

# Public Document Pack

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To: Sally Ellis (Chair)

Councillors: Bernie Attridge, Glyn Banks, Jean Davies, Ryan McKeown,  
Andrew Parkhurst and Linda Thomas

**Co-opted Members:**

Rev Brian Harvey and Allan Rainford

21 July 2022

Dear Sir/Madam

**NOTICE OF REMOTE MEETING**  
**GOVERNANCE AND AUDIT COMMITTEE**  
**WEDNESDAY, 27TH JULY, 2022 at 10.00 AM**

Yours faithfully

Steven Goodrum  
Democratic Services Manager

The meeting will be live streamed onto the Council's website. The live streaming will stop when any confidential items are considered. 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 3 - 12)

**Purpose:** To confirm as a correct record the minutes of the meeting held on 8 June 2022.

### 4 **DRAFT STATEMENT OF ACCOUNTS 2021/22** (Pages 13 - 154)

Report of Corporate Finance Manager - Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement

**Purpose:** To present the draft Statement of Accounts 2021/22 for Members' information only at this stage.

### 5 **SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2021/22** (Pages 155 - 160)

Report of Corporate Finance Manager - Cabinet Member for Finance, Inclusion, Resilient Communities including 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 2021/22 AND TREASURY MANAGEMENT UPDATE Q1 2022/23** (Pages 161 - 188)

Report of Corporate Finance Manager - Cabinet Member for Finance, Inclusion, Resilient Communities including Social Value and Procurement

**Purpose:**

1. To present to Members the draft Treasury Management Annual Report 2021/22 for comments and recommendation for approval to Cabinet.
2. To provide an update on matters relating to the Council's Treasury Management Policy, Strategy and Practices to the end June 2022.

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

## **GOVERNANCE AND AUDIT COMMITTEE** **8 JUNE 2022**

Minutes of the Governance and Audit Committee of Flintshire County Council held remotely on Wednesday, 8 June 2022

### **PRESENT:**

Councillors: Glyn Banks, Ray Hughes and Andrew Parkhurst

Co-opted members: Sally Ellis, Reverend Brian Harvey and Allan Rainford

**APOLOGIES:** Councillors Bernie Attridge and Jean Davies

Apologies also received from Councillor Paul Johnson (Cabinet Member for Finance, Inclusion, Resilient Communities), Corporate Finance Manager and Gwilym Bury (Audit Wales)

**ALSO PRESENT:** Councillor Linda Thomas was present as an observer

**IN ATTENDANCE:** Councillor Billy Mullin (Cabinet Member for Governance and Corporate Services including Health and Safety and Human Resources), Chief Executive, Chief Officer (Governance), Internal Audit, Performance & Risk Manager and Democratic Services Officer

Mike Whiteley and Jeremy Evans from Audit Wales

### Minute number 5

Councillor Christine Jones (Deputy Leader and Cabinet Member for Social Services and Well-being), Chief Officer (Social Services) and Senior Manager for Safeguarding and Commissioning

### Minute number 7

Strategic Finance Manager

### Minute number 8

Strategic Finance Manager

### Minute number 11

Councillor Ian Roberts (Leader of the Council and Cabinet Member for Education, Welsh Language, Culture and Leisure), Chief Officer (Education and Youth), Senior Auditor, Mark Biltcliffe (Head of Drury Primary School) and Simon Griffiths (Chair of Governors)

## 1. **APPOINTMENT OF CHAIR**

Following explanation by the Chief Officer (Governance) on legislative requirements, Councillor Glyn Banks proposed that Sally Ellis be appointed as Chair for 12 months so that the role could be alternated between the three lay members over three years. This was seconded by Allan Rainford and on being put to the vote, was carried. No further nominations were received.

**RESOLVED:**

That Sally Ellis be appointed as Chair of the Committee for 12 months and that the role be alternated between the three lay members over three years.

(From this point, Sally Ellis chaired the remainder of the meeting)

**2. APPOINTMENT OF VICE-CHAIR**

In response to comments from Councillor Glyn Banks, the Chief Officer (Governance) provided clarification on the legislation.

Councillor Banks nominated Allan Rainford as Vice-Chair for 12 months (prior to him becoming Chair for the next 12 months) and that the role be rotated to allow Reverend Brian Harvey to become Vice-Chair for the following 12 months. He was seconded by Reverend Harvey. There were no further nominations and on being put the vote, the proposal was carried.

**RESOLVED:**

That Allan Rainford be appointed as Vice-Chair of the Committee for 12 months and that the role be alternated between the three lay members over three years.

**3. DECLARATIONS OF INTEREST**

None.

**4. MINUTES**

The minutes of the meeting held on 14 March 2022 were approved, as moved and seconded by the Chair and Allan Rainford.

**RESOLVED:**

That the minutes be approved as a correct record.

**5. CARE INSPECTORATE WALES (CIW) - ASSURANCE CHECK**

The Chief Officer (Social Services) introduced a report to share the findings of the Care Inspectorate Wales (CIW) assurance check of the Council's performance during 2020/21. The report had also been considered by the Social & Health Care Overview & Scrutiny Committee and Cabinet in line with the regulatory reporting protocol.

The report detailed the wide scope of the inspection which had identified strengths in a number of areas including the Council's effectiveness in discharging its statutory duties relating to the safety and well-being of carers and those receiving care during the pandemic, as well as support for children in care. The findings also reflected the quality of staff and partnership working along with evidence of 'very good practice' across all areas of Social Services. Whilst the

headlines for both Adult and Children's Services were positive, the Chief Officer provided a detailed update on progress with a range of actions to address three areas for improvement, including recruitment challenges in Adult Services that were replicated across the UK.

The Senior Manager for Safeguarding and Commissioning explained that the Council's Social Services structure enabled a greater degree of independent monitoring of services. She also pointed out the strong political support for Adult and Children's Services in Flintshire referenced in the CIW report.

In response to questions from Allan Rainford, the Chief Officer confirmed that progress on the action plan would be subject to the reporting protocol. He said that Flintshire's performance generally compared well against that of other authorities and that the service was committed to identifying opportunities for improvement and building upon its strengths.

The findings of the inspection were welcomed by Councillor Christine Jones, in particular the positive feedback on partnership working and distribution of personal protective equipment (PPE) during the pandemic.

The Chief Officer responded to questions from Reverend Brian Harvey on maintaining good engagement with the local Health Board and third sector organisations throughout the pandemic and the development of residential care provision in Flintshire.

In response to a query by Councillor Andrew Parkhurst, it was explained that actions would be closely monitored including addressing recruitment pressures which remained an area of concern. Following comments by the Chair on the performance reporting mechanism within the Council, the Chief Officer said that indicators for Social Services were available upon request.

During the item, the Chair and Committee Members commended the findings of the report and progress on the action plan. Councillor Glyn Banks asked that the Committee's thanks be conveyed to the teams for their efforts during the pandemic.

The recommendation in the report was supported.

**RESOLVED:**

- (a) That the positive feedback received from CIW be noted, following the Assurance Check in April 2021; and
- (b) That the Committee's thanks be extended to Social Services' teams for their work relating to the inspection and during the pandemic.

**6. ANNUAL GOVERNANCE STATEMENT 2021/22**

The Chief Officer (Governance) presented the Annual Government Statement (AGS) for 2021/22 which provided assurance on governance

arrangements and risk management, to accompany the Statement of Accounts. In explaining the purpose and development of the AGS, the Chief Officer said that this was a positive document reflecting the transition from the response to the recovery phase of the pandemic. As part of the mid-year review and preparations for the 2022/23 AGS, there would be opportunities for more involvement by Committee Members.

The Internal Audit, Performance & Risk Manager provided clarification on the main changes and key sections within the AGS which followed a prescribed format.

In response to a query from Councillor Andrew Parkhurst, information on the latest review of the Corporate Anti-Fraud Strategy would be shared with the Committee.

Allan Rainford asked about the impact of recent CIPFA guidance on governance and was informed that whilst this had been issued after completion of the AGS, it would help to inform the mid-year review. It was also confirmed that governance issues identified during 2021/22 would form part of the risk management action plan.

The recommendations were moved by Allan Rainford and seconded by Councillor Glyn Banks.

**RESOLVED:**

- (a) That the Annual Governance Statement 2021/22 be attached to the Statement of Accounts and recommended to Council for adoption; and
- (b) That views from all Committee Chairs will be sought for the next Annual Governance Statement.

**7. CERTIFICATION OF GRANTS AND RETURNS 2020/21**

The Strategic Finance Manager introduced the Audit Wales annual report on grant claim certification for the year ending 31 March 2021. There were no significant adjustments to any of the three claims and only one minor positive adjustment to the Housing Benefits Subsidy Return. Following consideration of specific findings by the Finance Management Team and relevant service areas, progress was underway on actions to address the recommendations and to enhance systems for the 2021/22 audit.

In summarising the key findings, Mike Whiteley of Audit Wales said that the Council had demonstrated generally adequate arrangements for the production and submission of grant claims, with scope for improvement. Overall performance was good and there had been good engagement and co-operation from officers throughout the audit.

In response to a question from Reverend Brian Harvey about risks relating to workforce pressures, the Chief Executive gave examples of the range of

support mechanisms available to staff as well as a greater emphasis on well-being within the employee appraisal system in recognition of this important issue.

In welcoming the positive report, Allan Rainford spoke about the complexity of housing benefit subsidy claims and suggested that more detail would help to provide more clarity on the scale of caseload compared with cases tested. This was noted by Mike Whiteley who gave an overview of the sample testing method used by Audit Wales.

Following a comment by the Chair on qualified grant claims, Mike Whiteley said that although not significant, a similar level of errors was identified each year within similar areas. He added that substantial workload in processing housing benefit subsidy claims inevitably led to errors arising which impacted year on year.

The Chief Executive agreed that information on the volume of housing benefit subsidy cases would be shared to provide context to the Committee.

The recommendation was moved and seconded by Reverend Brian Harvey and Councillor Glyn Banks.

**RESOLVED:**

That the content of the Grant Claim Certification report for 2020/21 be noted.

**8. AUDIT WALES 2022 AUDIT PLAN**

The Strategic Finance Manager introduced the Audit Wales Plan for 2022 comprising proposed financial and performance audit work for the Council including timescales, costs and the audit teams responsible.

The Chief Executive took the opportunity to thank colleagues from Audit Wales for their engagement with officers in developing the Plan.

In summarising the key sections of financial audit work, Mike Whiteley of Audit Wales drew attention to the audit risks including the management override of controls which was a default significant risk present in all Audit Plans. Jeremy Evans provided an overview of the performance audit programme which took a risk-based approach to topics nationally and locally. He advised that the second thematic review in Exhibit 2 would be around digital services and that the local review on commissioning out of county placements had been changed to homelessness prevention as agreed with officers.

In response to queries from Allan Rainford, it was explained that any additional work on asset valuations from the previous year's audits was unlikely to affect the proposed audit fee for this year. Whilst audit fees were based on the level of risk and work to be undertaken, they could be influenced by additional work identified in audits during the year. On the challenges of comparing performance data with other organisations during the pandemic, a resumption of benchmarking activities would be required as restrictions eased.

The recommendation was moved and seconded by Allan Rainford and Reverend Brian Harvey.

**RESOLVED:**

That the draft Audit Wales Plan 2022 be noted.

**9. VARIATION IN ORDER OF BUSINESS**

The Chair indicated that there would be a slight change in the order of business to bring forward agenda item 14 to enable third party representatives to take part. The remainder of the items would be considered in the order shown on the agenda.

**10. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 - TO CONSIDER THE EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED:**

That the press and public be excluded from the meeting as the following item was considered to be exempt by virtue of paragraph 12 and 14 of Part 4 of Schedule 12A of the Local Government Act 1972 (as amended).

**11. DRURY PRIMARY SCHOOL - FINANCIAL MANAGEMENT ARRANGEMENTS**

The Internal Audit, Performance & Risk Manager introduced a report on the Internal Audit review of Drury Primary School - as requested by the Chief Officer (Education & Youth) - on which a Red (limited assurance) opinion had been issued. The Senior Auditor detailed the scope of the review which had been agreed with the Chief Officer and the school, along with a summary of the key findings and recommendations.

Mark Biltcliffe (Head Teacher) and Simon Griffiths (Chair of Governors) of Drury Primary School were in attendance to provide an update on progress with implementing the recommendations.

In response to questions, the Chief Officer (Education & Youth) provided clarification on communications and engagement with the school throughout the period and had requested a regular update on actions from the school to give assurance of progress.

The Internal Audit Manager explained that a follow-up audit would be undertaken and evidence reviewed before each recommendation could be closed down. The Internal Audit team would work closely with Education colleagues and the school to ensure that actions were implemented and a further report would be scheduled for the Committee's meeting in January 2023. Progress would also be reported as part of action tracking.

The Chair took the opportunity to thank contributors for their attendance including the school representatives and Chief Officer.



The recommendation was moved and seconded by Councillor Glyn Banks and Reverend Brian Harvey.

**RESOLVED:**

That the report be accepted and a follow-up report scheduled for January 2023.

*The remaining agenda items were considered in open session.*

**12. INTERNAL AUDIT ANNUAL REPORT**

The Internal Audit, Performance & Risk Manager presented the report which summarised the outcome of audit work undertaken during 2021/22, 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 for the period. 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, auditing of third parties and the overall position of assurance opinions and actions raised across portfolios. The Internal Audit Manager also reported on the effectiveness of her service's performance including her lead role on a Task & Finish Group to review and collate benchmarking data across Wales.

Allan Rainford welcomed the report and was provided with information on the approach to increasing the number of completed post-audit client questionnaires whilst prioritising action tracking.

Councillor Andrew Parkhurst asked about the three red assurance reports and was informed of reporting arrangements to both this Committee and the relevant Overview & Scrutiny Committee with appropriate action plans.

In response to the Chair's comments on trends, the Internal Audit Manager said there were no current concerns and that the Audit Plan focussed on areas of high risk across the organisation.

The recommendation was moved by Councillor Andrew Parkhurst and seconded by Reverend Brian Harvey.

**RESOLVED:**

That the report and Internal Audit annual opinion be noted.

### **13. ACTION TRACKING**

The Internal Audit, Performance & Risk Manager presented an update on actions arising from previous meetings.

The recommendation was moved and seconded by Councillors Glyn Banks and Andrew Parkhurst.

#### **RESOLVED:**

That the report be accepted.

### **14. FORWARD WORK PROGRAMME**

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

With the inclusion of the update on the earlier red audit report, the recommendations were moved and seconded by Allan Rainford and Reverend Brian Harvey.

#### **RESOLVED:**

- (a) That the Forward Work Programme, as amended, be accepted; and
- (b) That the Internal Audit, Performance & Risk Manager, in consultation with the Chair and Vice-Chair of the Committee, be authorised to vary the Forward Work Programme between meetings, as the need arises.

### **15. INTERNAL AUDIT PROGRESS REPORT**

The Internal Audit, Performance & Risk Manager presented the regular report showing progress against the Plan, final reports issued, action tracking, performance indicators and current investigations. An overview was provided of the two Amber Red (some assurance) reports issued during the period on Risk Management and Use of Agency Workers, with the only Red (limited assurance) report included as a separate agenda item.

The Chair raised concerns about the lack of progress on some high priority overdue actions including the loss of 'O' licences. The Internal Audit Manager reported some movement on actions since publication of the report which would be closed down once evidence had been reviewed. She clarified that the increased number of red actions on the audit for Maes Gwern Contractual Arrangements were likely to be a result of the overdue date maturing.

The Chair's concerns were shared by Councillor Andrew Parkhurst who commented on the revised target dates. The Internal Audit Manager acknowledged that more improvement was needed to reduce the number of outstanding actions which remained a priority for the team. She provided

explanation on the process including escalation of overdue actions to Chief Officers and the reporting of progress on which the Committee had oversight.

In response to the Chair's suggestion that the Committee continue to monitor the situation closely, the Chief Executive gave assurance that discussions took place to set realistic targets for completing actions. He informed the Committee that he took a personal interest in the matter, in recognition of the importance of risk management within the organisation.

The recommendation was moved by Councillor Andrew Parkhurst and seconded by Councillor Glyn Banks.

**RESOLVED:**

That the report be accepted.

**16. ATTENDANCE BY MEMBERS OF THE PRESS AND PUBLIC**

None.

The meeting started at 10am and finished at 1pm

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**Chair**

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## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 27 <sup>th</sup> July 2022
<b>Report Subject</b>	Draft Statement of Accounts 2021/22
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

This report presents the Council's Statement of Accounts for the 2021/22 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 31<sup>st</sup> May.

Due to the ongoing challenges arising from the pandemic, Welsh Government have again set an extended framework for draft completion of 31<sup>st</sup> August - the accounts were completed and submitted for audit on 6<sup>th</sup> July 2022 which is well within the framework – as required, a notice explaining the delay has been included on the Council's website.

As with the previous financial year, the pandemic has had a significant impact on producing this year's Accounts, particularly around 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 28<sup>th</sup> September 2022.

The statutory deadline for publishing the final audited Statement of Accounts for 2021/22 is 31<sup>th</sup> July 2022, however the temporary framework set out by Welsh Government extends this to 30<sup>th</sup> 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 2021/22 (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 28th September 2022.

## REPORT DETAILS

<b>1.00</b>	<b>EXPLAINING THE STATEMENT OF ACCOUNTS</b>
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 <sup>st</sup> May. Due to the ongoing challenges arising from the pandemic Welsh Government have again set an extended framework for draft completion of 31 <sup>st</sup> August - the accounts were completed and submitted for audit on 6 <sup>th</sup> July 2022 which is well within the framework – as required, a notice explaining the delay has been included on the Council’s website.
1.02	As with the previous financial year, the pandemic has had a significant impact on producing this year’s Accounts, particularly around 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	<p>During 2021/22 not all assets valued under the Depreciated Replacement Cost basis have been revalued, only those in the current cycle were revalued in line with our accounting policy. Those assets not revalued are included in the accounts at their current carrying value i.e. valuation at last revaluation date less subsequent depreciation charged. Due to the current economic climate and the increase in construction costs it is possible that these assets could be underestimated in the accounts, so work may be needed to review these valuations in 2022/23.</p> <p>This issue has been recognised nationally and all Councils are currently awaiting further guidance from CIPFA regarding asset valuations.</p>
1.04	The draft Statement of Accounts is attached as Appendix 1 for Members’ information and will now be audited over the summer.
1.05	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 and the final version will be presented to this Committee on 28 <sup>th</sup> September 2022 for approval.

1.06	The statutory deadline for publishing the final audited Statement of Accounts for 2021/22 is 31 <sup>st</sup> July 2022, however the temporary framework set out by Welsh Government extends this to 30 <sup>th</sup> November.
1.07	<p>The Council's draft Statement of Accounts have been prepared in accordance with the requirements of the 2021/22 Code of Practice on Local Authority Accounting – which is based on International Financial Reporting Standards (IFRS) and include:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The supplementary financial statements – the housing revenue account income and expenditure statement, movement in reserves statement and notes.</li> <li>• The group accounts – incorporating the financial accounts of North East Wales (NEW) Homes Ltd and Newydd Catering and Cleaning Ltd with that of the Council's.</li> <li>• The Annual Governance Statement.</li> </ul>
1.08	The draft Statement of Accounts includes the Annual Governance Statement. This was reviewed by the Governance and Audit Committee, at its meeting on the 8 <sup>th</sup> June 2022.
1.09	There were no significant revisions to the 2021/22 Code of Practice.
1.10	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.
1.11	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 during August and will then be considered by the Pension Committee at the end of August. An update will be provided to the Governance and Audit Committee in September prior to final approval of the audited accounts by Pension Committee in November.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	Financial implications are as set out in the report.

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

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	<p>The main risk is the Council not being able to meet its statutory deadlines for producing the Statement of Accounts. This is 31<sup>st</sup> May for the draft version signed by the Responsible Finance Officer, which was not achieved as discussed above; and 31<sup>th</sup> 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<sup>th</sup> November.</p> <p>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.</p>

<b>5.00</b>	<b>APPENDICES</b>
5.01	1. Draft Statement of Accounts 2021/22

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<p><b>Contact Officer:</b> Chris Taylor, Strategic Finance Manager  <b>Telephone:</b> 01352 703309  <b>E-mail:</b> <a href="mailto:christopher.taylor@flintshire.gov.uk">christopher.taylor@flintshire.gov.uk</a></p>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	<p><b>Audit Wales:</b> 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><b>Financial Audit:</b> The annual external audit of the Council's Statement of Accounts.</p> <p><b>Financial Year:</b> the period of 12 months commencing on 1 April</p>



<p><b>Statement of Accounts / Final Accounts / Financial Accounts or Statements:</b> 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>
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# STATEMENT OF ACCOUNTS

**DRAFT**

**2021-22**





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# NARRATIVE REPORT

## INTRODUCTION

This narrative report summarises Flintshire County Council's Statement of Accounts for 2021/22 and details income and expenditure on service provision for the financial year 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022 and the value of the Council's assets and liabilities as at 31<sup>st</sup> March 2022. The Group Accounts incorporate the Council's Financial Statements with those of its wholly owned subsidiaries North East Wales Homes Ltd (NEW Homes) and Newydd Catering and Cleaning 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 2021/22 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 continued challenges arising from the global pandemic meant that the Council was unable to finalise the Accounts within the earlier legislative deadline of 31<sup>st</sup> May 2022. 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 31<sup>st</sup> August 2022.

The Council set its budget for the 2021/22 financial year during a national emergency so it had to quickly adapt and respond to the significant financial risks posed by the emergency. The silver command Finance Tactical Group, that was set-up as part of the Council's emergency command structure, identified, monitored and mitigated 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 £5,711k 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 31<sup>st</sup> March 2022.

## 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.

The Council Plan for 2021/22 set the Council's priorities for the year, with a big emphasis on recovering from the pandemic and supporting the most vulnerable, along with commitments to being a green Council. The Plan has six themes, with each theme having specific objectives and actions where the Council aims to make an impact within the year and in the longer term.

The Plan is published on the Council's website and is a user friendly document which clearly explains for each priority why it is a priority, what we intend to achieve and how we will measure those achievements. A separate linked document is also published which describes in more detail the actual measures and milestones in making improvements or change throughout the year.

## NARRATIVE REPORT

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 July 2022.

The Council, at its Annual Meeting, appointed a new Recovery Committee to guide our second phase of recovery from the COVID-19 pandemic. As part of its role, the new Committee referred risks and issues to the respective Overview and Scrutiny Committees to review in detail as part of their forward work programmes. The aims of the Committee are: to re-set the recovery objectives for the whole organisation and for each of the service portfolios; to overview recovery against those objectives; to refer issues to the Cabinet and the Overview and Scrutiny Committees for detailed review/planning, and to help give assurance to the public and partner organisations on our local planning.

### FINANCIAL PERFORMANCE DURING THE YEAR

The revenue budget covers the Council's day-to-day expenditure and income on items such 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 with 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 2021/22, there was an increase in funding of 3.8% (the Welsh average increased by 3.8%). 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 £2,363k of new efficiencies in our 2021/22 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 2021/22 was set at £297,457k and was approved by Council on 16<sup>th</sup> February 2021. Budget monitoring information was reported to Cabinet on a monthly basis throughout the year, with final outturn due to be reported on 12<sup>th</sup> July 2022.

The budget strategy for 2021/22 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

	2021/22 Budget £000	2021/22 Actual £000	Variance £000
Corporate Services :			
Chief Executive	2,386	2,244	(143)
People and Resources	4,625	4,466	(160)
Governance	10,350	10,548	198
	<u>17,361</u>	<u>17,257</u>	<u>(104)</u>
Social Services	79,547	77,152	(2,395)
Housing and Assets	14,493	13,601	(892)
Streetscene and Transportation	31,803	32,513	710
Planning, Environment & Economy	6,288	5,614	(674)
Education and Youth	115,875	115,257	(618)
Strategic Programmes	7,430	7,018	(412)
<b>Net expenditure on services</b>	<b>272,797</b>	<b>268,412</b>	<b>(4,385)</b>
Central loans and investment account	13,057	12,967	(90)
Central and Corporate Finance	12,854	15,177	2,323
<b>Total net expenditure</b>	<b>298,708</b>	<b>296,557</b>	<b>(2,151)</b>
Contribution from reserves	(1,251)	(1,251)	0
<b>Budget requirement</b>	<b>297,457</b>	<b>295,306</b>	<b>(2,151)</b>
<b>Financed by</b>			
Council tax (net of community council precepts expenditure)	90,679	90,867	(188)
General grants	155,460	158,832	(3,372)
Non-domestic rates redistribution	51,318	51,318	(0)
<b>Total resources</b>	<b>297,457</b>	<b>301,017</b>	<b>(3,560)</b>
<b>Net variance - (underspend)</b>	<b>0</b>	<b>(5,711)</b>	<b>(5,711)</b>

The net underspend of £5,711k combined with other agreed funding transfers to produce year-end Council Fund revenue reserves of £18,438k.

