

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

22 July 2021

Dear Sir/Madam

NOTICE OF REMOTE MEETING
GOVERNANCE AND AUDIT COMMITTEE
WEDNESDAY, 28TH JULY, 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 2 June 2021.

4 **DRAFT STATEMENT OF ACCOUNTS 2020/21** (Pages 11 - 150)

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

Purpose: To present the draft Statement of Accounts 2020/21 for Members' information only at this stage.

5 **SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2020/21** (Pages 151 - 156)

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

Purpose: To provide Members with supplementary financial information to accompany the draft accounts as per the previously agreed Notice of Motion.

6 **TREASURY MANAGEMENT ANNUAL REPORT 2020/21 AND TREASURY MANAGEMENT UPDATE Q1 2021/22** (Pages 157 - 182)

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

Purpose: To provide Members with the Treasury Management annual report 2020/21 and first quarterly update for 2021/22.

7 **DEVELOPMENT OF A SELF-ASSESSMENT MODEL** (Pages 183 - 186)

Report of Chief Officer (Governance), Chief Executive, Internal Audit Manager
-

Purpose: To update Members on the development of a Self-Assessment Model.

8 **COUNTER-FRAUD ARRANGEMENTS IN THE WELSH PUBLIC SECTOR**
(Pages 187 - 244)

Report of Internal Audit Manager -

Purpose: To inform the Governance & Audit Committee of the outcome of the national review by Audit Wales on the Counter-Fraud Arrangements within the Welsh Public Sector.

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 **2 JUNE 2021**

Minutes of the remote attendance meeting of the Governance and Audit Committee of Flintshire County Council held on Wednesday, 2 June 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, Head of Democratic Services (for minute number 7), Civic & Member Services Officer and Democratic Services Officer

Gwilym Bury and Mike Whiteley from Audit Wales

1. APPOINTMENT OF CHAIR

Councillor Martin White proposed that Councillor Chris Dolphin be re-appointed as Chairman of the Committee. This was seconded by Councillor Arnold Woolley and on being put to the vote, was carried. No further nominations were received.

RESOLVED:

That Councillor Chris Dolphin be appointed as Chairman of the Committee.

(From this point, Councillor Dolphin chaired the remainder of the meeting)

2. APPOINTMENT OF VICE-CHAIR

The Chairman's nomination to appoint Sally Ellis as Vice-Chair was seconded by Councillor Martin White and on being put to the vote, was carried.

RESOLVED:

That Sally Ellis be appointed Vice-Chair of the Committee.

3. COMMITTEE MEMBERSHIP

The Committee was asked to approve changes to the Committee's membership to allow Councillors Joe Johnson and Martin White to take the places of Councillors Andy Dunbobbin and Paul Johnson following their recent

appointments to other roles. It was confirmed that both Members had completed the requisite training.

RESOLVED:

That Councillors Joe Johnson and Martin White replace Councillors Andy Dunbobbin and Paul Johnson on the Governance and Audit Committee.

4. DECLARATIONS OF INTEREST

None.

5. MINUTES

The minutes of the meeting held on 24 March 2021 were approved, as moved and seconded by Councillors Janet Axworthy and Joe Johnson.

RESOLVED:

That the minutes be approved as a correct record.

6. CERTIFICATION OF GRANTS AND RETURNS 2019/20

The Corporate Finance Manager introduced the Audit Wales annual report on grant claim certification for the year ending 31 March 2020. There was a significant reduction in the number of claims certified this year due to changes in external audit priorities set by Welsh Government (WG).

Of the overall grants total of £106.6m, the net adjustment to claims was a relatively small increase in the amount receivable to the Council of £133. The findings and recommendations from the report were being progressed through a series of actions contained in the agreed management action plan. Given the reduced number of grant claims, Internal Audit colleagues had been asked to review a sample of the remaining grants; those findings helped to provide additional assurance on controls, and compliance with terms and conditions.

Mike Whiteley of Audit Wales summarised the main findings and confirmed that audit work had not been impacted by two of the claims submitted after the deadline due to the emergency situation. He advised that the overall fee for the certification work was lower than anticipated and that there had been positive engagement with Council officers throughout the process. On the requirement by WG to establish the accuracy of landlord certification for Empty Property Relief (recommendation 5), discussions had taken place with officers on the approach taken by the Council which was considered reasonable and had not warranted any follow-up action.

In response to questions from Allan Rainford, Mike Whiteley summarised the sample testing method used for housing subsidy claims on which the issues were currently being resolved. Some errors on Housing Revenue Account (HRA) rent rebates were inevitable due to the number of claims and changes throughout

the year. However it was important to note there was clear evidence of ongoing training within teams to deal with those issues. In response to a query on recommendation 5 on non-domestic rates, it was reported that around 1,000 empty properties were included in the relevant section of the claim form.

On the Internal Audit review, the Corporate Finance Manager provided clarification on an issue relating to the Concessionary Travel Grant and confirmed that workforce training was in place and procedures reviewed to ensure that claims were certified at the required level.

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

RESOLVED:

That the content of the Grant Claim Certification report for 2019/20 and the Internal Audit Review of Grants 2019/20 be noted.

7. ANNUAL GOVERNANCE STATEMENT 2020/21

The Internal Audit Manager presented the Annual Government Statement (AGS) 2020/21 which would accompany the Statement of Accounts. As requested, the approach for developing the AGS had been extended this year to include participation by Members of the Committee through a challenge workshop. The main changes to the AGS were summarised and outcomes from the workshop included agreement for further changes to the process for future years.

In welcoming the simplified format of the document, Sally Ellis gave examples of further improvements and she asked that the points raised at the workshop be more clearly reflected in the AGS. Officers agreed that comments raised at future workshops would be noted to demonstrate how they were applied.

Sally Ellis sought assurance that feedback from the workshop on the risks around a particular service were being addressed in the most appropriate way. The Chief Officer (Governance) said that this specific risk and associated mitigating actions had been identified as a strategic issue in the second part of the AGS.

The Chief Executive gave assurance that actions on this risk would be recorded in more detail and that he was leading work on scoping a performance review with the service. Whilst this was not under the remit of the Governance & Audit Committee, the Internal Audit Manager would provide support on the assessment of performance. In acknowledging the need to improve the readability of the AGS, he referred to the prescribed format and the importance of delivering the key issues within the document.

In response to questions from Allan Rainford on actions for defining outcomes in terms of sustainable economic, social and environmental benefits (Principle C in the AGS), the Internal Audit Manager provided clarification on changes implemented due to the emergency period.

On the mitigation of risks on strategic issues within the AGS for 2019/20, the Chief Executive said that information previously shared with the Committee on recovery objectives and risk management had been subject to regular review by Overview & Scrutiny. The role of the newly formed Recovery Committee would be to oversee risk management to full recovery during the next year and the recently adopted Council Plan demonstrated forward planning despite disruptions to strategy and continuity.

The Chief Officer (Governance) and Corporate Finance Manager responded to specific queries on actions taken to replenish reserve levels held by the Council and managing financial risks during the emergency period.

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

RESOLVED:

That the Annual Governance Statement 2020/21 be attached to the Statement of Accounts and recommended to Council for adoption.

8. INTERNAL AUDIT ANNUAL REPORT

The Internal Audit Manager presented the report which summarised the outcome of audit work undertaken during 2020/21, compliance with standards and the results of the quality assurance and improvement programme.

Based on the work undertaken by Internal Audit, the direct assurance from management and external assurance from Audit Wales, the audit opinion was that the Council had an adequate and effective framework of governance, risk management and internal control. In reaching this opinion, the Internal Audit Manager had taken into consideration a number of factors including the results of work undertaken by Internal Audit and Audit Wales. Amongst the key areas highlighted were the level of audit coverage during the year and overall position of assurance opinions and actions raised across portfolios.

The Chief Officer (Governance) said that the emergency situation had led to more proactive auditing throughout that period which contributed towards the audit opinion stated.

The Chief Executive said that the report was reassuring in demonstrating the Council's resilience in the control environment during the emergency situation and that it reflected well on the Internal Audit service which was held in high regard.

The Internal Audit Manager responded to a question from Sally Ellis about the challenges during the emergency situation and spoke about the effectiveness of moving to different ways of working. The Chief Executive's lead role on risk management during the emergency was noted.

In response to a question from Allan Rainford, the Internal Audit Manager confirmed that the deferred audits had been included in available resources within the Audit Plan for 2021/22. She provided an update on resources within her team.

Councillor Paul Johnson took the opportunity to commend the Internal Audit team for their continuity of work during the emergency period.

The recommendation was moved by Councillor Joe Johnson and seconded by Sally Ellis.

RESOLVED:

That the report and Internal Audit annual opinion be noted.

9. INTERNAL AUDIT PROGRESS REPORT

The Internal Audit Manager presented the regular report showing progress against the Plan, final reports issued, action tracking, performance indicators and current investigations.

Since the last report, there were no Red (limited assurance) reports and only one Amber Red (some assurance) report on the loss of O Licence in Streetscene & Transportation. Following concerns raised at the previous meeting, the number of overdue actions had been reviewed and raised with the Chief Officer Team for investigation, resulting in significant progress. Whilst this was a positive outcome, the review had been time consuming for the Internal Audit team and reinforced the need for managers to keep their portfolio actions under regular review.

This action for managers would be picked up by the Chief Executive who said that the outcome demonstrated that many of the actions had in fact been completed but not confirmed as such.

Sally Ellis thanked officers for their work on this. She queried why the Amber/Red report did not appear to be included on the relevant Overview & Scrutiny forward work programme and asked that the item be referred to ensure monitoring of progress on actions. The Internal Audit Manager agreed to liaise with Overview & Scrutiny.

The recommendation was moved by Allan Rainford and seconded by Councillor Joe Johnson.

RESOLVED:

That the report be accepted.

10. ACTION TRACKING

The Internal Audit Manager presented an update on actions arising from previous meetings.

The recommendation was moved by Councillor Janet Axworthy and seconded by Allan Rainford.

RESOLVED:

That the report be accepted.

11. FORWARD WORK PROGRAMME

The Internal Audit Manager presented the current Forward Work Programme for consideration, including movements since the last report.

Sally Ellis referred to some items within the Action Tracking report that were due to be reported back to the Committee. The Internal Audit Manager agreed to schedule items into the forward work programme where possible, noting that some were ongoing.

The recommendations in the report were moved and seconded by Councillors Joe Johnson and Martin White.

RESOLVED:

- (a) That the Forward Work Programme be accepted; and
- (b) That the Internal Audit 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.

12. ATTENDANCE BY MEMBERS OF THE PRESS

There were no members of the press in attendance.

The meeting commenced at 10am and finished at 11.10am

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Chairman



GOVERNANCE AND AUDIT COMMITTEE

| | |
|------------------------|--------------------------------------|
| Date of Meeting | Wednesday 28 th July 2021 |
| Report Subject | Draft Statement of Accounts 2020/21 |
| Report Author | Corporate Finance Manager |

EXECUTIVE SUMMARY

This report presents the Council's Statement of Accounts for the 2020/21 financial year.

The Accounts and Audit (Wales) Regulations 2014 (as amended) specify that the statutory deadline for the approval of the draft Statement of Accounts by the Responsible Finance Officer is 31st May. However due to the challenges presented from the pandemic the accounts were submitted for audit on 15th June 2021 which is well within the framework set by Welsh Government of 31st August – as required a notice explaining the delay was included on the Council's website.

The pandemic has had a significant impact in producing this year's Accounts, in particular, ensuring the correct accounting treatment of the significant number of large grants the Council has received and paid out during the year. Therefore, it was deemed appropriate to take further time to review and quality check the accounts prior to submission.

The draft Statement of Accounts is attached as Appendix 1 for Members' information and will now be audited over the summer prior to the final audited version being brought back to this Committee for final approval on 8th September.

The statutory deadline for publishing the final audited Statement of Accounts for 2020/21 is 31th July, however the temporary framework set out by Welsh Government extends this to 30th November.

Members may discuss any aspect of the draft Statement of Accounts with Officers or Audit Wales throughout the period July to August and a copy of this report and the presentation will be shared with all Members of the Council.

RECOMMENDATIONS

| | |
|---|---|
| 1 | Members review the draft Statement of Accounts 2020/21 (which includes the Annual Governance Statement). |
| 2 | Members consider 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 this Committee for final approval on 8th September 2021. |

REPORT DETAILS

| | |
|-------------|---|
| 1.00 | EXPLAINING THE STATEMENT OF ACCOUNTS |
| 1.01 | The Accounts and Audit (Wales) Regulations 2014 (as amended) specify that the statutory deadline for the approval of the draft Statement of Accounts by the Responsible Finance Officer is 31 st May. However due to the challenges presented from the pandemic the accounts were submitted for audit on 15 th June 2021 which is well within the framework set by Welsh Government of 31 st August – as required a notice explaining the delay was included on the Council's website. |
| 1.02 | The pandemic has had a significant impact in producing this year's Accounts, in particular, ensuring the correct accounting treatment of the significant number of large grants the Council has received and paid out during the year. Therefore, it was deemed appropriate to take further time to review and quality check the accounts prior to submission. |
| 1.03 | The draft Statement of Accounts is attached as Appendix 1 for Members' information and will now be audited over the summer. |
| 1.04 | At the completion of the audit, Audit Wales will provide a report and opinion on the Statement of Accounts. Any required adjustment as a result of the audit will be incorporated into the final version of the Statement of Accounts. The final version will be presented to this Committee on 8th September for approval. |
| 1.05 | The statutory deadline for publishing the final audited Statement of Accounts for 2020/21 is 31 st July, however the temporary framework set out by Welsh Government extends this to 30 th November. |
| 1.06 | The Council's draft Statement of Accounts have been prepared in accordance with the requirements of the 2020/21 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS) and include: <ul style="list-style-type: none">• The core financial statements and notes comprising – expenditure and funding analysis, comprehensive income and expenditure statement, movement in reserves statement, balance sheet and cash flow statement. |

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| | <ul style="list-style-type: none"> • The supplementary financial statements – the housing revenue account income and expenditure statement, movement in reserves statement and notes. • The group accounts – incorporating the financial accounts of North East Wales (NEW) Homes Ltd, Newydd Catering and Cleaning Ltd and Theatr Clwyd Productions Ltd with that of the Council's. • The Annual Governance Statement. |
| 1.07 | The draft Statement of Accounts includes the Annual Governance Statement. It is presented separately on the agenda and has been updated since the draft version was considered by the Committee at its meeting in June. |
| 1.08 | There were no significant revisions to the 2020/21 Code of Practice. |
| 1.09 | Members may discuss any aspect of the draft Statement of Accounts with Officers or Audit Wales throughout the period July to August and a copy of this report and the presentation will be shared with all Members of the Council. |
| 1.10 | The inclusion of the Clwyd Pension Fund Accounts is no longer a requirement within the Council's Statement of Accounts. The Clwyd Pension Fund draft accounts are due to be signed off by the Section 151 Officer at the end of July and will then be considered by the Pension Committee in September. An update will be provided to the Governance and Audit Committee in September prior to approval by Pension Committee in November following the completion of the audit. |

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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | Financial implications are as set out in the report. |

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

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| 4.00 | RISK MANAGEMENT |
| 4.01 | The main risk is the Council not being able to meet its statutory deadlines for producing the Statement of Accounts. This is 31 st May for the draft version signed by the Responsible Finance Officer, which was not achieved as discussed above; and 31 th July for publishing the final version which has been externally audited, by Audit Wales in Flintshire's case. Welsh Government framework allows this to be extended to the deadline of the 30 th November. |

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| | Officers have already been working closely with Audit Wales in preparing for the financial audit and will continue to do so during July and August to resolve queries arising. Progress will continue to be overseen by the Accounts Governance Group, a group of senior officers including the Chief Executive, Monitoring Officer and Section 151 Officer. |
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| 5.00 | APPENDICES |
| 5.01 | 1. Draft Statement of Accounts 2020/21 |

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| 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> |

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| 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>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

DRAFT

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 scheduled to be reported to Cabinet in June 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 due to be 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 |
| 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 | £533k |

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 due to be 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 September 2021.

