every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
Advice & Consultancy	Participation in various projects and developments in order to ensure that controls are in place.
VFM (Value For Money)	Audits examining the efficiency, effectiveness and economy of the area under review.
Follow Up	Audits to follow up actions from previous reviews.
New to Plan	Audits added to the plan at the request of management. All new audits to the plan are highlighted in red.
Audits to be Deferred	Medium priority audits deferred. These audits are highlighted in green within the plan.



GOVERNANCE AND AUDIT COMMITTEE

Date of Meeting	Monday, 27 th September 2021
Report Subject	Action Tracking
Report Author	Internal Audit, Performance and Risk Manager
Category	Advisory

EXECUTIVE SUMMARY

The report shows the action points from previous Governance and Audit Committee meetings and the progress made in completing them. The majority of the requested actions have been completed, with some still outstanding. They will be reported back to a future meeting.

RECOMMENDATIONS

1	The Committee is requested to accept the report.
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REPORT DETAILS

1.00	EXPLAINING THE ACTION TRACKING REPORT
1.01	In previous meetings, requests for information, reports or actions have been made. These have been summarised as action points. This paper summarises those points and provides an update on the actions resulting from them. Full action tracking details within Appendix A.
2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Action owners contacted to provide an update on their actions.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix A – Action Points.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill, Internal Audit, Performance and Risk Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	None.

GOVERNANCE AND AUDIT COMMITTEE – ACTION SHEETPresented Monday, 27th September 2021

29 th January 2020				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
52	Treasury Management Strategy 2020/21	To report back to the Committee later in the year on actions to meet the new requirements on non-treasury investments and compliance with disclosures on skills, culture and climate change.	L Thomas	Discussions ongoing with Treasury Management Advisors. Update to be given later in this calendar year.

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27 th January 2021				
Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
19.	Treasury Management Strategy 2021/22 and Q3 Update 2020/21	To consider the suggestion of a future briefing session on the use of bond investments.	G Ferguson / P Vaughan	Treasury Management will attend the members workshop for members to review their effectiveness. Date to be confirmed for October.
25.	IA Progress Report	To circulate an update on the position on school funds.	L Brownbill	This will be provided to the committee once the school reviews have been completed.

24th March 2021

Agenda Item No.	Report	Action Required	Responsible Officer	Action Taken
31.	Minutes 27/01/2021	The remaining two places on the recruitment panel for the additional lay member to be filled by either Sally or Allan plus an elected Member of the Committee.	G Owens / L Brownbill	Confirmation of interview dates to be confirmed.
38.	Q4 Treasury Management Update 2020/21	That officers investigate options on how best to present the data in future reports.	G Ferguson / P Vaughan	To be explored as part of the members workshop on reviewing their effectiveness. Date to be confirmed for October.
41.	External Regulation Assurance	To share the report with OSC Chairs & Vice-Chairs to help them identify areas of interest for their forward work Programmes.	G Owens	This was completed on 27 th July 2021 and reported to Recovery Committee on the 9 th September 2021.
41.	External Regulation Assurance	To arrange the next meeting of the Audit/OSC liaison group.	G Owens / L Brownbill	This was held on 27 th July 2021.



GOVERNANCE AND AUDIT COMMITTEE

Date of Meeting	Monday, 27 th September 2021
Report Subject	Forward Work Programme
Report Author	Internal Audit, Performance and Risk Manager
Category	Advisory

EXECUTIVE SUMMARY

The Governance and Audit Committee presents an opportunity for Members to determine the Forward Work Programme of the Committee of which they are Members. By reviewing and prioritising the Forward Work Programme, Members are able to ensure it is Member-led and includes the right issues. A copy of the Forward Work Programme is attached at Appendix A for Members' consideration which has been updated following the last meeting.

The Committee is asked to consider, and amend where necessary, the Forward Work Programme for Governance and Audit Committee.

RECOMMENDATION

1	That the Committee considers the draft Forward Work Programme and approve/amend as necessary.
2	That the Internal Audit, Performance and Risk Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

REPORT DETAILS

1.00	EXPLAINING THE FORWARD WORK PROGRAMME
1.01	Items feed into a Committee's Forward Work Programme from a number of sources. Many items are standard every quarter, six months or annually, and Members can also suggest topics for review by the Committee. Items can also be referred by the Cabinet, County Council or Chief Officers.