### COVID-19 Pandemic - Emergency Grant Funding

Throughout this financial year all Welsh councils have continued to work closely with Welsh Government and the Council has again 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 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. £10,350k of this is included within the Council's CIES. The Council has also acted as an agent on behalf of third parties and as a result of this, the income and expenditure associated with these claims 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	£3,648k
Business Support – Cultural Recovery Fund – Freelancer Support	£68k
Business Support - Economic Resilience Fund	£763k

### Other Grants

Bus Emergency Service – Flintshire proportion of regional funding	£388k
Test, Trace, Protect – Flintshire proportion of regional scheme	£2,154k
Local Authority Education Grant – Accelerated Learning	£3,185k
Additional Learning Needs – COVID-19 Grant	£467k
Social Care Recovery Fund	£2,772k

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

Financial Recognition of Social Care Workers Scheme	£4,084k
Winter Fuel Support Scheme Payments	£1,323k
Self-isolation payments	£1,624k

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 £6,510k of costs incurred and funded by Welsh Government. Similarly, Flintshire is the lead Council in administering the Bus Emergency Service grant of £13,906k provided from Welsh Government to support local bus operators during the pandemic. 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:

	2021/22 Budget	2021/22 Actual	Variance
	£000	£000	£000
Estate Management	1,931	1,788	(144)
Landlord Services	1,469	1,506	37
Repairs & Maintenance	10,431	10,189	(241)
HRA Projects	122	167	45
Finance & Support	1,360	1,376	16
Revenue contributions to fund capital expenditure	13,442	16,620	3,178
<b>Net expenditure on services</b>	<b>28,756</b>	<b>31,646</b>	<b>2,890</b>
Central loans and investment account	8,047	6,509	(1,537)
Support Services	1,215	1,107	(108)
<b>Total net expenditure</b>	<b>38,017</b>	<b>39,263</b>	<b>1,246</b>
Contribution from reserves	(483)	(1,669)	(1,186)
<b>Budget requirement</b>	<b>37,534</b>	<b>37,593</b>	<b>60</b>
<b>Financed by</b>			
Rents	(36,531)	(36,370)	161
Grants and other income	(1,003)	(1,223)	(220)
<b>Total resources</b>	<b>(37,534)</b>	<b>(37,593)</b>	<b>(60)</b>
<b>Net variance</b>	<b>0</b>	<b>0</b>	<b>(0)</b>

2020/21 was due to be 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. Due to the restrictions imposed by the COVID-19 pandemic causing delays to the capital programme in 2020/21, Welsh Government granted local authorities an extension, where needed, to complete the WHQS programme by the end of 2021/22. The Council are now WHQS compliant having met the requirements of WHQS and the ongoing focus is to maintain our housing stock to WHQS levels. In order to finance the final year of the WHQS scheme, funding of £1,669k has been drawn down from reserves, bringing the total HRA reserves as at 31st March 2022 to £5,238k. As we move into 2022/23 efforts will be focused on remobilising the capital programme and we will strive to work with Welsh Government on the introduction of the WHQS 2023 capital initiative, which is currently in the consultation phase and is likely to focus on energy efficiency, exploring decarbonisation and well-being.

The Council continues to take a proactive approach to monitoring rent arrears due to the increasing cost of living affecting tenants' ability to pay rent on time and the potential loss of housing rent income. However, despite the early intervention and support offered to tenants, net rent arrears have increased to £1,610k at outturn compared with £1,543k the previous year. 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 2021/22 capital programme was approved to the sum of £47,541k (HRA £34,835k and Council Fund £12,706k); this figure changed during the course of the year to a final programme total of £71,442k, (HRA £23,855k and Council Fund £47,587k). Capital programme budget monitoring information was reported to Cabinet on a quarterly basis throughout the year, with final outturn to be reported on 12<sup>th</sup> July 2022.

## NARRATIVE REPORT

Capital 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 and the 21<sup>st</sup> Century Schools building programme which includes the development of the Queensferry Campus.

	<b>2021/22</b>
	<b>£000</b>
Education	21,595
Social services	4,743
Transport	7,405
Housing	26,659
Libraries, culture and heritage	1,984
Agriculture and fisheries *	136
Sport and recreation	553
Other environmental services	4,832
<b>Outturn</b>	<b><u>67,907</u></b>

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

The programme was financed as follows -

	<b>2021/22</b>
	<b>£000</b>
Supported borrowing	4,040
Other borrowing (including Salix loans)	3,006
Capital grants and contributions	42,476
Capital reserves/capital expenditure funded from revenue account	18,385
<b>Core financing</b>	<b><u>67,907</u></b>

The disruption caused by 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 2022/23 capital programme. The Council will closely monitor and consider the impacts of the delays on expenditure and available financing throughout 2022/23 and beyond.

The Council will continue to monitor 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.

## 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 the development of 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 £203k 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

The Council is currently in year 6 of its Strategic Housing and Regeneration Programme (SHARP). This ambitious plan aims to deliver 500 new homes which 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, development works started at three sites across the County, all funded through the HRA, utilising £1,340k of the Welsh Government Social Housing Grant (SHG). Total costs during the year was £2,024k (included within the housing figure in the capital outturn above). Planned works for 2022/23 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 173 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.

The Company's Strategic Business Plan aims to deliver an additional 65 units over the next three years which will bring the total number of properties owned and managed by NEW Homes to 238 by 2024/25. The Council has pre-approved loans to NEW Homes of up to £30,000k, in addition to a previous loan of £7,530k granted. Of this funding, £14,020k has been utilised to date, with the remaining £23,510k available to be drawn down for future schemes.

### Borrowing

The Council undertook £10,582k of long term borrowing from the Public Works Loan Board (PWLB) during 2021/22 to fund capital expenditure schemes including building new homes through the SHARP and the 21<sup>st</sup> Century Schools building programme. The Balance Sheet (long term) borrowing total of £289,517k includes the sum of £2,890k for interest free loans from Salix Finance Ltd, an independent company funded by the Carbon Trust to help improve energy efficiency in public sector buildings, loans totaling £1,137k 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 we continue to recover from the pandemic. Factors influencing the level of borrowing will include the impact of the pandemic on the Capital Programme itself, and the affordability and sustainability of associated borrowing on the revenue budget.

## NARRATIVE REPORT

### Financial Position at 31<sup>st</sup> March 2022

#### 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 31<sup>st</sup> March 2022.

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.

	31 March 2022	Net Underspend	Other	31 March 2021
	£000	£000	£000	£000
Council Fund (unearmarked) balance	18,438	5,711	(1,334)	14,061
Earmarked Council Fund reserves	24,896	0	7,360	17,536
Locally managed schools	12,292	0	5,390	6,902
Housing Revenue Account reserves	5,238	(1,970)	300	6,908
<b>Total revenue reserves</b>	<b>60,864</b>	<b>3,741</b>	<b>11,716</b>	<b>45,407</b>

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. A balance of £2,318k remained at the start of the year, £252k was used during 2021/22, leaving a remaining balance of £2,066k at 31<sup>st</sup> March 2022. A top up of £3,250k was added to this contingency reserve within the 2022/23 budget to ensure that there is sufficient provision for the continuation of any additional costs and losses of income previously claimed from the Hardship Fund, which ceased at the end of March 2022.

#### Cash Flow Management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on investments are set by reference to the Council's MTFS 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.

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 2022/23.

## NARRATIVE REPORT

### Pension Liability

The pension deficit recorded in the balance sheet of £362,940k has decreased by £67,603k during the year, as a result of changes to the financial assumptions used by the pension fund actuary. The main change in financial assumptions relate to a increase in the discount rate assumption from last year, decreasing 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 £192,088k (£95,116k as at 31st March 2021).

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, which has been considered by the Fund's actuary in their IAS 19 calculations.

### Revaluation of Non-Current Assets

All non-current assets must be revalued at least every five years. The Council meets this requirement by revaluing a proportion of the total asset portfolio each year and during 2021/22 (the second year of the current cycle, commencing 1<sup>st</sup> April 2021) 18% of operational non-dwelling assets were revalued. The exception to this arrangement is council dwellings which were all revalued in 2020/21.

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 and are valued based on their rebuild costs. During 2021/22 not all assets valued under the Depreciated Replacement Cost basis have been valued, only those in the current cycle were revalued in line with our accounting policy. Those assets not revalued are included in the accounts at their current carrying value i.e. valuation at last revaluation date less subsequent depreciation charged. Due to the current economic climate and the increase in construction costs it is likely that these assets will be underestimated in the accounts, so work may be needed to review these valuations in 2022/23.

## FINANCIAL OUTLOOK FOR THE COUNCIL

The MTFs forecasts the amount of resources 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. The Council also expects to see increasing demand for many of its services. The Council has again been successful in accessing funding from the Welsh Government's Hardship Fund during the financial year. With the Hardship Fund now ended, the Council will have to closely monitor any continued pressures and losses of income against the 'ring-fenced' contingency reserve and review the ongoing impact on services.

A revision of the MTFs from 2023/24 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 2022/23 final local government settlement included indicative increases of 3.5% for 2023/24 and 2.4% for 2024/25, which are at significantly lower levels than the last couple of years. The Council will need to consider options to balance the budget in light of these indicative figures.

## **NARRATIVE REPORT**

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Council has a comprehensive risk management framework. There have been a number of risks identified for the Council Plan priorities 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, Theatr Clwyd Trust 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 2021/22 to reflect changes in the Code of Practice.

### **FURTHER INFORMATION**

The Statement of Accounts is available on the internet ([www.flintshire.gov.uk](http://www.flintshire.gov.uk)), with further information 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 :**

**Sally Ellis**  
**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 the United Kingdom ("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 31<sup>st</sup> March 2022, and its income and expenditure for the year then ended.

**Signed :**

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

**Date :** 04/07/2022

## EXPENDITURE AND FUNDING ANALYSIS

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.

2021/22

	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	2,243	54	2,297	178	2,475
Education & Youth	115,257	(6,154)	109,103	14,585	123,688
Governance	9,820	(1,773)	8,047	3,203	11,250
Housing & Assets	13,601	(1,084)	12,517	(7,169)	5,348
People & Resources	4,466	(122)	4,344	673	5,017
Planning, Environment & Economy	5,614	(7)	5,607	1,074	6,681
Social Services	77,152	89	77,241	11,937	89,178
Strategic Programmes	7,018	726	7,744	2,401	10,145
Streetscene & Transportation	32,513	(1,365)	31,148	7,402	38,550
Central & Corporate Finance	24,061	(1,779)	22,282	(15,366)	6,916
Housing Revenue Account	1,971	(301)	1,670	3,725	5,395
Clwyd Theatr Cymru*	0	0	0	0	0
<b>Cost of services</b>	<b>293,716</b>	<b>(11,716)</b>	<b>282,000</b>	<b>22,643</b>	<b>304,643</b>
Other Income and Expenditure	(297,457)	0	(297,457)	(6,314)	(303,771)
<b>(Surplus)/deficit on the provision of services</b>	<b>(3,741)</b>	<b>(11,716)</b>	<b>(15,457)</b>	<b>16,329</b>	<b>872</b>

### Opening Council Fund / HRA Reserves

In Year Revenue Surplus / (Deficit)	45,407
Council Fund (CF)	17,127
Housing Revenue Account (HRA)	(1,669)

### Closing Council Fund / HRA Reserves

**60,865**

\*Ceased to be part of Flintshire County Council from 1st April 2021

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	10,619	114,262
Governance	8,555	(1,346)	7,209	2,898	10,107
Housing & Assets	15,197	187	15,384	(5,566)	9,818
People & Resources	4,387	(80)	4,307	357	4,664
Planning, Environment & Economy	5,821	(301)	5,520	601	6,121
Social Services	76,491	(272)	76,219	2,211	78,430
Strategic Programmes	4,558	134	4,692	3,909	8,601
Streetscene & Transportation	31,154	(898)	30,256	7,369	37,625
Central & Corporate Finance	23,862	(1,281)	22,581	(16,674)	5,907
Housing Revenue Account	(3,031)	(988)	(4,019)	(34,524)	(38,543)
Clwyd Theatr Cymru	0	(466)	(466)	217	(249)
<b>Cost of services</b>	<b>280,771</b>	<b>(12,984)</b>	<b>267,787</b>	<b>(28,462)</b>	<b>239,325</b>
Other Income and Expenditure	(285,987)	0	(285,987)	(4,440)	(290,427)
<b>(Surplus)/deficit on the provision of services</b>	<b>(5,216)</b>	<b>(12,984)</b>	<b>(18,200)</b>	<b>(32,902)</b>	<b>(51,102)</b>

### 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**

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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	2021/22			2020/21		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>							
Chief Executive's		2,543	(68)	2,475	2,721	(139)	2,582
Education & Youth		165,784	(42,096)	123,688	147,967	(33,705)	114,262
Governance		15,095	(3,845)	11,250	13,427	(3,320)	10,107
Housing & Assets		42,967	(37,619)	5,348	45,509	(35,691)	9,818
People & Resources		5,399	(382)	5,017	5,127	(463)	4,664
Planning, Environment & Economy		14,828	(8,147)	6,681	13,008	(6,887)	6,121
Social Services		124,790	(35,612)	89,178	109,356	(30,926)	78,430
Strategic Programmes		12,625	(2,480)	10,145	9,942	(1,341)	8,601
Streetscene & Transportation		71,570	(33,020)	38,550	70,443	(32,818)	37,625
Central & Corporate Finance		10,040	(3,124)	6,916	8,259	(2,352)	5,907
Housing Revenue Account		43,614	(38,219)	5,395	(564)	(37,979)	(38,543)
Clwyd Theatr Cymru*		0	0	0	4,585	(4,834)	(249)
<b>Cost of services</b>		<b>509,255</b>	<b>(204,612)</b>	<b>304,643</b>	<b>429,780</b>	<b>(190,455)</b>	<b>239,325</b>
Other Operating Expenditure	4			30,301			29,493
Financing and Investment (Income) and Expenditure	5			17,897			20,686
Taxation and Non-Specific Grant (Income)	6			(351,969)			(340,606)
<b>(Surplus)/deficit on the provision of services</b>	<b>3</b>			<b>872</b>			<b>(51,102)</b>
(Surplus)/deficit arising on revaluation of non-current assets				(9,497)			(4,141)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets				0			0
Actuarial (gains) or losses on pension assets and liabilities				(88,346)			16,489
<b>Total comprehensive (income) and expenditure</b>				<b>(96,971)</b>			<b>(38,754)</b>

\*Ceased to be part of Flintshire County Council from 1st April 2021

## MOVEMENT IN RESERVES STATEMENT

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 Total Comprehensive Income and Expenditure 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.

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	
<b>At 31st March 2021</b>	<b>38,499</b>	<b>6,908</b>	<b>15,490</b>	<b>14,426</b>	<b>75,323</b>	<b>19,793</b>	<b>95,116</b>	
In year movement in reserves								
Total comprehensive income and expenditure	1,407	(2,278)	0	0	(871)	97,843	96,972	
Adjustments between accounting and funding basis under regulations	7	15,720	609	2,468	617	19,414	(19,414)	0
<b>Increase/(decrease) in year</b>	<b>17,127</b>	<b>(1,669)</b>	<b>2,468</b>	<b>617</b>	<b>18,543</b>	<b>78,429</b>	<b>96,972</b>	
<b>At 31st March 2022</b>	<b>55,626</b>	<b>5,239</b>	<b>17,958</b>	<b>15,043</b>	<b>93,866</b>	<b>98,222</b>	<b>192,088</b>	

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	
<b>At 31st March 2020</b>	<b>24,318</b>	<b>2,889</b>	<b>18,367</b>	<b>7,240</b>	<b>52,815</b>	<b>3,547</b>	<b>56,362</b>	
In year movement in reserves								
Total comprehensive income and expenditure	13,218	37,885	0	0	51,102	(12,348)	38,754	
Adjustments between accounting and funding basis under regulations	7	963	(33,866)	(2,877)	7,186	(28,594)	28,594	0
<b>Increase/(decrease) in year</b>	<b>14,181</b>	<b>4,019</b>	<b>(2,877)</b>	<b>7,186</b>	<b>22,508</b>	<b>16,246</b>	<b>38,754</b>	
<b>At 31st March 2021</b>	<b>38,499</b>	<b>6,908</b>	<b>15,490</b>	<b>14,426</b>	<b>75,323</b>	<b>19,793</b>	<b>95,116</b>	

## BALANCE SHEET

	Note	31 March 2022		31 March 2021	
		£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>	<b>8</b>				
Council dwellings		227,606		232,242	
Other land and buildings		352,655		331,240	
Vehicles, plant, furniture and equipment		19,581		18,159	
Surplus assets		5,880		5,938	
Infrastructure assets		157,785		157,494	
Community assets		4,921		4,902	
Assets under construction		12,125		21,082	
<b>Total Property, Plant &amp; Equipment</b>			<b>780,553</b>		<b>771,057</b>
Investment properties and agricultural estate	<b>9</b>		27,694		25,189
Intangible assets			0		2
Long term investments	<b>11</b>		3,730		3,592
Long term debtors	<b>12</b>		12,050		11,816
<b>NON-CURRENT ASSETS TOTAL</b>			<b>824,027</b>		<b>811,656</b>
<b>CURRENT ASSETS</b>					
Inventories		651		486	
Short term debtors (net of impairment provision)	<b>13</b>	71,409		73,757	
Short term investments	<b>14</b>	5,001		10,000	
Cash and cash equivalents	<b>15</b>	43,657		37,083	
Assets held for sale	<b>10</b>	383		1,021	
<b>CURRENT ASSETS TOTAL</b>			<b>121,101</b>		<b>122,347</b>
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months	<b>16</b>	(18,036)		(65,960)	
Short term creditors	<b>17</b>	(63,022)		(41,712)	
Provision for accumulated absences	<b>19</b>	(5,563)		(5,226)	
Deferred liabilities	<b>40</b>	(591)		(587)	
Grants receipts in advance	<b>18</b>	(6,697)		(3,883)	
Provisions	<b>19</b>	(45)		(892)	
<b>CURRENT LIABILITIES TOTAL</b>			<b>(93,954)</b>		<b>(118,260)</b>
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors	<b>17</b>	(1,389)		(1,034)	
Long term borrowing	<b>20</b>	(289,517)		(283,934)	
Deferred liabilities	<b>40</b>	(2,748)		(3,339)	
Provisions	<b>19</b>	(957)		(966)	
Other long term liabilities	<b>43</b>	(362,940)		(430,543)	
Grants receipts in advance	<b>18</b>	(1,535)		(811)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			<b>(659,086)</b>		<b>(720,627)</b>
<b>NET ASSETS</b>			<b>192,088</b>		<b>95,116</b>

## BALANCE SHEET

	Note	31 March 2022		31 March 2021	
		£000	£000	£000	£000
<b>USABLE RESERVES</b>					
Capital Receipts Reserve		17,959		15,490	
Capital Grants Unapplied		15,043		14,426	
Council Fund		18,438		14,061	
Earmarked Reserves	21	37,187		24,438	
Housing Revenue Account		5,239		6,908	
<b>USABLE RESERVES TOTAL</b>			<b>93,866</b>		<b>75,323</b>
<b>UNUSABLE RESERVES</b>					
Revaluation Reserve	22	120,882		117,058	
Capital Adjustment Account	22	350,805		343,777	
Financial Instruments Adjustment Account	22	(5,011)		(5,371)	
Pensions Reserve	22	(362,940)		(430,543)	
Deferred Capital Receipts		49		98	
Accumulated Absences Account	22	(5,563)		(5,226)	
<b>UNUSABLE RESERVES TOTAL</b>			<b>98,222</b>		<b>19,793</b>
<b>TOTAL RESERVES</b>			<b>192,088</b>		<b>95,116</b>

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

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	2021/22		2020/21	
		£000	£000	£000	£000
Net surplus or (deficit) on the provision of services		(872)		51,102	
Adjustment to surplus or deficit on the provision of services for non-cash movements		108,446		23,235	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<u>(45,485)</u>		<u>(45,558)</u>	
Net cash flows from operating activities	23		62,089		28,779
Net cash flows from investing activities	24	(12,590)		(23,000)	
Net cash flows from financing activities	25	<u>(42,925)</u>		<u>2,177</u>	
<b>Net increase or decrease in cash and cash equivalents</b>			<u>(55,515)</u>		<u>(20,823)</u>
			6,574		7,956
Cash and cash equivalents at the beginning of the reporting period	15		37,083		29,127
<b>Cash and cash equivalents at the end of the reporting period</b>	15		<b>43,657</b>		<b>37,083</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### INTRODUCTION TO NOTES

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and the Council's accounting policies. The notes that follow 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	2021/22			Total Adjustments £000
	Adjustments for Capital Purposes £000	Adjustments for Employee Benefit Purposes £000	Other Adjustments £000	
	a	b	c	
<b>Note</b>				
Chief Executive's	0	178	0	178
Education & Youth	12,138	3,532	(1,085)	14,585
Governance	1,946	712	545	3,203
Housing & Assets	3,522	459	(11,150)	(7,169)
People & Resources	0	675	(2)	673
Planning, Environment & Economy	1,130	959	(1,015)	1,074
Social Services	8,747	3,649	(459)	11,937
Strategic Programmes	5,270	(2,558)	(311)	2,401
Streetscene & Transportation	7,096	1,395	(1,089)	7,402
Central & Corporate Finance	963	1,946	(18,275)	(15,366)
Housing Revenue Account	26,150	693	(23,118)	3,725
Clwyd Theatr Cymru*	0	0	0	0
<b>Cost of services</b>	<b>66,962</b>	<b>11,640</b>	<b>(55,959)</b>	<b>22,643</b>
Other Income and Expenditure from the EFA	(41,660)	9,438	25,908	(6,314)
<b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b>	<b>25,302</b>	<b>21,078</b>	<b>(30,051)</b>	<b>16,329</b>

\*Ceased to be part of Flintshire County Council from 1st April 2021

Adjustments from Council Fund / HRA to arrive at CI&ES Amounts	2020/21			Total Adjustments £000
	Adjustments for Capital Purposes £000	Adjustments for Employee Benefit Purposes £000	Other Adjustments £000	
	a	b	c	
<b>Note</b>				
Chief Executive's	0	121	0	121
Education & Youth	9,970	1,194	(545)	10,619
Governance	1,162	410	1,326	2,898
Housing & Assets	4,603	298	(10,467)	(5,566)
People & Resources	0	357	0	357
Planning, Environment & Economy	1,551	482	(1,432)	601
Social Services	964	1,676	(429)	2,211
Strategic Programmes	4,182	2	(275)	3,909
Streetscene & Transportation	7,936	857	(1,424)	7,369
Central & Corporate Finance	997	825	(18,496)	(16,674)
Housing Revenue Account	(15,120)	412	(19,816)	(34,524)
Clwyd Theatr Cymru	0	219	(2)	217
<b>Cost of services</b>	<b>16,245</b>	<b>6,853</b>	<b>(51,560)</b>	<b>(28,462)</b>
Other Income and Expenditure from the EFA	(41,249)	9,963	26,846	(4,440)
<b>Differences between CF / HRA surplus / deficit and CI&amp;ES surplus / deficit</b>	<b>16,816</b>	<b>(24,714)</b>	<b>(32,902)</b>	<b>(40,780)</b>



## 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:

	Revenues from		Revenues from		Interest Revenues		Interest Expense	
	External Customers		Transactions with other					
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
Chief Executive's	(68)	(113)	0	0	0	0	0	0
Education & Youth	(4,222)	(3,481)	(2,437)	(2,254)	0	0	0	0
Governance	(1,920)	(1,328)	(1,077)	(1,087)	0	0	0	0
Housing & Assets	(4,152)	(3,419)	(463)	(446)	0	0	0	0
People & Resources	(304)	(314)	(184)	(183)	0	0	0	0
Planning, Environment & Economy	(3,187)	(2,328)	(227)	(213)	0	0	0	0
Social Services	(10,761)	(10,753)	(76)	(147)	0	0	0	0
Strategic Programmes	(2,411)	(905)	0	0	0	0	0	0
Streetscene & Transportation	(23,757)	(22,204)	(877)	(1,167)	0	0	0	0
Central & Corporate Finance	(9,626)	(724)	0	0	(548)	(531)	8,441	8,417
Housing Revenue Account	(37,841)	(37,622)	0	0	0	0	4,909	5,061
Clwyd Theatr Cymru*	0	(2,286)	0	(328)	0	0	0	0
	<b>(98,249)</b>	<b>(85,477)</b>	<b>(5,341)</b>	<b>(5,825)</b>	<b>(548)</b>	<b>(531)</b>	<b>13,350</b>	<b>13,478</b>

\*Ceased to be part of Flintshire County Council from 1st April 2021

### 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	2021/22	2020/21
	£000	£000
<b>Expenditure</b>		
Employee benefit expenses	214,641	199,842
Other service expenses	237,693	224,943
Depreciation, amortisation & impairment	67,024	17,231
Interest payments	13,674	13,852
Precept and levies	31,262	29,778
(Gain) or loss on disposal of non-current assets	(1,730)	(1,013)
(Gain) or loss on disposal of investment property	(210)	(189)
<b>Total expenditure</b>	<b>562,354</b>	<b>484,444</b>
<b>Income</b>		
Fees, charges and other service income	(89,474)	(83,361)
Grants and contributions	(313,690)	(301,991)
Interest and investment income	(4,901)	(4,485)
Income from council tax and non-domestic rates	(153,417)	(145,709)
<b>Total income</b>	<b>(561,482)</b>	<b>(535,546)</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>872</b>	<b>(51,102)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 4. OTHER OPERATING EXPENDITURE

	2021/22	2020/21
	£000	£000
Precept - Office of North Wales Police and Crime Commissioner	19,869	18,760
Other preceptors - Community Councils	3,111	3,050
Levy - North Wales Fire and Rescue Authority	8,282	7,968
Net gain on the disposal of non-current assets	(1,730)	(1,013)
Admin. expenses on the net defined benefit liability	769	728
	<b>30,301</b>	<b>29,493</b>

### 5. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021/22	2020/21
	£000	£000
Interest payable and similar charges	13,674	13,852
Investment losses and investment expenditure	741	1,822
Net interest on the net defined benefit liability	8,669	9,235
Interest and investment income	(4,901)	(4,485)
Net gain on the disposal of investment properties	(210)	(189)
Movement in expected credit loss on financial assets	(76)	451
	<b>17,897</b>	<b>20,686</b>

### 6. LOCAL TAXATION AND NON-SPECIFIC GRANT INCOME

	2021/22	2020/21
	£000	£000
Council tax income	(102,099)	(97,300)
Non-domestic rates	(51,318)	(48,407)
Non-ringfenced government grants	(158,832)	(154,853)
Capital grants and contributions	(39,720)	(40,046)
	<b>(351,969)</b>	<b>(340,606)</b>

#### 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 1<sup>st</sup> 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.