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 £95,448k (£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 :

15th June 2021

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 | Net Expenditure 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 | 10,287 | 113,930 |
| 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 | (28,794) | 238,993 |
| 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) | (33,234) | (51,434) |
| 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 | Net Expenditure 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 | | 147,635 | (33,705) | 113,930 | 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 | | 429,448 | (190,455) | 238,993 | 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 | | | (51,434) | | | 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 | | | | (39,086) | | | 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 | | 18,623 | 32,812 | 0 | 0 | 51,434 | (12,348) | 39,086 |
| Adjustments between accounting and funding basis under regulations | 7 | (4,442) | (28,793) | (2,877) | 7,186 | (28,926) | 28,926 | 0 |
| Increase/(decrease) in year | | 14,181 | 4,019 | (2,877) | 7,186 | 22,508 | 16,578 | 39,086 |
| At 31st March 2021 | | 38,499 | 6,908 | 15,490 | 14,426 | 75,323 | 20,125 | 95,448 |

| | 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 | | (29,731) | (16,647) | 0 | 0 | (46,378) | 43,748 | (2,630) |
| Adjustments between accounting and funding basis under regulations | 7 | 26,715 | 17,315 | 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 |

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 | | | 811,656 | | 760,229 |
| CURRENT ASSETS | | | | | |
| Inventories | | 486 | | 888 | |
| Short term debtors (net of impairment provision) | 13 | 73,757 | | 55,040 | |
| Short term investments | 14 | 0 | | 0 | |
| Cash and cash equivalents | 15 | 47,083 | | 29,127 | |
| Assets held for sale | 10 | 1,021 | | 926 | |
| CURRENT ASSETS TOTAL | | | 122,347 | | 85,981 |
| 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 | | (4,894) | | (3,178) | |
| Deferred liabilities | 40 | (587) | | (552) | |
| Grants receipts in advance | 18 | (3,883) | | (1,080) | |
| Provisions | 19 | (892) | | (120) | |
| CURRENT LIABILITIES TOTAL | | | (117,928) | | (104,256) |
| 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 | | | (720,627) | | (685,592) |
| NET ASSETS | | | 95,448 | | 56,362 |

BALANCE SHEET

| | 2021 | | 2020 |
|--|-----------|---------------|---------------|
| Note | £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 | (4,894) | | (3,178) |
| UNUSABLE RESERVES TOTAL | | 20,125 | 3,547 |
| TOTAL RESERVES | | 95,448 | 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 | | 51,434 | | (46,378) | |
| Adjustment to surplus or deficit on the provision of services for non-cash movements | | 22,903 | | 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 | (13,000) | | (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>(10,823)</u> | | <u>3,073</u> |
| 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 | | 47,083 | | 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 | 862 | (545) | 10,287 |
| 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 | 6,521 | (51,560) | (28,794) |
| 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) | 16,484 | (24,714) | (33,234) |

| 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 | 224,611 | 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 | 484,112 | 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 | (51,434) | 47,398 |

*2019/20 restated to include £1,303k in 'Grants and Contributions' as previously 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 |
| | 29,493 | 28,603 |

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 |
| | 20,686 | 21,477 |

* In 2019-20 the movement of £164k in expected credit loss on financial assets was charged to net cost of services, in line with 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) |
| | (340,606) | (309,668) |

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) |
| | 97,300 | 92,887 |
| Less - Payable to North Wales Police and Crime Commissioner | (18,760) | (17,887) |
| | 78,540 | 75,000 |

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 |
| | 0 | 0 |
| Receipts from pool | 48,407 | 49,704 |
| | 48,407 | 49,704 |

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 £28,926k (£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 | (43,333) | 0 | 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 | (22,954) | (1,222) | 0 | 0 | 24,176 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 36,845 | 2,095 | 0 | 0 | (38,940) |
| 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 | 1,617 | 100 | 0 | 0 | (1,717) |
| 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 | (4,442) | (28,793) | (2,877) | 7,186 | 28,926 |

NOTES TO THE CORE FINANCIAL STATEMENTS

| | Usable Reserves | | | | Unusable Reserves |
|---|----------------------|-------------------------|--------------------------|--------------------------|-------------------|
| | Council Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | |
| 2019/20 | £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 | 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 | (31,180) | 0 | 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 | (25,038) | (1,367) | 0 | 0 | 26,405 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 40,211 | 2,153 | 0 | 0 | (42,364) |
| 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 | | | | | |
| | 26,715 | 17,315 | 2,422 | 577 | (47,029) |

8. PROPERTY, PLANT AND EQUIPMENT

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.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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 | 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, 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 | 8,988 | 0 | 6,865 | 113 | 17,547 | 56,368 |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve | 0 | 3,304 | (1,367) | 138 | 0 | 0 | 0 | 2,075 |
| 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 £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, 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 |

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. Totals for 2021 were nil as in 2020.

NOTES TO THE CORE FINANCIAL STATEMENTS

15. CASH AND CASH EQUIVALENTS

| | 2021 | | 2020 | |
|---------------------------------------|----------------|---------------|----------------|---------------|
| | £000 | £000 | £000 | £000 |
| Current Assets | | | | |
| Temporary investments (call accounts) | | 26,300 | | 0 |
| Cash and cash equivalents | 25,610 | | 31,718 | |
| Cash overdrawn | <u>(4,827)</u> | | <u>(2,591)</u> | |
| | | 20,783 | | 29,127 |
| Total | | <u>47,083</u> | | <u>29,127</u> |

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 | <u>65,960</u> | <u>67,593</u> |

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 | <u>41,712</u> | <u>31,733</u> |
| Long Term | | |
| Deposits | 412 | 413 |
| Receipts in advance | 622 | 489 |
| Other | 0 | 150 |
| Total | <u>1,034</u> | <u>1,052</u> |

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 | 2020 |
|--|----------------|----------------|
| | £000 | £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.

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 (PWL B) | 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 | | | 283,934 | 279,597 |
| By Maturity | | | | |
| Between 1 and 2 years | | | 4,398 | 4,783 |
| Between 2 and 5 years | | | 15,331 | 13,940 |
| Between 5 and 10 years | | | 27,755 | 24,939 |
| More than 10 years | | | 236,450 | 235,935 |
| Total | | | 283,934 | 279,597 |

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).

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 71.

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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.
- 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.

NOTES TO THE CORE FINANCIAL STATEMENTS

- 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 £000 | Transfers Out 2019/20 £000 | Transfers In 2019/20 £000 | Balance at 31 March 2020 £000 | Transfers Out 2020/21 £000 | Transfers In 2020/21 £000 | Balance at 31 March 2021 £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) | 9,889 | 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:

| Reserves | 2021 £000 | 2020 £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 | (4,894) | (3,178) |
| Total Unusable Reserves | 20,125 | 3,547 |

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 £000 | £000 | 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 | (4,609) | | (6,788) | |
| 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 | (174) | | (328) | |
| Amount written off to the capital adjustment account | | (5,752) | | (5,953) |
| Balance at 31st March | | 117,058 | | 118,668 |

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 £000 | 2020 £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 |

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

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

| | 2021 | 2020 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Purchase of property, plant & equipment, investment property and intangible assets | (54,754) | (55,833) |
| Purchase of short term and long term investments | 0 | 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 | (13,000) | (23,856) |

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

| | 2021 | 2020 |
|---|--------------|---------------|
| | £000 | £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 | |
|---|-------|--------------------|---------------|--------------------|---------------|
| | | Employer's Pension | | Employer's Pension | |
| | | Remuneration | Contributions | Remuneration | Contributions |
| | | £ | £ | £ | £ |
| Chief Executive | 1 & 2 | 139,279 | 32,870 | 136,548 | 37,687 |
| Chief Officer Governance | 1 | 98,997 | 23,363 | 96,348 | 26,592 |
| Chief Officer Education & Youth | | 98,997 | 23,363 | 92,017 | 25,397 |
| Chief Officer Social Services | 3 | 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 |
| | | 891,260 | 210,336 | 848,148 | 234,089 |

Note 1 : Remuneration does not include any amounts received for;

a) 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) and;

b) Clerk and Deputy Clerk roles to the North Wales Fire and Rescue Authority (costs reimbursed).

Note 2 : 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 3 : Remuneration includes an honoraria payment (£7,500) for acting as Statutory Director of Social Services for Wrexham County Borough Council (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 (£20,282); for 20/21 this was 1:6.87 (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 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| | No. | No. | No. | No. | No. | No. | £ | £ |
| £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 | 2020 |
|------------------------------|----------------|----------------|
| Partnership | £000 | £000 |
| Gross expenditure | 1,075 | 1,209 |
| Gross income | <u>(1,166)</u> | <u>(1,230)</u> |
| (Surplus) / deficit for year | <u>(91)</u> | <u>(21)</u> |

Contribution to Budget

| | | |
|---------------------------|-----|-----|
| Flintshire County Council | 302 | 300 |
|---------------------------|-----|-----|

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 | Net | |
|--------------------------------|--------------|--------------|---------------|
| | £000 | £000 | % |
| Flintshire County Council | 572 | 563 | 50.25 |
| Wrexham County Borough Council | <u>567</u> | <u>558</u> | <u>49.75</u> |
| | <u>1,139</u> | <u>1,121</u> | <u>100.00</u> |

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 | 2020 |
|--|------------------------|------------------------|
| | £000 | £000 |
| Care Homes for Older People | | |
| Expenditure | | |
| Care Home costs | <u>93,035</u> | <u>93,903</u> |
| Total Expenditure | <u>93,035</u> | <u>93,903</u> |
| 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 | <u>(36,013)</u> | <u>(38,556)</u> |
| Total Funding | <u>(93,035)</u> | <u>(93,903)</u> |
| (Surplus) / Deficit transferred to Reserve | 0 | 0 |

NOTES TO THE CORE FINANCIAL STATEMENTS

32. AGENCY SERVICES

Flintshire County Council is one of six partners within the North Wales Trunk Road Agency (NWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd and Wrexham Councils. The Streetscene & Transportation Portfolio within Flintshire County Council undertakes trunk road work on behalf of NWTRA 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 | £533k | 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 and has been carried forward in the Council's accounts as a grant received 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 On 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 | 33,527 | 9,697 | 23,830 |

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 | 3,139 | 3,685 |

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 | <u>283,934</u> | <u>279,597</u> | <u>65,960</u> | <u>67,593</u> |
| Cash overdrawn | 0 | 0 | 4,827 | 2,591 |
| Cash & Cash Equivalents | <u>0</u> | <u>0</u> | <u>4,827</u> | <u>2,591</u> |
| Finance Leases | 3,339 | 3,926 | 587 | 552 |
| Deferred Liabilities | <u>3,339</u> | <u>3,926</u> | <u>587</u> | <u>552</u> |
| 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 | <u>966</u> | <u>990</u> | <u>892</u> | <u>120</u> |
| Trade Payables | 0 | 0 | 23,565 | 21,189 |
| Within Creditors | <u>0</u> | <u>0</u> | <u>23,565</u> | <u>21,189</u> |
| Total financial liabilities | <u>288,239</u> | <u>284,513</u> | <u>95,831</u> | <u>92,045</u> |
| Financial assets at amortised cost | | | | |
| Principal | 3,592 | 2,628 | 0 | 0 |
| Accrued Interest | 0 | 0 | 0 | 0 |
| Investments | <u>3,592</u> | <u>2,628</u> | <u>0</u> | <u>0</u> |
| Cash & Cash Equivalents | 0 | 0 | 51,784 | 30,691 |
| Accrued Interest | 0 | 0 | 126 | 1,027 |
| Cash & Cash Equivalents | <u>0</u> | <u>0</u> | <u>51,910</u> | <u>31,718</u> |
| Trade Receivables | 47 | 46 | 18,759 | 18,834 |
| Loans | 11,769 | 9,019 | 0 | 0 |
| Within Debtors | <u>11,816</u> | <u>9,065</u> | <u>18,759</u> | <u>18,834</u> |
| Total financial assets | <u>15,408</u> | <u>11,693</u> | <u>70,669</u> | <u>50,552</u> |

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 | Fair Value | Carrying Amount | Fair Value |
| | | £000 | £000 | £000 | £000 |
| Financial Liabilities | | | | | |
| PWLB | 2 | 264,924 | 427,630 | 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 | 459,033 | 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 AND MOVEMENT ON RESERVES STATEMENTS

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 | | <u>(564)</u> | | <u>48,137</u> |
| Income | | | | |
| Dwelling rents (gross) | 35,791 | | 35,263 | |
| Non-dwelling rents (gross) | <u>425</u> | | <u>418</u> | |
| | | 36,216 | | 35,681 |
| Charges for services and facilities | | 1,377 | | 1,229 |
| Reimbursement of Costs | | 0 | | 3 |
| Contribution towards expenditure | | <u>386</u> | | <u>239</u> |
| Total income | | <u>37,979</u> | | <u>37,152</u> |
| 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 |
| Total (surplus) / deficit for the year on HRA services | | <u>(32,811)</u> | | <u>16,647</u> |

* 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

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 | | 32,811 | (16,647) |
| Total comprehensive income and expenditure | | <u>32,811</u> | <u>(16,647)</u> |
| Adjustments between accounting and funding basis under regulations | 7 | (28,793) | 17,315 |
| 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> |

NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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 2011.

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 government grants – general 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 - | | | | |
| Administration expenses | 43 | 1,533 | 40 | 1,587 |
| Financing and Investment Income and Expenditure | | | | |
| Net interest expense | 519 | 43 | 526 | 40 |
| | | 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 Useable 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 | 24,515 | 32,811 | 57,326 | (12,347) | 44,979 | 4,444 | 49,423 |
| 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 | 18,623 | 31,740 | 50,363 | (12,347) | 38,016 | 1,946 | 39,962 |
| Adjustments between accounting and funding basis under regulations | (4,442) | (24,484) | (28,926) | 28,924 | (2) | 0 | (2) |
| Increase/(decrease) in year | 14,181 | 7,256 | 21,437 | 16,577 | 38,014 | 1,946 | 39,960 |
| At 31st March 2021 | 38,500 | 36,823 | 75,323 | 20,124 | 95,447 | 5,417 | 100,864 |

GROUP MOVEMENT IN RESERVES STATEMENT

for the year ended 31st March 2020

| | Council Fund Reserves £000 | Other Useable 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 | (23,240) | (16,647) | (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 | 26,716 | 20,314 | 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 |

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 | 145,801 | (33,698) | 112,103 | 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 | 431,618 | (192,463) | 239,155 | 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 | | | (50,785) | | | 47,284 |
| Tax expenses of subsidiary | | | (174) | | | (297) |
| Group (Surplus)/deficit | | | (50,959) | | | 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 | | | (15,889) | | | (24,859) |
| Total comprehensive (income) and expenditure | | | (71,103) | | | 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

| | Note | 2021 | | 2020 | |
|---|----------|-----------|------------------|-----------|------------------|
| | | £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) | | 72,139 | | 51,944 | |
| Short term investments | | 62 | | 60 | |
| Cash and cash equivalents | | 49,242 | | 31,692 | |
| Assets held for sale | | 1,021 | | 926 | |
| Current tax asset | | | | 0 | |
| CURRENT ASSETS TOTAL | | | 123,080 | | 85,607 |
| CURRENT LIABILITIES | | | | | |
| Borrowing repayable on demand or within 12 months | | (65,960) | | (67,593) | |
| Short term creditors | | (41,165) | | (30,696) | |
| Provision for accumulated absences | | (4,894) | | (3,178) | |
| Deferred liabilities | | (587) | | (552) | |
| Grants receipts in advance | | (3,883) | | (1,080) | |
| Provisions | | (3,165) | | (1,716) | |
| Current Tax Liability | | 0 | | 0 | |
| CURRENT LIABILITIES TOTAL | | | (119,654) | | (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) | |
| Deferred Tax Liability | | | | 0 | |
| NON-CURRENT LIABILITIES TOTAL | | | (726,580) | | (690,410) |
| NET ASSETS | | | 100,864 | | 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 | | (4,894) | | (3,178) | |
| UNUSABLE RESERVES TOTAL | | | 28,322 | | 9,421 |
| TOTAL RESERVES | | | <u>100,864</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 | 51,457 | | (46,529) | |
| Adjustment to surplus or deficit on the provision of services for non-cash movements | 22,189 | | 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 | (14,827) | | (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>(8,800)</u> | | <u>2,922</u> |
| | | 17,548 | | (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 | | 49,240 | | 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

To be inserted following financial audit by external auditors.

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

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

To be inserted following financial audit by external auditors.

ANNUAL GOVERNANCE STATEMENT

2020/21

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

Final

ANNUAL GOVERNANCE STATEMENT

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.

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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:

- 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.

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.

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.

In preparing the Annual Governance Statement, we have:

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- 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

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.

All 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.

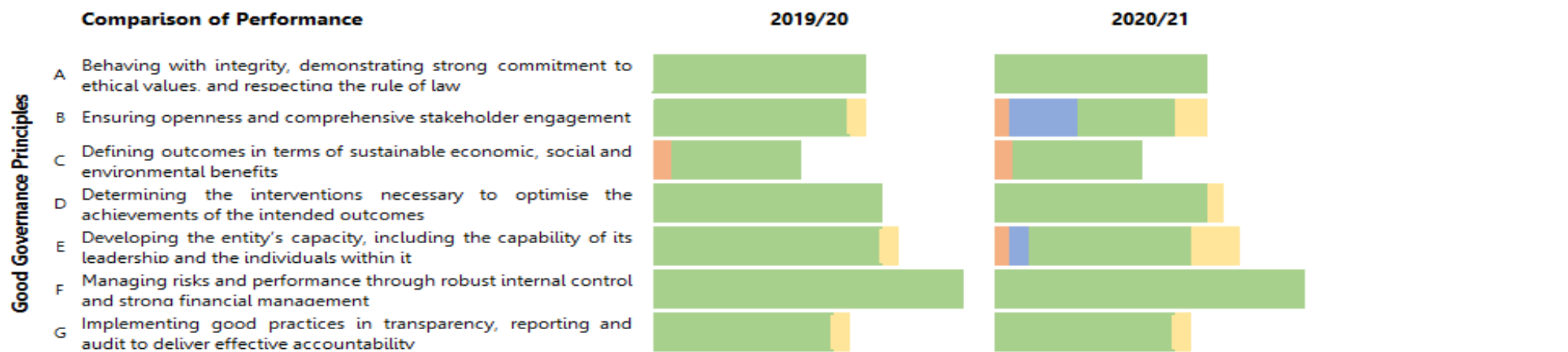
Page 11
Our Annual Meeting of Council was held on 9th September, at which point the new five committee Overview & Scrutiny structure commenced.

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



Evidence, but Further Action Needed
Unable to deliver due to the pandemic
Good Evidence
Very Best Practice

Further Action Required:

- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions /courses of action
- Ensuring improved structures are in place for public participation

Areas of Very Best Practice:

- Developing formal and informal partnerships to allow for resources to be used more effectively and outcomes achieved more effectively
- Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners
- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage
- Recognising the benefits of partnerships and collaborative working where added value can be achieved
- Developing and maintaining an effective workforce plan to enhance strategic allocation of resources
- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations

Annual Internal Audit Opinion 2020/21: "For the year ending 31 March 2021, based on the work the Internal Audit Service has undertaken, the direct assurance from management and external assurance from Audit Wales, my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and internal control".

Internal Audit Manager, Flintshire County Council

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 |

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| 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. |

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| 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 |
| | |

ANNUAL GOVERNANCE STATEMENT

Principle F – Managing risks and performance through robust internal control and strong public financial management

| 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 |

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 |
|--|
| <ul style="list-style-type: none"> • 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 |

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 |
| CF05 - 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



GOVERNANCE AND AUDIT COMMITTEE

| | |
|------------------------|--|
| Date of Meeting | Wednesday 28 th July 2021 |
| Report Subject | Supplementary Financial Information to Draft Statement of Accounts 2020/21 |
| Report Author | Corporate Finance Manager |

EXECUTIVE SUMMARY

Flintshire County Council approved the following notice of motion on 29th January 2013:

In the interests of openness and transparency, this Motion calls for the Council to publish a separate supplementary report to coincide with and accompany the presentation to Council of the Annual Statement of Accounts.

This supplementary report to contain, in the same style and presentation as the existing 'Senior Employee Emoluments – Salary over £150,000' and 'Salary over £60,000 per year', the same financial information for ALL council employees, consultants and 'non-permanent posts' with a salary over £60,000 per year who are NOT listed within the existing framework of the Annual Statement of Accounts.