1.02	<p>In identifying topics for future consideration, it is useful for a 'test of significance' to be applied. This can be achieved by asking a range of questions as follows:</p> <ol style="list-style-type: none"> 1. Will the review contribute to the Council's priorities and/or objectives? 2. Is it an area of major change or risk? 3. Are there issues of concern in governance, risk management or internal control? 4. Is it relevant to the financial statements or financial affairs of the Council? 5. Is there new government guidance or legislation? 6. Is it prompted by the work carried out by Regulators/Internal Audit?
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1.03	Following the Committee meeting in July there has been one movement in the forward work programme.			
	Report	Reason for Movement	Original Date	New Report Date
	School Reserves - Annual Report on School Balances	Bring forward following presentation at Education & Youth Overview & Scrutiny Committee	Nov-2021	Sep-2021

2.00	RESOURCE IMPLICATIONS
2.01	None as a result of this report.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Publication of this report constitutes consultation.

4.00	RISK MANAGEMENT
4.01	None as a result of this report.

5.00	APPENDICES
5.01	Appendix A - Draft Forward Work Programme.

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None.</p> <p>Contact Officer: Lisa Brownbill Internal Audit, Performance and Risk Manager</p> <p>Telephone: 01352 702231</p> <p>E-mail: lisa.brownbill@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Governance - The system by which local authorities direct and control their functions and relate to their communities. It is founded on the basic principles of openness and inclusivity, integrity and accountability together with the overarching concept of leadership. It is an inter-related system that brings together the underlying set of legislative requirements, governance principles and management processes.</p> <p>Risk Management - The process of identifying risks, evaluating their potential consequences and managing them. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they occur. Threats are managed by a process of controlling, transferring or retaining the risk. Opportunities are managed by identifying strategies to maximise the opportunity or reward for the organisation.</p> <p>Internal Control - Appropriate procedures and processes are in place to mitigate any risk which may prevent the organisation from achieving its objectives and service delivery.</p> <p>Financial Management - The planning, organising, directing and control of the financial activities of the Council to ensure sufficient resources are available to delivery its intended outcomes.</p> <p>Audit Wales - Works to support the Auditor General as the public sector watchdog for Wales. They aim to ensure that the people of Wales know whether public money is being managed wisely and that public bodies in Wales understand how to improve outcomes.</p>

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GOVERNANCE AND AUDIT COMMITTEE - FORWARD WORK PROGRAMME 2021/22Presented to Committee – Monday, 27th September 2021

Meeting Date	Agenda Item	Author
27th September 2021	Statement of Accounts 2020/21 School Reserves – Annual Report on School Balances Budget 2022/23 - Stage 2 Internal Audit Progress Report 2021/22 Audit Committee Action Tracking Forward Work Programme Private Meeting (AW and Internal Audit)	Gary Ferguson Claire Homard / Liz Thomas Gary Ferguson Lisa Brownbill Lisa Brownbill Lisa Brownbill Lisa Brownbill
17th November 2021	Risk Management update 2021/22 and Mid-Year report Audit Committee Annual Report Asset Disposals and Capital Receipts Grant Claim Certification Internal Audit Progress Report 2021/22	Jay Davies Cllr Chris Dolphin / Lisa Brownbill Neal Cockerton Gary Ferguson Lisa Brownbill

Meeting Date	Agenda Item	Author
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
26th January 2022	Annual Audit Summary (AW) (2020/21)	Jay Davies / Gary Ferguson
	Treasury Management 2021/22 Q3 Update and 2022/23 Strategy	Paul Vaughan
	Code of Corporate Governance	Robert Robins / Lisa Brownbill
	Internal Audit Charter	Lisa Brownbill
	Internal Audit Progress Report 2021/22	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
23rd March 2022	Treasury Management 2021/22 Q4 Update	Paul Vaughan
	Risk Management Update	Jay Davies
	Audit Plan (AW)	Audit Wales
	Annual Report on External Inspections 2020	Jay Davies
	Internal Audit Strategic Plan 2022/2025	Lisa Brownbill
	Public Sector Internal Audit Standards Compliance 2021/22	Lisa Brownbill

Meeting Date	Agenda Item	Author
	Internal Audit Progress Report 2021/22	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
June 2022	Certification of Grants and Returns Report (AW)	Gary Ferguson
	Draft Annual Governance Statement	Robert Robins / Lisa Brownbill
	Internal Audit Annual Report 2021/22	Lisa Brownbill
	Internal Audit Progress Report 2022/23	Lisa Brownbill
	Audit Committee Action Tracking	Lisa Brownbill
	Forward Work Programme	Lisa Brownbill
	Private Meeting (AW and Internal Audit)	Lisa Brownbill
July 2022	Treasury Management 2022/23 Q1 Update and Annual Report 2021/22	Paul Vaughan
	Supplementary Financial Information to Draft Statement of Accounts 2021/22	Paul Vaughan
	Risk Management update 2022/23	Jay Davies

Biennial Reviews

Meeting Date	Agenda Item	Author
January 2021	Anti-Fraud and Corruption Strategy & Fraud Response Plan	Lisa Brownbill
January 2021	Whistleblowing Policy	Lisa Brownbill
November 2022	Financial Procedural Rules (Biennial)	Sara Dulson