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 2021/22 was 65,026 Band 'D' equivalent properties (64,554 in 2020/21).

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Flintshire County Council precept for a Band 'D' property in 2021/22 was £1,394.50 (£1,341.51 in 2020/21). 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	9.03	2,300.33	6,343.75	16,173.56	11,777.00	12,231.08	10,128.81	4,970.83	1,098.50	450.92

Other precepts added to 2021/22 Council Tax demand notices included the North Wales Police and Crime Commissioner precept in the sum of £19,869k (£18,760k in 2020/21) and 34 town and community councils who collectively raised precepts totalling £3,111k (£3,050k in 2020/21).

### Analysis of the net proceeds from Council Tax:

	2021/22 £000	2020/21 £000
Council tax collected	114,529	109,436
(Increase)/Decrease in bad debts provision	15	(226)
Council Tax Reduction Scheme	(11,747)	(11,569)
Amounts written off to provision	(698)	(341)
	<u>102,099</u>	<u>97,300</u>
Less - Payable to North Wales Police and Crime Commissioner	(19,869)	(18,760)
	<u><b>82,230</b></u>	<u><b>78,540</b></u>

### Non-Domestic Rates (NDR)

NDR is organised on a national basis. The government sets the multiplier which in 2021/22 was 53.5p for all properties (53.5p in 2020/21). 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. 2021/22 NDR income paid into the pool was £64,781k after relief and provisions (£62,075k in 2020/21), based on a year end rateable value total of £146,600k (£145,865k in 2020/21).

### Analysis of the net proceeds from non-domestic rates:

	2021/22 £000	2020/21 £000
Non-domestic rates collected	50,297	45,567
Less - Paid into NDR pool	(64,781)	(62,075)
Less - Cost of collection	(350)	(346)
(Increase)/Decrease in bad debts provision	302	(38)
Relief Schemes	14,532	16,892
	<u><b>0</b></u>	<u><b>0</b></u>
Receipts from pool	51,318	48,407
	<u><b>51,318</b></u>	<u><b>48,407</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year, in accordance with proper accounting practice, to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2021/22	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>					
Charges for depreciation and impairment of non current assets	19,718	26,088	0	0	(45,806)
Revaluation losses on Property, Plant and Equipment	16,708	62	0	0	(16,770)
Movements in the market value of Investment Properties	(1,903)	0	0	0	1,903
Amortisation of intangible assets	2	0	0	0	(2)
Capital grants and contributions applied	0	0	0	(42,476)	42,476
Revenue expenditure funded from capital under statute	4,383	0	0	0	(4,383)
Soft loan accounting adjustments	(39)	0	0	0	39
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	321	81	0	0	(402)
<b>Inclusion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(4,434)	(1,559)	0	0	5,993
Capital expenditure charged against the Council Fund and HRA balances	(1,765)	(16,620)	0	0	18,385
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(34,548)	(8,545)	0	43,093	0
<b>Adjustments involving the Capital Receipts Reserve:</b>					
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(2,223)	(120)	2,604	0	(262)
Use of the Capital Receipts Reserve to finance new capital expenditure or repay debt	0	0	(185)	0	185
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
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
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	43,065	2,601	0	0	(45,666)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,651)	(1,272)	0	0	24,923
<b>Adjustment involving the Accumulated Absences Account:</b>					
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	445	(108)	0	0	(337)
<b>Adjustments involving the Deferred Capital Receipts Account:</b>					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	49	0	(49)
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>15,720</b>	<b>609</b>	<b>2,468</b>	<b>617</b>	<b>(19,414)</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Usable Reserves				Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	
2020/21	£000	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account:</b>					
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>					
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)
<b>Inclusion of items not debited or credited to the CIES:</b>					
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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to CIES	(38,260)	(5,073)	0	43,333	0
<b>Adjustments involving the Capital Receipts Reserve:</b>					
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
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>					
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
<b>Adjustments involving the Pensions Reserve:</b>					
Reversal of items relating to retirement benefits debited or credited to the CIES	36,845	2,095	0	0	(38,940)
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,954)	(1,222)	0	0	24,176
<b>Adjustment involving the Accumulated Absences Account:</b>					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,949	100	0	0	(2,049)
<b>Adjustments involving the Deferred Capital Receipts Account:</b>					
Transfer from CIES to deferred Capital Receipts Reserve	0	0	0	0	0
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>					
	<b>963</b>	<b>(33,866)</b>	<b>(2,877)</b>	<b>7,186</b>	<b>28,594</b>

## 8. PROPERTY, PLANT AND EQUIPMENT

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

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

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 current economic climate and the increase in construction costs the valuation of Council Assets will be kept under frequent review.

### Movements 2021/22

	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
<b>Cost or Valuation</b>								
At 1st April, 2021	254,253	392,183	33,140	7,283	256,185	4,902	21,082	969,028
Additions and Acquisitions	20,756	21,814	5,963	0	6,856	19	7,493	62,901
Revaluation increases / (decreases) recognised in the Revaluation Reserve	260	5,399	0	(104)	0	0	0	5,555
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(17)	(10,876)	0	(166)	0	0	0	(11,059)
Assets Derecognised	(81)	(1,725)	(2,348)	(243)	0	0	0	(4,397)
Reclassifications	0	(429)	0	484	0	0	0	55
Other movements in cost or valuation	0	16,450	0	0	0	0	(16,450)	0
At 31st March 2022	<b>275,171</b>	<b>422,816</b>	<b>36,755</b>	<b>7,254</b>	<b>263,041</b>	<b>4,921</b>	<b>12,125</b>	<b>1,022,083</b>

### Accumulated Depreciation and Impairment

At 1st April, 2021	(22,011)	(60,943)	(14,981)	(1,345)	(98,691)	0	0	(197,971)
Depreciation charge	(4,968)	(13,327)	(4,541)	(34)	(6,565)	0	0	(29,435)
Depreciation written out to the Revaluation Reserve	97	8,080	0	23	0	0	0	8,200
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	1,643	0	0	0	0	0	1,643
Impairments written out to the Revaluation Reserve	10	682	0	244	0	0	0	936
Impairments recognised in the Revaluation Reserve	(31)	(5,164)	0	0	0	0	0	(5,195)
Reversal of Impairments recognised in the Surplus/Deficit	0	1,645	0	16	0	0	0	1,661
Impairments written out to Surplus/Deficit on the Provision of Services	(20,662)	(4,669)	0	(13)	0	0	0	(25,344)
Impairments recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Assets Derecognised	0	1,725	2,348	0	0	0	0	4,073
Assets reclassified (to)/from Held for Sale	0	167	0	(265)	0	0	0	(98)
At 31st March 2022	<b>(47,565)</b>	<b>(70,161)</b>	<b>(17,174)</b>	<b>(1,374)</b>	<b>(105,256)</b>	<b>0</b>	<b>0</b>	<b>(241,530)</b>

Balance Sheet at 31st March 2022

227,606    352,655    19,581    5,880    157,785    4,921    12,125    780,553

Balance Sheet at 1st April 2021

232,242    331,240    18,159    5,938    157,494    4,902    21,082    771,057

### Nature of Asset Holding

Owned	227,606	352,655	16,987	5,880	157,785	4,921	12,125	777,959
Finance Lease	0	0	2,594	0	0	0	0	2,594
At 31st March 2022	<b>227,606</b>	<b>352,655</b>	<b>19,581</b>	<b>5,880</b>	<b>157,785</b>	<b>4,921</b>	<b>12,125</b>	<b>780,553</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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
<b>Cost or Valuation</b>								
At 1st April, 2020	355,577	385,673	26,167	6,320	249,320	4,789	7,002	1,034,848
Additions and Acquisitions	15,868	6,987	7,621	0	6,865	113	17,547	55,001
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	3,304	0	138	0	0	0	3,442
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(118,984)	(321)	0	(808)	0	0	0	(120,113)
Assets Derecognised	0	(1,086)	(2,257)	(389)	0	0	0	(3,732)
Reclassifications	0	(2,411)	242	2,022	0	0	0	(147)
Other movements in cost or valuation	1,792	37	1,367	0	0	0	(3,467)	(271)
At 31st March 2021	<b>254,253</b>	<b>392,183</b>	<b>33,140</b>	<b>7,283</b>	<b>256,185</b>	<b>4,902</b>	<b>21,082</b>	<b>969,028</b>
<b>Accumulated Depreciation and Impairment</b>								
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	<b>(22,011)</b>	<b>(60,943)</b>	<b>(14,981)</b>	<b>(1,345)</b>	<b>(98,691)</b>	<b>0</b>	<b>0</b>	<b>(197,971)</b>
Balance Sheet at 31st March 2021	<b>232,242</b>	<b>331,240</b>	<b>18,159</b>	<b>5,938</b>	<b>157,494</b>	<b>4,902</b>	<b>21,082</b>	<b>771,057</b>
Balance Sheet at 1st April 2020	199,322	337,275	12,124	6,037	157,021	4,789	7,002	723,570
<b>Nature of Asset Holding</b>								
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	<b>232,242</b>	<b>331,240</b>	<b>18,159</b>	<b>5,938</b>	<b>157,494</b>	<b>4,902</b>	<b>21,082</b>	<b>771,057</b>



## 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 31<sup>st</sup> 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
2021/22 Surplus Assets	0	2,136	3,744	<b>5,880</b>
2020/21 Surplus Assets	0	2,701	3,237	<b>5,938</b>

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

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

	2021/22	2020/21
	£000	£000
<b>Cost or Valuation</b>		
At 1st April	25,213	24,979
Reclassifications	664	0
Additions	41	24
Revaluation increases/(decreases) to Surplus/Deficit	1,879	794
Other Adjustments	(62)	(584)
<b>At 31st March</b>	<b>27,735</b>	<b>25,213</b>
<b>Depreciation and Impairments</b>		
At 1st April	24	23
Reclassifications	0	0
Reversal of Impairments recognised in the Surplus/Deficit	(24)	(23)
Impairment / Depreciation	41	24
<b>At 31st March</b>	<b>41</b>	<b>24</b>
<b>Balance Sheet at 31st March</b>	<b>27,694</b>	<b>25,189</b>

#### Fair Value Measurement of Investment Property

Details of the Council's investment properties and information about the fair value hierarchy as at 31<sup>st</sup> 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
<b>2021/22</b>				
Commercial and Industrial Estates	0	0	12,803	12,803
Agricultural Estate - Farms	0	11,615	0	11,615
Agricultural Estate - Grazing Land	0	0	3,276	3,276
	<b>0</b>	<b>11,615</b>	<b>16,079</b>	<b>27,694</b>
<b>2020/21</b>				
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
	<b>0</b>	<b>11,195</b>	<b>13,994</b>	<b>25,189</b>

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.

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 2021/22 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 maximised the use of relevant known inputs and minimised 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
<b>At 1st April 2021</b>	0	471	550	1,021
Additions	0	0	0	0
Assets newly classified as held for sale	0	0	0	0
Assets declassified as held for sale	0	(146)	(475)	(621)
Net Reclassifications	0	(146)	(475)	(621)
Impairments	0	0	0	0
Revaluation gains	0	0	0	0
Revaluation losses	0	0	0	0
Net Revaluations	0	0	0	0
Assets sold	0	(17)	0	(17)
<b>At 31st March 2022</b>	<b>0</b>	<b>308</b>	<b>75</b>	<b>383</b>

	Council Dwellings & Garages £000	Other Property, Plant & Equipment £000	Investment Properties £000	Total £000
<b>At 1st April 2020</b>	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
<b>At 31st March 2021</b>	<b>0</b>	<b>471</b>	<b>550</b>	<b>1,021</b>

#### 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<sup>st</sup> 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
2021/22 Assets Held for Sale	0	0	383	383
2020/21 Assets Held for Sale	0	65	956	1,021

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

	31 March 2022	31 March 2021
	£000	£000
NEW Homes	3,730	3,592
	<u>3,730</u>	<u>3,592</u>

### 12. LONG TERM DEBTORS

	31 March 2022	31 March 2021
	£000	£000
Renewal and improvement loans	1,725	1,803
First time buyer loans	100	100
Affordable housing deposits	50	98
Private street works	49	47
Loans to NEW Homes	10,126	9,768
	<u>12,050</u>	<u>11,816</u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 13. SHORT TERM DEBTORS

	31 March 2022	31 March 2021
	£000	£000
Housing Rents	2,044	1,987
Council Tax	4,629	4,867
Grants	30,617	29,832
Benefit Overpayments	1,746	2,074
Taxation	5,202	6,055
NNDR	2,057	4,367
Lending	133	126
Payments in advance	8,155	6,876
North Wales Economic Ambition Board (NWEAB)	4,756	2,095
Other	10,439	12,736
NHS - Test, Trace, Protect	1,099	2,529
NHS	3,882	3,611
	<b>74,759</b>	<b>77,155</b>
Allowance for impairment losses and expected credit losses	(3,350)	(3,398)
	<b>71,409</b>	<b>73,757</b>

Analysis of age of Council Tax debt:

	31 March 2022	31 March 2021
	£000	£000
0-1 year	2,387	2,977
1-2 years	1,271	1,038
2-3 years	538	384
3-4 years	204	188
4-5 years	103	104
5+ years	126	176
	<b>4,629</b>	<b>4,867</b>

### 14. SHORT TERM INVESTMENTS

	31 March 2022	31 March 2021
	£000	£000
Investments (3 months – 365 days)	5,000	10,000
Accrued interest	1	0
	<b>5,001</b>	<b>10,000</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 15. CASH AND CASH EQUIVALENTS

	31 March 2022	31 March 2021
	£000	£000
Cash	584	610
Cash - Call accounts	30,510	26,300
Cash Equivalents - Short term deposits	14,701	15,000
Cash overdrawn	(2,138)	(4,827)
	<b>43,657</b>	<b>37,083</b>

### 16. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS

	31 March 2022	31 March 2021
	£000	£000
Accrued interest on long term external borrowing	2,876	2,875
Loans maturing	2,400	3,090
Annuity/EIP loan repayments	1,970	1,501
Energy Efficiency Loans (from Salix Finance Ltd.)	501	492
Mockingbird (Innovate to Save loan)	288	0
Short term external borrowing	10,000	58,000
Accrued interest on short term external borrowing	1	2
	<b>18,036</b>	<b>65,960</b>

### 17. CREDITORS

	31 March 2022	31 March 2021
	£000	£000
<b>Short Term</b>		
Rents received in advance	437	447
Council Tax received in advance and accounts in credit	1,592	1,415
Deposits	365	353
Receipts in advance	6,747	6,623
Receipts in advance - Bus Emergency Scheme	16,128	4,175
Employee related	7,912	5,134
Other	29,841	23,565
	<b>63,022</b>	<b>41,712</b>
<b>Long Term</b>		
Deposits	412	412
Receipts in advance	977	622
	<b>1,389</b>	<b>1,034</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 18. GRANT INCOME

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

	2021/22 £000	2020/21 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	155,460	150,979
Additional Revenue Support Grant	2,832	0
Digital Transformation Grant	0	1,182
Funding for impact on planned efficiencies	0	1,182
Funding for Council Tax collection shortfall	540	1,052
Funding for impact of increased uptake of Council Tax Reduction Scheme	0	458
<b>Total Non Ringfenced Government Grants</b>	<b>158,832</b>	<b>154,853</b>
Welsh Government (WG):		
Major Repairs Allowance	4,968	5,073
General Capital Grant	7,236	4,083
21st Century Schools	3,371	2,836
21st Century Schools - Welsh Medium*	2,086	770
Local Transport Fund	566	8,616
Integrated Care Fund	1,409	2,253
School Improvement Grant	2,524	2,527
HwB in Schools ICT Infrastructure Grant	740	1,323
Circular Economy Fund	0	2,878
Active Travel Fund	1,144	2,090
Childcare Offer Capital Grant*	2,691	619
Queensferry Community Hub*	1,993	587
Optimised Retrofit	2,985	0
Free School Meals	1,262	0
Childcare Offer Capital Grant - Glanrafon	1,060	0
Other WG Grants**	2,341	3,228
Arts Council Wales	1,200	1,932
Other Capital Grants and Contributions	2,144	1,231
<b>Total Capital Grants and Contributions</b>	<b>39,720</b>	<b>40,046</b>
	<b>198,552</b>	<b>194,899</b>

\*2020/21 included in Other WG Grants

\*\* 2020/21 includes Infant Class Size & IHP Sharp Grants (£28k), disclosed separately in 2020/21



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Credited to Services

#### WG

Housing Support Grant	7,215	5,951
Post 16	5,531	4,725
Education Improvement Grant	7,008	6,221
Children & Communities Grant	5,874	5,496
Pupil Deprivation	5,025	4,423
Concessionary Fares	1,582	1,681
Integrated Care Fund	3,748	3,868
LA Education Grant	9,572	5,813
North Wales Residual Waste Treatment Partnership (NWRWTP)	5,620	5,620
Social Services Workforce & Sustainability	2,167	1,733
Social Care Recovery Fund	2,772	0
Social Care Pressures	2,167	0
COVID-19 Hardship Funding	10,350	14,747
Bus Emergency Scheme	291	1,449
Sustainable Waste Management Grant*	1,037	787
Cost of Living Discretionary Grant	1,149	0
Other	12,104	10,644
Department of Work and Pensions	27,234	28,402
Arts Council Wales	0	2,426
GWE Contributions**	1,732	641
Other Grants and Contributions	2,960	2,467
	<b><u>115,138</u></b>	<b><u>107,094</u></b>

\*2020/21 included in Other WG Grants

\*\*2020/21 included in Other Grants and Contributions

### 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:

	31 March 2022	31 March 2021
	£000	£000
<b>Short Term</b>		
Revenue Grants	2,646	1,340
Capital Grants - NWEAB	3,625	2,000
Capital Contributions	205	347
Revenue Contributions	221	196
	<b><u>6,697</u></b>	<b><u>3,883</u></b>
<b>Long Term</b>		
Capital Grants - NWEAB	888	0
Revenue Contributions	397	392
Capital Contributions	250	419
	<b><u>1,535</u></b>	<b><u>811</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 19. PROVISIONS

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

	31 March 2022	Additions	Expenditure Incurred	Amounts Reversed	Unwinding Discounting	31 March 2021
	£000	£000	£000	£000	£000	£000
<b>Current Liabilities</b>						
(A) Aftercare of former landfill sites	45	0	(20)	0	0	65
(B) Employee Termination Benefits	0	0	(77)	0	0	77
(C) Financial Assessment	0	0	(484)	(266)	0	750
	<u>45</u>	<u>0</u>	<u>(581)</u>	<u>(266)</u>	<u>0</u>	<u>892</u>
<b>Non-Current Liabilities</b>						
(A) Aftercare of former landfill sites	957	0	(28)	0	19	966
	<u>957</u>	<u>0</u>	<u>(28)</u>	<u>0</u>	<u>19</u>	<u>966</u>

- (A) 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.
- (B) 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.
- (C) 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.