In instances where those employees are in post for less than the financial year, then both their actual salary and equivalent annualised salary are to be shown.

This report contains the information requested above in respect of financial year 2020/21.

RECOMMENDATIONS

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| 1 | Members review the report. |
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REPORT DETAILS

| 1.00 | EXPLAINING THE APPENDIX |
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| 1.01 | <p>The information requested is shown in Appendix 1 to this report. For clarity the information has been split into 3 categories described in paragraphs below:</p> <ul style="list-style-type: none"> • Table 1 – Council employees • Table 2 – Posts covered by interim or temporary arrangements • Table 3 – Payments to consultants and non-permanent posts |
| 1.02 | <p>Table 1 contains costs (including termination benefits where applicable) for Council employees only. For the purpose of this report Council employees have been defined as permanent members of staff paid via Flintshire County Council's payroll system.</p> <p>As the notice of motion requests, the detail of any Council employee already included in the 'Senior Employee Emoluments' note in the draft Statement of Accounts 2020/21 has not been included.</p> |
| 1.03 | <p>Table 2 shows the number of interim or temporary arrangements in place to cover posts during 2020/21. Where such arrangements are in place, the Council has procured the services of individuals to fulfil the requirements of the post through a contract with another organisation. The Council paid the organisation, and that organisation employed and paid a salary to the individual. Table 2 shows the amounts paid to those organisations for such arrangements in 2020/21. Please note, these amounts DO NOT reflect the individuals' salaries.</p> |
| 1.04 | <p>Table 3 contains payments made for consultants and non-permanent posts.</p> <p>It is important that Members note that actual costs incurred by the Council in 2020/21 are in bold in the third column in Table 3.</p> <p>The fourth column, theoretical annual costs, has been supplied to provide an equivalent annualised salary as requested by the notice of motion. Figures have been calculated by taking the hourly or daily costs and grossing up assuming a 37 hour standard week and that 48 weeks per year are worked. As is clear from the difference between both columns, the individuals were in post for significantly less than a year.</p> |
| 1.05 | <p>The Council has adopted the following definition to describe a 'consultant' from the Corporate Resources Overview and Scrutiny Report – March 2016:</p> <p><i>A consultant is an organisation or an individual contracted to provide specific services to the Council for a limited period of time. These are services where the Council does not have the expertise 'in-house' to be self-sufficient or where the Council has some expertise but insufficient capacity. It is not possible for the Council to be wholly self-sufficient and it would be a poor use of resources to employ specialist individuals to maintain an internal expertise which is only required occasionally or indeed once.</i></p> |

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| | <p>Consultants are classified into 2 groups:</p> <ul style="list-style-type: none"> • <i>Retained consultant: with a contract in place for the periodic provision of advice; and</i> • <i>Project consultant: to work on defined and time limited projects on 'strategy, structure or management.'</i> |
| 1.06 | <p>The notice of motion specifically requests information on salaries of consultants and non-permanent posts.</p> <p>Figures have been taken from the general ledger on codes used for consultancy that are categorised on the basis of the 'Retained Consultant' and 'Project Consultant' definitions and agency workers. These will be on an accruals rather than a cash basis, therefore relating to costs of services provided during the year, rather than amounts physically paid during the year.</p> |
| 1.07 | <p>Flintshire County Council leads on a number of collaborative projects with partner local authorities, examples include; the North Wales Residual Waste Treatment Project and the Regional Emergency Planning Service. Members are advised that the information supplied in Appendix 1 does not include the costs of any individual working for joint arrangements, given that the expenditure has been incurred by the partnership and not Flintshire County Council. Joint arrangements that are set up as Joint Committees publish their own separate accounts.</p> |

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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | As set out within the report. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | None required. |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | The report is a retrospective report and therefore subject to minimal risk. |

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| 5.00 | APPENDICES |
| 5.01 | Appendix 1 – Supplementary financial information to draft Statement of Accounts 2020/21 |

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

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| 7.00 | GLOSSARY OF TERMS |
| 7.01 | Definitions required as contained within the report. |

APPENDIX 1

SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2020/21

TABLE 1 - COUNCIL EMPLOYEES

| Post title | Remuneration (exc.employers pension contributions) £ | Employers pension contributions £ | Annualised pay (where applicable) £ |
|---|--|--|--|
| Internal Audit Manager | 60,135 | 14,192 | |
| IT Infrastructure Services Manager | 60,511 | 14,281 | |
| Highways Network Manager | 60,511 | 14,281 | |
| Service Delivery Manager - Streetscene | 60,511 | 14,281 | |
| IT Business Services Manager | 60,511 | 14,281 | |
| Service Manager - Enterprise & Regeneration Programmes | 60,511 | 14,281 | |
| Senior Manager - Integrated Youth Provision | 64,735 | 15,278 | |
| Community & Business Protection Manager | 60,834 | 14,357 | |
| Senior Manager - Inclusion and Progression | 69,988 | 16,517 | |
| Theatr Clwyd - Executive Director | 68,804 | 16,238 | |
| Theatr Clwyd - Artistic Director | 68,804 | 16,238 | |
| Senior Manager - Integration and Partnerships/Lead Adults | 72,793 | 17,179 | |
| Senior Manager - Childrens & Workforce | 73,293 | 17,297 | |
| Senior Manager - Safeguarding & Commissioning | 77,441 | 18,276 | |
| Senior Manager - School Improvement | 70,277 | 16,585 | |
| Total | 989,659 | | |

APPENDIX 1

TABLE 2 - POSTS COVERED BY INTERIM / TEMPORARY ARRANGEMENTS / CONTRACT

| Post title | Cost £ | Theoretical annual costs £ |
|--|----------------|----------------------------------|
| Social Worker - Permanency Team | 34,841 | 82,175 |
| Social Worker - Locality Team | 710 | 63,066 |
| Social Worker - Protection & Support | 65,688 | 69,773 |
| Social Worker - Protection & Support | 11,282 | 72,994 |
| Social Worker - Children's Integrated Disability Service | 7,031 | 60,030 |
| Social Worker - Protection & Support | 72,244 | 72,244 |
| Social Worker - Protection & Support | 67,681 | 67,681 |
| Social Worker - Protection & Support | 58,544 | 66,600 |
| Social Worker - Protection & Support | 9,375 | 66,600 |
| Social Worker - Protection & Support | 8,869 | 66,600 |
| Social Worker - Protection & Support | 9,795 | 65,925 |
| Social Worker - Protection & Support | 12,488 | 66,600 |
| Social Worker - Older People | 15,635 | 60,384 |
| Social Worker - Older People | 7,030 | 62,160 |
| Social Worker - Older People | 1,295 | 62,160 |
| Regeneration Officer | 44,078 | 69,958 |
| Environmental Health Officer - Food Safety | 2,606 | 73,758 |
| Contract & Planning Team Leader | 47,353 | 63,161 |
| Strategic & Planning Team Leader | 52,611 | 63,155 |
| Development Lead and Delivery Manager for SHARP | 58,024 | 60,282 |
| Solicitor - Children's & Safeguarding | 269 | 95,535 |
| Solicitor - Children's & Safeguarding | 45,188 | 100,380 |
| Solicitor - Commercial Property | 46,624 | 96,368 |
| Solicitor - Commercial Property | 2,260 | 95,567 |
| Solicitor - Planning | 39,304 | 88,669 |
| Solicitor - Childcare | 16,772 | 60,730 |
| Solicitor Prosecutions | 14,310 | 82,784 |
| Solicitor - Licensing | 474 | 64,717 |
| Probation Officer in Youth Justice Service | 29,087 | 65,640 |
| Primary Learning Advisor for School Improvement | 22,108 | 81,411 |
| Total | 803,576 | |

Please note: Payments shown are made to the organisations employing these individuals. These payments DO NOT reflect the salaries those individuals have been paid by their respective organisations.

SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2020/21

TABLE 3 - PAYMENTS TO CONSULTANTS AND NON-PERMANENT POSTS 2020/21

| Portfolio | Description | Actual cost incurred | Theoretical annual costs |
|------------------|--|-----------------------------|---------------------------------|
| | | £ | £ |
| Housing & Assets | Consultant employed to develop interface between the Technology Forge system and P2P | 4,767 | 108,000 |
| Housing & Assets | Consultant employed to provide independent review for homeless clients | 5,810 | 120,000 |
| | | | |
| Total | | 10,577 | |

Please note: Payments shown are made to the organisations employing these individuals. These payments DO NOT reflect the salaries those individuals have been paid by their respective organisations.



GOVERNANCE AND AUDIT COMMITTEE

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|------------------------|---|
| Date of Meeting | Wednesday 28 th July 2021 |
| Report Subject | Treasury Management Annual Report 2020/21 and Treasury Management Update Q1 2021/22 |
| Report Author | Corporate Finance Manager |

EXECUTIVE SUMMARY

The draft Treasury Management Annual Report for 2020/21 is attached as Appendix 2 for review.

As required by the Council's Financial Procedure Rules the Annual Report will also be considered by Cabinet prior to approval by County Council. The Committee is requested to identify any matters that require bringing to the attention of Cabinet.

A summary of the key points is included in the body of the report.

The report also provides the first quarterly update on matters relating to the Council's Treasury Management Policy, Strategy and Practices 2021/22.

RECOMMENDATIONS

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| 1 | Members review the draft Treasury Management Annual Report 2020/21 and identify any matters to be drawn to the attention of Cabinet at its meeting in September. |
| 2 | Members review the Treasury Management 2021/22 first quarter update. |

REPORT DETAILS

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| 1.00 | EXPLAINING THE ANNUAL REPORT AND QUARTER 1 UPDATE |
| 1.01 | The Council has nominated the Governance and Audit Committee to be responsible for ensuring effective scrutiny of Treasury Management Strategy and Policies. The Governance and Audit Committee has previously agreed to include treasury management as a standing item on each quarterly agenda to receive an update. |
| 1.02 | On 18 th February 2020, the Council approved the Treasury Management Strategy 2020/21, following the recommendation of the Cabinet and consideration by the Audit Committee. |
| 1.03 | On 16 th February 2021, the Council approved the Treasury Management Strategy 2021/22, following the recommendation of the Cabinet and consideration by the Audit Committee. |
| | <u>CONSIDERATIONS</u> |
| | <u>Governance</u> |
| 1.04 | A schedule for the reporting cycle for Treasury Management reports in 2021/22 is attached as Appendix 1 for information. Where Members have any specific items of interest, concern or questions on the Council's Treasury Management Policies or Strategies these can be addressed within future reports upon request. |
| 1.05 | Annual Treasury Management training for all Members (hosted by the Governance and Audit Committee) delivered by the Council's Treasury Management advisors, Arlingclose Ltd, is being arranged for December 2021. December is considered to be the most appropriate time to schedule the training as it is before Members will be asked to approve the Treasury Management Strategy for the following financial year. Prior to the training, should any Member of the Committee require additional information or wish to learn more about a specific Treasury Management topic, officers are happy to assist. |
| | <u>Treasury Management Annual Report 2020/21</u> |
| 1.06 | The draft Treasury Management Annual Report for 2020/21 is attached as Appendix 2 for review. As required by the Council's Financial Procedure Rules the Annual Report will also be reported to the Cabinet prior to approval by County Council. |
| 1.07 | <u>Summary of Key Points</u> The major influence on the UK economy in 2020/21 was the COVID-19 Pandemic. The Bank of England cut the Bank Rate to 0.1% and the UK Government provided a range of fiscal stimulus measures to support the economy through this unprecedented time. Section 2 of the report provides a full economic and interest rate review for 2020/21. |

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| | The uncertainty created by the negotiations towards the UK's exit from the European Union continued until almost the end of 2020, with a trade deal being agreed with only days to spare before the 11pm, 31 st December deadline. |
| 1.08 | Short term money market rates remained at very low levels which continued to have a significant impact on investment income. The average return on Council investments for the year was 0.03%. Section 4 provides further details of the Council's investment activity during the year. |
| 1.09 | Public Works Loan Board (PWLB) long term rates temporarily increased during the Government's consultation on the PWLB loans facility, but returned to their previously low levels when the results of the consultation were announced in November 2020. A total of £8.96m PWLB loans were taken out during the year. Of these, £3.96m have been on-lent to NEW Homes, the Council's wholly owned subsidiary, to fund the building of affordable homes in Flintshire. Section 3 provides more information on borrowing and debt management during the year. |
| 1.10 | Debt rescheduling opportunities were considered by officers and the Council's Treasury Management advisors. The premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence. |
| 1.11 | The treasury function operated within the limits detailed in the Treasury Management Strategy 2020/21. |
| | Treasury Management 2021/22 – Quarter 1 update |
| | <u>Investments Update</u> |
| 1.12 | A statement setting out the Council's investments as at 30 th June 2021 is attached at Appendix 3. The investment balance at this date was £27.0m spread across 12 counterparties with an average interest receivable of 0.02%. |
| | <u>Borrowing Update</u> |
| 1.13 | Appendix 4 shows the Council's long term borrowing as at 30 th June 2021. The total amount of loans outstanding was £288.9m with an average interest rate payable of 4.62%. In May 2018 the Cabinet approved loans to NEW Homes to build or purchase affordable housing for rent. During Quarter 1, one loan of £0.582m was taken out with PWLB to fund the purchase costs relating to Broad Oak, Northop. |
| 1.14 | Appendix 5 shows the Council's short term borrowing as at 30 th June 2021. The total amount of loans outstanding was £34m with an average interest rate payable of 0.04%. |
| 1.15 | As has been reported previously, the borrowing strategy throughout 2020/21 and into 2021/22 has been to monitor capital expenditure plans to confirm the Council's long term borrowing need. This is to ensure that the Council does not commit to long term borrowing too early and borrow |

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| | unnecessarily which will be costly. Short term borrowing is available at much lower rates and is currently being utilised as far as possible without taking on excessive refinancing risk. |
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| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | Financial implications are addressed in the report. |

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| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | Arlingclose Ltd, being the Council's treasury management advisors. |

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| 4.00 | RISK MANAGEMENT |
| 4.01 | Risk Management is directly addressed within the report and appendices including identification of risks and measures to mitigate likelihood and impact of risks identified. |

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| 5.00 | APPENDICES |
| 5.01 | <ol style="list-style-type: none"> 1. Treasury Management Reporting Cycle 2021/22 2. Draft Treasury Management Annual Report 2020/21 3. Investment Portfolio as at 30 June 2021 4. Long term borrowing as at 30 June 2021 5. Short term borrowing as at 30 June 2021 |

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

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|-------------|--|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>Authorised Limit: A statutory limit that sets the maximum level of external debt for the Council.</p> <p>Balances and Reserves: Accumulated sums that are held, either for specific future costs or commitments (known as earmarked) or generally held to meet unforeseen or emergency expenditure.</p> <p>Bank Rate: The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".</p> |

Basis Point: A unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent). In most cases, it refers to changes in interest rates and bond yields. For example, if interest rates rise by 25 basis points, it means that rates have risen by 0.25% percentage points.

Bond: A certificate of debt issued by a company, government, or other institution. The bond holder receives interest at a rate stated at the time of issue of the bond. The price of a bond may vary during its life.

Capital Expenditure: Expenditure on the acquisition, creation or enhancement of capital assets.

Capital Financing Requirement (CFR): The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the local authority that has not been financed.

Certificates of Deposits (CD's): A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks. The term of a CD generally ranges from one month to five years.

Consumer Price Index (CPI): The UK's main measure of inflation (along with Retail Price Index or 'RPI') The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try and keep CPI at or close to the target set by the Government. The calculation of CPI includes many items of normal household expenditure but excludes some items such as mortgage interest payments and Council Tax.

Corporate Bonds: Corporate bonds are bonds issued by companies. The term is often used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies.

Cost of Carry: The "cost of carry" is the difference between what is paid to borrow compared to the interest which could be earned. For example, if one takes out borrowing at 5% and invests the money at 1.5%, there is a cost of carry of 3.5%.

Counterparty List: List of approved financial institutions with which the Council can place investments.

Credit Rating: Formal opinion by a registered rating agency of a counterparty's future ability to meet its financial liabilities; these are opinions only and not guarantees.

Debt Management Office (DMO): The DMO is an Executive Agency of Her Majesty's Treasury and provides direct access for local authorities into a government deposit facility known as the Debt Management Account Deposit Facility (DMADF). All deposits are guaranteed by HM Government and therefore have the equivalent of a sovereign credit rating.

Federal Reserve: The US central bank, the equivalent of the Bank of England. (Often referred to as “the Fed”).

Financial Instruments: Financial instruments are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument

Gilts: Gilts are bonds issued by the UK Government. They take their name from ‘gilt-edged’. They are deemed to be very secure as the investor expects to receive the full face value of the bond to be repaid on maturity.

IFRS: International Financial Reporting Standards.

LIBID: The London Interbank Bid Rate (LIBID) is the rate bid by banks on Eurocurrency deposits (i.e. the rate at which a bank is willing to borrow from other banks).

LIBOR: The London Interbank Offered Rate (LIBOR) is the rate of interest that banks charge to lend money to each other. The British Bankers' Association (BBA) work with a small group of large banks to set the LIBOR rate each day. The wholesale markets allow banks who need money to borrow from those with surplus amounts. The banks with surplus amounts of money are keen to lend so that they can generate interest which it would not otherwise receive.

LOBO: Stands for Lender Option Borrower Option. The underlying loan facility is typically very long-term - for example 40 to 60 years - and the interest rate is fixed. However, in the LOBO facility the lender has the option to call on the facilities at pre-determined future dates. On these call dates, the lender can propose or impose a new fixed rate for the remaining term of the facility and the borrower has the ‘option’ to either accept the new imposed fixed rate or repay the loan facility.

Maturity: The date when an investment or borrowing is repaid.

Maturity Structure / Profile: A table or graph showing the amount (or percentage) of debt or investments maturing over a time period.

Minimum Revenue Provision (MRP): An annual provision that the Council is statutorily required to set aside and charge to the Revenue Account for the repayment of debt associated with expenditure incurred on capital assets.

Monetary Policy Committee (MPC): Government Body that sets the Bank Rate. Its primary target is to keep inflation within 1% of a central target of 2%. Its secondary target is to support the Government in maintaining high and stable levels of growth and employment.

Money Market Funds (MMF): Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Non Specified Investment: Investments which fall outside the WG Guidance for Specified investments (below).