### Accumulated Absences

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20. LONG TERM BORROWING

Analysis	Interest Rates		31 March 2022	31 March 2021
	Minimum %	Maximum %	£000	£000
<b>By Loan Type (Fixed Rate)</b>				
Salix Finance (Energy Efficiency)		Interest Free	2,890	3,330
Government (PWL.B)	1.16	9.50	266,540	260,332
Other financial institutions	4.48	4.58	18,950	18,950
Welsh Government		Interest Free	1,137	1,322
			<b>289,517</b>	<b>283,934</b>
<b>By Maturity</b>				
Between 1 and 2 years			4,994	4,398
Between 2 and 5 years			16,839	15,157
Between 5 and 10 years			31,634	27,929
More than 10 years			236,050	236,450
			<b>289,517</b>	<b>283,934</b>

### 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.

Earmarked reserves are made up of the following -

- 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.
- Workforce Costs – accumulated reserve to fund further one-off workforce costs.
- Investment in Organisational Change – accumulated reserve to fund the costs of remodeling services and 'Invest to Save' type projects.
- 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 (NWRWTP).
- 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 prolonged periods of severe winter weather conditions.
- Car Parking - apportionment of car park income ringfenced for works/improvements at Mold town centre in accordance with Mold Town Council agreement.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Insurance Reserves – various insurance related reserves, including the Council's Internal Insurance Fund, to meet the costs of self-insurance below individual policy excess levels.
- Cheque Book Schools – reserve to fund minor discrepancies due to timing differences in schools who operate their own bank accounts.
- 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.
- 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.
- Schools Intervention – schools' reserve to support schools following Estyn inspections and also to correct any errors and inaccuracies in funding formula.
- 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 – NWRWTP - Contributions from NWRWTP and Wheelabrator Technologies Inc. to fund environmentally beneficial projects in the locality of Flintshire. In the interim it is being utilised as a 'Community Recovery Fund' to help local communities in the Deeside area from the impacts of the COVID-19 pandemic.
- Warm Homes Admin Fee Income – reserve to support and resource the demand for the services of the Warm Homes Energy Team in their work to deliver energy efficiency improvements to those in fuel poverty.
- NWEAB – Flintshire County Council's share of NWEAB joint committee reserves held by Gwynedd County Council.
- Schools HwB ICT Replacement – schools are setting aside funding for replacement of ICT equipment in 2026/27 as part of WG HwB ICT grant terms and conditions.
- Free School Meals - reserve set up to mitigate risks to Free School Meals budget in future years given increase in eligibility and changes to Primary sector with introduction of universal provision.
- ICT Servers – to provide future financial assistance for replacement of servers within schools. The initiative is to extend the usable life of the existing servers.
- IT Infrastructure HwB – to support schools' ICT infrastructure.
- Severe Weather – reserve set up as a contingency in the event of severe weather conditions such as flooding and wind damage from storms.
- Plas Derwen Wave 4 – to replace the equipment procured through the wave funding and meet any new digital standards as per the terms and conditions of the HwB grant funding.
- Grants & Contributions – various grants and contributions from external providers that must be spent in accordance with restrictions on use.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Movement between earmarked reserves is summarised in the following table:

	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Service balances	1,829	(657)	2,968	4,140	(2,360)	2,917	4,697
School balances	112	(4,836)	11,626	6,902	(9,604)	14,994	12,292
Workforce Costs	1,121	(78)	0	1,043	(165)	0	878
Investment in Organisational Change	1,694	(229)	0	1,465	(247)	400	1,618
Benefits Equalisation	133	(133)	0	0	0	0	0
County Elections	212	(10)	34	236	(29)	85	292
Local Development Plan (LDP)	180	0	62	242	0	0	242
Waste Disposal	83	(63)	4	24	(3)	28	49
Enterprise Centres	7	(7)	0	0	0	0	0
Design Fees	200	(30)	0	170	0	80	250
Winter Maintenance	250	0	0	250	0	0	250
Car Parking	45	0	0	45	0	0	45
Insurance Reserves	2,203	(874)	895	2,224	(819)	731	2,136
Cheque Books Schools	3	0	1	4	0	0	4
Flintshire Trainees	524	(15)	104	613	(15)	99	697
Rent Income Shortfall	31	0	0	31	(18)	0	13
Customer Service Strategy	22	0	0	22	0	0	22
Capita One	19	0	0	19	(19)	0	0
Supervision Fees	49	0	0	49	0	0	49
Schools Intervention	421	(435)	441	427	(272)	336	491
Organisational Change/ADM	33	0	0	33	0	241	274
Employment Claims	108	(11)	28	125	(15)	0	110
Carbon Reduction	26	(26)	0	0	0	0	0
Property Claims	36	(36)	0	0	0	0	0
Community Benefit Fund NWRWTP	65	(65)	230	230	(24)	245	451
Warm Homes Admin Fee Income	0	(25)	347	322	(113)	89	298
NWEAB	0	0	92	92	0	118	210
Schools HwB ICT Replacement	0	0	0	0	0	263	263
Free School Meals	0	0	0	0	0	115	115
ICT Servers	0	0	0	0	0	85	85
IT Infrastructure HwB	0	0	0	0	(85)	413	328
Severe Weather	0	0	0	0	(20)	270	250
Plas Derwen Wave 4	0	0	0	0	0	2	2
Grants & Contributions	3,887	(1,120)	2,963	5,730	(2,884)	7,930	10,776
	<b>13,293</b>	<b>(8,650)</b>	<b>19,795</b>	<b>24,438</b>	<b>(16,692)</b>	<b>29,441</b>	<b>37,187</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 22. UNUSABLE RESERVES

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.

	2021/22		2020/21	
	£000	£000	£000	£000
Balance at 1st April		117,058		118,668
Upward revaluation of assets	20,581		8,751	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services	<u>(11,084)</u>		<u>(4,609)</u>	
Surplus or (deficit) on revaluation of non-current assets not posted to the surplus/deficit on the provision of services		9,497		4,142
Difference between fair value depreciation and historical cost depreciation	(5,532)		(5,578)	
Accumulated gains on assets sold or scrapped	<u>(141)</u>		<u>(174)</u>	
Amount written off to the capital adjustment account		(5,673)		(5,752)
<b>Balance at 31st March</b>		<u><b>120,882</b></u>		<u><b>117,058</b></u>

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account 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.

	2021/22		2020/21	
	£000	£000	£000	£000
Balance at 1st April		(5,371)		(5,730)
Proportion of premiums incurred in previous financial years to be charged against the Council Fund balance in accordance with statutory requirements	<u>360</u>		<u>359</u>	
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		360		359
<b>Balance at 31st March</b>		<u><b>(5,011)</b></u>		<u><b>(5,371)</b></u>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Pensions Reserve

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

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

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

	2021/22 £000	2020/21 £000
Balance at 1st April	(430,543)	(399,288)
Return on plan assets	81,745	124,337
Actuarial gains and (losses)	6,576	(140,826)
Net charges to surplus / deficit on provision of services	(45,667)	(38,940)
Employers' contributions payable to the scheme	24,924	24,174
Flintshire County Council's share of the remeasurements of the net pension defined benefit asset relating to North Wales Economic Ambition Board (NWEAB)	25	0
<b>Balance at 31st March</b>	<b><u>(362,940)</u></b>	<b><u>(430,543)</u></b>

### Accumulated Absences Account

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

	2021/22 £000	2020/21 £000
Balance at 1st April	(5,226)	(3,178)
Settlement or cancellation of accrual made at the end of the preceding year	5,226	3,178
Amounts accrued at the end of the current year	<u>(5,563)</u>	<u>(5,226)</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(337)	(2,049)
<b>Balance at 31st March</b>	<b><u>(5,563)</u></b>	<b><u>(5,226)</u></b>

## 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.

	2021/22		2020/21	
	£000	£000	£000	£000
Balance at 1st April		343,777		292,977
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		(45,807)		(9,290)
- Revaluation losses on PP&E		(16,770)		(1,662)
- Amortisation of intangible assets		(2)		(7)
- Revenue expenditure funded from capital under statute		(4,383)		(5,286)
- 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		(402)		(1,017)
- Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement		1,903		887
- Soft loan accounting adjustments		39		53
		(65,422)		(16,322)
Adjusting amounts written out of the revaluation reserve		5,673		5,753
Net written out amount of the cost of non-current assets consumed in the year		(59,749)		(10,569)
Capital financing applied in the year:				
- Use of the capital receipts reserve to finance capital expenditure		0		5,126
- Use of the capital receipts reserve to repay debt		185		109
- Capital grants and contributions credited to the Comprehensive Income & Expenditure statement that have been applied to capital financing		42,476		36,147
- Statutory provision for the financing of capital investment charged against the Council Fund and HRA balances		5,993		7,060
- Capital expenditure charged against the Council Fund and HRA balances		18,385		13,067
Long term debtors adjustments - Loan repayments		(263)		(140)
		66,777		61,369
<b>Balance at 31st March</b>		<b>350,805</b>		<b>343,777</b>



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The net cash flows from operating activities include the following interest elements:

	2021/22 £000	2020/21 £000
Interest received	449	406
Interest paid	(13,655)	(13,859)

### 24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2021/22 £000	2020/21 £000
Purchase of property, plant & equipment, investment property and intangible assets	(62,942)	(54,754)
Purchase of short term and long term investments	(5,000)	(10,000)
Other payments for investing activities	(444)	(3,029)
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	2,441	2,225
Proceeds from short term and long term investments	10,000	0
Other receipts from investing activities	43,355	42,558
<b>Net cash flows from investing activities</b>	<b>(12,590)</b>	<b>(23,000)</b>

### 25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2021/22 £000	2020/21 £000
Cash receipts of short term and long term borrowing	20,745	67,420
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liability relating to finance leases	(587)	(553)
Repayment of short term and long term borrowing	(63,083)	(64,690)
Other payments for financing activities	0	0
<b>Net cash flows from financing activities</b>	<b>(42,925)</b>	<b>2,177</b>

## 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	2021/22		2020/21	
	Non-Schools	Schools	Non-Schools	Schools
	No.	No.	No.	No.
£60,000 - £64,999	18	37	8	23
£65,000 - £69,999	0	25	3	24
£70,000 - £74,999	5	10	3	6
£75,000 - £79,999	0	3	1	5
£80,000 - £84,999	0	3	0	6
£85,000 - £89,999	0	6	0	4
£90,000 - £94,999	0	4	0	0
£95,000 - £99,999	0	1	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	0
£115,000 - £119,999	0	1	0	1
	<b>23</b>	<b>90</b>	<b>15</b>	<b>69</b>

Some posts occupied are paid in accordance with nationally agreed Soulbury terms and conditions. Governing bodies have some discretion in setting the salaries of headteachers, within the parameters of the school teachers' 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	2021/22		2020/21	
		Remuneration £	Employer's Pension Contributions £	Remuneration £	Employer's Pension Contributions £
Chief Executive	1	114,297	26,974	98,997	23,363
Former Chief Executive	2, 3, 4 & 5	110,474	22,803	144,585	34,122
Chief Officer Governance	5 & 6	106,604	25,159	102,181	24,115
Chief Officer Education & Youth		100,482	23,714	98,997	23,363
Chief Officer Social Services	7	101,217	23,887	106,497	25,133
Chief Officer Planning, Environment & Economy		100,482	23,714	98,997	23,363
Chief Officer Streetscene & Transportation	8	84,588	19,963	60,511	14,281
Former Chief Officer Streetscene & Transportation	9	33,207	3,894	98,997	23,363
Corporate Finance Manager (Section 151 Officer)		75,899	17,912	75,350	17,783
Corporate Manager - People & Organisational Development	10	76,438	18,039	75,149	17,735
Corporate Manager - Capital Programme & Assets	11	54,015	12,748	53,692	12,671
		<b>957,703</b>	<b>218,807</b>	<b>1,013,953</b>	<b>239,292</b>

**Note 1 :** Employment start date 1st November 2021. Remuneration prior to 1st November 2021 relates to role as Chief Officer Housing & Assets (post currently vacant).

**Note 2 :** Employment end date 31st October 2021.

**Note 3 :** Remuneration includes amounts received for role as Clerk to the North Wales Fire and Rescue Authority (£3,826 2021/22, £5,306 2020/21), an arrangement under a service contract which has been in place for a number of years (costs reimbursed).

**Note 4 :** The Former Chief Executive elected to receive only 2% of the 2.75% nationally agreed pay award for 2020/21 based on the budget provision the Council has made.

**Note 5 :** Remuneration does not include any amounts received for Returning Officer and Deputy Returning Officer roles at elections (costs for national, regional, local elections and referenda reimbursed by respective Government based on a nationally set payment formula).

**Note 6 :** Remuneration includes amounts received for role as Deputy Clerk and then Clerk to the North Wales Fire and Rescue Authority (£6,122 2021/22, £3,184 2020/21), an arrangement under a service contract which has been in place for a number of years (costs reimbursed).

**Note 7 :** 2020/21 remuneration includes an honoraria payment (£7,500) for a time-limited support role acting as Statutory Director of Social Services for Wrexham County Borough Council in response to a statutory inspection (costs reimbursed).

**Note 8 :** Employment start date 1st June 2021. Remuneration prior to 1st June 2021 relates to previous role.

**Note 9 :** Employment end date 31st May 2021.

**Note 10 :** New role title for 2021/22. Included in 2020/21 note as 'Senior Manager (HR & OD)'.

**Note 11 :** New role created 1st March 2022. Remuneration disclosed in the note relates to previous role.

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 (£20,861); for 2021/22 this was 1:6.41 (for 2020/21 this was 1:6.93).

### 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 which the Council was committed to incurring at the 31<sup>st</sup> March 2021, but paid after this date, are also included in the disclosure for 2020/21. 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Exit Package Cost Band	Compulsory Redundancies		Other Departures Agreed		Total Exit Packages by Cost Band		Total Exit Packages in Each Band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	No.	No.	No.	No.	No.	No.	£	£
£0 - £20,000	4	13	0	3	4	16	40,934	87,852
£20,001 - £40,000	1	3	1	1	2	4	45,331	94,853
£40,001 - £60,000	0	1	0	1	0	2	0	112,204
£60,001 - £80,000	0	1	0	0	0	1	0	76,535
£80,001 - £100,000	0	0	0	1	0	1	0	84,876
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	1	0	0	0	1	0	164,229	0
	<b>6</b>	<b>18</b>	<b>1</b>	<b>6</b>	<b>7</b>	<b>24</b>	<b>250,494</b>	<b>456,320</b>

### 27. MEMBERS' ALLOWANCES

The Council paid the following allowances and expenses to Members during the year:

	2021/22	2020/21
	£000	£000
Salaries	1,414	1,418
Members' expenses	26	17
	<u>1,440</u>	<u>1,435</u>

### 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 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 are as follows:

	2021/22	2020/21
	£000	£000
Payments	7,664	7,949
Receipts	3	39
Amounts owed by the Council	36	112
Amounts owed to the Council	180	120

## NOTES TO THE CORE FINANCIAL STATEMENTS

Transactions greater than £100k are shown below:

No of Members declaring an interest	Interest	Paid	
		2021/22 £000	2020/21 £000
1	Wales and West Housing Association	2,076	1,700
1	Clwyd Alyn Houysing Accociation/Pennaf	4,390	4,200
1	Domestic Abuse Safety Unit	297	260
2	Citizens Advice Bureau (CAB)	459	372
2	Welsh Border Community Transport (WBCT)	166	169
0	Care and Repair	0	230
1	Flintshire Local Voluntary Council (FLVC)	198	308
1	Flintshire District Scouts Association	20	253

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 are as follows:

	2021/22 £000	2020/21 £000
Payments	283	658
Receipts	8	7
Amounts owed by the Council	8	14
Amounts owed to the Council	0	1

Transactions greater than £100k are shown below:

No of Members declaring an interest	Interest	Paid	
		2021/22 £000	2020/21 £000
1	Ownership of bus and coach company	85	109
1	Design and print company	154	117

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 are as follows:

	2021/22 £000	2020/21 £000
Payments	0	335
Receipts	702	0
Amounts owed to the Council	162	0

Transactions greater than £100k are shown below:

No of Senior Officers declaring an interest	Interest	Paid		Received		Owed to the Council	
		2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
1	Married to a board member of Audit Wales, Council's external Auditor	0	335	0	0	0	0
1	Lead Director of the Management Board of the Regional School Improvement Service (GwE)	0	0	702	0	162	0

## NOTES TO THE CORE FINANCIAL STATEMENTS

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 £10,476k (£9,461k in 2020/21).

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

	2021/22	2020/21
	£000	£000
Grants awarded	335	328
Payments	48	399
Receipts	0	104
Amounts owed by the Council	4	140
Amounts owed to the Council	3	13

A loan of £100k was granted and then repaid during 2020/21 for cash flow purposes to one community group.

Transactions greater than £100k are shown below:

No of Senior Officers declaring an interest	Interest	Grants paid		Other payments		Owed by the Council	
		2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
		£000	£000	£000	£000	£000	£000
1	Married to a director of Cambrian Aquatics	152	114	11	14	4	88

### Associated Companies

The Council has two wholly owned subsidiaries, North East Wales Homes Ltd and Newydd Catering and Cleaning 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 2022 this amounted to £13,645k (£13,249k at 31st March 2021).

Other transactions with associated companies are:

	2021/22	2020/21
	£000	£000
Payments	7,243	7,979
Receipts	427	2,326
Amounts owed by the Council	182	302
Amounts owed to the Council	194	279

### 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](http://www.clwydpensionfund.org.uk)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### North Wales Police and Crime Commissioner, North Wales Fire Authority and Community / Town Councils

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 £19,869k (£18,760k in 2020/21).

Total levies paid to the North Wales Fire and Rescue Authority amounted to £8,282k (£7,968k in 2020/21).

Total precepts including cemetery precepts paid to the 34 community/town councils amounted to £3,122k (£3,059k in 2020/21).

Other transactions with these bodies are:

	NW Police and Crime Commissioner		North Wales Fire Authority		Community Councils	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000	£000	£000
Payments	24	24	34	14	75	57
Receipts	216	239	21	24	508	387
Amounts owed by the Council	0	0	0	0	0	13
Amounts owed to the Council	22	4	0	0	98	100

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

	2021/22	2020/21
	£000	£000
Payments	851	1,247
Receipts	14,787	9,561
Amounts owed by the Council	1,761	1,625
Amounts owed to the Council	5,859	7,310

### Welsh Joint Education Committee

	2021/22	2020/21
	£000	£000
Payments	380	403
Amounts owed by the Council	347	9

### Welsh Local Government Association

	2021/22	2020/21
	£000	£000
Payments	124	102
Receipts	1,372	145
Amounts owed by the Council	5	0
Amounts owed to the Council	2	452

## 29. AUDIT FEES

External audit services were provided by Audit Wales.

	2021/22	2020/21
	£000	£000
Fees for the Statement of Accounts	204	197
Fees for the Local Government Measure	104	100
Fees for grants	37	38
	<b>345</b>	<b>335</b>

## 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, Flintshire.

	2021/22	2020/21
<b>Partnership</b>	<b>£000</b>	<b>£000</b>
Gross expenditure	1,295	1,075
Gross income	(1,251)	(1,166)
(Surplus) / deficit for year	<b>44</b>	<b>(91)</b>
<b>Contribution to Budget</b>		
Flintshire County Council	306	302

Unit 3 is jointly owned by Flintshire County Council (50.25%) and Wrexham County Borough Council (49.75%) the premises are included in Flintshire County Council's Balance Sheet:-

	Gross £000	Net £000	%
Flintshire County Council	572	558	50.25
Wrexham County Borough Council	567	553	49.75
	<b>1,139</b>	<b>1,111</b>	<b>100.00</b>

### 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 1<sup>st</sup> 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 are included in the Social Services line of the Comprehensive Income and Expenditure Statement.

	2021/22	2020/21
	£000	£000
<b>Care Homes for Older People</b>		
<b>Expenditure</b>		
Care Home costs	98,982	93,035
<b>Total Expenditure</b>	<b>98,982</b>	<b>93,035</b>
<b>Funding</b>		
Denbighshire County Council	(9,340)	(8,626)
Conwy County Borough Council	(14,221)	(13,106)
Flintshire County Council	(10,095)	(9,397)
Wrexham County Borough Council	(15,317)	(12,203)
Gwynedd County Council	(9,143)	(8,641)
Isle of Anglesey County Council	(5,209)	(5,049)
Betsi Cadwaladr University Health Board	(35,657)	(36,013)
<b>Total Funding</b>	<b>(98,982)</b>	<b>(93,035)</b>
(Surplus) / Deficit transferred to Reserve	0	0



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 32. AGENCY SERVICES

Flintshire County Council is one of eight partners within the North and Mid Wales Trunk Road Agency (NMWTRA), the other partners being Anglesey, Conwy, Denbighshire, Gwynedd, Wrexham, Powys and Ceredigion Councils. The Streetscene & Transportation portfolio within Flintshire County Council undertakes trunk road work on behalf of NMWTRA for the Welsh Government. Reimbursement for work carried out under the Trunk Road Agency Agreement amounted to £3,063k (£3,895k in 2020/21).

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. Funding has also been provided 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 9 and 13 years' time. Additional funding has also been received to support town centre regeneration in Flintshire. This funding is to be returned in 14 years' time.

	Loans Issued		Repaid	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
Houses into Homes - 1st Tranche	5	0	250	18
Home Improvement and Empty Properties Loans	233	372	65	220
Town Centre Regeneration	0	0	0	0

Flintshire County Council acts as agents on behalf of companies collecting water and sewerage charges from tenants living in Council owned dwellings. Flintshire County Council also collects household contents insurance, for tenants' belongings if they wish. The Council is also an agent for collecting heating charges from tenants living in Council owned communal buildings.

Charges	Collected	Collected
	2021/22	2020/21
	£000	£000
Water and Sewerage	2,923	2,949
Household Contents Insurance	66	70
Heating	120	136

The Council 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 is also shown. In addition to the £14,294k (£10,893k 2020/21) funding received for the Bus Emergency Scheme, £4,175k was carried forward from 2020/21 as a receipt in advance. £16,128k of this funding was unspent and has been carried forward in the Council's Balance Sheet as a receipt in advance. Included in the Test, Trace, Protect funding of £8,664k is £489k of unspent funding which has been carried forward from 2020/21 as a receipt in advance.

Grant title	Description	Funding received		FCC share		Admin fee received	
		2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
		£000	£000	£000	£000	£000	£000
Bus Services Support Grant	Support for bus and community transport services.	6,150	6,314	558	558	47	46
<u>COVID-19 Specific Grants</u>							
Bus Emergency Scheme	To keep local bus operators afloat by lost revenue due to the pandemic	14,294	10,893	388	1,528	18	25
Test, Trace, Protect	Ensure people can be tested quickly and tracing of recent contact of anyone who tests positive.	8,664	3,630	2,154	945	134	115

## NOTES TO THE CORE FINANCIAL STATEMENTS

Flintshire County Council also acts as an agent on behalf of Welsh Government in receiving and distributing various grants. These are summarised in the table below:

Grant title	Description	Funding received		Admin fee received	
		2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Childcare Offer Grant	Funding to provide free childcare for working parents of 3-4 year olds. Administered on behalf of Flintshire, Wrexham and Denbighshire	8,767	6,813	292	303
<u>COVID-19 Specific Grants</u>					
Coronavirus Childcare Assistance Scheme	Funding to provide pre-school childcare support for critical workers and vulnerable children during the COVID-19 pandemic. Administered on behalf of Flintshire, Wrexham and Denbighshire.	781	2,268	0	*included with admin fee total for Childcare Offer Grant
Financial Recognition of Social Care Worker Scheme	£735 (£500 2020/21) payment to care workers employed in eligible roles.	4,084	1,850	2	1
Funding to support care homes with enhanced testing	Funding to care homes to support physical adaptations and staff time required for enhanced COVID-19 testing.	272	81	n/a	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.	207	141	n/a	n/a
Self-Isolation Support Payment Scheme	£750 (£500 2020/21) payment to individuals who are self-isolating as a result of exposure / potential exposure to COVID-19.	1,624	245	72	36
Flooding events hardship payments	£500 / £1,000 payment to households affected by flooding to their internal principle living space.	0	44	0	n/a
Business Support Grants - various	Grants to support businesses during lockdown closures – amount based on rateable value.	3,648	53,260	197	537
Business Support Business Start Up Grant	Grants of up to £2,500 for newly created businesses.	0	233	0	n/a
Business Support Cultural Recovery Fund – Freelancer Support	£2,500 grants available to support freelancers in the cultural sector affected by COVID-19.	68	380	n/a	n/a
Economic Resilience Fund	Provided financial assistance to businesses that faced operational and financial challenges caused by the COVID-19 restrictions. The fund supported businesses with cash flow to help them survive the economic consequences of the restrictions put in place.	763	0	20	0
Income loss	Income loss claimed on behalf of Cambrian Aquatics, Aura Leisure & Libraries, NEWydd Catering & Cleaning, Holywell Leisure Centre and the Music Service.	1,657	1,644	n/a	n/a
Winter Fuel	£100 payment to eligible households to provide support towards paying their on-grid winter fuel bills.	1,323	0	126	0

In addition to the £3,648k (£53,260k 2020/21) funding received for Business Support Grants, £186k was carried forward from 2020/21 as a receipt in advance. £1,259k of this funding was unspent and has been carried forward in the Council's Balance Sheet as a receipt 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 £51,318k (£48,407k in 2020/21), of which £14,532k (£16,892k 2020/21) was funding to reimburse the Council for this rate relief. The Council also received £15k (£19k 2020/21) from Welsh Government for administering this relief.

## NOTES TO THE CORE FINANCIAL STATEMENT

### 33. OTHER FUNDS ADMINISTERED BY THE COUNCIL

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 31<sup>st</sup> March 2022 was £5,997k in 365 separate accounts (£5,336k in 356 accounts in 2020/21).

### 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 that part of the remaining 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 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, Holywell Leisure Centre and the Theatr Clwyd Trust. 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.

A claim is being brought by a tenant of the Council in relation to a lease of one of its commercial properties. The case will be heard in the next financial year and as a result the Council may have to pay all, some or none of the claim.

An appeal has been made to the Council in relation to a noise abatement notice. The case will be heard in the next financial year and as a result the Council may have to pay all, some or none of the claim.

## NOTES TO THE CORE FINANCIAL STATEMENT

### 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.

### 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 are 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 reviewed regularly. Changes in accounting estimates that result from the assessment of the present status of, and expected future benefits and obligations associated with assets and liabilities, are reflected in adjustments of the carrying amount of an asset or a liability, or the rate of consumption of an asset. 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 – there is a high degree of uncertainty about future levels of funding for local authorities, in particular, the receipt of specific revenue and capital grants. 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. The Council also exercises judgement in calculating the level of provisions; 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, as being assets that 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 judgements particular to local circumstances.

The approach values 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:

## NOTES TO THE CORE FINANCIAL STATEMENTS

- 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.
- 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.
- Theatr Clwyd and Leisure and Libraries property leases – involve leasehold transfer of specific Council assets to charitable, not-for-profit, organisations which are responsible for managing Theatr Clwyd and 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

- Russian invasion of Ukraine – from February 2022, the Russia/Ukraine conflict has contributed to volatility in financial markets, uncertainty in the economic outlook, supply chain disruption and higher energy prices. The impact on the valuation of the Council’s pension liability is uncertain and will be regularly reviewed over the coming months. Further detail of the impact of the conflict on the pension valuation can be found in Note 43.
- COVID-19 and Britain leaving the European Union – the COVID-19 pandemic and Britain’s exit from the European Union continue to create uncertainty in the valuation of the Council’s assets and pension liability in the Council’s Balance Sheet. Currently there is no evidence to indicate that the assets of the Council are impaired or that the discount rate used to calculate the pension liability needs amending. This will be regularly reviewed.

### 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.

	2021/22 £000	2020/21 £000
Council Fund	4,434	4,369
Housing Revenue Account	1,559	2,691
Set aside from Capital Receipts	185	109
	<b>6,178</b>	<b>7,169</b>

### 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. The Council’s capital financing requirement as at 31<sup>st</sup> March 2022 was £352,570k (£351,703k as at 31<sup>st</sup> March 2021).

	2021/22 £000	2020/21 £000
<b>Capital Investment</b>		
Property, plant and equipment	62,901	55,001
Investment properties	41	24
REFCUS	4,965	7,891
	<b>67,907</b>	<b>62,916</b>
<b>Sources of Finance</b>		
Capital receipts	0	(5,126)
Capital grants and contributions	(42,476)	(36,147)
Capital reserves / CERA	(18,385)	(13,068)
	<b>(60,861)</b>	<b>(54,341)</b>
<b>Increase/(decrease) in capital financing requirement</b>	<b>7,046</b>	<b>8,575</b>
Increase in supported borrowing	4,040	4,073
Increase in other (unsupported) borrowing	3,006	4,502
	<b>7,046</b>	<b>8,575</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 39. FUTURE CAPITAL COMMITMENTS

As at 31<sup>st</sup> March 2022, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years. The major commitments, in excess of £1m, are shown below:

Contract Details	Contract Sum £000	Payments to 31/03/22 £000	Balance Outstanding £000
<b>Council Fund</b>			
Solar PV at Flint and Connah's Quay	3,169	2,656	513
Refurbishment of Ty Nyth for the provision of a children's residential assessment centre	1,612	371	1,241
Ysgol Glanrafon, Mold - Extension and Re-model	4,255	3,514	741
Provision of Early Years Childcare Facilities	7,118	4,648	2,470
B5129 - Shotton Bus Lanes Scheme	3,735	15	3,720
	<u>19,889</u>	<u>11,204</u>	<u>8,685</u>
<b>Housing Revenue Account</b>			
SHARP			
- Ffordd Hiraethog & Ffordd Pandarus, Mostyn	4,958	1,851	3,107
	<u>4,958</u>	<u>1,851</u>	<u>3,107</u>
	<u><b>24,847</b></u>	<u><b>13,055</b></u>	<u><b>11,792</b></u>

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

### 40. LEASING

#### Lessee Rentals

#### Finance Leases

The Council has acquired a number of items of vehicles, plant and equipment under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet at the net amount of £2,594k (£3,139k 2020/21).

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:

	31 March 2022 £000	Repaid £000	New £000	31 March 2021 £000
Finance lease liabilities (net present value of the minimum lease payments):				
Current	591	4	0	587
Non-current	2,748	(591)	0	3,339
	<u>3,339</u>	<u>(587)</u>	<u>0</u>	<u>3,926</u>
Finance costs payable in future years	799	(324)	0	1,123
Minimum lease payments	<u><b>4,138</b></u>	<u><b>(911)</b></u>	<u><b>0</b></u>	<u><b>5,049</b></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

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Not later than one year	864	911	591	587
Later than one year and not later than five years	3,169	3,342	2,645	2,581
Later than five years	105	796	103	758
	<u>4,138</u>	<u>5,049</u>	<u>3,339</u>	<u>3,926</u>

### Operating Leases

Operating lease rentals paid are detailed below:

Asset Classification	2021/22	2020/21
	£000	£000
Land	67	59
Buildings	159	161
EFS Fleet Contract	3,025	3,024
Vehicles, plant and equipment	565	554
	<u>3,816</u>	<u>3,798</u>

The 2021/22 and 2020/21 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	40	143	3,023	447	3,653
Later than one year and not later than five years	155	246	1,540	774	2,715
Later than five years *	1,202	954	0	714	2,870
	<u>1,397</u>	<u>1,343</u>	<u>4,563</u>	<u>1,935</u>	<u>9,238</u>

\* Any open ended agreements are calculated to 2033/34 in line with the general average life of the longest 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). 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.



## NOTES TO THE CORE FINANCIAL STATEMENTS

### Lessor rentals

### Operating leases

The Council leases out property under operating leases. In 2021/22, lease rentals receivable amounted to £2,467k (£2,042k in 2020/21).

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

	Land	Buildings	Total
	£000	£000	£000
Not later than one year	367	1,961	2,328
Later than one year and not later than five years	1,443	7,457	8,900
Later than five years *	20,381	13,154	33,535
	<u>22,191</u>	<u>22,572</u>	<u>44,763</u>

\* Any open ended agreements are calculated to 2033/34 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 2022/23 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 2022 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.

- IFRS 16 (Leases) – will be mandatory for accounting periods beginning on or after 1st April 2024. The Council has decided not to adopt IFRS 16 in the 2022/23 year and therefore no disclosure is required in the 2021/22 financial statements.
- IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- IFRS 37 (Onerous contracts) – clarifies the intention of the standard.
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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 £33,181k (2020/21 £18,146k) 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 £56,141k (2020/21 £54,999k) that does not meet the definition required for inclusion as a financial instrument.

	Long-term		Current	
	31 March 2022	31 March 2021	31 March 2022	31 March 2021
	£000	£000	£000	£000
Financial liabilities at amortised cost				
Principal	289,517	283,934	15,158	63,083
Accrued interest	0	0	2,878	2,877
Borrowing	<u>289,517</u>	<u>283,934</u>	<u>18,036</u>	<u>65,960</u>
Cash overdrawn	0	0	2,138	4,827
Cash & cash equivalents	<u>0</u>	<u>0</u>	<u>2,138</u>	<u>4,827</u>
Finance leases	2,748	3,339	591	587
Deferred liabilities	<u>2,748</u>	<u>3,339</u>	<u>591</u>	<u>587</u>
Landfill aftercare costs	957	966	45	65
Employee related	0	0	0	0
Termination benefits	0	0	0	77
Financial assessment	0	0	0	750
Provisions	<u>957</u>	<u>966</u>	<u>45</u>	<u>892</u>
Trade payables	0	0	29,841	23,565
Within creditors	<u>0</u>	<u>0</u>	<u>29,841</u>	<u>23,565</u>
<b>Total financial liabilities</b>	<b><u>293,222</u></b>	<b><u>288,239</u></b>	<b><u>50,651</u></b>	<b><u>95,831</u></b>
Financial assets at amortised cost				
Principal	3,730	3,592	5,000	10,000
Accrued interest	0	0	1	0
Investments	<u>3,730</u>	<u>3,592</u>	<u>5,001</u>	<u>10,000</u>
Cash & cash equivalents	0	0	45,651	41,784
Accrued interest	0	0	144	126
Cash & cash equivalents	<u>0</u>	<u>0</u>	<u>45,795</u>	<u>41,910</u>
Trade receivables	48	47	15,268	18,759
Loans	12,002	11,769	0	0
Within debtors	<u>12,050</u>	<u>11,816</u>	<u>15,268</u>	<u>18,759</u>
<b>Total financial assets</b>	<b><u>15,780</u></b>	<b><u>15,408</u></b>	<b><u>66,064</u></b>	<b><u>70,669</u></b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Within the cash and cash equivalent line on the Balance Sheet financial assets and liabilities are offset:-

	31 March 2022	31 March 2021
	Net	Net
	Total	Total
	£000	£000
Financial assets - bank accounts in credit	45,795	41,910
Financial liabilities - cash overdraft	(2,138)	(4,827)
<b>Net position reported on Balance Sheet</b>	<b>43,657</b>	<b>37,083</b>

### 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:

	2021/22	2020/21
	£000	£000
Opening carrying amount of soft loans	9,893	6,915
New loans made in year	582	3,959
Fair value adjustment on initial recognition	(138)	(964)
Interest accrued	5	22
Amounts repaid	(185)	(109)
Movement in discounted amount	102	70
	<b>10,259</b>	<b>9,893</b>

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:

	2021/22		2020/21	
	Financial Liabilities	Financial Assets	Financial Liabilities	Financial Assets
	Measured at Amortised		Measured at Amortised	
	£000	£000	£000	£000
Interest expense	(13,674)		(13,852)	0
<b>Interest payable and similar charges</b>	<b>(13,674)</b>	<b>0</b>	<b>(13,852)</b>	<b>0</b>
Interest income	0	550	0	469
<b>Interest and investment income</b>	<b>0</b>	<b>550</b>	<b>0</b>	<b>469</b>
Net gain/(loss) for the year	(13,674)	550	(13,852)	469

## 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 31<sup>st</sup> March 2022, 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	31 March 2022		31 March 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		£000	£000	£000	£000
<b>Financial liabilities</b>					
PWLB	2	270,910	339,304	264,924	377,486
LOBOs	2	18,950	24,992	18,950	27,586
Lease payables	3	3,339	3,864	3,926	3,817
		<b>293,199</b>	<b>368,160</b>	<b>287,800</b>	<b>408,889</b>
<b>Financial assets</b>					
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
<b>UK Government</b>			£ Unlimited 50 years		
<b>AAA</b>	£2m	£3m	£3m	£2m	£2m 10 years
<b>AA+</b>	5 years	5 years	25 years	5 years	
<b>AA</b>	£2m 4 years	£3m 4 years	£3m 15 years	£2m 4 years	
<b>AA-</b>	£2m 3 years	£3m 3 years	£3m 10 years	£2m 3 years	
<b>A+</b>	£2m 2 years	£3m 2 years	£3m 5 years	£2m 2 years	£2m 5 years
<b>A</b>	£2m 1 year	£3m 1 year		£2m 1 year	
<b>A-</b>	£2m 6 months	£3m 6 months		£2m 6 months	
<b>Pooled Funds</b>	£3m per fund				
<b>BBB-</b>	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)				
<b>Unrated Local Authorities</b>			£3m 2 years		
<b>Unrated Other</b>	The Council may invest in any other unrated organisation, subject to: <ul style="list-style-type: none"> <li>an external credit assessment and specific advice from the Council's treasury management adviser (£1m each / 1 year limit)</li> <li>a further policy framework for investing with any other organisations being developed (£100k each / 5 year limit)</li> </ul>				

Analysis shows that if interest rates rose by 1% the financial effect would be an increase in investment income of £502k. If rates fell by 1%, there would be a loss of income for the same amount.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 2021/22 the Council paid £13,391k (£12,771k in 2020/21), which represents 23.68% (average) of teachers' pensionable pay (23.68% in 2020/21). The contributions due in 2022/23 are estimated to be £13,360k, 23.87% 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.

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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

Further information regarding the Clwyd Pension Fund accounts and the Clwyd Pension Fund Annual Report are available from [www.clwydpensionfund.org.uk](http://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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	38,530	28,518	0	0
Past service cost/(gain)	20	0	0	0
Curtailments	250	459	0	0
Settlements	(2,571)	0	0	0
<b>Other Operating Expenditure -</b>				
Administration expenses	769	728	0	0
<b>Financing and Investment Income and Expenditure</b>				
Net interest expense	7,810	8,277	859	958
<b>Net charge to surplus / deficit on the provision of services -</b>	<b>44,808</b>	<b>37,982</b>	<b>859</b>	<b>958</b>
<b>Other Comprehensive Income and Expenditure</b>				
<b>Remeasurement of the net defined benefit liability -</b>				
Return on plan assets	81,745	124,337	0	0
Actuarial gains and (losses) - experience gain or (loss)	(3,092)	20,817	(117)	844
Actuarial gains and (losses) - demographic assumptions	8,727	0	340	0
Actuarial gains and (losses) - financial assumptions	861	(158,694)	(143)	(3,793)
<b>FCC's share of Other Comprehensive Income and Expenditure relating to NWEAB</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net charge to other comprehensive income and expenditure -</b>	<b>88,266</b>	<b>(13,540)</b>	<b>80</b>	<b>(2,949)</b>
<b>Net charge to Comprehensive Income and Expenditure -</b>	<b>133,074</b>	<b>24,442</b>	<b>939</b>	<b>(1,991)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19	(44,808)	(37,982)	(859)	(958)
<b>Actual amount charged against the Council fund balance for pensions in the year</b>				
Employers' contributions payable to scheme	22,146	21,171	2,921	3,003
<b>FCC's share of NWEAB charged against the Council Fund balance in year</b>	<b>(143)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net debit/(credit) to the movement in reserves statement</b>	<b>(22,805)</b>	<b>(16,811)</b>	<b>2,062</b>	<b>2,045</b>



## 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:

	Present value of liabilities		Fair value of assets		Net liability arising from defined benefit obligation	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Local Government Pension Scheme	(1,145,430)	(1,117,797)	822,818	729,606	(322,612)	(388,191)
Discretionary Benefits Arrangements	(40,210)	(42,352)	0	0	(40,210)	(42,352)
	<b>(1,185,640)</b>	<b>(1,160,149)</b>	<b>822,818</b>	<b>729,606</b>	<b>(362,822)</b>	<b>(430,543)</b>
					FCC's share of net liability relating to NWEAB	0
					(118)	0
					<b>(362,940)</b>	<b>(430,543)</b>

The liabilities total reflects the underlying long-term commitments that the Council has in respect of retirement benefits due.

Reconciliation of present value of the scheme liabilities:-

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2020/21	2021/22	2020/21
	£000	£000	£000	£000
1st April	1,117,797	950,686	42,352	41,448
Current service cost	38,530	28,518	0	0
Interest cost	23,118	22,550	859	958
Contributions by scheme participants	5,912	5,621	0	0
Actuarial (gains) and losses - experience gains or losses	3,092	(20,817)	117	(844)
Actuarial (gains) and losses - demographic assumptions	(8,727)	0	(340)	0
Actuarial (gains) and losses - financial assumptions	(861)	158,694	143	3,793
Benefits paid	(28,139)	(27,914)	(2,921)	(3,003)
Past service costs	20	0	0	0
Curtailments	250	459	0	0
Settlements	(5,562)	0	0	0
<b>31st March</b>	<b>1,145,430</b>	<b>1,117,797</b>	<b>40,210</b>	<b>42,352</b>

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

	2021/22	2020/21
	£000	£000
1st April	729,606	592,846
Interest income	15,308	14,273
Administration Expenses	(769)	(728)
Return on plan assets	81,745	124,337
Employer contributions	22,146	21,171
Contributions by scheme participants	5,912	5,621
Benefits paid	(28,139)	(27,914)
Settlements	(2,991)	0
<b>31st March</b>	<b>822,818</b>	<b>729,606</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

The settlements figures detailed in the previous tables represent the transfer of staff from Flintshire County Council to Theatr Clwyd Trust.

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

	2021/22		2020/21	
	£000	£000	£000	£000
Equity investments:				
Global Quoted*	88,041		77,339	
Emerging Markets*	74,054		77,338	
		162,095		154,677
Bonds:				
Overseas Other	82,282		83,905	
LDI*	209,819		178,024	
		292,101		261,929
Property:				
UK*	41,141		36,480	
Overseas	8,228		7,296	
		49,369		43,776
Cash:				
Cash Instruments	26,330		12,403	
		26,330		12,403
Alternatives:				
Hedge Funds	53,483		48,884	
Private Equity	87,219		73,690	
Infrastructure	39,495		34,291	
Timber & Agriculture	4,114		5,837	
Private Credit	17,279		16,781	
DGF	91,333		77,338	
		292,923		256,821
		<b>822,818</b>		<b>729,606</b>

\* 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 dependent 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 Council are based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2019. The significant assumptions used by the actuary are:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2021/22	2020/21	2021/22	2020/21
<b>Mortality Assumptions</b>				
Longevity at 65 for current pensioners -				
Men	22.5yrs	22.6yrs	22.5yrs	22.6yrs
Women	24.9yrs	25.0yrs	24.9yrs	25.0yrs
Longevity at 65 for future pensioners -				
Men	24.0yrs	24.2yrs	n/a	n/a
Women	26.9yrs	27.0yrs	n/a	n/a
Rate of inflation (Consumer Prices Index)	3.4%	2.7%	3.5%	2.7%
Rate of increase in salaries	4.7%	4.0%	n/a	n/a
Rate of increase in pensions	3.5%	2.8%	3.6%	2.8%
Rate for discounting scheme liabilities	2.8%	2.1%	2.8%	2.1%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is 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)	(35,861)	35,861
Rate of inflation (increase / decrease by 0.1%)	(19,833)	19,833
Rate of increase in salaries (increase / decrease by 0.1%)	(1,542)	1,542
Discount Rate (increase / decrease by 0.1%)	19,506	(19,506)
Change in 21/22 Investment Returns (increase/decrease by 1%)	8,253	(8,253)

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 31<sup>st</sup> March 2019, which showed a shortfall of assets against liabilities of £177million 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 31<sup>st</sup> March 2023 are £23.65m.

The duration of the defined benefit obligation for LGPS members is 17 years 2021/22 (17 years 2020/21).

## 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 2022. The estimated impact of the McCloud judgement has been included in the Council's accounts since 2018/19 in line with the Government's consultation. The Council and its actuary do not anticipate making further adjustments in relation to McCloud.

### The ongoing impact of COVID-19

Since February 2020 there has been substantial volatility in financial markets around the world in relation to the COVID-19 pandemic, and while this has reduced in recent months, the potential for further volatility remains. This may have consequences for asset values, and this will be reflected in this year's accounting figures. Over the same period, the market volatility has also extended to bonds. As the assumptions for accounting purposes are based on bond yields, this will also impact on accounting liabilities. Regarding the impact on mortality, the actuary's view is that it is not possible at this point to draw any meaningful conclusions on the potential impact of COVID-19 on mortality rates going forward, and so it would be inappropriate to make any adjustments to mortality assumptions at this time.

### Russia/Ukraine conflict

From February 2022, the Russia/Ukraine conflict has contributed to volatility in financial markets, uncertainty in the economic outlook, supply chain disruption and higher energy prices. The impact on the net pension asset is uncertain and cannot be predicted. Over Q1 of 2022, the net pension asset is estimated to have increased mainly due to the increase in AA corporate bond yields and credit spreads which resulted in a higher discount rate that, despite higher market-implied price inflation, placed a lower value on the pension plan liabilities. The pension plan investments have been exposed to investment losses during Q1 of 2022, largely due to a fall in bond markets, but overall the actuary estimates that the plan assets have fallen by less than the plan liabilities. The uncertain economic outlook means that there is a wide range of possible future outcomes for the net pension plan assets.

## HOUSING REVENUE ACCOUNT - INCOME AND EXPENDITURE STATEMENT

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.

	2021/22	£000	2020/21	£000
<b>Expenditure</b>				
Repairs and maintenance		9,605		7,769
Management and supervision		5,593		4,863
Specialist services		1,780		1,610
Rents, rates, taxes and other charges		145		62
Depreciation and impairment of non-current assets		26,151		(15,120)
Debt management costs		41		45
Increase in bad debt provision		299		207
<b>Total expenditure</b>		<b>43,614</b>		<b>(564)</b>
<b>Income</b>				
Dwelling rents (gross)	36,093		35,791	
Non-dwelling rents (gross)	379		425	
		36,472		36,216
Charges for services and facilities		1,350		1,377
Reimbursement of costs		0		0
Contribution towards expenditure		397		386
<b>Total income</b>		<b>38,219</b>		<b>37,979</b>
<b>Net cost of HRA services as included in the Council's Comprehensive Income and Expenditure Statement</b>		<b>5,395</b>		<b>(38,543)</b>
<b>Other Operating Expenditure</b>				
Net (gain) / loss on the disposal of non-current assets		(39)		0
Admin. expenses on the net defined benefit liability		45		43
<b>Financing and Investment Income and Expenditure</b>				
Interest payable and similar charges		4,909		5,061
Net interest on the net defined benefit liability		483		519
Movement in expected credit losses on financial assets		30		109
<b>Taxation and Non-Specific Grant (Income)</b>				
Capital Grants and Contributions Receivable		(8,545)		(5,073)
<b>Total (surplus) / deficit for the year on HRA services</b>		<b>2,278</b>		<b>(37,884)</b>

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

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

	Note (from core notes)	2021/22 £000	2020/21 £000
At 1st April		6,908	2,889
Surplus/(deficit) on the HRA income and expenditure statement		(2,278)	37,884
<b>Total comprehensive income and expenditure</b>		(2,278)	37,884
Adjustments between accounting and funding basis under regulations	7	609	(33,866)
<b>Increase/(decrease) in year on the HRA</b>		(1,669)	4,019
At 31st March		5,239	6,908

### 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 were:-

	31 March 2022 No.	31 March 2021 No.
Houses	4,107	4,103
Flats	1,402	1,402
Maisonettes	10	10
Bungalows	1,805	1,805
	7,324	7,320

### 3. RENT ARREARS

The rents total 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.

	31 March 2022 £000	31 March 2021 £000
<b>Analysis of arrears</b>		
<b>Rents</b>		
Current tenants	1,546	1,543
Former tenants	64	0
	1,610	1,543
	<b>2021/22</b>	<b>2020/21</b>
<b>Provision for impairment losses (bad debts)</b>	<b>£000</b>	<b>£000</b>
Opening provision	578	468
Written off in year	(289)	(195)
Increase in provision	322	305
	611	578

## NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

### 4. NON-CURRENT ASSET ACCOUNTING

#### Capital Expenditure and Financing

HRA capital expenditure was incurred as follows;

	2021/22 £000	2020/21 £000
Council Dwellings	20,751	15,868
Assets Under Construction	1,949	227
Equipment	1,155	933
	<b>23,855</b>	<b>17,028</b>

Financed as follows:-

	2021/22 £000	2020/21 £000
Capital Grants & Contributions	5,521	5,073
Revenue Contributions	16,620	11,955
Borrowing	1,714	0
	<b>23,855</b>	<b>17,028</b>

#### Major Repairs Allowance (MRA)

Included within the capital grants and contributions total (£5,521k) is the 2021/22 MRA allocation figure of £4,968k (£5,073k in 2020/21). The MRA allocation figure is included within the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. This Welsh Government grant was fully used in 2021/22 in financing qualifying capital expenditure.

#### Capital Receipts

Gross capital receipts were realised by way of the disposal of dwellings, land sales, and shared ownership sales:-

	2021/22 £000	2020/21 £000
Shared Ownership sales	93	0
Land sales	75	46
	<b>168</b>	<b>46</b>

#### 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 is based on the 2021/22 opening net balance sheet valuations (valuation list less cumulative depreciation), with assumed nil residual values.