Operational Boundary: This linked directly to the Council's estimates of the CFR and estimates of other day to day cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Premiums and Discounts: In the context of local authority borrowing, (a) the premium is the penalty arising when a loan is redeemed prior to its maturity date and (b) the discount is the gain arising when a loan is redeemed prior to its maturity date.

Prudential Code: Developed by CIPFA and introduced in April 2004 as a professional code of practice to support local authority capital investment planning within a clear, affordable, prudent and sustainable framework and in accordance with good professional practice.

Prudential Indicators: Indicators determined by the local authority to define its capital expenditure and asset management framework. They are designed to support and record local decision making in a manner that is publicly accountable; they are not intended to be comparative performance indicators

Public Works Loans Board (PWLB): The PWLB is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. The PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Quantitative Easing (QE): In relation to the UK, it is the process used by the Bank of England to directly increase the quantity of money in the economy. It does not involve printing more banknotes. Instead, the Bank buys assets from private sector institutions – that could be insurance companies, pension funds, banks or non-financial firms – and credits the seller's bank account. So the seller has more money in their bank account, while their bank holds a corresponding claim against the Bank of England (known as reserves). The end result is more money out in the wider economy.

Retail Price Index (RPI): A monthly index demonstrating the movement in the cost of living as it tracks the prices of goods and services including mortgage interest and rent.

Revenue Expenditure: Expenditure to meet the continuing cost of delivery of services including salaries and wages, the purchase of materials and capital financing charges.

Specified Investments: Term used in the Welsh Assembly Guidance for Local Authority Investments. Investments that offer high security and high liquidity, in sterling and for no more than one year. UK government, local authorities and bodies that have a high credit rating.

Supported Borrowing: Borrowing for which the costs are supported by the government or third party.

Supranational Bonds: Instruments issued by supranational organisations created by governments through international treaties (often called multilateral development banks). The bonds carry an AAA rating in their own right. Examples of supranational organisations are the European Investment Bank, the International Bank for Reconstruction and Development.

Temporary Borrowing: Borrowing to cover peaks and troughs of cash flow, not to fund capital spending.

Term Deposits: Deposits of cash with terms attached relating to maturity and rate of return (Interest).

Treasury Bills (T-Bills): Treasury Bills are short term Government debt instruments and, just like temporary loans used by local authorities, are a means to manage cash flow. They are issued by the Debt Management Office and are an eligible sovereign instrument, meaning that they have an AAA-rating.

Treasury Management Code: CIPFA's Code of Practice for Treasury Management in the Public Services, initially brought in 2003, subsequently updated in 2009 and 2011.

Treasury Management Practices (TMP): Treasury Management Practices set out the manner in which the Council will seek to achieve its policies and objectives and prescribe how it will manage and control these activities.

Unsupported Borrowing: Borrowing which is self-financed by the local authority. This is also sometimes referred to as Prudential Borrowing.

Yield: The measure of the return on an investment instrument.

Treasury Management Reporting 2021/22

| Committee Report | Purpose | Governance & Audit Committee | Informal Cabinet | Cabinet | Council |
|--|-----------------------------|---|-------------------------|----------------|----------------|
| | | | | | |
| 2020/21 Final Outturn & Q1 2021/22 Update | Information & Policy Change | 28-Jul-21 | 07-Sep-21 | 21-Sep-21 | 19-Oct-21 |
| | | | | | |
| Mid Year Review 2021/22 & Q2 2021/22 Update | Information & Policy Change | 17-Nov-21 | 30-Nov-21 | 14-Dec-21 | 25-Jan-22 |
| | | | | | |
| 2022/23 Strategy & Q3 2021/22 Update | Information & Policy Change | 26-Jan-22 | 01-Feb-22 | 15-Feb-22 | 15-Feb-22 |
| | | | | | |
| Q4 2021/22 Update | Information | 23-Mar-22 | | | |
| | | | | | |

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FLINTSHIRE COUNTY COUNCIL

TREASURY MANAGEMENT

DRAFT ANNUAL REPORT 2020/21

1.00 INTRODUCTION

The Council approved the Treasury Management Strategy 2020/21 (the Strategy) including key indicators, limits and an annual investment strategy on 18th February 2020.

The Strategy was produced based on the 2017 edition of the *CIPFA Treasury Management in the Public Services: Code of Practice*.

The purpose of this report is to review the outcomes from 2020/21 treasury management operations and compare these with the Strategy.

Treasury management comprises the management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2.00 ECONOMIC & INTEREST RATE REVIEW 2020/21

This is provided by Arlingclose Ltd, the Council's treasury management advisors.

2.01 Economic background

The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut the Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline, having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the

furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have helped protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. Latest figures show the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The Office for National Statistics' preferred measure of CPIH, which includes owner-occupied housing, was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

2.02 Financial markets

Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices

performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

3.00 BORROWING REQUIREMENTS AND DEBT MANAGEMENT

3.01 PWLB (Public Works Loans Board) Certainty Rate

The Council qualified for the PWLB Certainty Rate, allowing the authority to borrow at a reduction of 20 basis points on the Standard Rate for a further 12 months from 1st November 2020.

3.02 Borrowing Activity in 2020/21.

The total long term borrowing outstanding, brought forward into 2020/21 was £291.3 million.

| | Balance 01/04/2020 £m | Debt Maturing £m | New Debt £m | Balance 31/03/2021 £m |
|--|--------------------------------------|---------------------------------|----------------------------|--------------------------------------|
| Capital Financing Requirement | 350.3 | (7.1) | 8.5 | 351.7 |
| Short Term Borrowing | 53.0 | (53.0) | 58.0 | 58.0 |
| Long Term Borrowing | 291.3 | (11.7) | 9.4 | 289.0 |
| TOTAL BORROWING | 344.3 | (64.7) | 67.4 | 347.0 |
| Other Long Term Liabilities | 4.5 | (0.6) | 0.0 | 3.9 |
| TOTAL EXTERNAL DEBT | 348.8 | (65.3) | 67.4 | 350.9 |
| Increase/(Decrease in Borrowing (£m)) | - | - | 2.1 | |

The Council's Capital Programme is financed by a combination of capital receipts and grants, capital expenditure charged to the revenue account (CERA) and borrowing. The borrowing strategy in recent years, in accordance with advice received from the Council's treasury management advisors, Arlingclose, has been to use existing cash balances and short term borrowing to confirm the long term borrowing requirement. This is to ensure that the Council does not commit to long term borrowing too early and borrow unnecessarily which will be costly. This is balanced against securing low interest costs and achieving cost certainty over the period for which the funds are required so as not to compromise the long term stability of the portfolio.

Short term borrowing continued to be available throughout the year at much lower rates than long term borrowing and was utilised as far as possible without exposing the Council to excessive refinancing risk. The total short term (temporary) borrowing as at 31st March 2021 was £58m with an average rate of 0.10%.

The relative costs and benefits of internal / short term borrowing and long term borrowing were monitored closely, in conjunction with Arlingclose, throughout the year. The Council continues to have a long term borrowing requirement and as PWLB long term rates remained low during the year the following loans were taken out:

| Start Date | Maturity Date | Amount | Rate | Loan Type |
|-------------------|----------------------|---------------|-------------|------------------|
| 02 Nov 2020 | 02 Nov 2057 | £1.406m | 2.53% | Annuity |
| 16 Dec 2020 | 16 Dec 2042 | £5.0m | 1.16% | EIP |
| 9 Feb 2021 | 9 Feb 2058 | £2.553m | 1.79% | Annuity |

£3.96m of these loans have been on-lent to NEW Homes, the Council's wholly owned subsidiary, to fund the building of affordable homes in Flintshire.

At 31st March 2021, £264.9m of the Council's loans were in the form of fixed rate with the PWLB, £18.95m were variable rate in the form of LOBO's (Lender Option Borrower Option) and £5.15m were interest free loans from the Government, available for specific schemes. The Council's average rate for long term borrowing was 4.61%.

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31st March 2021 was £351.7m. The Council's total external debt was £350.9m.

3.03 Loans at Variable Rates

The Council repaid its £10m PWLB variable rate loan in May 2020.

3.04 Lender Option Borrower Option loans (LOBOs)

The Council holds £18.95m of LOBOs, loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBOs had options during the year, none of which were exercised by the lender.

3.05 Debt Rescheduling

Options for debt rescheduling were explored in conjunction with our treasury management advisors. The premium charged for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. As a consequence no rescheduling activity was undertaken.

The Corporate Finance Manager, in conjunction with the Council's treasury management advisors, will continue to review any potential opportunities for restructuring the Council's debt in order to take advantage of potential savings as interest rates change and to enhance the balance of the long term portfolio (amend the maturity profile and/or the balance of volatility).

4.00 INVESTMENT ACTIVITY

4.01 Guidance

The Welsh Government's Investment Guidance gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

4.02 Investment Activity in 2020/21

Summary of investments as at 31st March 2021.

| Country | Total | <1 month | 1 –12 months | >12 months |
|-----------------------|-------------|-------------|--------------|------------|
| | £m | % | £m | £m |
| UK BANKS | 4.0 | 4.0 | | |
| UK BUILDING SOCIETIES | | | | |
| OVERSEAS | | | | |
| MMF's | 22.3 | 22.3 | | |
| LOCAL AUTHORITIES | 5.0 | 5.0 | | |
| DMO | 20.0 | 10.00 | 10.00 | |
| <u>TOTAL</u> | 51.3 | 41.3 | 10.00 | 0.0 |

As none of these investments were greater than three months they are classified as cash in the Council's Balance Sheet.

Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Strategy for 2020/21. Investments during the year included:

- Deposits with the Debt Management Office
- Deposits with other local authorities
- Investments in AAA-rated Low Volatility Net Asset Value (LVNAV) money market funds
- Call accounts and deposits with banks and building societies

4.03 Credit Risk

The Council assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP, and share price. The minimum long-term counterparty credit rating determined by the Council for the 2020/21 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's.

4.04 Counterparty Update

After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels, suggesting financial markets consider credit risk in the banking sector to have reduced. The gap in spreads between UK ring fenced and non-ring fenced entities remains with the ring-fenced entities typically benefiting from their lower risk business models and balance sheets.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank's rating and revised Barclays outlook to stable (from negative) while Moody's affirmed HSBC's long-term rating.

The vaccine approval and subsequent rollout programme are positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown from the pandemic. The Council's counterparty list recommended by treasury management advisors Arlingclose remains under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

4.05 Liquidity

In keeping with the WG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of money market funds and call accounts.

4.06 Yield

The UK Bank Rate remained at 0.10% throughout the year. Short term money market rates also remained at very low levels which continued to have a significant impact on investment income. The low rates of return on the Council's short-dated money market investments reflect prevailing market conditions and the Council's objective of optimising returns commensurate with the principles of security and liquidity.

The Council's budgeted investment income for the year had been prudently estimated at £75k. The average cash balance was £41.1m during the period and interest earned was £12.3k, at an average interest rate of 0.03%. This was offset by reductions in corresponding borrowing costs during the year.

4.07 Loans to NEW Homes

The loans to NEW Homes do not meet the definition of an investment and are not therefore included in the Council's investment figures below. They are classed as capital expenditure.

5.00 COMPLIANCE

The Council can confirm that it has complied with its Prudential Indicators for 2020/21. These were approved by Council as part of the Treasury Management Strategy on 18th February 2020.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2020/21. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

The treasury function operated within the limits detailed in the Treasury Management Policy and Strategy Statement 2020/21.

6.00 OTHER ITEMS

The following were the main treasury activities during 2020/21

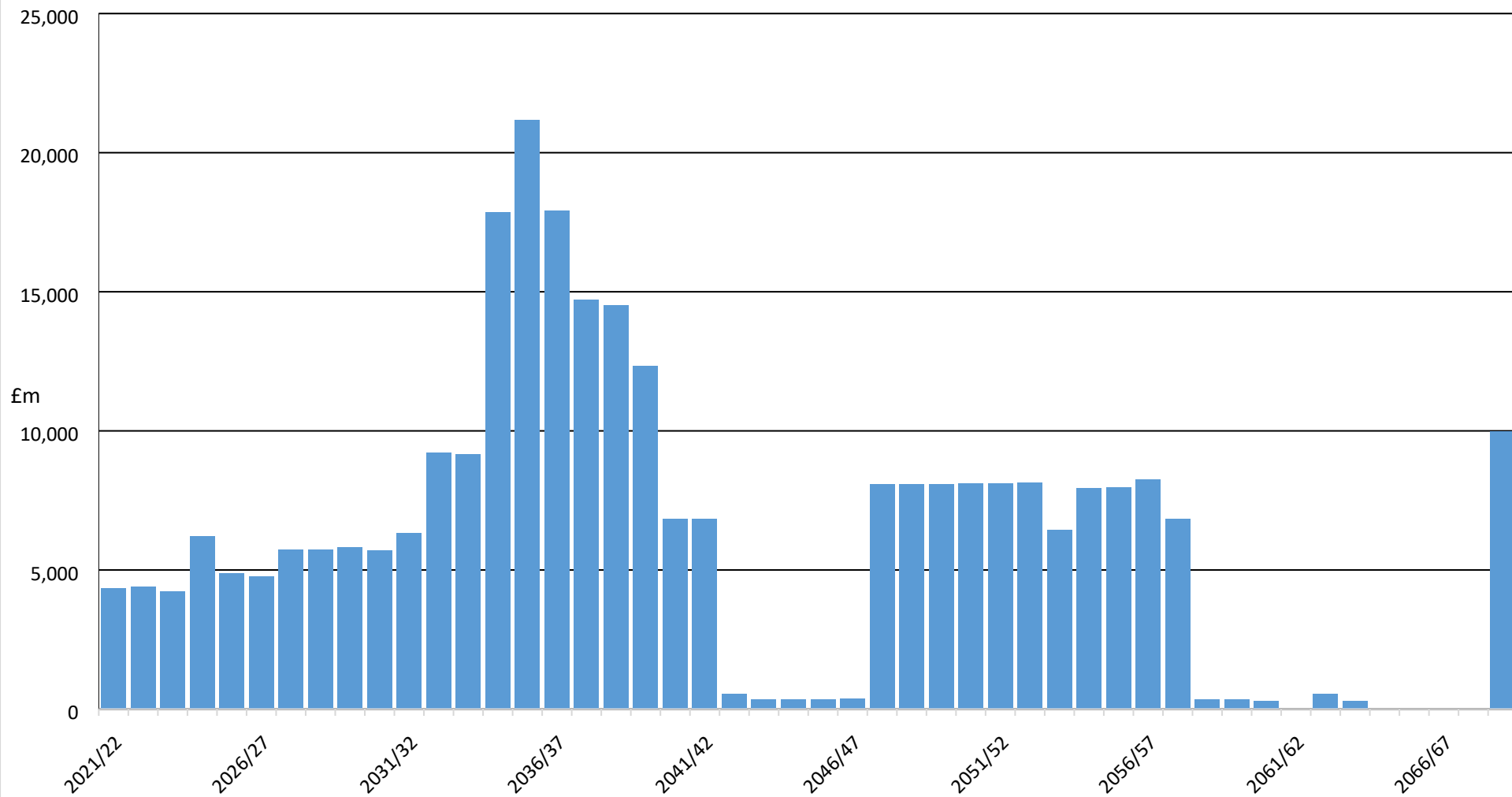
- The Council's Audit Committee received a Mid-Year Report on 18th November 2020.
- Quarterly update reports were presented to the Audit Committee.
- The 2021/22 Investment Strategy Statement was approved by Council on 16th February 2021.
- The Council's cash flow was managed on a daily basis. During the year the Council acted both as a borrower and as a lender and was a net borrower over the year in question. The maximum investments the Authority had on deposit at any one time were £80.5m and the maximum long-term borrowing at any one time was £290.7m.

7.00 CONCLUSION

The treasury management function has operated within the statutory and local limits detailed in the 2020/21 Treasury Management Strategy.

The Policy was implemented in a pro-active manner with security and liquidity as the focus.

Debt Maturity Profile - June 2021



FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO

At 30th June 2021

APPENDIX 3

| Counterparty Name | Amount Invested £m | Start Date | Maturity Date | Interest Rate | Investment Interest £ | Type of Investment | Period to Maturity |
|--|-----------------------|------------|---------------|---------------|--------------------------|--------------------|--------------------|
| POLICE & CRIME COMMISSIONER FOR GLOUCESTERSHIRE | 3.0 | 23/06/21 | 23/07/21 | 0.02% | 49 | LA | 1 month or less |
| POLICE & CRIME COMMISSIONER FOR GLOUCESTERSHIRE | 3.0 | | | | | | |
| ABERDEEN LIQUIDITY FUND | 3.0 | 01/06/21 | 31/07/21 | 0.01% | 49 | MMF | 1 month or less |
| ABERDEEN LIQUIDITY FUND | 3.0 | | | | | | |
| AVIVA INVESTORS | 2.7 | 01/06/21 | 31/07/21 | 0.01% | 44 | MMF | 1 month or less |
| AVIVA INVESTORS | 2.7 | | | | | | |
| BLACKROCK STERLING LIQUIDITY FUND | 0.2 | 01/06/21 | 31/07/21 | 0.01% | 3 | MMF | 1 month or less |
| BLACKROCK STERLING LIQUIDITY FUND | 0.2 | | | | | | |
| BNP PARIBAS SECURITIES SVCS | 3.0 | 01/06/21 | 31/07/21 | 0.02% | 99 | MMF | 1 month or less |
| BNP PARIBAS SECURITIES SVCS | 3.0 | | | | | | |
| CCLA PUBLIC SECTOR DEPOSIT | 3.0 | 01/06/21 | 31/07/21 | 0.03% | 148 | MMF | 1 month or less |
| CCLA PUBLIC SECTOR DEPOSIT | 3.0 | | | | | | |
| FEDERATED INVESTORS (UK) | 3.0 | 01/06/21 | 31/07/21 | 0.01% | 49 | MMF | 1 month or less |
| FEDERATED INVESTORS (UK) | 3.0 | | | | | | |
| INSIGHT LIQUIDITY FUND | 0.1 | 01/06/21 | 31/07/21 | 0.00% | 0 | MMF | 1 month or less |
| INSIGHT LIQUIDITY FUND | 0.1 | | | | | | |
| INVESCO | 3.0 | 01/06/21 | 31/07/21 | 0.01% | 49 | MMF | 1 month or less |
| INVESCO | 3.0 | | | | | | |
| MORGAN STANLEY | 3.0 | 01/06/21 | 31/07/21 | 0.03% | 148 | MMF | 1 month or less |
| MORGAN STANLEY | 3.0 | | | | | | |
| LLOYDS BANK | 2.0 | 16/10/20 | 31/07/21 | 0.01% | 158 | UK BANK | 1 month or less |
| LLOYDS BANK | 2.0 | | | | | | |
| NATIONAL WESTMINSTER BANK | 1.0 | 04/01/21 | 31/07/21 | 0.01% | 57 | UK BANK | 1 month or less |
| NATIONAL WESTMINSTER BANK | 1.0 | | | | | | |
| TOTAL | 27.0 | | | 0.02% | 854 | | |
| PREVIOUS REPORTS TOTALS (28th February 2021) | 33.2 | | | 0.01% | 1,337 | | |
| PREVIOUS YEARS REPORTS TOTALS (30th June 2020) | 27.5 | | | 0.01% | 49 | | |

FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY

At 30th June 2021

APPENDIX 3

| Type of Investment | Total Amount Invested £m | % of Total Portfolio | Period to Investment Maturity | | | |
|------------------------------|-----------------------------|----------------------|-------------------------------|--------------------|------------------|-------------------|
| | | | 1 month or less £m | 1 - 3 months £m | 3 months + £m | 12 months + £m |
| Debt Management Office (DMO) | 0.0 | 0% | | | | |
| UK Bank | 3.0 | 11% | 3.0 | | | |
| UK Building Society (UK BS) | 0.0 | 0% | | | | |
| Overseas | 0.0 | 0% | | | | |
| Local Authorities | 3.0 | 11% | 3.0 | | | |
| CD's | 0.0 | 0% | | | | |
| T-Bills | 0.0 | 0% | | | | |
| Money Market Funds (MMF) | 21.0 | 78% | 21.0 | | | |
| Total (£) | 27.0 | | 27.0 | 0.0 | 0.0 | 0.0 |
| Total (%) | | 100% | 100% | 0% | 0% | 0% |

FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

At 30th June 2021

APPENDIX 4

| Loan Start Date | Principal Loan Outstanding £ | Interest Rate % | Annual Interest £ | Loan Maturity Date |
|-----------------|------------------------------|-----------------|-------------------|--------------------|
|-----------------|------------------------------|-----------------|-------------------|--------------------|

| PWLB Fixed Rate Maturity Loans | | | | |
|--------------------------------|--------------------|-------------|-------------------|----------|
| 20/03/86 | 2,436,316 | 9.50 | 231,450 | 30/11/25 |
| 01/04/86 | 1,392,181 | 9.13 | 127,036 | 30/11/23 |
| 01/04/86 | 1,218,158 | 9.13 | 111,157 | 30/11/21 |
| 24/03/88 | 696,090 | 9.13 | 63,518 | 30/11/27 |
| 25/08/88 | 696,090 | 9.50 | 66,129 | 31/03/28 |
| 26/10/88 | 870,113 | 9.25 | 80,485 | 30/09/23 |
| 26/05/89 | 1,044,135 | 9.50 | 99,193 | 31/03/25 |
| 26/05/89 | 1,044,135 | 9.50 | 99,193 | 31/03/29 |
| 28/09/95 | 561,642 | 8.25 | 46,335 | 30/09/32 |
| 28/09/95 | 181,120 | 8.63 | 15,622 | 30/09/32 |
| 28/09/95 | 348,045 | 8.25 | 28,714 | 30/09/27 |
| 28/09/95 | 696,090 | 8.25 | 57,427 | 30/09/28 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/29 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/30 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/31 |
| 28/09/95 | 522,068 | 8.25 | 43,071 | 30/09/21 |
| 28/09/95 | 696,090 | 8.25 | 57,427 | 30/09/24 |
| 28/09/95 | 1,740,226 | 8.25 | 143,569 | 30/09/26 |
| 28/09/95 | 1,000,282 | 8.63 | 86,274 | 30/09/22 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/27 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/28 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/29 |
| 18/04/97 | 2,000,000 | 7.75 | 155,000 | 18/10/30 |
| 17/07/97 | 4,000,000 | 7.13 | 285,000 | 31/03/55 |
| 17/07/97 | 4,000,000 | 7.13 | 285,000 | 31/03/56 |
| 17/07/97 | 4,492,873 | 7.13 | 320,117 | 31/03/57 |
| 17/07/97 | 3,500,000 | 7.00 | 245,000 | 31/03/55 |
| 17/07/97 | 3,500,000 | 7.00 | 245,000 | 31/03/56 |
| 17/07/97 | 3,278,252 | 7.00 | 229,478 | 31/03/57 |
| 20/05/98 | 1,333,332 | 5.75 | 76,667 | 18/04/31 |
| 20/05/98 | 1,050,000 | 6.00 | 63,000 | 18/04/26 |
| 09/06/98 | 2,000,000 | 5.75 | 115,000 | 30/09/32 |
| 09/06/98 | 3,000,000 | 5.75 | 172,500 | 30/09/33 |
| 09/06/98 | 4,000,000 | 5.75 | 230,000 | 30/09/34 |
| 17/09/98 | 3,850,000 | 5.25 | 202,125 | 31/03/58 |
| 08/12/98 | 1,200,000 | 4.75 | 57,000 | 31/03/54 |
| 08/12/98 | 2,500,000 | 4.75 | 118,750 | 31/03/58 |
| 08/12/98 | 4,800,000 | 4.50 | 216,000 | 31/03/54 |
| 01/04/99 | 6,000,000 | 4.63 | 277,500 | 31/03/53 |
| 22/04/99 | 4,000,000 | 4.50 | 180,000 | 31/03/52 |
| 10/08/99 | 1,700,000 | 4.50 | 76,500 | 31/03/53 |
| 10/08/99 | 3,700,000 | 4.50 | 166,500 | 31/03/52 |
| 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/51 |
| 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/50 |
| 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/49 |
| 10/08/99 | 7,700,000 | 4.50 | 346,500 | 31/03/48 |
| 05/04/01 | 2,500,000 | 4.75 | 118,750 | 31/03/25 |
| 15/11/01 | 1,400,000 | 4.50 | 63,000 | 31/03/23 |
| 15/11/01 | 1,350,000 | 4.50 | 60,750 | 31/03/22 |
| 02/08/05 | 1,700,000 | 4.45 | 75,650 | 18/04/31 |
| 02/08/05 | 4,900,000 | 4.45 | 218,050 | 18/04/32 |
| 02/08/05 | 4,600,000 | 4.45 | 204,700 | 18/04/33 |
| 02/08/05 | 1,800,000 | 4.45 | 80,100 | 18/04/34 |
| 02/08/05 | 2,244,611 | 4.45 | 99,885 | 18/04/35 |
| 02/04/15 | 8,000,000 | 4.17 | 333,600 | 02/10/36 |
| 02/04/15 | 7,000,000 | 4.18 | 292,600 | 02/04/37 |
| 02/04/15 | 7,000,000 | 4.19 | 293,300 | 02/10/37 |
| 02/04/15 | 7,000,000 | 4.20 | 294,000 | 02/04/38 |
| 02/04/15 | 7,000,000 | 4.21 | 294,700 | 02/10/38 |
| 02/04/15 | 5,448,094 | 4.22 | 229,910 | 02/04/39 |
| 02/04/15 | 10,800,000 | 4.11 | 443,880 | 02/10/34 |
| 02/04/15 | 9,000,000 | 4.13 | 371,700 | 02/04/35 |
| 02/04/15 | 9,000,000 | 4.14 | 372,600 | 02/10/35 |
| 02/04/15 | 9,000,000 | 4.16 | 374,400 | 02/04/36 |
| 06/12/18 | 10,000,000 | 2.64 | 264,000 | 06/12/68 |
| Total | 230,810,621 | 5.13 | 11,840,018 | |

| PWLB Fixed Rate Annuity Loans | | | | |
|-------------------------------|-------------------|-------------|----------------|----------|
| 06/12/18 | 7,312,163 | 2.79 | 204,009 | 06/01/63 |
| 07/01/20 | 576,432 | 3.06 | 17,639 | 07/01/60 |
| 30/03/20 | 290,195 | 2.65 | 7,690 | 30/03/60 |
| 30/03/20 | 1,055,463 | 2.65 | 27,970 | 30/03/60 |
| 02/11/20 | 1,394,799 | 2.55 | 35,609 | 02/11/57 |
| 09/02/21 | 2,552,535 | 1.79 | 45,690 | 09/02/58 |
| 30/04/21 | 582,191 | 2.15 | 12,517 | 30/04/61 |
| | 13,763,777 | 2.55 | 351,125 | |

| PWLB Fixed Rate Equal Instalment of Principal Loans | | | | |
|---|-------------------|-------------|----------------|----------|
| 01/04/19 | 8,666,667 | 1.65 | 162,250 | 01/04/34 |
| 13/08/19 | 6,875,000 | 1.28 | 88,000 | 13/08/37 |
| 16/12/20 | 4,886,364 | 1.16 | 56,682 | 16/12/42 |
| | 20,428,030 | 1.41 | 306,932 | |

| Market Fixed Rate Loans (LOBOS) | | | | |
|---------------------------------|-------------------|-------------|----------------|----------|
| 24/07/07 | 6,350,000 | 4.48 | 284,480 | 24/01/40 |
| 24/07/07 | 6,300,000 | 4.53 | 285,075 | 24/01/41 |
| 24/07/07 | 6,300,000 | 4.58 | 288,540 | 24/01/42 |
| Total | 18,950,000 | 4.53 | 858,095 | |

| Other Government Loans | | | | |
|------------------------|------------------|----------|----------|----------|
| 21/09/17 | 267,718 | 0.00 | 0.00 | 01/04/22 |
| 19/12/17 | 350,000 | 0.00 | 0.00 | 01/04/23 |
| 27/03/18 | 1,729,128 | 0.00 | 0.00 | 01/10/28 |
| 21/10/15 | 460,000 | 0.00 | 0.00 | 31/03/30 |
| 20/10/16 | 400,000 | 0.00 | 0.00 | 31/03/31 |
| 04/12/18 | 46,125 | 0.00 | 0.00 | 01/10/22 |
| 27/03/19 | 1,183,173 | 0.00 | 0.00 | 01/04/29 |
| 05/05/20 | 461,500 | 0.00 | 0.00 | 31/03/26 |
| | 4,897,644 | 0 | 0 | |

| Totals | | | | |
|--------------------|--------------------|-------------|-------------------|--|
| Fixed Rate | 265,002,428 | | 12,498,074 | |
| Variable Rate | 0 | | 0 | |
| LOBOs | 18,950,000 | | 858,095 | |
| Other | 4,897,644 | | 0 | |
| Grand Total | 288,850,072 | 4.62 | 13,356,169 | |

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FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING

At 30th June 2021

APPENDIX 5

| Counterparty Name | Amount Borrowed £m | Start Date | Maturity Date | No of days | Interest Rate | Interest due £ | Brokerage due £ | Period to Maturity |
|---|-----------------------|------------|---------------|------------|---------------|-------------------|--------------------|--------------------|
| ISLE OF ANGLESEY COUNCIL | 5.0 | 23/06/21 | 23/09/21 | 92.00 | 0.03% | 378 | 1,008 | 1-3 months |
| ISLE OF ANGLESEY COUNCIL | 5.0 | | | | | | | |
| BLACKBURN WITH DARWEN COUNCIL | 4.0 | 28/04/21 | 28/07/21 | 91.00 | 0.03% | 299 | 798 | less than 1 month |
| BLACKBURN WITH DARWEN COUNCIL | 4.0 | | | | | | | |
| FYLDE BOROUGH COUNCIL | 2.0 | 23/06/21 | 23/09/21 | 92.00 | 0.03% | 151 | 403 | 1-3 months |
| FYLDE BOROUGH COUNCIL | 2.0 | | | | | | | |
| GWYNEDD COUNTY COUNCIL | 5.0 | 23/06/21 | 23/09/21 | 92.00 | 0.03% | 378 | 1,008 | 1-3 months |
| GWYNEDD COUNTY COUNCIL | 5.0 | | | | | | | |
| MIDDLESBROUGH COUNCIL/TEESIDE PENSION FUND | 4.0 | 23/06/21 | 23/09/21 | 92.00 | 0.02% | 202 | 807 | 1-3 months |
| MIDDLESBROUGH COUNCIL/TEESIDE PENSION FUND | 4.0 | | | | | | | |
| SOUTH GLOUCESTERSHIRE COUNCIL | 5.0 | 23/06/21 | 23/09/21 | 92.00 | 0.03% | 378 | 1,008 | 1-3 months |
| SOUTH GLOUCESTERSHIRE COUNCIL | 5.0 | | | | | | | |
| TEES VALLEY COMBINED AUTHORITY | 5.0 | 23/03/21 | 23/08/21 | 153.00 | 0.15% | 3,144 | 807 | 1-3 months |
| TEES VALLEY COMBINED AUTHORITY | 5.0 | | | | | | | |
| VALE OF GLAMORGAN COUNCIL | 3.0 | 23/06/21 | 22/09/21 | 91.00 | 0.03% | 224 | 598 | 1-3 months |
| VALE OF GLAMORGAN COUNCIL | 3.0 | | | | | | | |
| WEST BERKSHIRE COUNCIL | 1.0 | 23/06/21 | 23/09/21 | 92.00 | 0.03% | 76 | 76 | 1-3 months |
| WEST BERKSHIRE COUNCIL | 1.0 | | | | | | | |
| TOTAL | 34.0 | | | | 0.04% | 5,230 | 6,513 | |
| PREVIOUS REPORTS TOTALS (28th February 2021) | 38.0 | | | | 0.03% | 2,910 | 7,496 | |
| PREVIOUS YEARS REPORTS TOTALS (30th June 2020) | 34.0 | | | | 0.77% | 161,229 | 15,263 | |

SHORT TERM BORROWING SUMMARISED BY TYPE & MATURITY

At 30th June 2021

APPENDIX 5

| SHORT TERM BORROWING TYPE | Total Amount Borrowed £m | % of Total Portfolio | Period to Maturity | | | |
|------------------------------|-----------------------------------|----------------------------|--------------------------|-----------------------|---------------------|----------------------|
| | | | 1 month or less £m | 1 - 3 months £m | 3 months + £m | 12 months + £m |
| UK Bank | 0.0 | 0% | | | | |
| UK Building Society (UK BS) | 0.0 | 0% | | | | |
| Local Authorities | 34.0 | 100% | 4.0 | 30.0 | 0 | |
| Total (£) | 34.0 | | 4.0 | 30.0 | 0.0 | 0.0 |
| Total (%) | | 100% | 12% | 88% | 0% | 0% |



GOVERNANCE & AUDIT COMMITTEE

| | |
|------------------------|--|
| Date of Meeting | Wednesday 28 th July 2021 |
| Report Subject | Development of a Corporate Self-Assessment Model |
| Report Author | Chief Executive, Chief Officer Governance and Internal Audit Manager |

EXECUTIVE SUMMARY

Under the Local Government and Elections (Wales) Bill, the Council must put in place a system of corporate self-assessment to review the extent to which:

- a) it is exercising its functions effectively,
- b) it is using its resources economically, efficiently and effectively, and
- c) its governance is effective for securing the matters set out in paragraphs (a) and (b).

The duty comes fully into effect in April 2022, but preparations are underway to prepare in this financial year for a 'trial' run. There is no prescribed model for how to undertake such an assessment. We are suggesting a three-stage process having drawn on our experience and in consultation with national advisors:

- 1) draw together evidence from existing sources and identify whether further targeted evidence needs to be gathered;
- 2) formulate and test conclusions
- 3) review of the findings by this Committee and agreement of an action plan by Cabinet prior to publication

RECOMMENDATIONS

| | |
|---|---|
| 1 | That the Committee endorses the proposed model for the first and trial corporate self-assessment. |
|---|---|

REPORT DETAILS

| | |
|-------------|--|
| 1.00 | EXPLAINING THE RECRUITMENT OF A LAY MEMBER |
| 1.01 | <p>The Local Government and Elections (Wales) Act 2021 requires the Council to establish a process to review the extent to which:</p> <ul style="list-style-type: none"> a) it is exercising its functions effectively, b) it is using its resources economically, efficiently and effectively, and c) its governance is effective for securing the matters set out in paragraphs (a) and (b). <p>These are the so called “performance functions”.</p> <p>The Council must also consult the following groups at least once per financial year on how well it carries out those performance functions:</p> <ul style="list-style-type: none"> • local people, • other persons carrying on a business in the Council's area, • the staff of the council, and • recognised trade unions. |
| 1.02 | <p>The duty comes fully into effect in April 2022, but preparations are underway to develop the process in this financial year, so that the Council can</p> <ul style="list-style-type: none"> • help to shape how such reviews should be carried out; and • test out how the process could and should work so that it adds value to our existing performance and governance regime |
| 1.03 | <p>We are developing a three stage model as follows:</p> <ol style="list-style-type: none"> 1) Evidence gathering – the Council gathers existing evidence such as the Annual Governance Statement (AGS), existing self-assessments, reports by external regulators etc. and identifies any gaps where further work is needed 2) Conclusions and testing – the Council draws conclusions about its discharge of the performance functions and considers whether to test those conclusions using targeted consultation 3) Approval and publication – this Committee must review and comment on the self-assessment before it is considered by Cabinet, which will then publish an action plan to address any areas that need to be bolstered |
| 1.04 | <p>At Stage One evidence will be gathered against the themes below:</p> <ul style="list-style-type: none"> • Vision, Strategy and Performance • Resource planning and management • Partnership working • Innovation and change management |

| | |
|------|---|
| | <ul style="list-style-type: none"> • Organisational governance, ethics and values • Organisational leadership and operating models • Customer and community engagement • Risk management and business continuity |
| 1.05 | The assessment process needs to balance depth and thoroughness with proportionality. We need to avoid becoming lost in detail. Areas of inconclusive analysis and areas of concern with scope for improvement can be followed through at the close of the self-assessment process. Stage one is due to be completed by the end of October 2021. |
| 1.06 | A project board has been formed to oversee the process. The board will ensure that we maintain a fast paced, creative approach whilst having an understanding of their portfolio or due to their position within the Council. |
| 1.07 | The second stage will test out 'the proposition' of initial conclusions from the analysis and evaluation stage one. We will test the initial conclusions from stage one against the views and opinions of those to be surveyed and interviewed in order to keep the assessment focused. |
| 1.08 | The third and closing stage will involve the production of a formal and final published assessment and action plan which will be led by the Cabinet and run through both the Overview and Scrutiny Committees and the Governance and Audit Committee for input and assurance. |

| | |
|-------------|---|
| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | The potential resource in officer for such a process could be excessive. The process therefore needs to be carefully designed and controlled. Using evidence at Stage One will help to limit the resource implications. |

| | |
|-------------|---|
| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | None. |

| | |
|-------------|---|
| 4.00 | RISK MANAGEMENT |
| 4.01 | The Council's risk management framework will feed into the Corporate self-assessment. |

| | |
|-------------|-------------------|
| 5.00 | APPENDICES |
| 5.01 | None |

| | |
|-------------|---|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | Contact Officer: Gareth Owens, Chief Officer Governance Telephone: 01352 702344 E-mail: gareth.legal@flintshire.gov.uk |

| | |
|-------------|--------------------------|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | None. |



GOVERNANCE AND AUDIT COMMITTEE

| | |
|------------------------|---|
| Date of Meeting | Wednesday, 28 th July 2021 |
| Report Subject | Counter Fraud Arrangements in the Public Sector |
| Report Author | Internal Audit Manager |
| Type of Report | Assurance |

EXECUTIVE SUMMARY

In June 2019 the Auditor General published an overview for the Public Accounts Committee describing counter-fraud arrangements in the Welsh public sector. The report was a high-level, descriptive review of the arrangements in place within the Welsh Government, the NHS and local government.