	2021/22 £000	2020/21 £000
Dwellings	4,946	5,053
Garages	22	20
Other Land & buildings	115	123
Plant and equipment	344	157
	<b>5,427</b>	<b>5,353</b>

## 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 £20,662k was accounted for in 2021/22 (£16,861k in 2020/21). No revenue expenditure funded from capital under statute was accounted for in 2021/22 (£0k in 2020/21).

### 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:-

	2021/22		2020/21	
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Service Expenditure Analysis -</b>				
Current service cost	2,073		1,533	
<b>Other Operating Expenditure -</b>		2,073		1,533
Administration expenses	45		43	
<b>Financing and Investment Income and Expenditure</b>		45		43
Net interest expense	483		519	
<b>Total HRA Charge</b>		<b>2,601</b>		<b>2,095</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to surplus / deficit on the provision of services for retirement benefits in accordance with IAS 19		(2,601)		(2,095)
<b>Actual amount charged against the HRA balance for pensions in the year:</b>				
Employers' contributions payable to scheme		1,272		1,221



## STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31<sup>st</sup> March 2022. 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 2021/22 (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 31<sup>st</sup> March 2022. 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, and
- 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 – Minimum Revenue Provision (MRP) – in the Council Fund balance 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, March 2018 and March 2021, set in accordance with Welsh Government Guidance on MRP. The Council's policy is as follows:

- Charge 2% of Council Fund debt outstanding fixed at 31<sup>st</sup> March 2017, on capital expenditure incurred before 1<sup>st</sup> April 2008 and capital expenditure funded by supported borrowing between 1<sup>st</sup> April 2008 and 31<sup>st</sup> March 2016 using the annuity method to the Council Fund.
- Capital expenditure incurred on or after 1<sup>st</sup> April 2008 funded by prudential borrowing, capital expenditure incurred on or after 1<sup>st</sup> 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.
- Charge 2% of Housing Revenue Account debt outstanding fixed at 31<sup>st</sup> March 2021, on capital expenditure incurred before this date using the annuity method, and from the 1<sup>st</sup> April 2021 onwards using the annuity method over an appropriate number of years, dependent on the period of time that the capital expenditure is likely to generate benefits.
- 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.

## STATEMENT OF ACCOUNTING POLICIES

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.

### ***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 cash flows 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 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 cash flow 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 (records 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 the Council.

### ***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 1<sup>st</sup> April each year; in 2021/22 approximately 18% 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 two companies called, North East Wales Homes and Property Management (NEW Homes) and Newydd Catering & Cleaning 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 two wholly owned subsidiaries of the Council:

- North East Wales Homes Ltd (NEW Homes), and
- Newydd Catering & Cleaning Ltd.

In 2020/21 consolidation included Theatr Clwyd Productions Ltd which ceased to be part of Flintshire County Council from 1<sup>st</sup> April 2021.

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 3<sup>rd</sup> 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](http://www.northeastwaleshomes.co.uk),

NEW Homes currently owns and manages 173 units across Flintshire. These are made up of a combination of new build schemes delivered through the Council's Strategic Housing and Regeneration Programme (SHARP) and properties acquired from 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 £10,685k. The remaining 112 properties are purchased (19 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 £18,018k.

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 238 by 2024/25.

### **Newydd Catering & Cleaning Ltd**

Newydd Catering & Cleaning Ltd a local authority trading company incorporated on 28<sup>th</sup> 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](http://www.newydd.wales)

### **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 continues to work 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

	Council Fund Reserves £000	Other Usable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves of the Authority £000	Subsidiary Reserves £000	Total Group Reserves £000
<b>At 31st March 2021</b>	38,500	36,823	75,323	19,792	95,115	5,417	100,532
Total comprehensive income and expenditure	4,195	(2,278)	1,917	97,843	99,760	6,065	105,825
Adjustments between group accounts and authority accounts	(2,788)	0	(2,788)	0	(2,788)	(3,312)	(6,100)
<b>Net increase/(decrease) before transfers</b>	<b>1,407</b>	<b>(2,278)</b>	<b>(871)</b>	<b>97,843</b>	<b>96,972</b>	<b>2,753</b>	<b>99,725</b>
Adjustments between accounting and funding basis under regulations	15,720	3,694	19,414	(19,414)	0	0	0
<b>Increase/(decrease) in year</b>	<b>17,127</b>	<b>1,416</b>	<b>18,543</b>	<b>78,429</b>	<b>96,972</b>	<b>2,753</b>	<b>99,725</b>
<b>At 31st March 2022</b>	<b>55,627</b>	<b>38,239</b>	<b>93,866</b>	<b>98,221</b>	<b>192,087</b>	<b>8,170</b>	<b>200,257</b>

## GROUP MOVEMENT IN RESERVES STATEMENT

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

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2021/22			2020/21		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000	£000	£000	£000
<b>Service Expenditure Analysis</b>						
Chief Executive's	2,543	(68)	2,475	2,721	(139)	2,582
Education & Youth	161,428	(42,096)	119,332	146,133	(33,698)	112,435
Governance	15,089	(3,779)	11,310	13,424	(3,288)	10,136
Housing & Assets*	43,235	(38,658)	4,577	45,680	(36,870)	8,810
People & Resources	5,399	(170)	5,229	5,127	(232)	4,895
Planning, Environment & Economy	14,827	(8,134)	6,693	13,007	(6,883)	6,124
Social Services	123,756	(35,621)	88,135	108,376	(30,926)	77,450
Strategic Programmes*	19,707	(3,689)	16,018	15,317	(3,139)	12,178
Streetscene & Transportation	71,515	(32,899)	38,616	70,393	(32,754)	37,639
Central & Corporate Finance	10,040	(3,109)	6,931	8,259	(2,352)	5,907
Housing Revenue Account	43,613	(38,219)	5,394	(565)	(37,978)	(38,543)
Clwyd Theatr Cymru**	0	0	0	4,078	(4,204)	(126)
<b>Cost of services</b>	<b>511,152</b>	<b>(206,442)</b>	<b>304,710</b>	<b>431,950</b>	<b>(192,463)</b>	<b>239,487</b>
Other Operating Expenditure			30,322			29,517
Financing and Investment (Income) and Expenditure			18,490			21,149
Taxation and Non-Specific Grant (Income)			(351,969)			(340,606)
<b>(Surplus)/deficit on the provision of services</b>			<b>1,553</b>			<b>(50,453)</b>
Tax expenses of subsidiary			(182)			(174)
<b>Group (Surplus)/deficit</b>			<b>1,371</b>			<b>(50,627)</b>
(Surplus)/deficit arising on revaluation of non-current assets			(9,497)			(4,141)
(Surplus)/deficit arising on revaluation of available-for-sale financial assets			0			0
Tax relating to other comprehensive income			385			(114)
Actuarial (gains) or losses on pension assets and liabilities			(90,619)			17,089
<b>Total comprehensive (income) and expenditure</b>			<b>(98,360)</b>			<b>(37,793)</b>

\*2020/21 figures amended to correctly reflect the portfolio used for consolidation of Newydd's CIES.

\*\*Ceased to be part of Flintshire County Council from 1st April 2021

## GROUP BALANCE SHEET

	Note	31 March 2022		31 March 2021	
		£000	£000	£000	£000
<b>NON-CURRENT ASSETS</b>					
<b>Property, Plant &amp; Equipment</b>					
Council dwellings		227,606		232,242	
Other land and buildings		379,388		355,484	
Vehicles, plant, furniture and equipment		19,791		18,292	
Surplus assets		5,880		5,938	
Infrastructure assets		157,785		157,494	
Community assets		4,921		4,902	
Assets under construction		12,125		21,082	
<b>Total Property, Plant &amp; Equipment</b>	<b>1</b>	<b>807,496</b>		<b>795,433</b>	
Investment properties and agricultural estate			27,694		25,189
Intangible assets			0		2
Long term investments			0		0
Long term debtors			3,332		3,394
<b>NON-CURRENT ASSETS TOTAL</b>			<b>838,522</b>		<b>824,018</b>
<b>CURRENT ASSETS</b>					
Inventories		784		616	
Short term debtors (net of impairment provision)		71,219		72,810	
Short term investments		5,001		10,062	
Cash and cash equivalents		45,671		39,242	
Assets held for sale		383		1,021	
<b>CURRENT ASSETS TOTAL</b>			<b>123,058</b>		<b>123,751</b>
<b>CURRENT LIABILITIES</b>					
Borrowing repayable on demand or within 12 months		(18,036)		(65,960)	
Short term creditors		(63,333)		(41,836)	
Provision for accumulated absences		(5,563)		(5,226)	
Deferred liabilities		(591)		(587)	
Grants receipts in advance		(6,697)		(3,883)	
Provisions		(3,698)		(3,165)	
<b>CURRENT LIABILITIES TOTAL</b>			<b>(97,918)</b>		<b>(120,657)</b>
<b>NON-CURRENT LIABILITIES</b>					
Long term creditors		(1,389)		(1,034)	
Long term borrowing		(289,517)		(283,934)	
Deferred liabilities		(2,748)		(3,339)	
Provisions		(957)		(966)	
Other long term liabilities		(367,258)		(436,496)	
Grants receipts in advance		(1,535)		(811)	
<b>NON-CURRENT LIABILITIES TOTAL</b>			<b>(663,404)</b>		<b>(726,580)</b>
<b>NET ASSETS</b>			<b>200,258</b>		<b>100,532</b>

## GROUP BALANCE SHEET

	Note	31 March 2022		31 March 2021	
		£000	£000	£000	£000
<b>USABLE RESERVES</b>					
Capital receipts reserve		17,959		15,490	
Capital grants unapplied		15,043		14,426	
Council Fund		18,438		14,061	
Profit and Loss reserve		(657)		(2,781)	
Earmarked reserves		37,187		24,438	
Housing Revenue Account		5,239		6,908	
<b>USABLE RESERVES TOTAL</b>			<b>93,209</b>		<b>72,542</b>
<b>UNUSABLE RESERVES</b>					
Revaluation Reserve		129,709		125,255	
Capital Adjustment Account		350,805		343,777	
Financial Instruments Adjustment Account		(5,011)		(5,371)	
Pensions Reserve		(362,940)		(430,543)	
Deferred capital receipts		49		98	
Accumulated Absences Account		(5,563)		(5,226)	
<b>UNUSABLE RESERVES TOTAL</b>			<b>107,049</b>		<b>27,990</b>
<b>TOTAL RESERVES</b>			<b>200,258</b>		<b>100,532</b>

## GROUP CASH FLOW STATEMENT

	2021/22		2020/21	
	£000	£000	£000	£000
Net surplus or (deficit) on the provision of services	(797)		51,125	
Adjustment to surplus or deficit on the provision of services for non-cash movements	108,413		22,521	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(45,486)</u>		<u>(47,298)</u>	
Net cash flows from operating activities		62,130		26,348
Net cash flows from investing activities	(13,232)		(24,827)	
Net cash flows from financing activities	<u>(42,432)</u>		<u>6,027</u>	
<b>Net increase or decrease in cash and cash equivalents</b>		<u>(55,664)</u> 6,466		<u>(18,800)</u> 7,548
Cash and cash equivalents at the beginning of the reporting period *		39,202		31,692
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>45,668</b>		<b>39,240</b>

\* Cash at the beginning of the reporting period differs from cash at the end of the previous period as Theatr Clwyd Productions Ltd is now excluded from Group Accounts.

## NOTES TO THE GROUP ACCOUNTS

### 1. PROPERTY, PLANT AND EQUIPMENT

	Flintshire County Council £000	NEW Homes £000	Newydd £000	Group £000
<b>Net Book Value at 31st March 2022</b>				
Council dwellings	227,606	0	0	227,606
Other land and buildings	352,655	26,733	0	379,388
Vehicles, plant, furniture and equipment	19,581	0	210	19,791
Surplus assets	5,880	0	0	5,880
Infrastructure assets	157,785	0	0	157,785
Community assets	4,921	0	0	4,921
Assets under construction	12,125	0	0	12,125
	<b>780,553</b>	<b>26,733</b>	<b>210</b>	<b>807,496</b>

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



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

To be inserted following financial audit by external auditors.

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**2021/22**

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

Draft

### 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 2021/22 – 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.”<sup>1</sup>

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

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

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

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

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

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

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

## ANNUAL GOVERNANCE STATEMENT

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

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

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

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

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

## ANNUAL GOVERNANCE STATEMENT

### What is the Annual Governance Statement?

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

In this document, we, the Council:

- Acknowledge our responsibility for ensuring that there is a sound system of governance;
- summarise the key elements of that governance framework and the roles of those responsible for the development and maintenance of the governance environment;
- describe how we have monitored and evaluated the effectiveness of our governance arrangements in year, and any planned changes in the coming period;
- provide details of how we have responded to any issue(s) identified in last year's governance statement; and
- report on any 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 2021/22 and up to the date of approval of the Annual Statement of Accounts.



### 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 Members of the Governance & Audit Committee and Chairs of Overview and Scrutiny committees.

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:

- 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 governance issues and principles facing the Council. These are evidenced from page 127. Principles assessed as needing further improvement are detailed from page 129.

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 Governance and Audit Committee were also asked to consider and comment on the progress made on the last AGS and any further matters to be considered. They expressed general satisfaction with 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.

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

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

# 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

**2021/22**

Flintshire County Council  
Annual Governance Statement  
Enclosure 2

Draft

## 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 2020/21 AGS
- What are the governance issues identified during 2021/22
- What are the strategic issues identified during 2021/22
- 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 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 2021/22 and up to the date of approval of the Statement of Accounts.



### Governance response to the COVID-19 Pandemic

At the beginning of 2021/22 saw the continuing impact of the Coronavirus/Covid-19 emergency. Our formal Council, Cabinet and Committee continued as 'Remote Attendance Meetings' utilising WebEx and Zoom video technology. The Council's continued 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.

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.

Page 137 A politically balanced Member Recovery Committee, supported by the statutory and specialist officers as necessary was set up in June 2021. Working together, the Recovery Committee operated between June 2021 and March 2022, discharging elements of decision making as well as scrutiny. The terms of reference of the Board were tightly drawn:

1. To re-set the recovery objectives for the whole organisation and for each of the service portfolios;
2. To overview recovery against those objectives;
3. To refer issues to the Cabinet and the Overview and Scrutiny Committees for detailed review/planning;
4. To help give assurance to the public and partner organisations on our local planning

Auditor General for Wales concluded in the Annual Audit Summary in January: *'We undertook this work on an ongoing basis, providing real-time and ongoing feedback where appropriate. Our key findings were the Council's communications with the public and residents during the pandemic have been consistent, clear, and innovative. The Council has now carefully 'unlocked' many of its key services in line with Welsh Government guidance and identified what will be different as staff return to work to keep them safe. The reopening of services has progressed well, once again helped by a clear communications strategy.'*

Our Annual General Meeting of Council was held on 25<sup>th</sup> May, at which point the five committee Overview & Scrutiny structure was agreed.

### Chief Finance Officer Statement on Compliance with the Financial Management Code

The CIPFA Financial Management Code (CIPFA FM Code) sets out the principles by which authorities should be guided in managing their finances. It has been developed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code sets out the specific standards that authorities should, as a minimum seek to achieve.

The Code is based on a series of principles including the CIPFA Statement of Principles of Good Financial Management. These principles are the benchmarks for authorities to measure the effectiveness of their financial management and sustainability to enable authorities to:

- financially manage the short, medium- and long-term finances of a local authority;
- manage financial resilience to meet foreseen demands on services; and
- financially manage unexpected shocks in their financial circumstances.

The specific principles within the code include the elements of Organisational Leadership, Accountability, Transparency, Professional Standards, Assurance, and Sustainability.

Each local authority must demonstrate that the requirements of the Code are being satisfied.

As Section 151 Officer I have the Statutory Responsibility (supported by the Chief Officer Team and Elected Members) for ensuring compliance with the FM Code.

As part of the annual review of the Annual Governance Statement I have carried out a full assessment of Flintshire's compliance with the FM Code and I can confirm that in my opinion Flintshire is compliant with the code in the majority of areas.

This is supported by the Audit Wales Financial Sustainability Review which was undertaken in 2021 which made no recommendations and required no further actions.

**However, the assessment recognises that, due to the continuing financial challenges for all local authorities, the following areas will require continual review and improvement:**

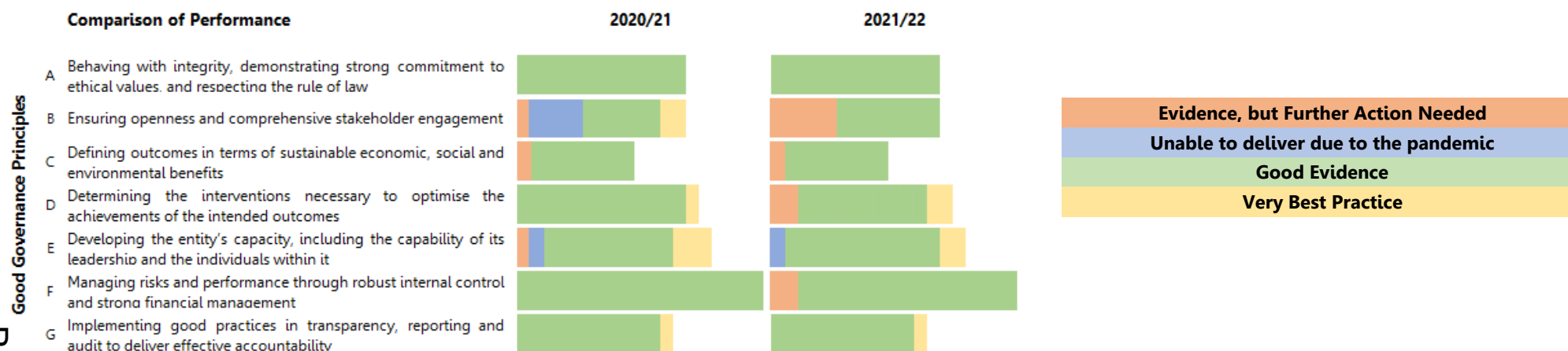
- Indicative funding settlements for 2023/24 and 2024/25 are now known requiring the need to focus on our financial planning requirements over the longer term.
- As part of the above develop the latest Medium Term Financial Strategy and begin considerations early on options for ensuring a sustainable budget including exploring any opportunities for transformation of services.

## ANNUAL GOVERNANCE STATEMENT

- Ensure compliance with the process for increased engagement for services in contributing to and signing off method statements for both pressures and efficiencies.
- Complete the assessment of the revised CIPFA Prudential Code for Capital to ensure compliance and to ensure future Capital plans are affordable, prudent and sustainable.
- To review and develop a future approach to budget consultation as part of Stakeholder Engagement.

## ANNUAL GOVERNANCE STATEMENT

# Comparison of the Effectiveness of the Council's Governance Framework



### Areas of Very Best Practice:

- (D48) 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.
- (D49) Ensuring the achievement of 'social value' or 'community benefits' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community over and above the direct purchase.
- (E52) Recognising the benefits of partnerships and collaborative working where added value can be achieved.
- (G92) Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.

### Unable to deliver due to the pandemic:

- (E51) Benchmarking against peers due to lack of need to submit nationally

### Further Action Required:

- (B17, B21, B23, B24, B25) Circumstances have curtailed our ability to consult and engage, but not the willingness to do so. Further planning required following the legislation on Local Government & Elections (Wales) Act 2021
- (C30) Identifying and managing risks to the achievement of outcomes.
- (D39) Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered
- (D40) Considering and monitoring risks facing each partner when working collaboratively including shared risks.
- (F66, F73, F74) An Internal Audit review of the risk management framework was undertaken during 21/22 and has highlighted some areas for improvement to build upon the risk management framework and processes going forward.

**Annual Internal Audit Opinion 2021/22:** "For the year ending 31 March 2021, based on the work the Internal Audit Service has undertaken my opinion is that Flintshire County Council has an adequate and effective framework of governance, risk management and internal control".

**Internal Audit, Performance and Risk Manager, Flintshire County Council**

## 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"> <li>• The behaviour and expectations of Members and Officers are set out in our Codes of Conduct, Constitution, and a suite of policies and procedures</li> <li>• 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</li> <li>• We take fraud seriously. Key policies are in place to prevent, minimise and manage such occurrences</li> <li>• Compliance with policies and protocols e.g. Contract Procedure Rules</li> <li>• Enhanced profile of Internal Audit</li> </ul>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• A set of leadership competencies are deployed in each Portfolio and led by each Chief Officer</li> <li>• Our recruitment policy, training and competencies based appraisal processes underpin personal behaviours with ethical values</li> <li>• Robust policies and procedures are in place, subject to formal approval prior to adoption by formal committees</li> <li>• All contracts and external service providers, including partnerships are engaged through the robust procurement process and follow the Contract Procedure rules regulations</li> <li>• Application of the corporate operating model; working internally to promote high standards of professional performance and ethical behaviour to achieve organisational priorities and objectives</li> </ul>
Respecting the rule of law	<ul style="list-style-type: none"> <li>• We ensure that our Members and Officers fulfil legislative and regulatory</li> <li>• 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</li> <li>• Our Monitoring Officer is responsible for ensuring the Council complies with the law and avoids maladministration. Our Constitution &amp; Democratic Services Committee promotes high standards of conduct which are monitored by the Standards Committee</li> </ul>

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#### What has worked well during 2021/22

- 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"> <li>• Committed to having an open culture, demonstrated through accessible website, policies and procedures and open environment meetings.                             <ul style="list-style-type: none"> <li>○ The most appropriate and effective interventions / courses of action are determined using formal and informal consultation and engagement. Consultation principles</li> <li>○ Formal and informal engagement models with employees and communities e.g. alternative delivery models Member workshops</li> <li>○ County Forum (Town and Community Councils)</li> <li>○ Positive engagement with Trade Unions both formally and informally</li> </ul> </li> </ul>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• We engage effectively with stakeholders to ensure successful and sustainable outcomes by:                             <ul style="list-style-type: none"> <li>○ Effective application and delivery of communication strategies to support delivery</li> <li>○ Targeting communications and effective use of Social Media</li> <li>○ Effective stakeholder engagement on strategic issues</li> <li>○ Service led feedback questionnaires and events</li> </ul> </li> <li>• 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"> <li>○ Extensive range of partnerships to support the delivery of the Council's strategic priorities, including the Public Services Board</li> <li>○ Open and productive partnership arrangements supported by an effective governance framework</li> <li>○ Trust and good relations lead to delivery of intended outcomes e.g. community asset transfers</li> </ul> </li> </ul>
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> </ul>

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What has worked well during 2021/22	Areas identified for Further Improvement
<ul style="list-style-type: none"> <li>• Formal and informal partnerships from strategic levels (PSB) to operational partnerships (Community Endowment Fund / Regional Armed Forces Partnership)</li> <li>• New partnerships have emerged and are working well (the Joint Flintshire and Wrexham Public Services Board / North Wales Research and Insight Partnership)</li> <li>• Good relationship management with partners</li> <li>• Partnership working based on trust and commitment has increased and evidenced strongly during this year due to the pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>• (B17, B21, B23, B24, B25) Circumstances have curtailed our ability to consult and engage, but not the willingness to do so. Further planning required following the legislation on Local Government &amp; Elections (Wales) Act 2021</li> </ul>

## 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"> <li>• We have a clear vision describing the organisation’s purpose and intended outcomes which is achieved through:                             <ul style="list-style-type: none"> <li>○ Linking of vision and intent to the MTFS</li> <li>○ Service Planning consideration including sustainability of service delivery</li> </ul> </li> <li>• Risk Management is applied consistently at all levels ensuring consistent application of risk process and terminology</li> <li>• 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</li> <li>• Annual Performance Report contains recommendations of improvements or area of priority working for the following year</li> </ul>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• 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"> <li>○ Longer term business planning and budgeting using effective forecasting models</li> <li>○ Multi-disciplinary approach to policy development delivering defined outcomes and ensuring fair access to services</li> <li>○ Procurement strategy defines expectations around economic, social and environment benefits which inform service specifications, tenders and contracts</li> <li>○ Communication plans for public and community engagement</li> </ul> </li> </ul>