This report was taken to the Public Accounts Committee where it was agreed to undertake a Phase 2 review across a range of Welsh public sector bodies to examine how effective counter-fraud arrangements are in practice and to make recommendations for improvement.

In 2020 Audit Wales undertook a national review (Phase 2) following a more extensive programme of work to collectively assess how public sector in Wales was placed to tackle fraud.

The report attached, Appendix A, details the outcome of this review.

RECOMMENDATIONS

| | |
|---|---|
| 1 | The Committee is assured that the Council is taking appropriate steps to counter the risk of fraud. |
|---|---|

REPORT DETAILS

| | |
|-------------|---|
| 1.00 | EXPLAINING THE COUNTER FRAUD ARRANGEMENTS IN THE PUBLIC SECTION REPORT |
| 1.01 | In 2020 Audit Wales issued the 'Raising Our Game' Tackling Fraud in Wales report. This was a national report who collectively assessed how public sector in Wales was placed to tackle fraud. |
| 1.02 | The review examined seven key themes that all public sector bodies needed to focus on in raising their game to tackle fraud more effectively. |

| | |
|------|--|
| | <ul style="list-style-type: none"> • leadership and culture; • risk management and control frameworks; • policies and training; • capacity and expertise; • tools and data; • collaboration; and • reporting and scrutiny. |
| 1.03 | <p>The outcome of this national review identified a range of opportunities to improve on the current national position this included:</p> <ul style="list-style-type: none"> • Strengthening strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector; • Increasing counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies; • Getting the right balance between proactive and reactive counter-fraud activities; • Improving awareness-raising and staff training in counter-fraud; and • Better evaluation of fraud risks and sharing of fraud information, both within and across sectors. <p>Overall, fifteen recommendations were made across the Public sector in Wales and not specific to an individual Council. Appendix B identified those recommendations and the comments or proposed actions against each for Flintshire.</p> |
| 1.04 | <p>Since this report Flintshire has made further progress on enhancing the prevention and detection of fraud. This being:</p> <ul style="list-style-type: none"> • Flintshire has set up and chaired the North Wales Fraud Network Group; • Finalising an on line fraud reporting system; • Establishing a detailed programme of work for Tackling Fraud; and • Resources allocated within the Audit Plan to support this programme of work. |

| | |
|-------------|----------------------------------|
| 2.00 | RESOURCE IMPLICATIONS |
| 2.01 | None as a result of this report. |

| | |
|-------------|---|
| 3.00 | CONSULTATIONS REQUIRED / CARRIED OUT |
| 3.01 | None |

| | |
|-------------|---|
| 4.00 | RISK MANAGEMENT |
| 4.01 | Effective risk management framework within the Council is integral to the anti-fraud culture. |

| | |
|-------------|--|
| 5.00 | APPENDICES |
| 5.01 | Appendix A – Raising our Game – Tackling Fraud in Wales Report. Appendix B – National Recommendations and Action Plan |

| | |
|-------------|--|
| 6.00 | LIST OF ACCESSIBLE BACKGROUND DOCUMENTS |
| 6.01 | None. Contact Officer: Lisa Brownbill, Internal Audit Manager Telephone: 01352 702231 E-mail: Lisa.brownbill@flintshire.gov.uk |

| | |
|-------------|---|
| 7.00 | GLOSSARY OF TERMS |
| 7.01 | <p>Fraud: Any illegal act characterised by deceit, concealment, or violation of trust.</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>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> |
|--|

'Raising Our Game' Tackling Fraud in Wales

Report of the Auditor General for Wales

July 2020



This report has been prepared for presentation to the Senedd under the Government of Wales Acts 1998 and 2006 and the Public Audit (Wales) Act 2004.

The Audit Wales study team comprised Rachel Davies, Christine Nash and Ian Hughes, under the direction of Mike Usher.

The Auditor General is independent of the Senedd and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the Senedd on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Foreword by the Auditor General

- 1 In June 2019, I published a report giving an overview of the scale of fraud in the Welsh public sector, together with a description of counter-fraud arrangements across the Welsh Government, the NHS and Local Government. I noted that the sums lost annually in Wales to fraud and error are significant – and could be anywhere between £100 million and £1 billion. The Crime Survey for England and Wales recognises fraud as being one of the most prevalent crimes in society today.
- 2 However, some senior public sector leaders are sceptical about the levels of fraud within their organisations. As a result, they are reluctant to invest in counter-fraud arrangements and assign a low priority to investigating cases of potential fraud identified to them by the National Fraud Initiative, even though there are many examples of a good return on investment in this area. Their stance runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the UK Government's Counter Fraud Function. This latest report, which examines the effectiveness of counter-fraud arrangements at over 40 public-sector bodies in Wales, has found that where such scepticism arises, it is not based on any significant local counter-fraud work or robust fraud risk assessments.
- 3 But we also know that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people. There has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic. I welcome the proactive steps which the Welsh Government has taken to raise awareness across the public sector in Wales about this risk.

- 4 Public sector bodies can mitigate these risks by having the right organisational culture supported by strong counter-fraud arrangements. Many local authorities have invested so little in counter-fraud arrangements that they have only a few of the key components in place. Whilst the position is generally much more robust across the NHS in Wales, there is still a challenging agenda to make counter-fraud fit for the next decade where globalisation and the advent of digital technology have created new risks, and opportunities, for the fraudsters.
- 5 I was heartened to see the Welsh Government's positive response to my 2019 report and, following the one-day conference organised by the Public Accounts Committee in July 2019, the Permanent Secretary's commitment (see **Appendix 2**) to provide Wales-wide leadership in raising the profile of counter-fraud activity.
- 6 In this latest report, based on a more extensive programme of field work, we identify a significant range of further opportunities to improve on the current national position, including:
 - a strengthening strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
 - b increasing counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies;
 - c getting the right balance between proactive and reactive counter-fraud activities;
 - d improving awareness-raising and staff training in counter-fraud; and
 - e better evaluation of fraud risks and sharing of fraud information, both within and across sectors.
- 7 There is also significant potential for Wales to take advantage, where appropriate, of many of the counter-fraud initiatives underway across the wider UK public sector. These include the recent establishment of a recognised government counter-fraud profession, with defined competencies and career paths, and the increasing focus on tackling fraud by smarter use of data analytics.

- 8 As I publish this report, Wales continues to grapple with the effects of the COVID-19 pandemic. This report contains a timely illustration of some of the ways in which fraudsters have moved rapidly in recent months to exploit the pandemic for criminal gain. I have already taken steps to extend the scope of our National Fraud Initiative (NFI) to enable local authorities in Wales to undertake eligibility checks on applications for COVID-19 support grants. I am also proposing to mandate that all local authorities, together with the Welsh Government, should submit COVID-19 grant and payment data to the NFI, to help identify fraudulent applications.



Adrian Crompton

Auditor General for Wales

Summary and recommendations

Ensuring that the arrangements for preventing and detecting fraud in the Welsh public sector are effective

This report examines seven '**key themes**' that all public bodies need to focus on in raising their game to tackle fraud more effectively:

- leadership and culture;
- risk management and control frameworks;
- policies and training;
- capacity and expertise;
- tools and data;
- collaboration; and
- reporting and scrutiny.

For each theme in turn, the report examines:

- why it is important;
- what our audit fieldwork identified in terms of current working practices and their effectiveness across the 40 Welsh public sector bodies that we examined (listed in **Appendix 1**); and
- what needs to happen next to generate improvement.

Our **recommendations for improvement** which are addressed to all public bodies in Wales within the Auditor General's remit, are as follows:

Theme

What needs to happen next?

Leadership and Culture



- R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a coordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities.
- R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.

Risk management and Control framework



- R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.
- R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.

Policies and Training



- R5** All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.
- R6** Staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.
- R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.

Theme

Capacity and Expertise



What needs to happen next?

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling /sharing of resources in order to maximise the availability of appropriately skilled staff.

Tools and Data



- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforces the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.

Collaboration

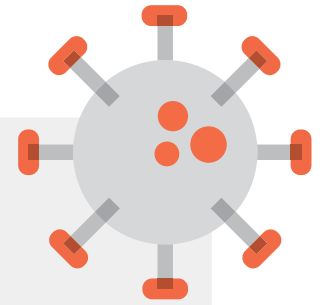


- R13** Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.

Reporting and Scrutiny



- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing support and direction, monitoring and holding officials to account.



The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We know from experience that fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Fraudsters and scammers were quickly on the scene earlier this year whilst the flooding in South Wales was ruining the homes and lives of local people.

Predictably, there has been an explosion in fraudulent activity, and especially in cyber crime, during the current COVID-19 pandemic.

The first reported positive cases of COVID-19 were reported in the UK on 31 January 2020. By this time the fraudsters and scammers had mobilised and were already hard at work.

The first fraud report relating to COVID-19 was received on February 9 by Action Fraud, the UK's fraud reporting centre. Since that time, the number of reports has increased significantly across the UK – the media reporting an unprecedented number of scams linked to the virus.

We have seen examples of good practice by some public bodies and organisations in Wales in identifying the fraud risks and sharing them with other bodies and citizens. The Welsh Government is liaising with the UK Cabinet Office and is sharing its guidance and learning on counter-fraud with the rest of the public service in Wales, including Local Authority Counter Fraud leads. Welsh Government officials have agreed to maintain and develop this group post-COVID. The intelligence obtained from these meetings has also assisted the Head of Counter Fraud with fraud intelligence sharing with Cabinet Office and the three other devolved administration fraud leads.

But has the Welsh public sector response been more reactive than proactive? What can we do better? Whilst globalisation has benefited the fraudsters it can also be to the advantage of counter-fraud specialists; we had early notice of scams from thousands of miles away a few weeks before the first case of COVID-19 was identified in the UK.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

We believe that the COVID-19 pandemic provides an important opportunity for the Welsh counter-fraud community to come together (by appropriate means) and reflect on the speed and effectiveness of its response to the scammers and fraudsters.

The key issues and recommendations set out in this report could help set an agenda or framework for such an event. There has never been a timelier opportunity for Welsh public sector leaders and counter-fraud specialists to consider how to:

- create stronger strategic leadership, coordination and oversight for counter-fraud across the Welsh public sector;
- make best use of counter-fraud capacity and capabilities and explore the potential for shared arrangements, resources and expertise;
- get a better balance between proactive and reactive counter-fraud activities;
- raise awareness amongst employees and provide the necessary training to those most likely to come across a fraud; and
- evaluate fraud risks more effectively and share fraud information both within and across sectors.

So, what do we already know about the fraudsters' response to the pandemic?

The mobilisation of fraudsters has benefited from a number of factors, for example:

- more people are spending time online to shop and socially interact. Elderly people are seen as particularly vulnerable, being generally less computer literate and more susceptible to scams such as phishing emails and ordering fake products such as face masks and sanitisers.
- working patterns have changed at short notice which can leave weaknesses in processes and procedures.
- an unprecedented amount of public money has been put into a range of new and innovative financial support schemes to businesses and individuals.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

Fraudsters and scammers mobilised quickly for a number of reasons:

- they are very good at evaluating risks and exploiting vulnerabilities which can be at a process or at an individual level;
- they have well-established tools and methodologies and can adapt them at short notice to a new opportunity; and
- they do not recognise geographical boundaries and can be effective individually and by collaborating with like-minded individuals.

There are more examples of COVID-19 frauds and scams coming to light than can be mentioned here. There are, however, a number of themes emerging:

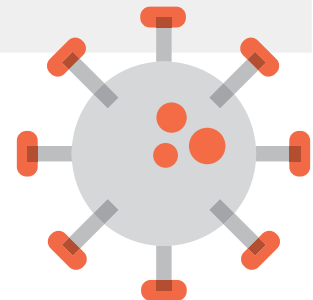
- the early reports related to the sale of Personal Protective Equipment such as face masks and hand sanitiser and testing kits. Typically, the items were fake or often failed to arrive after payment had been made¹.
- the next to emerge were phishing emails. For example, one claiming to be from the Department for Work and Pensions (DWP) asking the individual for debit or credit card details by saying that they are entitled to a council tax refund.
- as the attentions and resources of organisations were diverted to new ways of working and many staff were laid off, the incidence of cyber security attacks to steal business-sensitive and personal data increased.
- with more people working from home following the UK-wide lockdown, phishing campaigns then targeted applications that are being relied upon during remote working, in particular popular conference calling applications and parcel delivery firms.

¹ NHS in Wales introduced arrangements to mitigate against this fraud risk and it did not become an issue.

The COVID-19 pandemic: a case study in how scammers and fraudsters are ready to exploit a crisis

- as the national focus turned to test and track, the fraudster's net became wide and indiscriminate, as shown by a fake text message attempting to dupe people into believing they have been in contact with someone who has tested positive for the virus, directing recipients to a website for more information. The link is then used to harvest personal and financial data.

A world-leading counter-fraud response would mean that counter-fraud specialists had identified the risks at least at the same pace as the fraudsters, if not sooner. It would also mean they had the right tools to prevent and detect fraudsters exploiting any new opportunities; and that the counter-fraud response was mobilised rapidly through effective collaboration and information sharing.





Culture and leadership across the Welsh public sector

01

Why is it important?

- 1.1 The Crime Survey for England and Wales recognises fraud as one of the most prevalent crimes in society today. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services. Public sector bodies can mitigate the risks from fraud by having the right organisational culture supported by effective counter-fraud arrangements.
- 1.2 Strong leadership sets the appropriate tone from the top of an organisation and plays a crucial part in fostering a culture of high ethical standards. It is important that senior management leads by example and sends a clear message that fraud will not be tolerated either from inside or outside of the organisation. A strong tone at the top can raise the profile of fraud risks and promote the best standards and approaches in counter-fraud work.

What did we find?

- 1.3 Other than in the NHS there is an absence of any overarching strategic approach, guidance, coordination and oversight.
- 1.4 In NHS Wales, the NHS Counter Fraud Service² provides leadership, specialist investigation skills, support and guidance to the sector and a Counter Fraud Steering Group³ provides strategic direction and oversight. This leadership model delivers a coordinated approach to counter-fraud across the NHS in Wales and a good counter-fraud culture complemented by inbuilt scrutiny of the arrangements. The legal framework specific to the NHS Wales and the levels of investment give counter-fraud a high profile and robust enforcement and recovery mechanisms. At a local level, strategic leadership was evident within Health Boards through the dissemination of a consistent message, both internally and externally, that fraud is not tolerated.

2 Which is hosted by the NHS Wales Shared Services Partnership

3 A sub-group of the All Wales Directors of Finance Forum

- 1.5 Across local authorities there is an absence of sector-wide strategic leadership, guidance, coordination and oversight of counter fraud. Within the individual authorities we found statements espousing a zero tolerance of fraud in policies and strategic documents. But there is much more that can be done to re-enforce the tone from the top at a practical level. We found examples where the leadership team actively promotes the importance of a good anti-fraud culture through awareness campaigns, newsletters to staff and active engagement with counter-fraud teams. But we also found in many authorities that there was little evidence that the message is driven down from the top and little priority is given to counter-fraud work. There were often competing priorities and, as a result, little time was given to counter-fraud and it often had a low profile.
- 1.6 In Central Government, the position is mixed. Within Welsh Government, we found evidence that counter-fraud is taken seriously, and a small team has achieved many successful outcomes, albeit its emphasis leans towards reactive rather than proactive work. We have been encouraged to see that the Welsh Government has accepted both of the recommendations made by the Public Accounts Committee following our first report. However, there remains a leadership gap that still needs to be addressed.
- 1.7 Across the other central government bodies that we examined, counter-fraud is not always given such a high priority. One reason for this appears to be the very low incidence of fraud being identified and reported; this poses the difficult question of whether this is due to a lack of investment in counter-fraud or a genuine low incidence of crime taking place. However, this latter explanation runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 1.8 The threat posed by fraud is also getting greater recognition within the UK. The UK government, for example, is working to make central government, and the public sector more widely, a place where fraud is actively found and robustly dealt with. It is transforming its whole approach to counter-fraud by:
- a establishing a counter-fraud function;
 - b developing and launching a Government Functional Standard (GovS013);
 - c establishing a 'Government Counter Fraud Profession' to develop people and increase capability;
 - d providing expert advice to the rest of government on how to deal with fraud;
 - e delivering specialist services to assist public bodies; and
 - f collaborating with overseas governments to bring further expertise to the UK.

What can the Welsh public sector do to improve?