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What has worked well during 2021/22	Areas identified for Further Improvement
<ul style="list-style-type: none"> <li>• Portfolio Business Recovery Plans with a risk-based approach ensured effective planning</li> <li>• Member workshops/briefing sessions</li> <li>• 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</li> <li>• The Flintshire Public Services Board published their Assessment of Well-being for Flintshire 2022 (This went out to consultation) which will help inform the new Well-being Plan and priorities going forward to improve the economic, social, environmental and cultural well-being of Flintshire</li> </ul>	<ul style="list-style-type: none"> <li>• (C30) Identifying and managing risks to the achievement of outcomes.</li> </ul>



## 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"> <li>• Full engagement with Members on a longer-term basis e.g. MTFS, Council Plan, Business Planning and other key workforce strategies e.g. digital and procurement</li> <li>• The MTFS and budget setting process provides opportunities for all public, stakeholders to be engaged in considering options.</li> <li>• Active engagement of key decision making in the development of initial ideas, options and potential outcomes and risks e.g. ADM Programme, Gateways</li> <li>• Clear option appraisals, including the use of forecasting models, to ensure best value is achieved</li> <li>• Regular budget monitoring for each Portfolio</li> <li>• Application of Integrated Impact Assessments</li> </ul>
Planning interventions	<ul style="list-style-type: none"> <li>• We established and implemented robust planning and control cycles covering response and recovery through Emergency Management Response Team</li> <li>• We applied the risk management principles when developing the Recovery Strategy and Portfolio Business Recovery Plans</li> <li>• Regular monitoring of business planning, efficiency and reliability including feedback</li> <li>• Service performance is measured by establishing a range of local indicators, which are regularly monitored, reported and used for recovery monitoring</li> </ul>
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• Resource requirements are identified through the business planning process, including any projected shortfall in those requirements.</li> <li>• 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</li> <li>• Social values are achieved through the effective commissioning of services and compliance with Council procedures</li> <li>• 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</li> </ul>

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What has worked well during 2021/22	Areas identified for Further Improvement
<ul style="list-style-type: none"> <li>• Ensuring social value through Council activity and procurement is established practice, for which the Council is renowned</li> <li>• The use of historical data to inform the MTFS and looking forward in terms of what the future landscape for services may be and applying a risk-based approach to decision making around the budget setting process</li> </ul>	<ul style="list-style-type: none"> <li>• (D39) Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered.</li> <li>• (D40) Considering and monitoring risks facing each partner when working collaboratively including shared risks.</li> </ul>

## 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"> <li>• 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</li> <li>• 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</li> <li>• 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</li> <li>• Develop and maintain the workforce plan to enhance the strategic allocation of resources and future workforce and succession planning</li> </ul>
Developing the capability of our organisation's leadership and other individuals	<ul style="list-style-type: none"> <li>• 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"> <li>○ The Leader of the Council and the Chief Executive have clearly defined and distinct leadership roles</li> </ul> </li> <li>• Individual and organisational requirements are supported through:                             <ul style="list-style-type: none"> <li>○ Corporate induction for new employees to the Council and service specific inductions for employees in new jobs</li> <li>○ Opportunities for continued learning and development for employees</li> <li>○ A comprehensive range of learning and development opportunities available</li> <li>○ Feedback and shared learning to the organisations both through reports and interactive sessions such as the Senior leaders 'Academi'</li> </ul> </li> <li>• 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.</li> </ul>

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What has worked well during 2021/22	During 21/22 what was affected by the Pandemic
<ul style="list-style-type: none"> <li>• Partnership and collaborative working – regional and nationally</li> <li>• Lead on regional partnerships e.g. residual waste project</li> <li>• Successful local partnerships e.g. Flintshire Public Services Board / Joint Flintshire and Wrexham Public Services Board around community resilience</li> <li>• Service specific inductions have taken place. New methods have been used to recruit and induct new starters through the pandemic which is being retained</li> <li>• Increased workforce comms, introduction of wellbeing appraisals, strong recognition of mental health impacts and support networks provided</li> </ul>	<ul style="list-style-type: none"> <li>• (E51) Benchmarking against peers due to lack of need to submit nationally</li> </ul>

## 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"> <li>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</li> </ul>
Managing performance	<ul style="list-style-type: none"> <li>Members and senior management are provided with regular reports on service performance against key performance indicators and milestones against recovery objectives</li> <li>Members are clearly and regularly informed of the financial position and implications including environmental and resource impacts</li> </ul>
Robust internal control	<ul style="list-style-type: none"> <li>Internal Audit provides the Council, through the Governance &amp; 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.</li> <li>We are dedicated to tackling fraud as detailed within the Anti-Fraud and Corruption Strategy, Fraud Response Plan, and Whistleblowing Policy</li> </ul>
Managing data	<ul style="list-style-type: none"> <li>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</li> <li>We have appropriate Information Sharing Protocols in place in respect of all information shared with other bodies</li> <li>The quality and accuracy of data used for decision making and performance monitoring is supported by guidance from a range of professional bodies</li> <li>Internal Audit review and audit regularly the quality and accuracy of data used in decision making and performance monitoring</li> </ul>
Strong public financial management	<ul style="list-style-type: none"> <li>Our Financial management arrangements support both the long-term achievement of outcome and short-term financial performance through the delivery of the MTFS</li> <li>Setting a prudent Minimum Revenue Provision for the repayment of debt</li> <li>The integration of all financial management and control was reviewed as part of the finance modernisation project</li> </ul>

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What has worked well during 2021/22	Areas identified for Further Improvement
<ul style="list-style-type: none"> <li>Maintained performance monitoring at mid and end of year</li> <li>Roll out and use of new Performance and risk management system (InPhase)</li> </ul>	<ul style="list-style-type: none"> <li>(F66, F73, F74) An Internal Audit review of the risk management framework was undertaken during 21/22 and has highlighted some areas for improvement to build upon the risk management framework and processes going forward.</li> </ul>

## 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"> <li>• 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</li> <li>• We are mindful of providing the right amount of information to ensure transparency</li> <li>• A review of information sharing protocols has been undertaken and new principles adopted</li> </ul>
Implementing good practices in reporting	<ul style="list-style-type: none"> <li>• 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</li> <li>• Progress against the Well-being Plan</li> <li>• Annual Statement of Accounts</li> <li>• Our Annual Governance Statement is published following robust and rigorous challenge to assess and demonstrate good governance</li> </ul>
Assurance and effective accountability	<ul style="list-style-type: none"> <li>• Through robust assurance mechanism, we can demonstrate effective accountability. These mechanisms include:                             <ul style="list-style-type: none"> <li>○ 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</li> <li>○ All agreed actions from Internal Audit reviews are monitored regularly through monthly reports to Chief Officers and each Governance &amp; Audit Committee</li> <li>○ Any 'limited/red' assurance opinions are reported to Governance &amp; Audit Committee in full and progress monitored closely</li> <li>○ Peer challenge and inspection from regulatory bodies and external compliance reviews. The outcomes from these inspections are used to inform and improve service delivery</li> <li>○ 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</li> <li>○ Reports are presented to Cabinet and an annual report to Governance &amp; Audit Committee of external feedback from regulatory work and peer reviews along with the Council's responses</li> </ul> </li> </ul>

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During 2021/22 what worked well
<ul style="list-style-type: none"> <li>• Open and embracing attitude / good evidence. Increased working through the workshops for all regulatory bodies in early 2021 to give an overview of suggested plans and areas of work.</li> </ul>

## ANNUAL GOVERNANCE STATEMENT

### How have we addressed the governance and strategic issues from 2020/21 AGS?

The 2020/21 Annual Governance Statement contained 3 governance and 21 strategic issues. Of these areas:

- Two Internal Governance issues were closed and detailed within the table below;
- One Internal Governance issues remain open and this is included within the 2021/22 actions;
- Sixteen strategic issues were closed from the 2020/21 AGS and detailed within the table below;
- Four are new strategic issues and included within the 2021/22 actions; and
- Nine Strategic issues remain open and included within the 2021/22 actions.

Ref	Closed Internal Governance & Strategic Issues detailed in 2020/21 AGS	Details
<b>Closed Governance Issues from the AGS 2020/21</b>		
1 Page 149	Defining outcomes in terms of sustainable economic, social and environmental benefits. Also carried forward from 2019/20.	Risk closed. Whilst a draft Council Plan for 2020/21 was produced due to the response phase to the pandemic, the report never reached the democratic process for sign off and adoption. All Strategic reports committee reports have a section to consider Integrated Impact Assessment and Risk Management to ensure that all considerations have been given fully.
	Structures for public participations have still been in place, but ability to deliver has been curtailed due to the pandemic and could be strengthened	Risk closed. The recent transfer of Corporate Communications to Customer Contact is a step towards transforming the way we communicate using digital technology. Opportunities to use animations, video and media platforms will be explored with the assistance of newly appointed higher-level trainees to strengthen participation by members of the public.
<b>Closed Strategic Issues from the AGS 2020/21</b>		
3	<b>CG20</b> - Council Tax Collections rate reduce and impacts on cash-flow, annual budget and Medium Term Financial Strategy (MTFS) due to suspension of debt recovery	In September we reported to Recovery Committee the Risk allocations to OSC's and their FWP's. CG20 was identified within this as a duplicate of CF08 and was recommended for closure due to duplication.
4	<b>HA04</b> - 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	Risk rating has reduced to green and is included in the Housing & Assets Risk Register
5	<b>PE03</b> - 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	Risk rating has reduced to amber and is included in the Planning, Environment & Economy Risk Register

## ANNUAL GOVERNANCE STATEMENT

Ref	Closed Internal Governance & Strategic Issues detailed in 2020/21 AGS	Details
6	<b>CF08</b> - A reduction in Council Tax collection impacts on (1) cash-flow and (2) annual budget	Risk rating has reduced to amber and is included in the Corporate Recovery Risk Register
7	<b>CF19</b> - A reduction in Business Rates collection impacts on (1) cash-flow and (2) the stability of the National Collection Pool	Risk rating has reduced to amber and is included in the Corporate Recovery Risk Register
8	<b>CF20</b> - Insufficient capacity to deliver grants and rate relief whilst also recovering lost income/debts may impact debt recovery capacity	In July we reported to Recovery Committee the Corporate Risk Register and Mitigations Documents with a recommendation a number of risks were closed. CF20 was included in this list due to 'grant schemes ending and the Council no longer required to administer it'.
9	<b>CG04</b> - Diversion of resource to emergency management delays implementation of key digital and infrastructure projects	Risk rating has reduced to amber and is included in the Corporate Recovery Risk Register
10	<b>PE12</b> - The implications of Ash Die back on finances and reputation of the Council due to the scale of the problem and the ability to make safe Highways and Council amenity land	Risk rating has reduced to amber and is included in the Planning, Environment & Economy Risk Register
Page 150	<b>ST10</b> - Increased expenditure on contract, labour, plant, vehicles and materials due to changing work patterns in response to pandemic	Risk rating has reduced to amber and is included in the Streetscene & Transportation Risk Register
	<b>ST17a</b> - Increased risk of ill health due to mental health and well-being, personal and/or family issues	Risk rating has reduced to amber and is included in the Streetscene & Transportation Risk Register
	<b>ST28a</b> - Unable to gain regulatory approval (planning; Drainage; environmental permitting) to progress key infrastructure projects in a timely manner due to delays in processing applications	Risk removed as it is included in the Streetscene & Transportation Risk Register as an operational risk
14	<b>ST35</b> - 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	Risk rating has reduced to amber and is included in the Streetscene & Transportation Risk Register
15	<b>PE07</b> - Impact on service delivery due to the resilience of staff and succession planning	Risk rating has reduced to amber and is included in the Planning, Environment & Economy Risk Register as an Operational Risk
16	Funding will not be secured for priority flood alleviation schemes – Carried forward from 2019/20	Risk Closed - Replaced by Non-compliance with Sustainable Urban Drainage System legislation due to capacity of the team.
17	The scale of the financial challenge – Carried forward from 2019/20	Risk Closed - Legacy risk from 2019/20 which are now superseded by other risks the Council has to manage.
18	Fully funding demand led services and inflationary pressures – Carried forward from 2019/20	Risk Closed - Legacy risk from 2019/20 which are now superseded by other risks the Council has to manage.

## ANNUAL GOVERNANCE STATEMENT

### What are the governance issues identified during 2021/22?

The review of the effectiveness of the Council’s governance framework identified one internal governance issue during 2021/22. Details of how the issue has been addressed and if it remains open is provided below:

Internal Council Governance issues for 2021/22	Mitigation Actions	Current Status
<ul style="list-style-type: none"> <li>(B17, B21, B23, B24, B25) Circumstances have curtailed our ability to consult and engage, but not the willingness to do so. Further planning required following the legislation on Local Government &amp; Elections (Wales) Act 2021</li> </ul>	An action plan is being developed to make improvements in the coming year a review of the Council’s Consultation Strategy.	<ul style="list-style-type: none"> <li>Open</li> </ul>
<ul style="list-style-type: none"> <li>(C30) Identifying and managing risks to the achievement of outcomes.</li> </ul>	Full Action Plan has been developed and shared with Governance and Audit Committee in June 2022	<ul style="list-style-type: none"> <li>Open</li> </ul>
<ul style="list-style-type: none"> <li>(D39) Engaging with internal and external stakeholders in determining how services and other interventions can best be delivered.</li> </ul>	In relation to the Public Services Board, improvements could be made to ensure greater engagement of internal and external stakeholders in determining interventions which would provide greater synergy between the strategic partnership and operational delivery	<ul style="list-style-type: none"> <li>Open</li> </ul>
<ul style="list-style-type: none"> <li>(D40) Considering and monitoring risks facing each partner when working collaboratively including shared risks.</li> </ul>	Full Action Plan has been developed and shared with Governance and Audit Committee in June 2022	<ul style="list-style-type: none"> <li>Open</li> </ul>
<ul style="list-style-type: none"> <li>(F66, 73, 74) An Internal Audit review of the risk management framework was undertaken during 21/22 and has highlighted some areas for improvement to build upon the risk management framework and processes going forward.</li> </ul>	Full Action Plan has been developed and shared with Governance and Audit Committee in June 2022	<ul style="list-style-type: none"> <li>Open</li> </ul>
<ul style="list-style-type: none"> <li>Red / Limited Assurance Audit – Drury Primary School</li> </ul>	Full Action Plan has been developed and shared with Governance and Audit Committee in June 2022	<ul style="list-style-type: none"> <li>Open</li> </ul>
<ul style="list-style-type: none"> <li>Red / Limited Assurance Audit – Homelessness &amp; Temporary Accommodation</li> </ul>	Full Action Plan has been developed and shared with Governance and Audit Committee in March 2022	<ul style="list-style-type: none"> <li>Open</li> </ul>
<ul style="list-style-type: none"> <li>Red / Limited Assurance Audit – Contract Management: Residential Development</li> </ul>	Full Action Plan has been developed and shared with Governance and Audit Committee in November 2021	<ul style="list-style-type: none"> <li>Open</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

### What are the strategic issues identified during 2021/22?

The review of the effectiveness of the Council's governance framework identified nine strategic issues during 2021/22. Details of how the issue has been addressed and if it remains open is provided below:

Strategic Issues for 2021/22	Mitigating Actions
<b>CF14</b> - Increase in rent arrears impacts on the stability of the Housing Revenue Account (HRA) Business Plan <span style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; font-size: 1.2em;">Page 152</span>	<ul style="list-style-type: none"> <li>Regular weekly monitoring of the financial impact by the Housing Rents team to track in-year rent collection levels and compare to previous year</li> <li>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</li> <li>Reporting impacts to Financial TCG on a regular basis</li> <li>Regular referral of cases to an officer led Case Review Panel to ensure all housing interventions are coordinated and cases at risk of homelessness are tracked by all teams</li> <li>Increase of resource levels to support the work in rent income service</li> </ul>
<b>EY01</b> - Secondary schools are not financially viable due to insufficient base funding and falling pupil numbers	<ul style="list-style-type: none"> <li>Risk associated with insufficient base budgets for secondary schools included in the MTF5.</li> <li>Funding Formula review</li> </ul>
<b>EY06</b> - Insufficient funding to deliver new archive premises	<ul style="list-style-type: none"> <li>Regular progress monitoring meetings between the Archive Project Board of senior officers and political leaders.</li> <li>Cabinet and Executive support for the bid to National lottery Heritage Fund with formal commitment to provide capital funding to top up the scheme from both Flintshire and Denbighshire.</li> <li>Effective project management ensuring the project is progressing within budget and timescales.</li> <li>Revise project to reduce costs, develop further applications to the Wales Lottery Heritage Fund and explore other funding streams (Stage 1 bid submitted to the National Lottery Heritage Fund was unsuccessful. This has created a significant financial shortfall of £8.5m)</li> </ul>
<b>CF05</b> - An increase in the level of debt owed to the Council.	<ul style="list-style-type: none"> <li>Collection of income continues</li> <li>Active engagement with tax-payers, tenants, customers and businesses to offer flexible arrangements</li> </ul>



## ANNUAL GOVERNANCE STATEMENT

Strategic Issues for 2021/22	Mitigating Actions
	<ul style="list-style-type: none"> <li>• Enforcement has begun for tax-payers and tenants who are falling into debt and not made any contact with us</li> <li>• Risk is being taken into account in the review of the Medium-Term Financial Strategy (MTFS) including a review of the adequacy of levels of bad debt provision across the Council</li> <li>• Additional funding (circa £1.05m) from Welsh Government to compensate for losses of 2020/21 council tax collections is helping to provide financial resilience as we enter the recovery phase</li> </ul>
<b>HA06</b> - Impacts on income stream based on delayed/non recovery of housing benefit overpayment	<ul style="list-style-type: none"> <li>• Financial monitoring – Budget and Income</li> <li>• Contacting customers to arrange to repayment plans at a level which suits their new income</li> <li>• Offering customers support and advice to claim available benefits</li> </ul>
<b>ST24a</b> - Unable to progress with key infrastructure improvement projects due to resilience in staff, contractors and supply chain	<ul style="list-style-type: none"> <li>• The service is continuing to see an issue in the supply chain to progress infrastructure projects. This is resulting in delays to schemes however the overall impact of progress is not resulting in project failure.</li> <li>• Each grant funded project is given a project team to control delivery within specified timescales. Additional partners (consultants; WRAP) have been engaged in projects to support staff with delivery.</li> </ul>
<b>SS01</b> - Expenditure on out of county placements increases as placement costs increase in a demand led market	<ul style="list-style-type: none"> <li>• Develop in house residential care services for children with complex needs who would otherwise need to be placed out of county.</li> <li>• Grow our in house fostering service to support more looked after children within Flintshire</li> </ul>
<b>SS29</b> - Insufficient capacity in the social care workforce (social work and occupational therapy) is a risk to the reputation of the Council and its ability to fulfil its statutory and essential functions with respect to social care	<ul style="list-style-type: none"> <li>• We are experiencing significant challenges in workforce recruitment within a highly competitive market, where people are choosing other, often better paid, career choices. A regional and local analysis of the underlying issues and actions to mitigate has been developed and will require national support and funding as well as local action.</li> <li>• Project team meets fortnightly and reports to the Portfolio Programme Board.</li> <li>• In the short term we have moved to a 12 month market supplement for Level 3 Childcare Social Workers</li> </ul>
<b>CW10</b> - Impacts of the third wave in the pandemic on the continuous availability of key workers to operate services in a further response phase	<ul style="list-style-type: none"> <li>• Key workers will be invited to attend for a flu vaccine when they are available</li> </ul>

## 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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**Neal Cockerton – Chief Executive**

**Cllr. Ian B Roberts – Leader of the Council**



## GOVERNANCE AND AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday, 27 <sup>th</sup> July 2022
<b>Report Subject</b>	Supplementary Financial Information to Draft Statement of Accounts 2021/22
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

Flintshire County Council approved the following notice of motion on 29<sup>th</sup> 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 2021/22.

### RECOMMENDATIONS

1	Members review the report.
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## REPORT DETAILS

1.00	EXPLAINING THE APPENDIX
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 the paragraphs below:</p> <ul style="list-style-type: none"> <li>• Table 1 – Council employees</li> <li>• Table 2 – Posts covered by interim or temporary arrangements</li> <li>• Table 3 – Payments to consultants and non-permanent posts</li> </ul>
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 2021/22 has not been included.</p>
1.03	<p>Table 2 shows the number of interim or temporary arrangements in place to cover posts during 2021/22. 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 2021/22. 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 2021/22 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</i></p>

	<p><i>maintain an internal expertise which is only required occasionally or indeed once.</i></p> <p>Consultants are classified into 2 groups:</p> <ul style="list-style-type: none"> <li>• <i>Retained consultant: with a contract in place for the periodic provision of advice; and</i></li> <li>• <i>Project consultant: to work on defined and time limited projects on 'strategy, structure or management.'</i></li> </ul>
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>

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	As set out within the report.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None required.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	The report is a retrospective report and therefore subject to minimal risk.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix 1 – Supplementary financial information to draft Statement of Accounts 2021/22.

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None

<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
7.01	<b>Contact Officer:</b> Chris Taylor – Strategic Finance Manager <b>Telephone:</b> 01352 703309 <b>E-mail:</b> <a href="mailto:christopher.taylor@flintshire.gov.uk">christopher.taylor@flintshire.gov.uk</a>

<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
8.01	Definitions required as contained within the report.

## SUPPLEMENTARY FINANCIAL INFORMATION TO DRAFT STATEMENT OF ACCOUNTS 2021/22

TABLE 1 - COUNCIL EMPLOYEES

Post title	Remuneration (exc.employers pension contributions)	Employers pension contributions	Annualised pay (where applicable) £
	£	£	
Benefits Manager	60,402	14,255	
Learning Disabilities Support Worker	60,409	0	
Service Manager - Resources	60,715	14,329	
Service Manager - Protection & Support	60,715	14,329	
Service Manager - PDSI	60,715	14,329	
Service Manager - Regulated Services	60,715	14,329	
Principal Education Psychologist	60,987	14,393	
Regulatory Services Manager	61,287	14,464	
Internal Audit Manager	61,375	14,485	
Service Manager - Locality Services	61,429	14,497	
IT Infrastructure Services Manager	61,570	14,531	
IT Business Services Manager	61,570	14,531	
Service Manager-Enterprise & Regeneration Programmes	61,570	14,531	
Early Years and Family Support Manager	61,906	14,610	
Legal Services Manager	62,537	14,759	
Highway Network Manager	62,869	14,837	
Community & Business Protection Manager	63,157	14,905	
Senior Manager - Integrated Youth Provision	64,679	13,512	
Senior Manager - Inclusion and Progression	72,396	17,085	
Senior Manager - School Improvement	72,690	17,155	
Senior Manager - Integration and Partnerships/Lead Adults	74,676	17,624	
Senior Manager - Children's & Workforce	74,676	17,624	
Senior Manager - Safeguarding & Commissioning	74,676	17,624	
<b>Total</b>	<b>1,477,721</b>		

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

Post title	Cost	Theoretical annual costs
	£	£
Social Worker - Protection & Support	10,478	69,957
Social Worker - Protection & Support	19,687	73,688
Social Worker - First Contact Team	30,450	66,600
Social Worker - Family Intervention Team	33,319	66,600
Social Worker - First Contact Team	37,004	65,925
Social Worker - First Contact Team	56,720	66,600
Social Worker - Hospital Social Worker Team	48,438	60,384
Social Worker - Mental Health Services	51,247	62,160
Social Worker - South Locality Team	3,972	60,384
Social Worker - Family Intervention Team	4,362	65,925
Social Worker - Permanency Team	19,780	71,040
Social Worker - Family Intervention Team	26,504	65,925
Social Worker - Permanency Team	9,431	75,924
Social Worker - Permanency Team	1,080	79,920
Social Worker - First Contact Team	27,354	65,712
Social Worker - Family Intervention Team	24,732	65,712
Social Worker - First Contact Team	23,719	65,712
Social Worker - First Contact Team	14,205	71,040
Social Worker - First Contact Team	32,309	65,712
Social Worker - First Contact Team	42,750	65,357
Social Worker - First Contact Team	14,144	65,357
Social Worker - First Contact Team	17,058	79,920
Social Worker - First Contact Team	16,722	79,920
Social Worker - Children's Safeguarding	114	71,040
Social Worker - Crisis Intervention Team	38,705	75,538
Social Worker - First Contact Team	19,125	75,064
Social Worker - Permanency Team	28,330	71,468
Social Worker - Permanency Team	42,229	69,508
Social Worker - PDSI and Mental Health Services	20,222	69,400
Social Worker - Locality Team	26,763	65,290
Social Worker - First Contact Team	5,961	64,949
Social Worker - Children's Integrated Disability Service	63,213	63,213
Learning Disabilities Programme Manager	8,696	68,340
Environmental Health Officer	40,800	95,904
Environmental Health Officer	8,860	83,472
Environmental Health Officer	13,665	83,472
Environmental Health Officer	4,290	83,472
Strategic Housing & Regeneration Programme Delivery Manager	10,916	60,775
Strategic Housing & Regeneration Programme Delivery Manager	51,757	73,478
Solicitor - Commercial Property	15,347	96,828
Solicitor - Children's & Safeguarding	21,525	113,860
Solicitor - Planning	4,245	89,475
Solicitor - Childcare	15,557	61,396
Solicitor - Education	17,470	94,163
Solicitor - Adult Social Care	29,511	61,661
Primary Learning Advisor for School Improvement	52,916	66,145
Post 16 Learning Advisor	30,023	60,455
<b>Total</b>	<b>1,135,704</b>	

\*Council Employee from Sept 21

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 2021/22**

**TABLE 3 - PAYMENTS TO CONSULTANTS AND NON-PERMANENT POSTS 2021/22**

Portfolio	Description	Actual cost incurred	Theoretical annual costs
		£	£
HRA	Project Managing the Dynamic Resource Scheduling System in Repairs	21,313	132,000
<b>Total</b>		<b>21,313</b>	

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

<b>Date of Meeting</b>	Wednesday, 27 <sup>th</sup> July 2022
<b>Report Subject</b>	Treasury Management Annual Report 2021/22 and Treasury Management Update Q1 2022/23
<b>Report Author</b>	Corporate Finance Manager

### EXECUTIVE SUMMARY

A schedule for the reporting cycle for Treasury Management reports in 2022/23 is attached as Appendix 1 for information.

The draft Treasury Management Annual Report for 2021/22 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 2022/23.

### RECOMMENDATIONS

1	Members review the draft Treasury Management Annual Report 2021/22 and identify any matters to be drawn to the attention of Cabinet at its meeting in September.
2	Members review the Treasury Management 2022/23 first quarter update.

## **REPORT DETAILS**

<b>1.00</b>	<b>EXPLAINING THE ANNUAL REPORT AND QUARTER 1 UPDATE</b>
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 16 <sup>th</sup> February 2021, the Council approved the Treasury Management Strategy 2021/22, following the recommendation of the Cabinet and consideration by the Audit Committee.
1.03	On 15 <sup>th</sup> February 2022, the Council approved the Treasury Management Strategy 2022/23, following the recommendation of the Cabinet and consideration by the Governance and Audit Committee.
	<b><u>CONSIDERATIONS</u></b>
1.04	<p><u>Governance</u></p> <p>A schedule for the reporting cycle for Treasury Management reports in 2022/23 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.</p>
1.05	<p>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 2022. 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.</p> <p>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.</p>
	<b><u>Treasury Management Annual Report 2021/22</u></b>
1.06	The draft Treasury Management Annual Report for 2021/22 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	<p><u>Summary of Key Points</u></p> <p>The continuing economic recovery from the coronavirus pandemic, the war in Ukraine, higher inflation, and higher interest rates were all major issues over the period.</p>

	<p>The Bank Rate was 0.1% at the beginning of the reporting period. The beginning of the year saw the economy gathering momentum as pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022, however, rapidly rising inflation has now disrupted that projection.</p> <p>Section 2 of the report provides a full economic and interest rate review for 2021/22.</p>
1.08	<p>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 0.07%. Section 4 provides further details of the Council's investment activity during the year.</p>
1.09	<p>Public Works Loan Board (PWLB) long term rates remained low during 2021/22 and a total of £10.582m PWLB loans were taken out during the year. Of these, £0.582m 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.</p>
1.10	<p>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.</p>
1.11	<p>The treasury function operated within the limits detailed in the Treasury Management Strategy 2021/22.</p>
	<p><b>Treasury Management 2022/23 – Quarter 1 update</b></p>
	<p><u>Investments Update</u></p>
1.12	<p>A statement setting out the Council's investments as at 30<sup>th</sup> June 2022 is attached at Appendix 3. The investment balance at this date was £41.6m spread across 12 counterparties with an average interest receivable of 1.06%.</p>
	<p><u>Borrowing Update</u></p>
1.13	<p>Appendix 4 shows the Council's long term borrowing as at 30<sup>th</sup> June 2022. The total amount of loans outstanding was £293.9m with an average interest rate payable of 4.54%.</p>
1.14	<p>Appendix 5 shows the Council's short term borrowing as at 30<sup>th</sup> June 2022. The total amount of loans outstanding was £5m with an average interest rate payable of 0.16%.</p>
1.15	<p>As has been reported previously, the borrowing strategy throughout 2021/22 and into 2022/23 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 unnecessarily which will be costly. Short term borrowing is available at</p>

	much lower rates and is currently being utilised as far as possible without taking on excessive refinancing risk.
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<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
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2.01	Financial implications are addressed in the report.
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<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
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3.01	Arlingclose Ltd, being the Council's treasury management advisors.
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<b>4.00</b>	<b>RISK MANAGEMENT</b>
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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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<b>5.00</b>	<b>APPENDICES</b>
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5.01	<ol style="list-style-type: none"> <li>1. Treasury Management Reporting Cycle 2022/23</li> <li>2. Draft Treasury Management Annual Report 2021/22</li> <li>3. Investment Portfolio as at 30 June 2022</li> <li>4. Long term borrowing as at 30 June 2022</li> <li>5. Short term borrowing as at 30 June 2022</li> </ol>
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<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
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6.01	None
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<b>7.00</b>	<b>CONTACT OFFICER DETAILS</b>
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7.01	<b>Contact Officer:</b> Chris Taylor – Strategic Finance Manager <b>Telephone:</b> 01352 703309 <b>E-mail:</b> <a href="mailto:christopher.taylor@flintshire.gov.uk">christopher.taylor@flintshire.gov.uk</a>
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<b>8.00</b>	<b>GLOSSARY OF TERMS</b>
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7.01	<b>Authorised Limit:</b> A statutory limit that sets the maximum level of external debt for the Council.
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**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.

**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".

**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 2022/23**

<b>Committee Report</b>	<b>Purpose</b>	<b>Governance &amp; Audit Committee</b>	<b>Informal Cabinet</b>	<b>Cabinet</b>	<b>Council</b>
<b>2021/22 Final Outturn &amp; Q1 2022/23 Update</b>	Information & Policy Change	27-Jul-22	06-Sep-22	20-Sep-22	18-Oct-22
<b>Mid Year Review 2022/23 &amp; Q2 2022/23 Update</b>	Information & Policy Change	30-Nov-22	06-Dec-22	20-Dec-22	24-Jan-23
<b>2023/24 Strategy &amp; Q3 2022/23 Update</b>	Information & Policy Change	25-Jan-23	31-Jan-23	14-Feb-23	14-Feb-23
<b>Q4 2022/23 Update</b>	Information	22-Mar-23			

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# **FLINTSHIRE COUNTY COUNCIL**

## **TREASURY MANAGEMENT**

DRAFT

**ANNUAL REPORT 2021/22**

## **1.00 INTRODUCTION**

The Council approved the Treasury Management Strategy 2021/22 (the Strategy) including key indicators, limits and an annual investment strategy on 16<sup>th</sup> February 2021.

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 2021/22 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 2021/22**

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

### **2.01 Economic background**

The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% y/y from 4.4%.

The government's jobs furlough scheme insulated the labour market from the

worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9%, while the employment rate rose to 75.6%. Headline 3-month average annual growth rates for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

With the fading of lockdown – and, briefly, the ‘pingdemic’ – restraints, activity in consumer-facing sectors improved substantially, as did sectors such as oil and mining with the reopening of oil rigs, but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England hiked it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% y/y in March, well above the European Central Bank’s target of ‘below, but close to 2%’, putting further pressure on its long-term stance of holding its main interest rate of 0%.

The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp increase from a gain of 2.3% in the previous quarter. In its

March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined that further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

## **2.02 Financial markets**

The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period, while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10 year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

## **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 14<sup>th</sup> May 2021.

### **3.02 Borrowing Activity in 2021/22.**

The total long term borrowing outstanding, brought forward into 2021/22 was £289.02 million.

	<b>Balance 01/04/2021 £m</b>	<b>Debt Maturing £m</b>	<b>New Debt £m</b>	<b>Balance 31/03/2022 £m</b>
<b>Capital Financing Requirement</b>	<b>351.7</b>	<b>(6.1)</b>	<b>7.0</b>	<b>352.6</b>
<b>Short Term Borrowing</b>	<b>58.0</b>	<b>(58.0)</b>	<b>10.0</b>	<b>10.0</b>
<b>Long Term Borrowing</b>	<b>289.0</b>	<b>(5.1)</b>	<b>10.7</b>	<b>294.6</b>
<b>TOTAL BORROWING</b>	<b>347.0</b>	<b>(63.1)</b>	<b>20.7</b>	<b>304.6</b>
<b>Other Long Term Liabilities</b>	<b>3.9</b>	<b>(0.6)</b>	<b>0.0</b>	<b>3.3</b>
<b>TOTAL EXTERNAL DEBT</b>	<b>350.9</b>	<b>(63.7)</b>	<b>20.7</b>	<b>307.9</b>
<b>Increase/(Decrease in Borrowing (£m))</b>	<b>-</b>	<b>-</b>	<b>(43.0)</b>	

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 31<sup>st</sup> March 2022 was £10m with an average rate of 0.16%.

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:

<b>Start Date</b>	<b>Maturity Date</b>	<b>Amount</b>	<b>Rate</b>	<b>Loan Type</b>
30 Apr 2021	30 Apr 2061	£0.582m	2.15%	Annuity
28 Jan 2022	28 Jan 2044	£10.0m	2.07%	EIP

The loan for £0.582m has been lent on to NEW Homes, the Council's wholly owned subsidiary, to fund the building of affordable homes in Flintshire.

At 31<sup>st</sup> March 2022, £270.9m of the Council's loans were in the form of fixed rate with the PWLB, £18.95m were variable rate in the form of LOBOs (Lender Option Borrower Option) and £4.8m were interest free loans from the Government, available for specific schemes. The Council's average rate for long term borrowing was 4.52%.

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31<sup>st</sup> March 2022 was £352.6. The Council's total external debt was £307.9m.

### **3.03 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.

### **3.04 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).

### **3.05 Revised CIPFA Codes, Updated PWLB Lending Facility Guidance**

In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility, with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance



existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. The Councils changes are to be included in the 2023/24 financial year. However, the view is that we are largely compliant with the revised Code.

To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. The Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cash flow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The Treasury Management Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

The Council will follow the same process as the Prudential Code.

## 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 2021/22

#### Summary of investments as at 31<sup>st</sup> March 2022.

Country	Total	<1 month	1 –12 months	>12 months
	£m	%	£m	£m
UK BANKS	3.8	3.8		
UK BUILDING SOCIETIES				
OVERSEAS				
MMF's	26.7	26.7		
LOCAL AUTHORITIES	3.0	3.0		
DMO	16.7	11.7	5.0	
<b><u>TOTAL</u></b>	<b>50.2</b>	<b>45.2</b>	<b>5.0</b>	<b>0.0</b>

The investment for £5m was classified as a short term investment in the Council's Balance Sheet. The remainder of the investments had maturities of less than 3 months, so were classified as cash.

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 2021/22. 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 operate, 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 2021/22 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and

Moody's.

#### **4.04 Counterparty Update**

In the first half of 2021-22, credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September, spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting, but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Authority's counterparty list to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

Fitch also revised the outlook for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable. The agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

Having completed its full review of its credit advice on unsecured deposits, in September Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

#### **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 increased from 0.10% to 0.25% in December 2021, to 0.50% in February 2022 and to 0.75% in March 2022. Short term money market rates 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 £10k. The average investment balance was £42.2m during the period and interest earned was £29.1k, at an average interest rate of 0.07%.

#### **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. They are classed as capital expenditure.

#### **5.00 COMPLIANCE**

The Council can confirm that it has complied with its Prudential Indicators for 2021/22. These were approved by Council as part of the Treasury Management Strategy on 16<sup>th</sup> February 2021.

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 2021/22. 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 2021/22.

#### **6.00 OTHER ITEMS**

The following were the main treasury activities during 2021/22

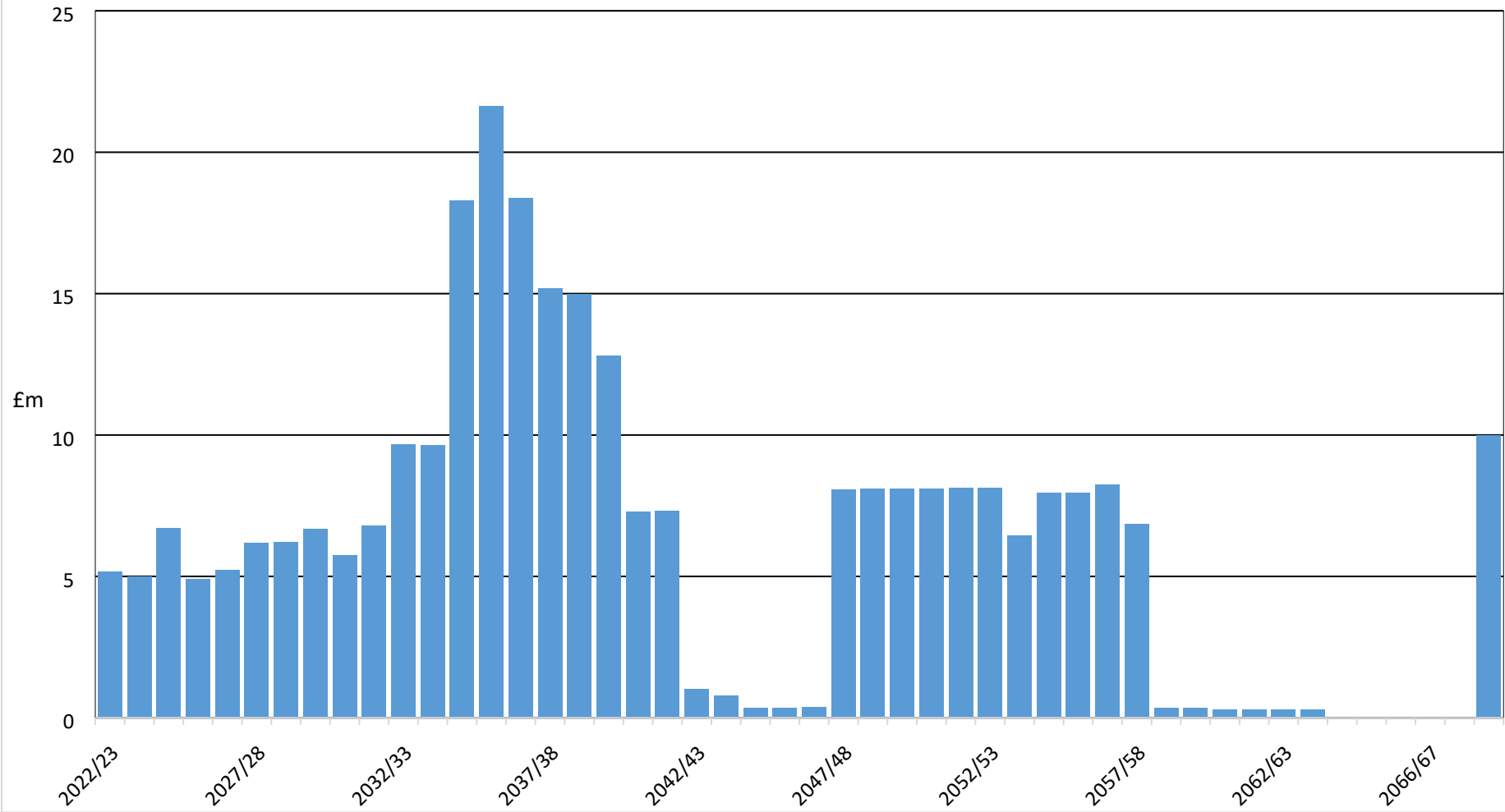
- The Council's Governance and Audit Committee received a Mid-Year Report on 17<sup>th</sup> November 2021.
- Quarterly update reports were presented to the Governance and Audit Committee.
- The 2022/23 Investment Strategy Statement was approved by Council on 15<sup>th</sup> February 2022.
- The Council's 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 £68.1m and the maximum long-term borrowing at any one time was £296.3m.

## **7.00 CONCLUSION**

The treasury management function has operated within the statutory and local limits detailed in the 2021/22 Treasury Management Strategy.

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

### Debt Maturity Profile - Mar 2022



**FLINTSHIRE COUNTY COUNCIL - INVESTMENT PORTFOLIO**

At 30th June 2022

APPENDIX 3

Counterparty Name	Amount Invested £m	Start Date	Maturity Date	Interest Rate	Investment Interest £	Type of Investment	Period to Maturity
NATIONAL WESTMINSTER BANK	1.0	01/04/22	31/07/22	0.01%	33	UK BANK	1 month or less
<b>NATIONAL WESTMINSTER BANK</b>	<b>1.0</b>						
DEBT MANAGEMENT OFFICE	5.0	06/06/22	06/12/22	1.35%	33,842	UK GVT	3 months +
DEBT MANAGEMENT OFFICE	2.9	29/06/22	11/07/22	1.05%	1,001	UK GVT	1 month or less
<b>DEBT MANAGEMENT OFFICE</b>	<b>7.9</b>						
CRAVEN COUNCIL	2.5	27/06/22	12/07/22	1.80%	1,849	LA	1 month or less
<b>CRAVEN COUNCIL</b>	<b>2.5</b>						
THURROCK COUNCIL	1.0	09/06/22	28/07/22	1.08%	1,450	LA	1 month or less
<b>THURROCK COUNCIL</b>	<b>1.0</b>						
ABERDEEN LIQUIDITY FUND	4.0	01/04/22	31/07/22	1.07%	14,188	MMF	1 month or less
<b>ABERDEEN LIQUIDITY FUND</b>	<b>4.0</b>						
AVIVA INVESTORS	4.0	01/04/22	31/07/22	1.12%	14,852	MMF	1 month or less
<b>AVIVA INVESTORS</b>	<b>4.0</b>						
BNP PARIBAS SECURITIES SVCS	4.0	01/04/22	31/07/22	1.19%	15,780	MMF	1 month or less
<b>BNP PARIBAS SECURITIES SVCS</b>	<b>4.0</b>						
CCLA PUBLIC SECTOR DEPOSIT	1.2	01/04/22	31/07/22	1.04%	4,137	MMF	1 month or less
<b>CCLA PUBLIC SECTOR DEPOSIT</b>	<b>1.2</b>						
HSBC ESG FUND	4.0	25/05/22	31/07/22	1.03%	7,563	MMF	1 month or less
<b>HSBC ESG FUND</b>	<b>4.0</b>						
INSIGHT	4.0	01/04/22	31/07/22	1.13%	14,984	MMF	1 month or less
<b>INSIGHT</b>	<b>4.0</b>						
INVESCO	4.0	01/04/22	31/07/22	1.05%	13,923	MMF	1 month or less
<b>INVESCO</b>	<b>4.0</b>						
MORGAN STANLEY	4.0	01/04/22	31/07/22	0.27%	3,580	MMF	1 month or less
<b>MORGAN STANLEY</b>	<b>4.0</b>						
<b>TOTAL</b>	<b>41.6</b>			<b>1.06%</b>	<b>127,183</b>		
<b>PREVIOUS REPORTS TOTALS (28th February 2022)</b>	<b>34.4</b>			<b>0.23%</b>	<b>42,421</b>		
<b>PREVIOUS YEARS REPORTS TOTALS (30th June 2021)</b>	<b>27.0</b>			<b>0.02%</b>	<b>854</b>		

**FLINTSHIRE COUNTY COUNCIL - INVESTMENTS SUMMARISED BY TYPE & MATURITY**

**At 30th June 2022**

**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)	7.9	19%	2.9		5	
UK Bank	1.0	2%	1.0			
UK Building Society (UK BS)	0.0	0%				
Overseas	0.0	0%				
Local Authorities	3.5	8%	3.5			
CD's	0.0	0%				
T-Bills	0.0	0%				
Money Market Funds (MMF)	29.2	70%	29.2			
<b>Total (£)</b>	<b>41.6</b>		<b>36.6</b>	<b>0.0</b>	<b>5.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>88%</b>	<b>0%</b>	<b>12%</b>	<b>0%</b>



FLINTSHIRE COUNTY COUNCIL - LONG TERM BORROWING ANALYSIS

At 30th June 2022

APPENDIX 4

Loan Start Date	Principal Loan Outstanding £	Interest Rate %	Annual Interest £	Loan Maturity Date
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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
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	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
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
<b>Total</b>	<b>227,720,395</b>	<b>5.10</b>	<b>11,625,040</b>	

PWLB Fixed Rate Annuity Loans				
06/12/18	7,220,715	2.79	201,458	06/01/63
07/01/20	568,597	3.06	17,399	07/01/60
30/03/20	285,875	2.65	7,576	30/03/60
30/03/20	1,039,750	2.65	27,553	30/03/60
02/11/20	1,371,178	2.55	35,006	02/11/57
09/02/21	2,503,373	1.79	44,810	09/02/58
30/04/21	572,885	2.15	12,317	30/04/61
	<b>13,562,373</b>	<b>2.55</b>	<b>346,120</b>	

PWLB Fixed Rate Equal Instalment of Principal Loans				
01/04/19	8,000,000	1.65	162,250	01/04/34
13/08/19	6,458,333	1.28	82,667	13/08/37
16/12/20	4,659,091	1.16	54,045	16/12/42
28/01/22	10,000,000	2.07	207,000	28/01/44
	<b>29,117,424</b>	<b>1.74</b>	<b>505,962</b>	

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
<b>Total</b>	<b>18,950,000</b>	<b>4.53</b>	<b>858,095</b>	

Other Government Loans				
21/09/17	37,087	0.00	0.00	01/04/22
19/12/17	267,718	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	15,375	0.00	0.00	01/10/22
27/03/19	1,035,276	0.00	0.00	01/04/29
05/05/20	461,500	0.00	0.00	31/03/26
09/07/21	103,000	0.00	0.00	31/03/29
18/01/22	60,092	0.00	0.00	01/10/25
04/04/22	43,000	0.00	0.00	01/10/25
	<b>4,612,176</b>	<b>0</b>	<b>0</b>	

Totals				
Fixed Rate	270,400,193		12,477,122	
LOBOs	18,950,000		858,095	
Other	4,612,176		0	
<b>Grand Total</b>	<b>293,962,368</b>	<b>4.54</b>	<b>13,335,217</b>	

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**FLINTSHIRE COUNTY COUNCIL - SHORT TERM BORROWING**

**At 30th June 2022**

**APPENDIX 5**

<b>Counterparty Name</b>	<b>Amount Borrowed £m</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Interest due £</b>	<b>Brokerage due £</b>	<b>Period to Maturity</b>
WEST MIDLANDS COMBINED AUTHORITY	5.0	10/03/22	11/07/22	0.16%	2,696	1,348	1 month or less
<b>WEST MIDLANDS COMBINED AUTHORITY</b>	<b>5.0</b>						
<b>TOTAL</b>	<b>5.0</b>			<b>0.16%</b>	<b>2,696</b>	<b>1,348</b>	
<b>PREVIOUS REPORTS TOTALS (28th February 2022)</b>	<b>5.0</b>			<b>0.01%</b>	<b>93</b>	<b>652</b>	
<b>PREVIOUS YEARS REPORTS TOTALS (30th June 2021)</b>	<b>34.0</b>			<b>0.04%</b>	<b>5,230</b>	<b>6,513</b>	

**SHORT TERM BORROWING SUMMARISED BY TYPE & MATURITY**

**At 30th June 2022**

**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	5.0	100%	5.0			
<b>Total (£)</b>	<b>5.0</b>		<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total (%)</b>		<b>100%</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>