Recommendations

- R1** The Welsh Government should enhance its strategic leadership of counter-fraud across the public service in Wales, playing a co-ordinating role where it can, while recognising that individual bodies remain responsible for their own counter-fraud activities. In doing so it could consider:
- forming strategic partnerships with the key players nationally and internationally;
 - developing and delivering an all Wales counter-fraud strategy and vision;
 - advocating/promoting minimum standards in terms of public sector counter-fraud arrangements similar to those established by the UK Government;
 - elevating the status of counter-fraud staff by recognising counter fraud as a profession with essential competencies;
 - supporting the other sectors by, for example, providing invest-to-save funding opportunities, and supporting the development of professional competencies across the Welsh public sector; and
 - providing timely advice and guidance on 'hot' issues by gathering and disseminating important information and analysing trends.
- R2** All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.



Risk management and control frameworks

02

Why is it important?

- 2.1 Fraudsters are becoming more sophisticated and are evaluating opportunities and risks on a real-time basis. The management and mitigation of risk in public bodies often fails to keep up with changes in the nature and impact of potential fraud. The recent flooding in South Wales created opportunities for scams within days of the floods. Security experts have reported an explosion in fraudulent activity during the COVID-19 outbreak as the pandemic has created a myriad of opportunities for fraudsters (see **Case Study on page 10**).
- 2.2 A fraud risk assessment should be an honest appraisal of risks using a range of sources such as national intelligence, local intelligence, audit reports, brainstorming exercises and data-matching results. Risk assessments should be live documents and kept under constant review. Having identified the risks, bodies can then evaluate them, assessing their likelihood and the impact if the fraud were to occur. It is only when risks are properly identified and evaluated that public bodies can tackle the risks in a prioritised and proportionate way and put appropriate actions and controls in place to manage or mitigate these risks.
- 2.3 It is important that organisations have an effective control framework to help mitigate the risks identified. A strong internal control environment can help to prevent fraud from happening in the first place and detect fraud if an instance has occurred. Fraudsters will try to circumvent established controls and it is important that controls are regularly reviewed. A strong control programme whereby fraudsters are faced with a real prospect of detection helps mitigate the risk. When frauds are discovered, controls should be reviewed to identify weaknesses and introduce improvements. Internal Audit have expertise in designing and testing controls and they should undertake work on key systems on a risk-based approach.

What did we find?

- 2.4 The quality of counter-fraud risk assessment and mitigation varies significantly in the Welsh public sector and there is generally scope to improve their quality and timeliness.
- 2.5 In the NHS, National Fraud Risk Alerts are produced by the NHS Counter Fraud Authority. These are routinely circulated to all Local Counter Fraud Specialists (LCFS) and Directors of Finance across NHS Wales. The LCFS are also required to conduct their own local risk assessments. This is a relatively new requirement and we found that these assessments are still being developed and embedded. The NHS Fighting Fraud Strategy recognises that a key challenge for the sector is the need to develop a comprehensive analysis of specific fraud risks to ensure counter-fraud resources are being directed to the most appropriate areas within the sector. The Counter Fraud Steering group has undertaken an overall risk assessment and produced assurance maps in respect of each main area of fraud. These maps will be used to target area of proactive work.
- 2.6 Our work identified that while some local authorities and central government bodies have undertaken fraud risk assessments, there were many who had not prepared a fraud risk assessment for several years. Some bodies in these sectors did not have a fraud risk assessment and therefore had not properly assessed the likelihood or impact of the risk. Without this key component, bodies cannot direct resources appropriately or adequately mitigate the risks of losses due to fraud. As a result, fraud strategies and work programmes are not particularly useful or relevant as they are not targeting the key areas of risk.
- 2.7 Our work also identified that, even where risk assessments were undertaken, they may not be integrated within the wider risk management framework. Fraud is not commonly reflected in corporate risk registers. We did not find many coordinated mechanisms for ensuring that fraud risks are appropriately communicated, owned and monitored within the audited body. Instead, fraud risk assessments are often held as standalone documents without any corporate ownership or active management of the risk. As a result of this approach, fraud risks are not adequately shared across departments.

- 2.8 We did identify some good practice in the sharing of fraud risks. In response to the Coronavirus pandemic, the Welsh Government issued a fraud risk bulletin early in April 2020, highlighting the emerging risks to the Welsh public sector. Ahead of the Welsh Government's bulletin, the UK Government Counter Fraud Function published its own guide: [Fraud Control in Emergency Management – COVID-19 UK Government Guidance](#). The guide highlights the importance of risk assessment, effective payment verification and due diligence arrangements and the need for robust claw-back arrangements to recover funds that are paid out incorrectly. There were also good examples in local authorities of raising awareness of scams with local residents.
- 2.9 We found that, in general, public bodies across all sectors have internal control frameworks that are well established and internal audit teams test controls as part of their annual programmes of assurance work. However, we found that internal audit teams do not always consider the fraud risks associated with systems as part of their work programmes. Furthermore, where new systems and processes are established, we found that organisations are not always using counter-fraud contacts and internal audit teams to try to design fraud out of systems.

What can the Welsh public sector do to improve?

Recommendations

- R3** All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.
- R4** Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.



Policies and training

03

Why is it important?

- 3.1 A sound policy framework enables organisations to direct their approach to counter-fraud and to promote good ethical behaviour. There should be a suite of policies and procedures in place that set out what is expected and what the consequences are for breaking the rules. Codes of conduct should set out the standards expected of employees and highlight the importance of declaring conflicts of interest and establish rules around gifts and hospitality.
- 3.2 Publicising frauds and the recovery action undertaken, helps to re-enforce the message from the top that fraud will not be tolerated. Publicity can help to discourage wrongdoing by others as it can highlight the damaging repercussions of their actions.
- 3.3 Staff are often the first to notice something irregular or potentially fraudulent and are often the first line of defence in the fight against fraud. These staff need easy access to a good counter-fraud policy and whistleblowing policy so they can be clear about their roles and responsibilities and the process they must follow if they suspect a fraud.
- 3.4 Effective training helps staff interpret policies and codes of conduct, giving them the confidence and skills to report suspected fraud. However, training and awareness-raising campaigns should be kept under continual review and must be linked to the live risk assessments so that new frauds or risks facing public bodies are quickly shared amongst staff and contractors if appropriate.

What did we find?

- 3.5 Generally, we found that public bodies have prepared and approved a range of policies setting out the processes to follow if staff suspect that they have uncovered a fraud. However, we identified that some policies were outdated, some were still in draft form and some were not easily accessible to staff.
- 3.6 Whilst NHS bodies have each developed comprehensive counter-fraud strategies (informed by an over-arching national strategy), we found that only a few other public sector bodies had done so. Such strategies set out clear approaches to managing fraud risks along with responses and actions, they define roles and responsibilities and are cross-referenced to other policies so that they can be readily understood by staff.

- 3.7 The NHS has a policy of proactively publicising successful fraud cases. The NHS Counter Fraud Service does this by issuing press releases and engaging with local media for interviews and promotional opportunities. Publicity helps raise awareness of fraud risks and also deters staff and contractors from committing fraud. By publicising counter-fraud work and raising awareness of the effects of fraud, the NHS involves staff, key stakeholders and the public in the fight against fraud.
- 3.8 We did not identify the same level of proactive publicity work in other sectors. Some local authorities take the view that publicising cases can be reputationally damaging and are therefore reluctant to publish such information. The Welsh Government recognises that more can be done to publicise fraud cases. The very low levels of fraud identified at central government bodies also means there is little publicity that can act as a further deterrent.
- 3.9 Our audit work also identified wide variation in levels of training and awareness-raising specifically relating to counter-fraud across the Welsh public sector. We found that a few public bodies provide fraud awareness training to all their staff. Some others provide training as part of the induction of new staff but do not provide this training for longstanding staff. We found some examples of refresher training sessions and e-learning modules provided for staff, but these are not widespread. There are many bodies that do not provide any counter-fraud training or awareness-raising events.
- 3.10 These findings suggest that there could be a significant proportion of the public sector workforce in Wales who have either received no fraud-awareness training at all or have not received training for several years.
- 3.11 There are good examples of awareness-raising in the NHS where the LCFS has an ongoing work programme to develop and maintain an anti-fraud culture within their health board. These programmes include the preparation of presentations and publications to raise awareness of fraud. There are also examples of LCFS undertaking staff surveys to capture the levels of staff awareness of fraud in order to act if necessary. In addition, the NHS has developed a fraud awareness e learning package for all staff and levels of compliance across organisations is reported the Directors of Finance on a quarterly basis. However, even in the NHS sector, counter-fraud training for new staff is generally not a mandatory requirement.

What can the Welsh public sector do to improve?

Recommendations

- R5** All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.
- R6** Staff working across the Welsh public sector should receive fraud-awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud.
- R7** Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated.



Capacity and expertise

04

Why is it important?

- 4.1 It is important that public bodies each designate a counter-fraud champion who understands fraud and leads the organisation's approach and response. Public bodies need access to sufficient appropriately skilled counter-fraud specialists to prevent, detect and investigate suspected fraud and protect their assets. As fraud risks change, public bodies should have resources available to provide a response that is appropriate to the threat.
- 4.2 Skilled and experienced staff will also help to ensure investigations are undertaken properly with evidence being obtained and handled lawfully in order to secure successful sanctions and the recovery of losses.
- 4.3 Investigations, whilst crucial, can be time consuming and costly and the low numbers of successful prosecutions mean that public bodies cannot rely on investigations alone to combat fraud. Public bodies need to have the capacity to undertake both proactive counter-fraud work and reactive investigation work. Proactive work includes fraud awareness campaigns, training, designing policies and strategies and strengthening controls to prevent attacks.

What did we find?

- 4.4 Insufficient capacity arose frequently as a key challenge faced by public bodies in their efforts to combat fraud. On the ground, capacity and skills in counter-fraud vary widely across and within public sector bodies in Wales. Most of the capacity is allocated to responsive work and investigations with any spare capacity being used in preventative counter-fraud work.
- 4.5 In local government, some officers are sceptical about the levels of fraud within their organisations and question the need for additional resources. However, these same local authorities allocate little resource to counter-fraud arrangements, do not have robust fraud risk assessments and the following up of matches from the National Fraud Initiative is assigned a low priority. Their assumptions about low levels of fraud run contrary to all the research being done by recognised leaders in the field such as CIPFA and the National Crime Agency.

- 4.6 Local authorities suffered a significant loss in counter-fraud capacity when the independent Single Fraud Investigation Service (SFIS) was created in 2014. SFIS is a partnership between the Department for Work and Pensions, HMRC and local authorities and which covers welfare benefit fraud. Most of the counter-fraud specialists left the sector to work for this new organisation. A small number of authorities have retained experienced and skilled counter-fraud staff, but the workload has mostly fallen on Internal Audit teams.
- 4.7 Our work found that the counter-fraud arrangements were generally more advanced in the local authorities that retained a dedicated and specialist counter-fraud resource. Where Internal Audit teams carry out the counter-fraud work we found a trade-off between counter-fraud work and the general programme of assurance work due to limited resources and competing priorities.
- 4.8 We also found that, within some local authorities, several teams play a role in counter-fraud work; for example, Internal Audit, Council Tax, and Human Resources teams all contribute. Whilst helpful in terms of adding capacity, we found that this can result in a lack of coordination and integration between these teams and a lack of clarity in the overall picture of counter-fraud activity.
- 4.9 Counter-fraud is generally better resourced in the NHS than other public sector bodies and there has been an increase in LCFS resource over recent years. There is a central team within the NHS Counter Fraud Service Wales which investigates complex, large scale frauds and provides a financial investigation resource. The team also provides guidance, intelligence and investigative support to the network of finance directors and LCFS at health bodies in Wales. In addition, Welsh Government Directions require that each health body should appoint at least one LCFS who is an accredited counter-fraud professional. These LCFS are the primary points of contact for counter-fraud work at their respective health bodies and have a key role in fraud prevention and detection. Increasing staffing levels above the minimum number is a matter of local discretion.
- 4.10 The mixture of LCFS and support and guidance from the NHS Counter Fraud Service and the Counter Fraud Steering Group has resulted in improved counter-fraud arrangements within the NHS sector in comparison to the other sectors. However, whilst LCFS staff are often shared between individual health boards, they are not pooled across the entire sector. As a result, the relatively low counter-fraud staff numbers in some health boards can cause issues if staff members are absent from work. Even within the NHS Wales, there is a general recognition that more proactive work should be undertaken.

- 4.11 The Counter Fraud Team at the Welsh Government is skilled and experienced and has secured a number of high-profile prosecutions over recent years. However, a recent Government Internal Audit Agency review of the Welsh Government in 2017 concluded that the counter-fraud function could achieve more with increased resources. The Counter Fraud Team is able to draw on resources from within the Welsh Government to assist with investigations where appropriate and there are plans to increase the resource in the team in the near future.
- 4.12 Our audit also found that public bodies in Wales are generally following traditional counter-fraud approaches with a focus on detection and investigation rather than prevention. Most public bodies recognise that more proactive and preventative work should be done, but they acknowledge that the lack of time, resources and expertise are barriers to making this shift of focus.
- 4.13 We did not find many examples of public bodies in Wales outside the NHS pooling resources to help reduce duplication of effort and improve the efficiency and effectiveness of counter-fraud arrangements across sectors. Pooled resources could also help to improve continuity and add flexibility to adapt to changing needs going forward.
- 4.14 In 2018 the UK government launched the Counter-Fraud Profession to enhance overall counter-fraud capability across government. The profession develops the skills of specialist staff and moves beyond the traditional focus of investigations, placing greater emphasis on fraud prevention and the use of data analytics. Membership across UK Government Departments has been steadily increasing, and the Welsh Government is engaged with this initiative. Organisations joining the profession are required to have learning environments that support their staff to develop and maintain professional standards.

What can the Welsh public sector do to improve?

Recommendations

- R8** All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses.
- R9** All public bodies should have access to trained counter-fraud staff that meet recognised professional standards.
- R10** All public bodies should consider models adopted elsewhere in the UK relating to the pooling and/or sharing of resources in order to maximise the availability of appropriately skilled staff.



Tools and data

05

Why is it important?

- 5.1 An effective counter-fraud function will ensure that those responsible for it are equipped with up-to-date methodologies and the right tools for the job. Counter-fraud staff must make best use of data and intelligence in order to:
 - a prevent fraud by 'fraud-proofing' systems and processes; and
 - b mounting an effective response to suspicions of fraud.
- 5.2 New fraud threats are continually emerging, both globally and nationally. It is important that public bodies have flexible, cutting-edge counter-fraud approaches that are fit for a digital age and agile enough to keep up with, or better still, ahead of the fraudsters.
- 5.3 Cyber-attacks are an alternative means of committing traditional frauds such as the theft of assets, cash or intellectual property. PricewaterhouseCoopers' most recent global economic crime survey found that cyber crime is now the most common fraud facing UK businesses, overtaking asset misappropriation for the first time since the survey began. We can see this in the explosion in number of cyber scams linked to the COVID-19 pandemic.
- 5.4 Preventing fraud is always preferable to responding to an instance. Many organisations are now looking to 'fraud-proof' systems at the point of entry using the latest developments in data analytics. For example:
 - a the Cabinet Office has developed on-line tools that can look at 10,000 records in seven seconds to provide due diligence checks on grant applications; and
 - b the Department of Work and Pensions have been trialling an Artificial Intelligence system that detects fraudulent claims by searching for certain behaviour patterns, such as benefit applications that use the same phone number or are written in a similar style. Any suspicious activity is then passed on to specialist investigators.
- 5.5 Data analytics provide an increasingly important tool in preventing fraud as well as in its detection. We look at how public bodies can share data to help find fraud in the next section of this report.
- 5.6 Sophisticated technology and data analytics are of little use if they are not used effectively and this requires adequately trained resource to understand it. Therefore, it is important that public bodies have access to staff adept in data analytics in order to achieve better counter-fraud results.

- 5.7 Knowing what to do in the event of a suspected fraud improves the chances of a successful enforcement action. It also re-enforces the tone from the top that the organisation does not tolerate fraud. Fraud response plans need to provide a clear direction to relevant parties so that bodies are able to respond to allegations quickly and appropriately. A response plan should be reviewed regularly to ensure that responses to fraud keep abreast with changing times and emerging risks. They should outline:
- a the fraud investigation process from receipt of allegation to outcome report;
 - b roles and procedures for securing evidence and undertaking interviews;
 - c details of how and when to contact the police;
 - d a commitment to pursuing a range of sanctions;
 - e reporting arrangements; and
 - f how lessons learned will be used to strengthen system and process controls.

What did we find?

- 5.8 Generally speaking, we found that more work is needed to bring counter-fraud tools and methodologies up to date to reflect the new world of cyber attacks and digitally-facilitated crimes. Many local authorities and central government bodies we looked at as part of our fieldwork did not have information security policies that reflected the risks associated with cyber crime. The situation was more positive in NHS Wales bodies.
- 5.9 Our review identified only a few examples of data analytics being used as a means of preventing fraud. Data analytics are used more widely to detect fraud, in following up on NFI data matches, for example, but our previous audit work⁴ has shown that the level of engagement with the NFI varies considerably across Welsh public bodies.
- 5.10 We found that some local authorities and central government bodies did not have a fraud response plan that was communicated to all staff and which made it clear that all allegations of fraud would be investigated. The Welsh Government had a fraud response plan, but this was in draft form at the time of our audit work and was not, therefore, available to staff. Again, the position was much more positive in NHS Wales.

4 **Our October 2018 NFI report** stated that 'most Welsh public sector bodies participating in the NFI were proactive in reviewing the data matches, but a small number of participants did not review the matches in a timely or effective manner.'

- 5.11 NHS bodies all use the same case management system to record and monitor the progress of potential fraud cases. In other sectors, few bodies have a case management system although some do have a spreadsheet log that records information. The variation in the information collected makes it very difficult to report an all-Wales position on the level of fraud taking place. The reasons that many local authorities and central government bodies do not have a case management system or detailed records was the very low numbers of fraud cases that were being identified and handled.
- 5.12 Most of the public bodies we looked at consider the full range of possible sanctions (disciplinary, regulatory, civil and criminal) against fraudsters and will seek redress including the recovery of assets and money where possible. However, many bodies report such low levels of fraud that it is impossible to substantiate their claims. For any internal frauds identified, most bodies tend to deal with the perpetrators through internal disciplinary procedures.
- 5.13 Most of the public bodies we looked at reflected on the weaknesses revealed by instances of proven fraud and corruption and fed back to departments and teams so that they might fraud-proof their systems. The arrangements at local NHS bodies were particularly robust because fraud cases in their case management system cannot be closed down without providing assurance that any system weaknesses have been considered and remedied if necessary.

What can the Welsh public sector do to improve?

Recommendations

- R11** All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforce the tone from the top that the organisation does not tolerate fraud.
- R12** All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.



Collaboration



06

Why is it important?

- 6.1 Fraudsters do not respect geographical or other boundaries. This means that individual public sector bodies cannot establish effective counter-fraud arrangements by themselves. They must work collaboratively to maximise the effectiveness of their response to fraud.
- 6.2 Collaboration is an increasingly important aspect of public service, particularly in the context of reduced funding and the need to do more with less. Collaboration is also one of the 'five ways of working' as defined in the Welsh Government's 'Well-being of Future Generations (Wales) Act 2015: the essentials'⁵ document. It is therefore essential that collaboration and the sharing of intelligence and good practice take place between public, private and third-sector bodies across the UK and internationally.
- 6.3 Collaboration can mean sharing people or pooling resources and, more commonly these days, in the sharing of information. This information can be shared between departments, between bodies, across different elements of the public sector and with other key stakeholders such as law enforcement authorities and the private sector. The information shared can be about the nature of a fraud or information about the identities of the perpetrators.
- 6.4 The sharing of data to help find fraud is a rapidly evolving area and is being facilitated by changes in the law. In 2017, the Digital Economy Act became law, enabling public authorities to share personal data to prevent, detect, investigate and prosecute public sector fraud. The Act recognises that the wider use of data-sharing could improve the prevention, detection and investigation of fraud in a number of ways, including:
 - a improved targeting and risk-profiling of potentially fraudulent individuals;
 - b streamlining processes, enabling the government to act more quickly; and
 - c simplifying the legislative landscape.

5 Well-being of Future Generations (Wales) Act 2015: the essentials', Welsh Government (2015)

What did we find?

- 6.5 Our field work across forty public sector bodies in Wales found that collaboration was insufficiently developed, reinforcing the findings of our 2019 review.
- 6.6 Within local authorities and central government bodies there are some good examples of bodies working jointly and some regional networks, but these tend to be informal arrangements and there is no consistency in approach. Formalising arrangements can help improve accountability and governance and can influence commitment and results.
- 6.7 The picture is generally more positive across local NHS bodies and the Welsh Government than in local authorities and central government bodies. However, there is scope for all public bodies to work more closely with each other and with other stakeholders to tackle fraud.
- 6.8 Because of the tiered approach to counter-fraud within NHS Wales and established formal partnerships with the NHS Counter Fraud Authority, there is good access to specialist fraud investigation teams such as surveillance, computer forensics, asset recovery and financial investigations. The NHS Counter Fraud Service Wales provide the surveillance, asset recovery and financial investigations services to NHS Wales, while the NHS Counter Fraud Authority provides forensic computing services and other specialist support services to NHS Wales under the terms of their annual agreement with Welsh Government.
- 6.9 The existence of these formal access arrangements is less well established within other sectors, but most organisations told us that they could access specialist services if required. The low level of fraud being identified was one of the reasons given for the absence of formal partnerships between public sector bodies.
- 6.10 We also found wide variations in the amounts of data that are shared. In most bodies, the sharing of data was typically limited to the National Fraud Initiative (NFI), although not all central government bodies currently take part in NFI. We found that some local authorities do not invest much resource into following up NFI matches and these are often the same authorities in which counter-fraud arrangements were limited.
- 6.11 There were very few examples of organisations working frequently across internal and external boundaries and sharing information. Common reasons for this lack of collaboration was lack of time and resources, and concerns about the sharing of data.

What can the Welsh public sector do to improve?

Recommendations

R13 Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.



Reporting and scrutiny

07

Why is it important?

- 7.1 Arriving at a reliable estimate for the cost of fraud is a difficult task. This is particularly so for the Welsh public sector as our 2019 report highlighted. Whilst the UK Government produces annual estimates, there is no breakdown of this estimate to each of the devolved administrations in the UK. CIPFA's most recent analysis estimates that fraud costs the UK public sector £40.3 billion annually. The Cabinet Office⁶ estimates losses due to fraud and error at between 0.5% and 5% of budget. Applying this range to annual public expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error between £100 million and £1 billion per annum. The losses are therefore significant and take valuable funding away from our public services.
- 7.2 Fraud is often under-reported as some suspicious activity identified through NFI matches, for example, is not classified as fraudulent and therefore not reported. Also, some public bodies fail to report fraud as it can attract unwanted publicity and perceived reputational damage. This situation leads to an incomplete national intelligence picture.
- 7.3 The International Public Sector Fraud Forum⁷ has recognised that 'finding fraud is a good thing' and this is one of their 'Key Fraud and Corruption Principles'. The Forum noted that, if bodies do not find fraud, then they are unable to fight it, and that a change of perspective is needed so that the identification of fraud is seen as a positive and proactive achievement.
- 7.4 Reporting fraud to those charged with the governance of public sector organisations is important as it provides managers and audit committees, for example, with the information and intelligence they need to challenge and scrutinise. To facilitate accountability, public bodies should provide copies of counter-fraud reports detailing numbers of cases and outcomes to audit committees so that they are fully informed of any issues of concern and can hold management and counter-fraud teams to account. Audit committees can also promote the message that fraud will not be tolerated, supporting the efforts of counter-fraud teams.

6 Cabinet Office Cross Government Fraud Landscape Report 2018

7 International Public Sector Fraud Forum A Guide to Managing Fraud for Public Bodies in Feb 2019

What did we find?

- 7.5 The arrangements in NHS Wales to record, collate and share information about fraud losses and recoveries are well established. The NHS Counter Fraud Service collates information on the number of fraud cases and recoveries from each health body as a matter of course. There are quarterly and annual Operational Performance Reports which summarise information about resources, referrals and the work of the Counter-Fraud Service and LCFS based at each health body. These reports are reviewed by the Counter Fraud Steering Group and shared with Directors of Finance and the audit committees of each health body, helping to facilitate meaningful comparisons within the sector. The NHS Counter Fraud Authority also reports to the Welsh Government on a quarterly basis.
- 7.6 In other sectors, audit committees are not generally provided with as much information:
- a in the Welsh Government, the Audit and Risk Assurance Committee is not provided with, nor does it request, detailed information about fraud cases, although information about major cases and anti-fraud activity is included in the regular report from the Head of Internal Audit;
 - b in the local government sector, fewer than half the authorities report information about fraud cases, losses and recoveries to their audit committees on a regular basis; and
 - c even fewer central government bodies report on cases of fraud, reflecting a very low incidence of fraud being identified and managed.
- 7.7 The absence of both the reporting of information and arrangements to collate and share this information across the Welsh public sector is troubling for a number of reasons. It does little to help re-enforce a zero-tolerance message from the top of an organisation to both staff and external stakeholders. It may also send the wrong message to fraudsters that Wales does not see fraud as a priority and makes it difficult to assess the level of risk and how best to respond to it by senior public sector officials and politicians.
- 7.8 When frauds are identified, Internal Audit (or, where they exist, counter-fraud specialists) provide audit committees with reports and updates. On balance, however, audit committees outside of the NHS Wales have not been sufficiently proactive in recognising the increasing risk of fraud and in asking the searching questions necessary about the matching of resources to risk or about the lack of information being supplied about fraud risk.

What can the Welsh public sector do to improve?

Recommendations

- R14** Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.
- R15** Audit committees must become fully engaged with counter-fraud, providing demonstrable support and direction, monitoring and holding officials to account if insufficient information is being provided about counter-fraud activity.



Appendices

- 1 Audit methods
- 2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

1 Audit methods

Our audit was structured around seven key lines of enquiry to help us answer the overall question: 'Are the arrangements for preventing and detecting fraud in the Welsh public sector effective?':

- Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?
- Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?
- Does the organisation have a sound policy framework to support effective counter-fraud arrangements?
- Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?
- Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?
- Does the organisation have an appropriate response to fraud?
- Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

The audit fieldwork was carried out by our local audit teams between November 2019 and February 2020. Their fieldwork included:

- structured interviews – interviews with key individuals in order to understand the counter-fraud arrangements in place at each audited body; and
- document reviews – where these existed, they typically included the counter-fraud strategy, risk assessment, work plans, corporate risk register, fraud response plan, Codes of Conduct, whistleblowing policy, guidelines and procedures for local fraud investigators and counter-fraud reports/updates provided to Audit Committee.

Teams also issued a core information request in order to gather some information directly from audited bodies.

The project team collated and reviewed the local findings to distil the key messages for inclusion in this report. Our audit teams have been providing tailored feedback on their local findings to relevant staff at each audited body.

The audited bodies included in this study are:

Local Government bodies:

- Blaenau Gwent County Borough Council
- Bridgend County Borough Council
- Caerphilly County Borough Council
- Cardiff Council
- Carmarthenshire County Council
- Ceredigion County Council
- Conwy County Borough Council
- Denbighshire County Council
- Flintshire County Council
- Gwynedd Council
- Isle of Anglesey County Council
- Merthyr Tydfil County Borough Council
- Monmouthshire County Council
- Neath Port Talbot County Borough Council
- Newport City Council
- Pembrokeshire County Council
- Powys County Council
- Rhondda Cynon Taf County Borough Council
- City and County of Swansea
- The Vale of Glamorgan Council
- Torfaen County Borough Council
- Wrexham County Borough Council

NHS Wales bodies:

- Aneurin Bevan University Health Board
- Betsi Cadwaladr University Health Board
- Cardiff and Vale University Health Board
- Cwm Taf Morgannwg University Health Board
- Hywel Dda University Health Board
- Powys Teaching Health Board
- Swansea Bay University Health Board
- Health Education and Improvement Wales
- Velindre NHS Trust
- Public Health Wales Trust
- Welsh Ambulance Service NHS Trust

Central Government bodies:

- Welsh Government
- Welsh Revenue Authority
- Arts Council for Wales
- Higher Education Funding Council for Wales
- National Museums and Galleries Wales
- Natural Resources Wales
- National Library of Wales
- Sport Wales
- Senedd Commission

2 The Welsh Government's response to the July 2019 recommendations of the Public Accounts Committee

PAC Recommendation

We ask that the Welsh Government consider whether there is scope and potential to support a national counter fraud team to work across Wales to ensure that at least a basic level of counter fraud work is undertaken in each local authority area by suitably trained staff.

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Response from the Welsh Government's Permanent Secretary

The Welsh Government recognises and fully supports local authorities addressing fraud within the £8 billion of their general revenue expenditure.

As independent democratically led organisations, the prime responsibility for the detection and prevention of fraud is for each of the 22 councils themselves. As such, we would expect all to be fully engaged in this work and for local politicians to understand and provide leadership.

To make sure that the recommendation is understood and given priority, officials will raise the matter with Ministers to secure an item on the Partnership Council agenda as well as its Finance Sub Committee. Subject to Ministers' agreement, we will agenda an item for the next possible meeting.

I am supportive of any move to increase the understanding of fraud and the consistent application of best practice techniques across the Welsh Public Sector and there exists already a vehicle to bring together counter-fraud practitioners and other interested parties and drive forward a common understanding of this important area.

The Welsh Government's Head of Counter-Fraud is Deputy Chair of the Wales Fraud Forum (WFF), which is a not-for-profit company run by a strategic board of volunteers. Its aims are to help prevent fraud in Wales by raising awareness in the public and private sectors and amongst individuals. In particular, its stated objectives include to:

- bring the public and private sectors together to fight fraud and financial crime and to protect the economy of Wales;

PAC Recommendation **Response from the Welsh Government's Permanent Secretary**

- promote fraud awareness amongst its membership, organisations and individuals throughout the region;
- create good practice cultures by encouraging and developing anti-fraud strategies for its membership to utilise;
- establish a best practice between its members for fraud prevention, investigation and detection; and
- promote an open and co-operative environment between the membership in both the public and private sectors.

The Forum is held in high regard; in 2017 the current First Minister gave the keynote address at its annual conference and outlined his support for effective counter-fraud arrangements across Wales. Forum membership includes the Audit Wales as well as a number of public and private sector organisations.

Therefore, I believe the Welsh Government can achieve the outcome desired by identifying strategies to support the work of the Forum, raising its profile within the Welsh Public Sector and seek a high level of commitment to support it. I will ask Officials to engage with the Forum to discuss strategies for strengthening its effectiveness by the end of the calendar year.

We agree there is potential in the use of data sharing between Welsh public bodies to improve the impact of counter-fraud activities. The introduction of the Digital Economy Act gives the Welsh Government and certain scheduled Welsh public bodies useful new powers to share data with each other compliantly to identify potential fraud. Officials are working on setting up the appropriate governance for taking forward the use of these new powers in Wales, and are aiming for a panel to be in place by the end of the financial year to consider potential uses of the powers.



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Audit Wales 'Raising Our Game' Tackling Fraud in Wales

Executive Response

August 2020

The following is a response to the recommendations for improvements from Audit Wales report 'Tackling Fraud in Wales' published July 2020.

| Report Title | Proposals for Improvement including overall lead. | Action response | RAG Status |
|---|--|--|------------|
| <p>'Raising Our Game' Tackling Fraud in Wales : Leadership and Culture</p> | <p>R2 All public bodies should champion the importance of a good anti-fraud culture and actively promote its importance to give confidence to staff and members of the public that fraud is not tolerated.</p> <p>Chief Officer – Governance</p> | <p>Once the fraud reporting system is live on the Council's website the Whistleblowing policy, Anti-Fraud and Corruption Strategy and Fraud Response Plan will be shared ideally through change exchange.</p> <p>Members will also be trained on their roles and responsibilities under the Whistleblowing Policy and the members Code of Conduct.</p> | |
| <p>Risk Management and Control framework</p> | <p>R3 All public bodies should undertake comprehensive fraud risk assessments, using appropriately skilled staff and considering national intelligence as well as organisation-specific intelligence.</p> <p>Chief Officer – Governance</p> | <p>Fraud is considered as part of the annual audit planning process.</p> <p>Further detailed fraud risk assessments to be undertaken by Internal Audit.</p> | |
| | <p>R4 Fraud risk assessments should be used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary.</p> <p>Chief Officer - Governance</p> | <p>As above will be used as part of the audit planning process to target resources to address area of high risk of fraud.</p> | |
| <p>Policies and Training</p> | <p>R5 All public bodies need to have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks.</p> | <p>In place.</p> | |

| Report Title | Proposals for Improvement including overall lead. | Action response | RAG Status |
|------------------------|---|--|------------|
| | Chief Officer - Governance | | |
| | R6 Staff working across the Welsh public sector should receive fraud awareness training as appropriate to their role in order to increase organisational effectiveness in preventing, detecting and responding to fraud. Chief Officer - Governance | In place. Internal Audit staff have and continue to attend Counter Fraud Accredited Courses in addition to their professional qualifications. A Auditor recently completed and become to qualified Counter Fraud Specialist. | |
| | R7 Cases where fraud is identified and successfully addressed should be publicised to re-enforce a robust message from the top that fraud will not be tolerated. Chief Executive | So far there has been minimal areas of fraud. However the latest could be used as an example. This fraud related to the change of supplier payment details. | |
| Capacity and Expertise | R8 All public bodies need to build sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses. Chief Officer - Governance | Counter fraud and investigative work are two separate aspects. At Flintshire our response to investigating potential fraud is prompt and successful. There is always scope to expand the level of counter fraud we undertake in addition to NFI. Originally planned for 20/21 counter fraud work on Housing Tenants was to be undertaken. This will resume in 21/22. | |
| | R9 All public bodies should have access to trained counter-fraud staff that meet recognised professional standards. Chief Officer - Governance | Already in place. | |
| | R10 | This has and will continue to be explored. | |

| Report Title | Proposals for Improvement including overall lead. | Action response | RAG Status |
|---|---|---|------------|
| | <p>All public bodies should consider models adopted elsewhere in the UK relating to the pooling /sharing of resources in order to maximise the availability of appropriately skilled staff.</p> <p>Chief Officer - Governance</p> | | |
| <p>Tools and Data</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 243</p> | <p>R11</p> <p>All public bodies need to develop and maintain dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action and re-enforces the tone from the top that the organisation does not tolerate fraud.</p> <p>Chief Officer - Governance</p> | <p>The Council has a clear Anti-Fraud and Corruption Strategy and Fraud Response Plan. Enforcement of fraud as a criminal offence rests with NWP and is beyond the control of the Council</p> <p>We would like to see greater recognition of fraud in the public sector by those responsible for the enforcement</p> | |
| | <p>R12</p> <p>All public bodies should explore and embrace opportunities to innovate with data analytics in order to strengthen both the prevention and detection of fraud.</p> <p>Chief Officer - Governance</p> | <p>Within Internal Audit Active Data is already used for data analytics for both the prevention and detection of fraud. There is however always opportunity to enhance the use of this software.</p> <p>To combat council tax fraud, data analytics are already embedded into the Revenues service to ensure single person discounts are only awarded to eligible taxpayers. A comprehensive review of SPD's is undertaken on a bi-annual basis to prevent fraud and assist with detection operations.</p> <p>Fiscal software is also used within Creditors to identify any potential duplicate payments.</p> | |
| <p>Collaboration</p> | <p>R13</p> <p>Public bodies should work together, under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud.</p> | <p>As a public body we already are part of the National Fraud Initiative where data is shared and analysed in an attempt to identify and fight fraud.</p> | |

| Report Title | Proposals for Improvement including overall lead. | Action response | RAG Status |
|------------------------|--|--|------------|
| | Chief Officer - Governance | Data analytics are deployed to ensure that single person discounts are only awarded to eligible taxpayers. A comprehensive review of SPD's is undertaken on a bi-annual basis to prevent fraud and assist with detection operations. | |
| Reporting and Scrutiny | <p>R14 Public bodies need to collate information about losses and recoveries and share fraud intelligence with each other to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action.</p> <p>Chief Officer - Governance</p> | <p>This is included within the Internal Audit Annual Report.</p> <p>The financial recoveries of SPD fraud cases is captured and monitored as part of the bi-annual review.</p> | |
| Page 244 | <p>R15 Audit committees must become fully engaged with counter-fraud, providing support and direction, monitoring and holding officials to account.</p> <p>Chief Officer - Governance</p> | This is already in place. | |